

PUBLIC DISCLOSURE

March 18, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Tidewater
05512914
1548 Laskin Road
Virginia Beach, Virginia 23454

**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 The Bank of Tidewater prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of March 18, 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 at least meets the expectations for satisfactory performance for each of the assessment criteria. No complaints have been reported concerning the institution's performance in meeting community credit needs.

The following table indicates the performance level of The Bank of Tidewater with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Bank of Tidewater</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 were received since the prior examination.		

DESCRIPTION OF INSTITUTION

As of December 31, 1995, The Bank of Tidewater had total assets of just over \$142 million of which 62% were credit extensions. Small business credit is the bank's primary lending focus. However, a variety of consumer loans are offered by the institution. Nearly 63% of the loan portfolio is composed of commercial and industrial loans or credit secured by farmland, multifamily residential properties, nonfarm nonresidential properties, or other real estate to be used for construction and land development. Although 23% of the portfolio is secured by first or junior liens on residential property, much of this activity includes commercial loans secured by the principal's residence. One new branch facility has been opened since the previous evaluation, bringing the total number of branch offices to five.

DESCRIPTION OF ASSESSMENT AREA

The institution defines its assessment area as the City of Virginia Beach and the Eastern portion of the City of Chesapeake, Virginia. The following census tracts in the City of Chesapeake are included in the institution's assessment area:

200.01	208.01
200.02	208.03
200.03	208.04
201.00	209.01
202.00	209.03
203.00	209.04
204.00	210.01
205.01	210.03
205.02	210.04
206.00	211.01
207.00	211.02

Virginia Beach and Chesapeake are located in the southeastern peninsula of the Commonwealth of Virginia and are part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area. According to the 1990 census, the population for the City of Virginia Beach and the portion of the City of Chesapeake delineated by the bank is 493,276, of which 23% are minorities. A majority of the families in the assessment area (70%) are considered middle- and upper-income. The local economy is primarily dependant on retail, tourism, and convention activity. The area attracts a large number of developers for both residential and multifamily structures, as well as commercial and industrial facilities. The region is also home to a number of military establishments, and although military spending reductions are expected, economic prospects for the area remain favorable. The unemployment rates for Virginia Beach and Chesapeake are both 3.7%, slightly below the average of 5% for the Commonwealth. A community contact was performed during the examination to assist in evaluating the bank's CRA performance.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The bank's average loan-to-deposit ratio of 72% for the previous six quarters is considered reasonable given the institution's size, financial condition, and location.

LENDING IN ASSESSMENT AREA

A review of 72 small business loans and 81 consumer loans secured by motor vehicles was conducted to determine the volume of lending within the assessment area. As

illustrated below, a majority of the number and dollar amounts of the sampled loans were provided to residents of the bank's assessment area.

Comparison of Credit Extended Inside and Outside of the Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	134	19	153
Percentage of Total Loans	88%	12%	100%
Total Amount of Loans (000s)	\$3,009	\$321	\$3,330
Percentage of Total Amount	90%	10%	100%

LENDING TO BORROWERS OF DIFFERENT INCOMES AND BUSINESSES OF DIFFERENT SIZES

The chart below depicts the distribution of small business loans extended in the assessment area by the size of the business. A review of this lending activity revealed that the majority of such lending was to businesses with revenues under one million dollars and demonstrates the bank's responsiveness to the needs of small businesses.

Distribution of Loans by Size of Business

	Revenues of ≤ \$1 million	Revenues > \$1 million	Total
Total Number of Loans	51	11	62
Percentage of Total Loans	82%	18%	100%
Total Amount of Loans (000s)	\$1,797	\$544	\$2,341
Percentage of Total Amount	77%	23%	100%

The following chart illustrates the distribution of consumer loans secured by motor vehicles by income level of borrower within the assessment area. The number of loans made to low- and moderate-income borrowers (36%) is reasonable given the number of such families (30%) in the local community.

Distribution of Loans in Assessment Area by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	10	16	19	27	72
Percentage of Total Loans	14%	22%	26%	38%	100%

Total Amount of Loans (000s)	\$79	\$94	\$190	\$325	\$688
Percentage of Total Amount	11%	14%	28%	47%	100%

GEOGRAPHIC DISTRIBUTION OF LOANS

The following chart depicts the geographic distribution of the bank's lending throughout its market. The bank's assessment area consists primarily of middle- and upper-income areas. The majority of the sampled small business and consumer loans were extended in middle- and upper-income areas. None of the loans in the sample were within low-income census tracts; however, only two of the three low-income tracts within the assessment area are populated. Furthermore, the population residing in low- and moderate-income census tracts is relatively low at 1.6% and 11.7%, respectively.

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

Small Business Loans

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	0	16	46	62
Percentage of Total Loans	0%	0%	26%	74%	100%
Total Amount of Loans (000s)	\$0	\$0	\$780	\$1,542	\$2,322
Percentage of Total Amount	0%	0%	34%	66%	100%

Consumer Loans - Motor Vehicle

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	2	13	57	72
Percentage of Total Loans	0%	3%	18%	79%	100%
Total Amount of Loans (000s)	\$0	\$29	\$78	\$581	\$688
Percentage of Total Loans	0%	4%	11%	85%	100%

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 and the Equal Credit Opportunity Act's Regulation B were noted. Adequate policies, procedures, and

training programs have been developed to support nondiscrimination in lending activities.