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Comptroller of the Currency  
Administrator of National Banks

**SMALL BANK**

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## **PUBLIC DISCLOSURE**

**July 3, 2006**

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Blue Ridge Bank, N.A.  
Charter Number 22984**

**213 North Locust Street  
Floyd, VA 24091**

**Comptroller of the Currency  
Virginia Field Office  
3800 Electric Road, Suite 204  
Roanoke, VA 24018**

**NOTE: This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.**

## **INSTITUTION'S CRA RATING: This institution is rated Satisfactory.**

The major facts that support this rating include:

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the bank's size, financial condition, and assessment area (AA) credit needs.
- The bank made a substantial majority of its loans within its AAs.
- The distribution of borrowers reflects, given the demographics of the AAs, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- A substantial majority of the small loans to businesses were for amounts less than \$100,000.
- The geographic distribution of loans reflects reasonable dispersion throughout the AAs.

## **DESCRIPTION OF INSTITUTION**

Blue Ridge Bank, N.A. (BRB) is a \$255 million intrastate bank headquartered in Floyd, Virginia (VA). The bank is not owned by a holding company. BRB offers basic deposit and lending products and serves the cities of Bristol, Norton, and Radford, and the counties of Floyd, Montgomery, Pulaski, Russell, Tazewell, Washington, Wise, and Wythe in southwestern VA. The city of Bristol and Washington County make up the Bristol, VA metropolitan statistical area (MSA) 14980 (Bristol AA). The city of Radford and the counties of Pulaski and Montgomery are part of the Blacksburg-Christiansburg-Radford VA MSA 13980 (Blacksburg AA). The remaining counties and the city of Norton are non-MSA geographies.

BRB's performance under the CRA will be determined using small bank examination procedures. The small bank examination rating is based on an analysis of loans originated during the evaluation period in a selected AA. BRB will be evaluated based on their performance in the Blacksburg AA. Refer to the Description of Assessment Areas for additional information.

Five branch offices were opened during the evaluation period; one in Pulaski county (April 2004), two in Tazewell county (June 2005), and two in Washington county (November 2003, February 2005). All five branches are located in middle-income geographies.

BRB's business strategy focuses on loans to businesses, residential mortgage loans, and consumer loans. As of March 31, 2006, loans to businesses, including loans secured by non-farm non-residential property, represented approximately 53.4%, residential mortgages 12.6%, and loans to individuals 6.9% of total loans outstanding. For purposes of this evaluation, we considered loans to businesses and residential mortgage loans as primary products based on the volume of originations and balances outstanding. Loans to individuals are a primary product in terms of volume, but not dollars outstanding.

The evaluation period for the Lending Test is January 1, 2004 through March 31, 2006. We reviewed all home mortgage loans originated and reported under the Home Mortgage Disclosure Act (HMDA) for calendar years 2004 and 2005, and the first quarter of 2006. We also reviewed a sample of 76 small loans to businesses originated during calendar years 2004 and 2005, and the first quarter of 2006. Loans were selected in accordance with OCC sampling guidelines from lists provided by BRB.

As of March 31, 2006, Tier 1 capital was \$20.2 million, Tier 1 risk-based capital to risk weighted assets equaled 12.9%, and Tier 1 leverage capital equaled 8%.

There are no legal, financial or other factors impeding BRB's ability to help meet the credit needs in its AAs. BRB received a "Satisfactory" rating on its August 2002 CRA Performance evaluation.

## **DESCRIPTION OF ASSESSMENT AREAS**

BRB operates 14 bank branches in five AAs in VA, two of which are MSAs described earlier. Five branches are located in the Blacksburg AA, three in the Bristol AA, and six in non-MSA areas.

As of June 30, 2005, BRB had deposits of \$233 thousand, which represented less than a 1% deposit market share in the state of VA. BRB ranked 70th out of 169 financial institutions operating in the state. In the Blacksburg AA, BRB ranked 7<sup>th</sup> out of 11 financial institutions and held a 6.1% market share. BRB's primary competitors in the Blacksburg AA are First National Bank, The National Bank of Blacksburg, and Wachovia Bank, N.A.

The Blacksburg AA is located in the southwestern part of Virginia known as the New River Valley and lies between the Appalachian Plateau and Blue Ridge Mountains. The area population determined by the 2000 US Census is 134,615. Blacksburg is the largest town in Virginia and home of the Commonwealth's largest university, Virginia Tech. The University's presence has contributed to a large variety of cultural events and fostered economic development in the area. The area is typically characterized by a good quality of life, good labor workforce, and strong educational opportunities.

The AA's largest industries are centered in retail, manufacturing, and healthcare, and the unemployment rate of 2.8% is well below the state and national rates of 3.3% and 5.0% respectively. Although the estimated poverty rate is 21%, the number is significantly impacted by the number of unemployed resident college students. For example, persons age 18-24 make-up over 24% of the total population in the Blacksburg AA. The same age group accounts for 10% of the total population in Virginia.

We discussed credit and community development needs with one organization that serves the Blacksburg AA. We also reviewed information from a prior, but recent, community contact in the AA. One organization is heavily involved in economic development. The other focuses on affordable housing. Both organizations have worked with banks in the AA. Neither knew of any unmet credit needs.

## CONCLUSIONS ABOUT PERFORMANCE CRITERIA

In evaluating performance under the Lending Test and determining how each loan type would be weighted, we considered BRB's business strategy, the volume of originations, and community credit needs identified through discussions with community contacts. Small loans to businesses and HMDA loan types combined received equal weight in the evaluation process.

### Lending Test

BRB's performance in VA is rated **Satisfactory**. Based on a full-scope review, BRB's performance in the Blacksburg, VA AA is reasonable.

### Loan-to-Deposit Ratio

BRB's average loan-to-deposit ratio is reasonable compared to similarly situated competitors. The bank's quarterly average loan-to-deposit ratio since the last CRA examination is 63%. This ratio is near that of similarly situated banks in the BRB AAs (69%). A review of bank data reveals that BRB is similarly situated to the Bank of Floyd, Bank of Marion, Grundy National Bank, Powell Valley National Bank, and The Trupoint Bank. These institutions are similar in asset size, offer similar credit products, operate in at least one of the same assessment areas as BRB, and are considered small banks under CRA guidelines.

### Lending in Assessment Area

A substantial majority of loans and other lending related activities were inside the bank's AAs. For the evaluation period, 91% of total loans, 86% of business loans sampled and 94% of home mortgage loans originated, were made inside the bank's AAs. There were no conspicuous gaps in the bank's lending patterns.

<b>Table 1 - Lending Bank-wide</b>										
Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Loans to businesses	65	85.53	11	14.47	76	2,235	82.66	469	17.34	2,704
HMDA Loans	153	93.87	10	6.13	163	10,071	95.30	497	4.70	10,568
<b>Totals</b>	<b>218</b>	<b>91.21</b>	<b>21</b>	<b>8.79</b>	<b>239</b>	<b>12,306</b>	<b>92.72</b>	<b>966</b>	<b>7.28</b>	<b>13,272</b>

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The distribution of borrowers reflects, given the demographics of the AA, reasonable penetration among individuals of different income levels and businesses of different sizes. The distribution of HMDA loans is reasonable. The distribution of loans to businesses that are small (those with less than \$1 million in gross annual revenues) is excellent.

<b>Table 2 - Borrower Distribution of Residential Real Estate Loans in the Blacksburg VA AA</b>								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home purchase – 13 loans	20.32	7.69	17.24	7.69	22.78	23.08	39.66	61.54
Home improvement – 12 loans	20.32	16.67	17.24	50.00	22.78	16.67	39.66	16.67
Home refinance – 17 loans	20.32	0.00	17.24	23.53	22.78	29.41	39.66	47.06
<b>Total HMDA</b>	<b>20.32</b>	<b>7.14</b>	<b>17.24</b>	<b>26.19</b>	<b>22.78</b>	<b>23.81</b>	<b>39.66</b>	<b>42.86</b>

<b>Table 2A - Borrower Distribution of Loans to Businesses in the Blacksburg VA AA</b>				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	60.89	5.15	33.96	100.00
% of Bank Loans in AA by #	68.75	0.00	31.25	100.00
% of Bank Loans in AA by \$	70.43	0.00	29.57	100.00

A substantial majority of the small loans to businesses were for amounts less than \$100 thousand.

<b>Table 2C - Borrower Distribution of Loans to Businesses by Loan Size in the Blacksburg VA AA</b>				
Loan Size (000's)	Number of Loans	Percent of Number	Dollar Volume of Loans (000s)	Percent of Dollar Volume
\$0 - \$100,000	31	96.88	821	86.41
\$100,001 - \$250,000	1	3.12	129	13.59
\$250,001 - \$1,000,000	0	0.00	0.00	0.00

### **Geographic Distribution of Loans**

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The distribution of HMDA loans is reasonable. The distribution of small loans to businesses is reasonable. Although the bank made no loans in the moderate-income geography, opportunities to lend are limited and competition is strong. Additionally, the branch that serves the moderate-income geography opened in April 2004, four months after the evaluation period for this examination began.

<b>Table 3 - Geographic Distribution of Residential Real Estate Loans in the Blacksburg VA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home purchase – 13 loans	0.00	0.00	5.76	0.00	84.43	100.00	9.81	0.00
Home improvement – 12 loans	0.00	0.00	5.76	0.00	84.43	100.00	9.81	0.00
Home refinance – 17 loans	0.00	0.00	5.76	0.00	84.43	94.12	9.81	5.88
<b>Total HMDA</b>	<b>0.00</b>	<b>0.00</b>	<b>5.76</b>	<b>0.00</b>	<b>84.43</b>	<b>97.62</b>	<b>9.81</b>	<b>2.38</b>

<b>Table 3A - Geographic Distribution of Loans to Businesses in the Blacksburg, VA AA</b>								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
Business	0.00	0.00	1.61	0.00	90.57	91.67	7.82	8.33

### **Responses to Complaints**

There were no complaints regarding the bank’s CRA performance during the evaluation period.

### **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminating or other illegal credit practices inconsistent with helping to meet community credit needs.