

PUBLIC DISCLOSURE

April 1, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peninsula Trust Bank, Incorporated

05511214

P. O. Box 1310

Gloucester, Virginia

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Peninsula Trust Bank, Incorporated, Gloucester, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of April 1, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio appears reasonable in relation to demand for credit in the assessment area. A majority of loans sampled during the examination were within the assessment area and a significant portion were to low- and moderate-income borrowers. This lending substantially exceeded the percentage of such families in the assessment area. The penetration of loans throughout the market is satisfactory in relation to the institution's branch locations.

The following table indicates the performance level of Peninsula Trust Bank, Incorporated with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Peninsula Trust Bank, Incorporated</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination		

DESCRIPTION OF INSTITUTION

Peninsula Trust Bank, Incorporated, operates four offices in the Eastern portion of Virginia. These offices are located in Gloucester County, Charles City County, the City of Williamsburg, and the City of Newport News (opened June 1995). As of December 31, 1995, the bank had total assets of \$108.3 million, of which 65% were credit extensions. Total assets for the institution have increased 56% since the previous CRA examination. The institution offers a variety of credit and deposit products, including loans for consumer, residential mortgage, and small business purposes. The loan portfolio as of December 31, 1995 was comprised of the following: 42% real estate secured (for consumer and business purposes), 24% consumer, and 34% commercial. Consumer credit secured by motor vehicles is a primary credit product offered by the institution.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes the Cities of Williamsburg and Newport News and the Counties of Gloucester, Matthews, James City, and Charles City, Virginia. The area is in the eastern portion of the Commonwealth. The assessment area, excluding Charles City County, is located within the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA). Charles City County is included in the Richmond MSA. The population for the local community is 261,195 of which 32% are minorities. The local economy is supported by a variety of industries including agriculture, commercial fishing and processing, military, shipbuilding, light manufacturing, and tourism. The local unemployment rates for the assessment area range from 3.9% for Gloucester County to 10.3% for the City of Williamsburg. The high unemployment rate for the City of Williamsburg is the result of the seasonal nature for the area's tourism industry. While the community is experiencing downsizing in the military and shipbuilding industry, the local economy for the area as a whole is considered stable.

There are 57 census tracts or block numbering areas (BNA) within the assessment area, five of which are unpopulated. While 25% of the population resides in low- and moderate-income areas, the majority of the population (58%) live in middle-income neighborhoods. Upper-income areas comprised 17% of the assessment area. A community contact was performed during the examination with a local government official to further assist in evaluating the bank's CRA performance. Information gathered from the contact indicated that local financial institutions appear responsive to community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The current economy of the assessment area suggests a high level of demand for consumer and small business lending. The bank's average loan-to-deposit ratio of 74% for the previous five quarters is considered reasonable given the institution's size, financial condition, and location.

LENDING IN ASSESSMENT AREA

A sample of 147 consumer loans secured by motor vehicles was reviewed to determine the bank's lending within its assessment area. As illustrated below, the majority of the number and dollar amounts of the sampled loans has been provided to residents of the assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	109	38	147
Percentage of Total Loans	74%	26%	100%
Total Amount of Loans (000's)	\$602	\$212	\$814
Percentage of Total Amount	74%	26%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart indicates the distribution of the sampled loans extended within the assessment area by the income level of borrower. The sample of 109 loans indicates that a majority were provided to low- and moderate-income borrowers.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	59	28	16	6	109
Percentage of Total Loans	54%	26%	15%	5%	100%
Total Amount of Loans (000's)	\$223	\$168	\$144	\$66	\$601
Percentage of Total Amount	37%	28%	24%	11%	100%

The volume of lending to low- and moderate-income borrowers (80%) was substantially higher than the percentage of low- and moderate-income families residing within the assessment area. Low- and moderate-income families make up 21% and 19%, respectively, of the population in the community. Middle- and upper-income families make up 24% and 36%, respectively, of the population.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending throughout the assessment area. The following chart illustrates the loan penetration throughout the market for the loans sampled.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper-Income	Total
Total Number of Loans	0	13	94	2	109
Percentage of Total Loans	0%	12%	86%	2%	100%
Total Amount of Loans (000's)	\$0	\$72	\$521	\$8	\$601
Percentage of Total Amount	0%	12%	87%	1%	100%

The high concentration (86%) of lending in middle-income areas is consistent with the population (57%) that resides in such areas within the local community. While none of the sampled loans were originated within low-income neighborhoods, the population residing in such areas represents only 6% of the market. Furthermore, six of the seven populated low-income tracts in the assessment area are situated within the City of Newport News. The bank's one branch office located within City of Newport News has only been open since June 1995. Based on the institution's size and location, the geographic distribution of loans sampled reflects a reasonable dispersion throughout the assessment area.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.