

PUBLIC DISCLOSURE

December 15, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Peninsula Trust Bank, Incorporated

05511214

P. O. Box 1310

Gloucester, Virginia 23061

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

<p>NOTE: 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.</p>
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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 CRA performance of Peninsula Trust Bank, Incorporated, Gloucester, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of December 15, 1997. 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 given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were provided to residents of the assessment area, and a significant portion were to low- and moderate-income borrowers. The geographic distribution of loans within the assessment area appears reasonable given the local demographic composition and branch locations.

DESCRIPTION OF INSTITUTION

Peninsula Trust Bank, Incorporated, operates five full-service offices in the eastern portion of Virginia. These branches are located in the City of Williamsburg (1), the City of Newport News (1), Charles City County (1), and Gloucester County (2). As of September 30, 1997, the bank had \$154 million in assets, of which 65% were loans. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The loan portfolio as of September 30, 1997, was comprised of 65% real estate secured (consumer and business), 12% commercial/agricultural, and 23% consumer credit. Based on the number of loans extended during the previous six months, consumer loans secured by motor vehicles were identified as the principal credit product offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREAS

The institution has delineated two assessment areas. The first assessment area encompasses Charles City County, Virginia. According to the 1990 census data, Charles City County has a population of 6,282 and is part of the Richmond-Petersburg Metropolitan Statistical Area (MSA). Three census tracts comprise Charles City County, of which one is designated moderate-income, and two are middle-income. There are no low- or upper-income census tracts located within the county. The demographic composition of Charles City County by family income level is as follows: 30% low-income, 21% moderate-income, 25% middle-income, and 24% upper-income. Thirty-two percent of the population resides in moderate-income census tracts with 68% residing in middle-income tracts. The 1997 median family income for the Richmond-Petersburg MSA is \$50,500.

The second assessment area is considerably larger and contains Gloucester, Mathews, and James City Counties, as well as the Cities of Williamsburg and Newport News. This area is part of the Norfolk-Virginia Beach-Newport News MSA and has a population of 254,913 residents. Fifty-four census tracts or block numbering areas (BNAs) are included in this assessment area of which 12 are low-income, ten are moderate-income, 24 are middle-income, and eight are upper-income. Five of the 12 low-income tracts are unpopulated. The 1997 median family income for the Norfolk MSA is \$43,600.

The following table provides demographics for this assessment area by the income level of families and the percentage of local residents living in tracts/BNAs of varying incomes.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	20%	19%	24%	37%	100%
Percentage of Population Residing in Census Tracts/BNAs by Income Level	6%	19%	57%	18%	100%

The economies of both assessment areas are well diversified with Federal and State Government, retail/wholesale trade, telecommunications, light and heavy manufacturing, and tourism providing local employment opportunities. Although leading local employers such as the military and shipbuilding industries have experienced downsizing in recent years, the area economy remains stable. As of October 1997 the unemployment rates for the counties and cities within the assessment areas ranged from 2.3% in James City County to 4.7% in the City of Newport News. The jobless rate for the Commonwealth for this same period was 3.5%.

A community contact was made recently with a representative from a local economic development organization to further assist in evaluating the bank's CRA performance. The contact indicated that additional commercial credit programs to promote local business expansion would benefit the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

During a six-quarter period ending September 1997, the quarterly average loan-to-deposit ratio for banks headquartered in metropolitan areas of Virginia and of similar asset size to Peninsula Trust Bank, Incorporated, ranged from 72% to 75%. The bank's average loan-to-deposit ratio for the previous six quarters is 75%. The bank's level of lending is considered responsive to area loan demand and meets standards for satisfactory performance.

LENDING IN ASSESSMENT AREA

To determine the volume of lending within the institution's assessment areas, a sample of 149 of the 650 motor vehicle loans extended during the previous six months was reviewed. The lending distribution is represented by the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	118	31	149
Percentage of Total Loans	79%	21%	100%
Total Amount of Loans (000's)	\$894	\$266	\$1,160
Percentage of Total Amount	77%	23%	100%

As illustrated above, a majority of the number and dollar amounts of the sampled loans have been provided to borrowers residing within the assessment areas. In addition, bank records indicate that 1,472 (73%) of the 2,010 total loans extended in 1996 were to residents of the assessment areas. The records further indicate that a majority of the dollar volume (68%) of the 1996 loans were extended within the two market areas.

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

The following charts illustrate the distribution of loans secured by motor vehicles originated within the assessment areas by income level of the borrower. The data are provided separately for each of the bank's assessment areas.

Distribution of Loans by Income Level of Borrower - Charles City County

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	24	10	3	1	38
Percentage of Total Loans	63%	26%	8%	3%	100%
Total Amount of Loans (000'S)	\$80	\$54	\$19	\$21	\$174
Percentage of Total Loans	46%	31%	11%	12%	100%

The volume of lending to low- and moderate-income residents (89%) substantially exceeds the proportion of such families (51%) residing within the Charles City County assessment area.

Distribution of Loans by Income Level of Borrower - Williamsburg, Newport News, Gloucester County, James City County, Matthews County

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	41	21	11	7	80
Percentage of Total Loans	51%	26%	14%	9%	100%
Total Amount of Loans (000's)	\$278	\$259	\$106	\$77	\$720
Percentage of Total Loans	38%	36%	15%	11%	100%

The percentage of loans extended to low- and moderate-income borrowers (77%) within this assessment area also significantly exceeds the percentage of these families (39%) within the community. Furthermore, 74% of the dollar volume of these loans were provided to low- and moderate-income borrowers. This level of lending exceeds satisfactory performance standards.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among census tracts and BNAs within the institution's two assessment areas. The following charts depict the geographic distribution of the sampled loans extended to residents of both assessment areas.

Distribution of Loans in Assessment Area by Income Level of Census Tract -
Charles City County

	Moderate-Income	Middle- Income	Total
Total Number of Loans	13	25	38
Percentage of Total Loans	34%	66%	100%
Total Amount of Loans (000's)	\$44	\$130	\$174
Percentage of Total Loans	26%	74%	100%

As previously stated, the Charles City County assessment area contains no low- or upper-income census tracts. The volume of lending in moderate-income tracts (34%) closely corresponds to the proportion of residents (32%) living in those tracts.

Distribution of Loans in Assessment Area by Income Level of Census Tract/BNAs -
Williamsburg, Newport News, Gloucester County, James City County, Mathews County

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	4	71	5	80
Percentage of Total Loans	0%	5%	89%	6%	100%
Total Amount of Loans (000's)	\$0	\$23	\$580	\$117	\$720
Percentage of Total Loans	0%	3%	81%	16%	100%

The percentage of sampled loans provided within low- and moderate-income geographies (5%) in this assessment area is less than the percentage of the population (25%) living in those areas. With the exception of one census tract, all of the populated low- and moderate-income tracts within the Norfolk-Virginia Beach-Newport News MSA assessment area are located within the City of Newport News. As shown on the map in the Appendix, the bank's Newport News branch is not in close proximity to these low- and moderate-income tracts. The Newport News financial services market is highly competitive. There are approximately 60 financial institution branches in the City of Newport News including various credit unions. Of the population residing in moderate-income geographies, 57% is near Fort Eustis, a military installation with a large credit union. Further, a high poverty rate (34% of families) in the low- and moderate tracts in the southeast part of the city suggest effective loan demand may be low. In the entire assessment area, 10% of families are below the poverty level.

Given the economic factors within the assessment area coupled with the bank's branch office locations, the geographic distribution of loans appears reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive portions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.