PUBLIC DISCLOSURE

August 18, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Tidewater

05512914

1548 Laskin Road

Virginia Beach, Virginia 23454

Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261

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.

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 The Bank of Tidewater, Virginia Beach, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of August 18, 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 is considered reasonable in relation to credit demand. A substantial majority of loans sampled during the examination were provided to residents of the assessment area. The institution's distribution of lending to borrowers of different incomes and to businesses of different sizes exceeds standards for satisfactory performance and demonstrates the bank’s effective efforts in meeting the credit needs of low- and moderate-income borrowers and small businesses. Additionally, the overall geographic distribution of loans is considered reasonable given the bank's location and area demographics.

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	**The Bank of Tidewater 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

The Bank of Tidewater operates seven offices located in the Cities of Virginia Beach and Chesapeake, Virginia. As of June 30, 1997, the bank had total assets of $158 million, of which 69% were loans. Management has focused lending efforts on meeting the needs of local businesses. Various deposit and loan products are available, however, including loans for residential mortgage, home improvement, and consumer purposes. The composition of the loan portfolio, as of June 30, 1997, is as follows: 67% real estate secured (consumer and business), 19% commercial, and 14% consumer. Based on the number of loans extended during the previous six months, small business and consumer loans secured by motor vehicles were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The bank’s assessment area is defined as the entire City of Virginia Beach, as well as the eastern portion of the City of Chesapeake, Virginia. Census tracts within Chesapeake delineated by the institution are as follows:

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

The assessment area is included in the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA) and, according to the 1990 census, has a population of 493,276. A total of 88 census tracts are contained in the assessment area of which three are low-income, 15 are moderate-income, 35 are middle-income, and 35 are upper-income. Only two of the low-income census tracts are populated; however, one of the populated tracts contains neither families nor households. The following table illustrates the percentage of population residing within the assessment area by income level of census tract.

Percentage of Population in Assessment Area by Income Level of Census Tract

	Low-Income	**Moderate-Income**	**Middle-Income**	**Upper-Income**	**Total**
Percentage of Population	1%	12%	45%	42%	100%

Despite recent spending reductions, local military installations remain major employers in the area. The region is home to numerous military facilities, including the Oceana Naval Air Station, Fort Story Army Base, Dam Neck Fleet Combat Training Center, and Little Creek Naval Installation. The local economy is additionally supported by retail, tourism, and convention activity. The area also attracts a large number of developers for both residential and multifamily structures, as well as

commercial and industrial facilities. The unemployment rates for the City of Virginia Beach and the City of Chesapeake are 5% and 5.6%, respectively. By comparison, the jobless rate for the Commonwealth is 4.7%. The 1996 median-family income for Norfolk-Virginia Beach-Newport News MSA was $42,100.

A representative from a local economic development organization was recently contacted to assist in evaluating the bank's CRA performance. The contact indicated a continued need for business financing.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

For a six-quarter period ending March 1997, the average loan-to-deposit ratios for institutions headquartered in metropolitan areas of Virginia and of similar asset size to The Bank of Tidewater ranges from 71% to 75%. The average loan-to-deposit ratio for The Bank of Tidewater for the previous six quarters is 73%. The bank's level of lending appears responsive to area loan demand and is considered reasonable given the institution's financial capacity, size, and current local economic conditions.

LENDING IN ASSESSMENT AREA

A sample of 117 recently extended loans was reviewed to determine the bank's level of lending within its assessment area. This sample consisted of 64 of the 95 business loans and 53 of the 73 consumer loans secured by motor vehicles extended during the previous six months. The lending distribution is represented in the table below.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	102	15	117
Percentage of Total Loans	87%	13%	100%
Total Amount of Loans (000s)	$3,525	$285	$3,810
Percentage of Total Amount	93%	7%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the sampled loans have been provided to businesses and residents of the assessment area.

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

The following chart illustrates the distribution of the 41 loans secured by motor vehicles extended in the assessment area by income level of borrower.

Distribution of Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	12	10	9	10	41
Percentage of Total Loans	29%	25%	22%	24%	100%
Total Amount of Loans (000s)	$93	$110	$107	$176	$486
Percentage of Total Loans	19%	23%	22%	36%	100%

As a means of comparison, the chart below depicts the distribution of assessment area families according to low-, moderate-, middle-, and upper-incomes.

Percentage of Families in Assessment Area by Income Level

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Families	12%	18%	25%	45%	100%

When compared to the distribution of assessment area families by income level, the bank's volume of lending to low- and moderate-income borrowers (54%) significantly exceeds the percentage of such families (30%) in the community.

The table below depicts the distribution of the 61 commercial loans extended within the assessment area by size of the business.

Distribution of Loans by Size of Business

	Revenues ≤ $1 Million	Revenues > $1 Million	Total
Total Number of Loans	48	13	61
Percentage of Total Loans (000s)	79%	21%	100%
Total Amount of Loans	$1,765	$1,274	$3,039
Percentage of Total Amount	58%	42%	100%

The percentage of credit extensions to businesses with gross revenues of $1 million or less (79%) demonstrates the institution's willingness to meet the credit needs of area small businesses.

GEOGRAPHIC DISTRIBUTION OF LOANS

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

The review of loan files also included an analysis of lending among census tracts of different income levels within the institution’s assessment area. The following charts illustrate the distribution of the sampled loans according to the income level of the census tract.

Loans Secured by Motor Vehicles

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	1	18	22	41
Percentage of Total Loans	0%	2%	44%	54%	100%
Total Amount of Loans (000s)	$0	$11	$167	$308	$486
Percentage of Total Loans	0%	2%	35%	63%	100%

Two percent of the motor vehicle loans sampled were extended in low- and moderate-income census tracts. This percentage is lower than the market representation in such areas (13%). As previously illustrated, only 1% of the area population resides in low-income census tracts. Furthermore, several of the moderate-income geographies in the assessment area are located within, or in close proximity to, area military installations. The presence of large credit unions that have traditionally serviced military personnel operate within such tracts throughout the assessment area. Competition from these particular credit unions may have contributed to the bank's low volume of loans secured by motor vehicles within low- and moderate-income census tracts.

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	10	19	31	61
Percentage of Total Loans	2%	16%	31%	51%	100%
Total Amount of Loans (000s)	$50	$757	$1,139	$1,093	$3,039
Percentage of Total Loans	2%	25%	37%	36%	100%

The level of lending to businesses in low- and moderate-income areas (18%) exceeds the population percentage (13%) residing in such areas. Given the institution's office locations, resources, small business lending focus, and local demographics, the overall geographic distribution of loans is considered reasonable.

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 Equal Credit Opportunity Act's Regulation B and 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.