

PUBLIC DISCLOSURE

February 2, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Marine Bank

0551055

P.O. Box 146

Chincoteague, Virginia 23336

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 Marine Bank, Chincoteague, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of February 2, 1998. 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 given its financial capacity and location. 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 borrowers is considered reasonable. The assessment area contains only two middle-income block numbering areas (BNAs); therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance.

DESCRIPTION OF INSTITUTION:

The Marine Bank maintains its main office in Chincoteague, Virginia, and has a branch office in Wattsville, Virginia. As of December 31, 1997, the bank had \$23 million in assets of which 65% were loans. The loan portfolio as of December 31, 1997, was 89% real estate secured (consumer and business), 8% consumer, and 3% commercial. Based on the number and dollar amount of loans extended during the previous 18 months, consumer loans secured by motor vehicles and real estate secured loans were identified as the principal credit products offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The assessment area encompasses rural northern Accomack County, Virginia. Specifically, it includes block numbering areas (BNAs) 9901 and 9902. All of Chincoteague Island comprises BNA 9901, and BNA 9902 consists of the northern portion of Virginia's Eastern Shore peninsula. Both BNAs are considered middle-income.

According to the 1990 census, Accomack County has a population of 31,703, with 8,367 (26%) of its residents living in the assessment area. The percentage of owner-occupied units within the assessment area is 51%. The 1997 median family income for nonmetropolitan areas of the Commonwealth is \$34,800.

The following table provides assessment area demographics by income level of families. As illustrated by this chart, the distribution of families by income level is similar across the four categories.

	Low- Income	Moderate Income	Middle- Income	Upper- Income	Total
Percentage of area Families by Income level	21%	24%	25%	30%	100%

The area is primarily rural with employment opportunities available in agriculture and the fishing, manufacturing, service, and tourism industries. The major employers are Purdue Farms, the National Aeronautics Space Administration (NASA)- Wallops Island Station, the United States Navy, Tysons Foods, and the Northampton-Accomack Memorial Hospital. Increasingly, the local economy is supported by industries associated with tourism as Chincoteague Island affords many recreational activities. The current unemployment rate for Accomack County is 6.7% and is higher than the rate for the Commonwealth of Virginia at 3.5%.

A community contact was made with a local government official to further assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The institution is responsive to area loan demand. For a six-quarter period ending December 31, 1997, the average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to The Marine Bank ranged from 62% to 68%. The bank's average loan-to-deposit ratio for the previous six quarters is 75% and meets standards for satisfactory performance given the institution's financial capacity, size, and current local economic conditions.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 53 of the 73 loans secured by motor vehicles and 55 of the 77 real estate secured loans extended during the previous 18 months was reviewed. The lending distribution of the sampled loans is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	98	10	108
Percentage of Total Loans	91%	9%	100%
Total Amount of Loans(000's)	\$2,486	\$230	\$2,716
Percentage of Total Amount	92%	8%	100%

As illustrated in the table above, a significant majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area indicating a high level of responsiveness to local credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart illustrates the distribution of the sampled real estate secured and consumer loans originated within the assessment area by income level of borrower.

Distribution of Loans by Income Level of Borrower

Real Estate Secured

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	8	10	16	17	51
Percentage of Total Loans	16%	20%	31%	33%	100%
Total Amount of Loans (000's)	\$209	\$391	\$639	\$988	\$2,227
Percentage of Total Loans	9%	18%	29%	44%	100%

When compared to the distribution of area families by income, the percentage of loans extended to low-income borrowers (16%) and moderate-income borrower (20%) is slightly lower than the proportion of low-income (21%) and moderate-income (24%) families in the community. With nearly 12% of assessment area families living below the poverty level, home ownership is beyond the means of many lower-income families. The distribution of the real estate secured loans to borrowers of different income levels is considered reasonable relative to the estimated demand for these types of loans, using area demographics as a proxy.

Motor Vehicle Secured

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	10	15	10	12	47
Percentage of Total Loans	21%	32%	21%	26%	100%
Total Amount of Loans (000's)	\$37	\$72	\$63	\$87	\$259
Percentage of Total Loans	14%	28%	24%	34%	100%

The bank's level of lending to low- and moderate-income borrowers for loans secured by motor vehicles (53%) exceeds the portion (45%) of such families in the community and is considered reasonable in relation to the estimated demand for credit.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously mentioned, the bank's assessment area is composed of two middle-income BNAs. Accordingly, 100% of the number and dollar amount of loans within the market were extended within in these geographies. Therefore, the distribution of lending by income level of geographies was not considered in evaluating the institution's CRA performance.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of 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.