

PUBLIC DISCLOSURE

April 7, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Virginia Bank and Trust Company

05510815

P. O. Box 3447

Danville, Virginia 24543

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 institutions 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 institutions record of meeting the credit needs of its community.

This document is an evaluation of the Community Reinvestment Act (CRA) performance of Virginia Bank and Trust Company, Danville, Virginia, prepared by The Federal Reserve Bank of Richmond, the institutions supervisory agency, as of April 7, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTIONS CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio is considered more than reasonable given its financial capacity, location, and demand for credit in the area. Furthermore, a substantial majority of loans sampled during the examination were extended to borrowers residing within the assessment area. The institution's level of lending to low- and moderate-income residents and the geographic distribution of lending inside the assessment area appear reasonable given area demographics.

The following table indicates the performance level of Virginia Bank and Trust Company with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Virginia Bank and Trust Company</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

Virginia Bank and Trust Company operates five offices located in Pittsylvania County, Virginia. No branches have been opened or closed since the previous evaluation. As of December 31, 1996, the institution had total assets of \$130 million, of which 67% were loans. Various deposit and credit products are available through the institution, including loans for residential mortgage, commercial, consumer, and agricultural purposes. The loan portfolio as of December 31, 1996, was comprised of 27% commercial and industrial loans or credit secured by farmland, nonfarm nonresidential properties or other real estate to be used for construction and land development. Loans secured by one- to four-family residential properties and consumer credit comprised 73% of the portfolio. Based on the number of loans recently extended, consumer loans secured by motor vehicles were identified as the bank's primary loan product. Mortgage loan activity subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) was also reviewed during this evaluation. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes the City of Danville, Virginia, and the following census tracts within Pittsylvania County, Virginia:

101	110
104	111
105	112.98
107	113.98
108.98	114
109	116.97
	116.98

The assessment area, located within the Danville Metropolitan Statistical Area (MSA), consists of 33 census tracts of which eight are considered low-income, seven are moderate-income, 15 are middle-income, and three are upper-income. Only two of the eight low-income areas are populated. A majority of the local population (71%) reside in middle- and upper-income census tracts.

The following table provides assessment area demographics by the income level of families.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	22%	17%	21%	40%	100%

Pittsylvania County, Virginia, is located in the south central region of the Commonwealth just above the state border between Virginia and North Carolina. The population of the City of Danville and the county is 108,711. Manufacturing companies, including textiles and tobacco processing, remain the area's primary industries. The current unemployment rates for Pittsylvania County and the City of Danville are 5.4% and 5.8%, respectively. These rates are slightly higher than the current jobless rate of 4.4% for the Commonwealth. The 1996 median family income for the Danville MSA is \$34,600.

A representative from a local economic development organization was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that the area has experienced steady economic growth over the past several years.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The average loan-to-deposit ratio for the previous six quarters is 76%. This ratio is considered more than reasonable given the institution's size, financial capacity, and current local economic conditions. The average loan-to-deposit ratio for banks headquartered in Metropolitan Statistical Areas of Virginia and of similar asset size to Virginia Bank and Trust Company is 75%.

LENDING IN ASSESSMENT AREA

A sample of 100 consumer loans secured by motor vehicles was reviewed to determine the volume of the institution's lending within the assessment area. The following chart demonstrates the bank's lending activity within its market area by number and dollar amount.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	80	20	100
Percentage of Total Loans	80%	20%	100%
Total Amount of Loans (000's)	\$808	\$291	\$1,099
Percentage of Total Amount	74%	26%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment areas.

One hundred real estate loans totaling \$3.1 million, reported as required by the HMDA, were also reviewed during the evaluation. These credits included home purchase, home improvement, and refinance loans extended during the year. A substantial majority of the number (83%) and dollar amount (87%) of the these extensions were made within the bank's assessment area.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the loans secured by motor vehicles extended within the assessment area by income level of the borrower.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	28	22	15	15	80
Percentage of Total Loans	35%	27%	19%	19%	100%
Total Amount of Loans (000's)	\$153	\$263	\$165	\$227	\$808
Percentage of Total Amount	19%	33%	20%	28%	100%

The volume of loans secured by motor vehicles extended to low- and moderate income residents (62%) is greater than the representation of such families within the assessment area. As previously indicated, low- and moderate-income families comprise 39% of the market population. A review of the bank's mortgage loan activity revealed that 27% of the loans extended in 1996 were to low- and moderate-income residents. Considering the demographics of the assessment area, however, the institutions distribution of lending reflects adequate penetration among individuals of varying income levels.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts within the institution's assessment area. As previously mentioned, the populated portion of the trade area consists primarily of middle- and upper-income geographies. The following chart illustrates the distribution of the sampled motor vehicle loans by income level of geography.

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	1	16	43	20	80
Percentage of Total Loans	1%	20%	54%	25%	100%
Total Amount of Loans (000's)	\$6	\$137	\$405	\$260	\$808
Percentage of Total Amount	1%	17%	50%	32%	100%

Twenty-one percent of the sampled loans were made within low- and moderate-income areas. This percentage is slightly lower than the 29% of the population residing in such areas. Although 1% of these loans was provided in low-income census tracts, only two tracts containing population considered are low-income. Furthermore, these two tracts contain only 1% of the assessment area population. Twenty-five percent of the mortgage loans reviewed were extended in low- and moderate-income areas within Pittsylvania County and the City of Danville. The geographic distribution of loans is reasonable given the local population residing in geographies of various income levels.

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.