



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

PUBLIC DISCLOSURE

August 28, 2002

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Patriot Bank, National Association
Charter Number 23088**

**1204 Bragg Road
Fredericksburg, VA 22407**

**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.

TABLE OF CONTENTS

<u>INSTITUTION'S CRA RATING</u>	2
<u>DESCRIPTION OF INSTITUTION</u>	2
<u>DESCRIPTION OF PART OF MSA 8840</u>	3
<u>CONCLUSIONS ABOUT PERFORMANCE CRITERIA</u>	4

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

We assigned the rating based on the following information:

- The bank's loan-to-deposit ratio is reasonable.
- A substantial majority of the bank's loans were originated within their assessment area.
- Analysis reflects excellent penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.
- No public complaints related to CRA have been filed since the last CRA examination.

DESCRIPTION OF INSTITUTION

Patriot Bank, N.A. (PNB) is not a subsidiary of a holding company and there have not been any major changes in the bank's corporate structure since the last Community Reinvestment Act (CRA) examination. The bank received a satisfactory CRA rating at its last CRA performance evaluation dated February 27, 1998. There are no legal or financial impediments to PNB's ability to meet the credit needs of its assessment area.

PNB's main office is located in Fredericksburg, Virginia. The bank also operates ten full-service branch offices within its assessment area (AA). The bank has one branch in Falmouth, Spotsylvania, Nokesville, and Fredericksburg and two branches in Woodbridge, Stafford, and Manassas. The bank opened six branches and did not close any branches since the last CRA examination. PNB currently does not have any depository ATMs.

As of March 31, 2002, PNB's assets totaled \$198 million, of which net loans comprise 39%. The following table reflects the composition of PNB's loan portfolio based on the March 31, 2002 call report.

Product Category	Gross Loans as of March 31, 2001*	
	Dollar (000's)	Percent
Commercial & Industrial Including Commercial Real Estate	51,766	63.71
Residential Mortgage Loans	18,899	23.26
Individuals	5,038	6.20
Construction & Land Development	4,583	5.64
All Other	829	1.02
Farmland and Agriculture	138	0.17
<i>Total</i>	<i>81,253</i>	<i>100</i>

* Data obtained from Call report

Management does not formally track loan originations by type; therefore we chose primary loan types based on outstanding balances and discussions with management about loan originations. As indicated in the table above, the bank's primary loan types based on outstanding balances are commercial loans and residential mortgage loans. A third primary loan product is consumer loans. Because most of these loans are small dollar loans, it is not reflected as a primary loan product based on outstanding balances. However, management indicated a significant portion of the number of loans they make are consumer loans so we included it as a primary loan type for evaluation purposes.

DESCRIPTION OF PART OF MSA 8840

The bank has one AA which includes a portion of the Washington DC Metropolitan Statistical Area (MSA) 8840. The AA meets the requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geographies. The bank's AA includes the contiguous counties of Stafford and Prince William and the cities of Fredericksburg and Manassas. All are located within the Washington DC MSA 8840. The area is located southeast of Washington, D.C. and is home to many commuters who work in the Northern Virginia and Washington area. The total population for the assessment area is approximately 324,000. Unemployment for the combined area is 4.08%, compared to the state average of 4%. The areas top three industries by distribution of employees are retail trade, services, and construction. Competition in the assessment area is strong and consists of 107 branches of FDIC-insured institutions representing 19 banks varying in asset size.

The following table includes general demographic data describing the assessment area.

Demographic Characteristics of the Assessment Area		
<u>Number of Geographies by Income Level:</u>	Low-Income	1
	Moderate-Income	18
	Middle-Income	42
	Upper-Income	7
	N/A	26
<u>Percent of Geographies by Income Level:</u>	Low-Income	1.06
	Moderate-Income	19.15
	Middle-Income	44.68
	Upper-Income	7.45
	N/A	27.66
<u>Percent of Population in each Tract</u>	Low-Income	0.17
	Moderate-Income	21.09
	Middle-Income	67.34
	Upper-Income	11.40
<u>Percent of Families by Income Level:</u>	Low-Income	15.62
	Moderate-Income	22.90
	Middle-Income	30.92
	Upper-Income	30.56
<u>Median Housing Characteristics</u>	Median Home Value	130,765
	Percent Owner Occupied Units	67.13
	Median Gross Rent	681
<u>Median Income Data:</u>	1990 Census Median Family Income	52,807
	Updated Median Family Income	85,600

Community Contact

We conducted one community contact during this examination with a representative of a Chamber of Commerce in the bank's AA. They stated that the banking industry is more than adequately serving the credit need of the community and local businesses. They did not identify any unmet credit needs in the bank's AA.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

Considering the size of the bank and strong competition in the AA, PNB's loan to deposit ratio is reasonable. A review of bank data reveals that PNB is similarly situated to the National Bank of Fredericksburg and Virginia Heartland Bank. All institutions offer similar credit products and operate in the same assessment. The following table reflects the average loan to deposit ratio of PNB and the similarly situated banks:

Institution Name	Average Loan to Deposit Ratio Seventeen quarters beginning January 1,1998
Patriot Bank	56.55%
National Bank of Fredericksburg	70.31%
Virginia Heartland Bank	78.77%

As reflected above, PNB's loan-to-deposit ratio is below both similarly situated banks. However, competition in the AA is very strong, as discussed previously, and the bank only holds slightly over 4% of the area's deposit market share. In addition, the branching activity has impacted the bank's average loan-to-deposit ratio. They opened 5 branches during 2000. Prior to branch openings, the bank's loan-to-deposit ratio was as high as 67%, which is more in line with the similarly situated banks.

Lending in Assessment Area

The bank originated a substantial majority of its total loans within their assessment area. The table that follows summarizes the results of our review of loans made in PNB's assessment area between January 1, 1998 and March 31, 2002.

Lending Inside/Outside the Assessment Area

Assessment Area:	% of Rated Area Loans (#) in AA	Home Mortgage		Consumer		Small Loans to Businesses		Total Sampled Loans		% of Rated Area Deposits in AA
		%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	%Inside	%Outside	
Part of MSA 8840	100.00	95.08	4.92	97.50	2.50	90.91	9.09	95.10	4.90	100.00

The analysis of lending in the bank's assessment areas included a sample of two of the primary loan types, commercial and consumer. Since PNB is a Home Mortgage Disclosure Act (HMDA) reporter, all HMDA reportable loans were used in the analysis of the third primary loan type, home mortgage loans. The table that follows provides details on the loan samples used in our analysis.

Sampled Loans Inside the Assessment Area

Assessment Area:	Total Home Mortgage Loans				Total Consumer Loans				Total Small Loans to Businesses			
	#	% of Total	\$	% of Total	#	% of Total	\$	% of Total	#	% of Total	\$	% of Total
Part of MSA 8840	52	100.00	3,861	100.00	39	100.00	310	100.00	20	100.00	3,409	100.00

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

The distribution of loans, given the demographics of the assessment area reflects excellent penetration among borrowers of different income levels (including low- and moderate-income) and businesses of different sizes. The analysis of lending to borrowers of different income levels and businesses of different sizes was completed using all files inside the assessment area from the lending in the assessment area sample, excluding loans for which income information was not available. The following tables reflect the results for each primary loan type.

Borrower Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Families			Moderate-Income Families			Middle-Income Families			Upper-Income Families		
	% Families	%BANK # Loans	%BANK \$ Loans	% Families	%BANK # Loans	%BANK \$ Loans	% Families	%BANK # Loans	%BANK \$ Loans	% Families	%BANK # Loans	%BANK \$ Loans
Part of MSA 8840	15.62	23.53	11.12	22.90	43.14	33.29	30.92	21.57	23.46	30.56	11.76	32.13

The table above illustrates the distribution of home mortgage loans within the income levels compared to the percentage of families in each income level. The distribution of home mortgage loans to both low- and moderate-income borrowers is excellent.

Borrower Distribution of Consumer Loans

Assessment Area:	Low-Income Households			Moderate-Income Households			Middle-Income Households			Upper-Income Households		
	% HH	%BAN K # Loans	%BAN K \$ Loans	% HH	%BAN K # Loans	%BAN K \$ Loans	% HH	%BAN K # Loans	%BAN K \$ Loans	% HH	%BAN K # Loans	%BAN K \$ Loans
Part of MSA 8840	15.94	58.97	38.50	19.14	20.51	24.29	28.47	10.26	19.65	36.45	10.26	17.56

The table above illustrates the distribution of consumer loans within the income levels compared to the percentage of households in each income level. The distribution of consumer loans to both low- and moderate-income borrowers is excellent.

Borrower Distribution of Small Loans to Businesses

Assessment Area:	Businesses With Revenues of \$1 million or less			Loans by Original Amount Regardless of Business Size					
	% of Businesses	% # BANK Loans	% \$ Bank Loans	\$100,000 or less		>\$100,000 to \$250,000		>\$250,000 to \$1,000,000	
				#	\$	#	\$	#	\$
Part of MSA 8840	87.44	94.44	86.77	12	279	2	353	6	2,777

The table above illustrates the number and dollar volume of loans by size and the percentage of small loans to businesses compared to the percentage of businesses that are small. The distribution of loans to small businesses (businesses with \$1 million or less in gross annual revenues) is excellent.

Geographic Distribution of Loans

PNB’s geographic distribution of loans reflects reasonable dispersion throughout their AA. The analysis of the geographic distribution of loans was completed using all files inside the AA from the lending in the AA sample.

We evaluated the lending distribution in the AA to determine if any unexplained conspicuous gaps existed. We used reports and maps to compare the geographies where loans were made to the geographies in the AA. We considered loan distributions, branch locations, competition, market conditions, and demographic information. No unexplained conspicuous gaps were identified. The following tables reflect the results for each primary loan type.

Geographic Distribution of Home Mortgage Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans	% Owner Occ Units	%BANK # Loans	%BANK \$ Loans
Part of MSA 8840	0.05	0.00	0.00	16.51	19.23	28.57	70.07	76.92	65.68	13.37	3.85	5.75

The table above illustrates the geographic distribution of home mortgage loans among geographies of different income levels compared to the percentage of owner occupied housing. We did not identify any home mortgage loans in the low-income income geography. However, less than 1% of owner occupied units are located in the low-income geography. The distribution of home mortgage loans in moderate-income geographies is excellent.

Geographic Distribution of Consumer Loans

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% HH	%BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans	% HH	%BANK # Loans	%BANK \$ Loans
Part of MSA 8840	0.22	0.00	0.00	22.00	32.43	25.55	67.24	67.57	74.45	10.54	0.00	0.00

The table above illustrates the geographic distribution of consumer loans among geographies of different income levels compared to the percentage of households in each income tract. We did not identify any consumer loans in the low-income geography during the sampling process. However, less than 1% of households live in the low-income geography. The distribution of consumer loans in the moderate-income geographies is excellent.

Geographic Distribution of Small Loans to Businesses

Assessment Area:	Low-Income Geographies			Moderate-Income Geographies			Middle-Income Geographies			Upper-Income Geographies		
	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans	% Bus	%BANK # Loans	%BANK \$ Loans
Part of MSA 8840	00.28	0.00	0.00	24.23	31.58	25.68	65.77	68.42	74.32	9.72	0.00	0.00

The table above illustrates the geographic distribution of business loans among geographies of different income levels compared to the percent of businesses located in each tract category. We did not identify any business loans in the low-income geography. However, less than 1% of businesses are located in the low-income geography. The distribution of loans to businesses in the moderate-income geographies is excellent.

Responses to Complaints

PNB has not received any CRA-related complaints since the February 27, 1998 CRA examination.

Fair Lending Review

An analysis of the most recent years public comments, consumer complaint information, and HMDA lending data was performed according to the OCC’s risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in February 1998.