



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

July 07, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

River Community Bank, National Association
Charter Number 23903

730 East Church Street, Suite 31
Martinsville, VA 24112

Office of the Comptroller of the Currency

Virginia Field Office
3800 Electric Road, Suite 204
Roanoke, VA 24018-0503

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 rating is based on the following:

- River Community Bank, N.A.'s loan-to-deposit (LTD) ratio is reasonable.
- A majority of loans was originated inside the bank's assessment areas (AAs).
- Borrower distribution reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.
- RCB's geographic distribution of loans reflects excellent penetration in comparison to the distribution of owner-occupied residential real estate and business units within the AA.

DESCRIPTION OF INSTITUTION

River Community Bank, N.A. (RCB) is located in Martinsville, Virginia, and is part of a one bank holding company; River Bancorp, Inc. (RBI). RBI has one other subsidiary, Medallion Mortgage. Medallion has total assets of \$441 million as of June 30, 2008 and is located in Greensboro, NC. Medallion's primary business is wholesale and retail mortgage lending. Medallion's lending activity was not considered in this evaluation of RCB.

RCB has total assets as of March 31, 2008 of \$80 million. RCB operates one main office, three branches, and a loan production office. The main office is located at 730 E. Church Street in the City of Martinsville in the Patrick Henry Mall. This location opened in July 2000. The branches are located in Bassett, Stuart, and Drakes Branch, Virginia, and opened in December 2000, August 2001, and June 2006 respectively. The loan production office is located in Danville, Virginia.

This is the bank's second CRA evaluation since inception. The initial evaluation, dated January 6, 2003, rated CRA as Satisfactory.

There are no legal impediments to RCB's ability to meet the credit needs of its assessment area. RCB offers a variety of banking products including numerous types of deposit accounts and loan products for both consumers and businesses.

RCB's hours of operation include lobby and drive-thru hours until 5:00pm Monday through Friday, and Saturday drive-thru hours from 8:30am to 12:00pm.

As of March 30, 2008, loans comprised 76.5% of RCB's total assets of \$80 million. The bank's primary loan products are commercial and small business loans, and residential real estate loans. This is in line with the bank's strategic plan. We identified these products by using the bank's report of loans by code and the Uniform Bank Performance Report (March 31, 2008).

The bank's loan portfolio is divided as follows:

Product Category	Gross Loans as of March 31, 2008	
	Dollars (in millions)	Percent
Other Real Estate Loans	\$ 20,372	32%
1-4 Family Residential	\$ 17,029	27%
Commercial & Industrial	\$ 17,377	27%
Construction & Development	\$ 4,020	6%
Loans to Individuals	\$ 4,064	6%
Agriculture Loans	\$ 418	1%

Our sample considered the bank's primary products - real estate/commercial loans and residential mortgage loans originated between January 1, 2006 and June 30, 2008. Our sample totaled 60 loans that are representative of the bank's business strategy.

DESCRIPTION OF ASSESSMENT AREA

RCB has two AAs, both in the state of Virginia. The bank's primary AA is a non-MSA area comprised of Henry and Patrick Counties and Martinsville City, and is home to three of the bank's four branches. The second AA includes Charlotte and Halifax Counties. Refer to the bank's Public File for information on the Charlotte/Halifax Counties AA. We selected the primary AA for review. Both AAs meet the requirements of the CRA regulation.

RCB's competitors include American National Bank, Fidelity Bank, Carter Bank & Trust and to a lesser extent BB&T and SunTrust banks, all with branches located in the same AA. Only American NB has total assets less than \$1 billion. BB&T and SunTrust are regional banks. Carter Bank is a recent consolidation of ten banks into one with total assets greater than \$1 billion.

To determine the credit needs of the AA, we contacted a representative from the Martinsville-Henry County Economic Development Corporation. The focus of the organization is to create new job opportunities, expand the local tax base, and to support and develop local industry. The contact emphasized that in recent years the area has experienced significant job losses in the textile and furniture industries. As such, the unemployment rate in the area is high and increasing. Economic development activities focus on diversifying the industrial base of the area to help create more jobs. The contact had not received any complaints regarding the general banking and credit needs of the community. The identified primary credit need of the community was loans to assist small business. A number of institutions support the efforts of the Martinsville- Henry County Economic Development Corporation through the affiliation with the Martinsville- Henry County Economic Chamber's Partnership for Economic Growth. RCB is one of the listed institutions.

RCB identified all of Henry County, Patrick County, and the City of Martinsville as one non-MSA assessment area, consisting of 21 census tracts. There are no low- income tracts, three moderate-income tracts (14.29%), 17 middle-income tracts (80.95%), and one upper income

tract (4.76%). The AA's 2000 Census Median Family Income was \$38,037. Within the AA, 20.14% of families are low- income, 19.60% are moderate- income, 23.99% are middle income, and 36.28% are upper income. The AA has a population of 92,753, a median housing value of \$70,272, with 67% owner occupied housing.

Henry County is located in the foothills of the Blue Ridge Mountains in the southwestern part of the state of Virginia. Patrick County borders it to the West, Franklin County to the North, Pittsylvania County to the East, and the state of North Carolina to the South. Two incorporated municipalities are within the county's boundaries, the City of Martinsville and the Town of Ridgeway. Other unincorporated communities within the County include Fieldale, Collinsville, Bassett, Stanleytown, Spencer, Laurel Park, Axton, and Chatmoss. Henry County is 50 minutes or less from five interstates, an international airport, and five metropolitan areas, making the area easily accessible.

The City of Martinsville lies in the center of Henry County. The city is industrialized and produces textiles, chemicals, furniture, and prefabricated housing. Martinsville is also home to NASCAR racing with one of the major racing tracks located just south of town. Census data from 2000 lists the Martinsville population as 15,416.

Patrick County is comprised of 483 square miles located at a juncture of the rolling hills of the Southern Piedmont and the crest of the Blue Ridge Mountains. Patrick County's major city is Stuart. Patrick County's 2000 census information shows a county population of 19,407. Patrick County is surrounded by Henry County to the West, Floyd County to the Northwest, Franklin County to the North, Carroll County to the East, and the state of North Carolina to the South. Major metropolitan cities located nearby include Greensboro, NC (55 miles) and Charlotte, NC (135 miles).

All three areas offer a low cost of living and overall affordable housing. However, all three suffer from depressed economies and high unemployment. The large presence of textile and furniture industries provided most of the jobs in the area. However, these companies moved out of the area, and with the downturn of these industries in recent years, the economy has suffered and resulting are unemployment rates in excess of both the state and national average.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

RCB's performance under the Lending Test is satisfactory.

Loan-to-Deposit Ratio

RCB's average quarterly loan-to-deposit ratio since June 30, 2003 is reasonable at 83.88%.

Within our selected AA, there are no similarly situated banks. There are several established banking institutions operating in the AA; however, none of these institutions are similar to RCB due to their size and branching network. Therefore, this analysis is not meaningful.

Lending in Assessment Area

A majority of the bank’s loans are in the AA. RCB originated 80% of its loans inside the AA.

We statistically selected a sample of 60 loans originated from January 2006 to May 2008. The sample covered the bank’s primary loan products and included 35 residential real estate and 25 business loans. The following table provides a synopsis of the sample results:

Loan Type	Number of Loans					Dollars of Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$
Business Loans	20	80%	5	20%	25	1,145	69%	478	31%	1,623
Mortgage Loans	28	80%	7	20%	35	1,370	69%	627	31%	1,997
Totals	48	80%	12	20%	60	2,515	71%	1,105	29%	3,620

Source: Sample of Loans

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

Borrower distribution reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

Borrower Distribution of Residential Real Estate Loans

RCB’s distribution of residential real estate loans reflects reasonable penetration among borrowers of different income levels. Although the percent of loans to low- and moderate-income borrowers is below the percent of low- and moderate-income families in the AA, opportunities to lend are limited. The area has experienced a loss of jobs and unemployment rates higher than the state average. As of May 2008, the state unemployment rate was 3.8 percent. Projected unemployment rates for the same period were 5.7 percent for Patrick County, 10.5 percent for Martinsville City, and 7.5 percent for Henry Co. Refer to Table 2 below.

Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Mortgage Loans	20.14%	16.00%	19.60%	12.00%	23.99%	40.00%	36.28%	32.00%

Source: 2000 U. S. Census data, loan sample

Borrower Distribution of Loans to Businesses

Borrower distribution reflects excellent penetration among loans to small businesses (businesses with less than \$1 million in gross annual revenues). The percentage of loans to businesses with revenues less than \$1 million equaled 90%. This ratio exceeds the percentage of small businesses (68%) in the assessment area. This figure parallels the initiative within the assessment area to stimulate the local economy by supporting the credit needs of small businesses. Refer to Table 2A below.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	67.58%	4.82%	27.60%	100%
% Bank Loans in AA by #	90.00%	5.00%	5.00%	100%
% Bank Loans in AA by \$	93.00%	6.00%	1.00%	100%

Source: 2000 U. S. Census data; loan sample

Geographic Distribution of Loans

RCB’s geographic distribution of loans reflects excellent penetration in comparison to the geographical distribution of owner- occupied residential real estate and business units within the AA. No conspicuous gaps or areas of low penetration were noted.

Geographic Distribution of Residential Real Estate

The distribution of residential real estate loans reflects excellent dispersion among geographies of different income levels compared to the percent of owner-occupied units in those geographies. Refer to Table 3 below.

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% Number of Loans	% of AA Owner Occupied Housing	% Number of Loans	% of AA Owner Occupied Housing	% Number of Loans	% of AA Owner Occupied Housing	% Number of Loans
Residential Real Estate	0.00%	0.00%	7.77%	12.00%	88.26%	84.00%	3.98%	4.00%

Source: 2000 U. S. Census data; loan sample

Geographic Distribution of Loans to Businesses

The distribution of loans to businesses reflects excellent dispersion among geographies of different income levels compared to the percent of business located in those geographies. Refer to Table 3A below.

Table 3A- Geographic Distribution of Loans to Business/ Farms in Henry- Patrick- Martinsville AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses/ Farms	% Number of Loans	% of AA Businesses/ Farms	% Number of Loans	% of AA Businesses/ Farms	% Number of Loans	% of AA Businesses/ Farms	% Number of Loans
Business Loans	0.00%	0.00%	11.14%	20.00%	86.44%	70.00%	2.41%	10.00%

Source: 2000 U. S. Census data; loan sample

Responses to Complaints

The bank received no CRA related complaints since the last CRA evaluation dated January 6, 2003. This has a neutral impact on the CRA rating.

Fair Lending or Other Illegal Credit Practices Review

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