PUBLIC DISCLOSURE

September 24, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Tidewater
858126
1548 Laskin Road
Virginia Beach, Virginia 23451

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

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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The major factors supporting this rating include:

- The institution's loan-to-deposit ratio is considered adequate given the institution's size and financial capacity.
- A substantial majority of loans sampled were extended to residents and businesses within the assessment area.
- The bank's level of lending to borrowers of different incomes and to businesses with revenues of $1 million or less is considered reasonable given area demographics and business data.
- The geographic distribution of sampled loans is considered responsive using various proxies for demand.
- The institution has not received any complaints concerning CRA since the previous examination.

DESCRIPTION OF INSTITUTION

The Bank of Tidewater is headquartered in Virginia Beach, Virginia, and operates ten offices serving the Cities of Virginia Beach, Chesapeake, and Norfolk, Virginia. In January 2000, the bank established a mortgage subsidiary, The Bank of Tidewater Mortgage Company. Three branch offices have been opened since the previous CRA examination dated August 18, 1997. As of June 30, 2001, the bank had total assets of $295.5 million, of which 52.9% were loans. Various deposit and loan products are available through the institution including consumer, business, residential mortgage, and home equity loans. The loan portfolio, as of June 30, 2001, was comprised of 71.2% real estate secured (consumer and business), 18.6% commercial, 9.7% consumer, and .5% other. Based on the institution's loan volume during the preceding year, commercial and real estate loans were identified as primary credit products extended by the bank. The Bank of Tidewater's previous CRA rating was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The Bank of Tidewater's assessment area is located in the Norfolk Metropolitan Statistical Area (MSA) and includes the entire City of Virginia Beach and the following census tracts in the Cities of Chesapeake and Norfolk, Virginia:

		Chesapeake			Norfolk
200.01	203.00	207.00	209.03	211.01	68.00
200.02	204.00	208.01	209.04	211.02	69.01
200.03	205.01	208.03	210.01		69.02
201.00	205.02	208.04	210.03		70.01
202.00	206.00	209.01	210.04		70.02

There are 93 census tracts in the assessment area, of which one is unpopulated. Of the 92 populated tracts, two are low-income, 17 are moderate-income, 38 are middle-income, and 35 are upper-income. While both low-income tracts contain population, one does not include any households, families, or owner-occupied housing units due to a military installation. According to 1990 census data, the assessment area has a population of 506,430 and a median housing value of $94,133. The owner-occupancy rate for the market is 59.1% as compared to 54.5% for the MSA and 60.9% for the Commonwealth. The percentage of area families living below the poverty level is 5.1%, which is slightly lower than the poverty rates for the MSA (9.0%) and state (7.7%). The 2000 and 2001 median family incomes for the Norfolk MSA are $49,300 and $51,000, respectively.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units and poverty levels by income level of tract.

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	12%	18%	25%	45%	100%
Percentage of Population Residing in Census Tracts by Income Level	1.5%	12.4%	45.4%	40.7%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Census Tract	.5%	6.3%	43.2%	50%	100%
Percentage of Families Below Poverty by Income Level of Census Tract	35.2%	12.3%	5.6%	2.1%	

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. Retail, tourism, and convention activity also support the local economy. In addition, the area attracts a large number of developers for both residential and multi-family structures, as well as commercial and industrial facilities. The July 2001 unemployment rates for the Cities of Virginia Beach, Chesapeake, and Norfolk are 2.5%, 2.6%, and 4.9%, respectively. The Commonwealth and MSA rates are 2.9% and 3.0%, respectively.

Recently, a local redevelopment housing official was contacted to further assist in evaluating the bank's CRA performance. The individual indicated that local financial institutions are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

During the 17-quarter period ending June 30, 2001, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to The Bank of Tidewater ranged from 73.2% to 79.7%. In comparison, the bank’s average loan-to-deposit ratio for the same 17-quarter period is 64.2%. While slightly lower than similar banks in the area, the institution’s loan-to-deposit ratio is considered adequate given the institution’s size and financial capacity.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within its assessment area, 110 business and 116 residential real estate (home purchase, refinance, and home improvement) loans were reviewed. The sample of business loans was selected from approximately 250 such loans made since January 2001. The residential real estate loans analyzed included those loans reported on the bank's 2000 and first and second quarter 2001 Home Mortgage Disclosure Act's (HMDA) Loan Application Registers. The lending distribution 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	193	33	226
Percentage of Total Loans	85.4%	14.6%	100%
Total Amount of Loans (000's)	$10,045	$1,651	$11,696
Percentage of Total Amount	85.9%	14.1%	100%

As indicated in the table, a substantial majority of the number (85.4%) and dollar amount (85.9%) of loans were provided to borrowers located in the bank's assessment area. The bank's level of lending within its assessment area is considered good.

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

The analysis of lending to businesses of different sizes and to borrowers of different income levels focused on the 95 business and 98 HMDA loans extended within the bank's assessment area. Area demographics and 2000 market aggregate information are used as proxies when evaluating the bank's lending to borrowers of different income levels. In addition, Dunn & Bradstreet (D&B) business data from June 1999 is used as a proxy to evaluate the bank's small business lending.

Distribution of Loans by Size of Business

	Revenues ≤ $1 Million	Revenues > $1 Million	Total
Total Number of Loans	69	26	95
Percentage of Total Loans	72.6%	27.4%	100%
Total Amount of Loans (000's)	$3,427	$1,823	$5,250
Percentage of Total Amount	65.3%	34.7%	100%

As illustrated above, 72.6% of the sampled business loans were to businesses with $1 million or less in revenues. D&B business data reveals that 87.6% of businesses within this assessment area have revenues of less than $1 million. The 2000 aggregate lending data (for institutions required by the CRA to report information on small business) indicated that 35.3% of the small business lending was to entities with revenues of $1 million or less; however, the remaining loans were either to businesses with revenues over $1 million or the revenue is unknown. The bank's level of small business lending is considered responsive to area business credit needs.

Distribution of HMDA Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	7	16	16	55	94
Percentage of Total Loans	7.5%	17%	17%	58.5%	100%
Total Amount of Loans (000's)	$173	$204	$464	$3,772	$4,613
Percentage of Total Amount	3.8%	4.4%	10.1%	81.7%	100%

As noted above, the bank's HMDA lending to low- (7.5%) and moderate-income (17%) borrowers compares favorably to both 2000 HMDA aggregate data and area demographics. Specifically, aggregate data indicates that when income was reported, 5.9% and 22.4% of HMDA reportable loans were to low- and moderate-income borrowers, respectively. Area demographics identify 12% of families are low-income and 18% are moderate-income.

Overall, the bank’s lending distribution to borrowers of different income levels and to small businesses is considered reasonable when using area demographics, aggregate data, and D&B business information as proxies for demand.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of commercial and HMDA loans extended within the assessment area is reflected in the following tables. Area demographics, D&B business information, and aggregate data are used as estimates for demand when evaluating the institution's penetration into geographies of different income levels. As previously mentioned, the assessment area contains only two populated low-income census tracts, of which one contains a military installation.

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

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	1	9	42	43	95
Percentage of Total Loans	1.1%	9.5%	44.2%	45.2%	100%
Total Amount of Loans (000's)	$202	$261	$1,895	$2,893	$5,251
Percentage of Total Amount	3.8%	5%	36.1%	55.1%	100%

Of the 95 commercial loans sampled, 1.1% and 9.5% were extended within low- and moderate-income census tracts, respectively. Based on D&B business data, only .3% of area businesses are located within low-income tracts, while 11.8% of area businesses are located within moderate-income tracts.

HMDA Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	0	6	35	57	98
Percentage of Total Loans	0%	6.1%	35.7%	58.2%	100%
Total Amount of Loans (000's)	$0	$66	$1,032	$3,696	$4,794
Percentage of Total Amount	0%	1.4%	21.5%	77.1%	100%

As illustrated above, none of the HMDA loans reviewed were extended within low-income census tracts. Area demographics indicate that only .5% of the housing units in low-income tracts are considered owner-occupied. Additionally, aggregate data reveals that only .4% of HMDA reportable loans were extended in low-income census tracts. The bank's level of lending in moderate-income geographies (6.1%) is comparable to both aggregate lending (6.2%) and owner-occupied housing units (6.3%) for such areas.

Overall, the institution's geographic distribution of loans is considered reasonable when using the various proxies to estimate demand.

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. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.