

PUBLIC DISCLOSURE

December 7, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Hampton Roads
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Norfolk, Virginia 23510

**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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: Satisfactory.
The Lending Test is rated: Satisfactory.
The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to bank capacity and demand for credit in the assessment area.
- A substantial majority of the institution's small business and Home Mortgage Disclosure Act (HMDA) loans were originated to borrowers within the bank's assessment area.
- The bank's borrower distribution performance is considered reasonable for small business lending (lending to businesses of different sizes) and poor for residential mortgage lending (lending to low- and moderate-income borrowers). Overall, the bank's borrower distribution performance is considered reasonable because small business lending is the bank's primary focus.
- The bank's geographic distribution performance is considered reasonable for small business lending and excellent for residential mortgage (HMDA) lending. Overall, the bank's geographic distribution performance is considered reasonable and reflects the greater weight placed on the bank's small business lending, which is the bank's primary business line.
- The level of qualified community development loans, investments, and services is considered adequate relative to available opportunities.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). The review of the bank's lending activity includes all residential real estate loans reported under the HMDA during 2007 and 2008, as well as all small business loans originated by the bank during 2008. The community development test includes all community development loans and services since the previous evaluation and qualified investments outstanding regardless of when made. The evaluation is based solely on the activities of The Bank of Hampton Roads and does not include any data or activity from any of the bank's affiliates or its subsidiary mortgage company.

DESCRIPTION OF INSTITUTION

The Bank of Hampton Roads (BOHR) is headquartered in Norfolk, Virginia, and operates 54 branch offices in eastern North Carolina and eastern/central Virginia. Depending upon geographic location, the branches are operated under either the name of The Bank of Hampton Roads or Gateway Bank. The bank is a subsidiary of Hampton Roads Bankshares, a multibank holding company, located in Norfolk, Virginia. Hampton Roads Bankshares also owns Shore Bank, a state member bank, headquartered in Onley, Virginia. BOHR owns a subsidiary mortgage company, Gateway Bank Mortgage headquartered in Elizabeth City, North Carolina. Gateway Bank Mortgage offers a full range of conventional residential mortgage loan products.

On May 9, 2009, BOHR legally acquired substantially all of Gateway Bank & Trust Company's operations. Gateway Bank & Trust Company was headquartered in Elizabeth City, North Carolina, and operated 37 banking offices in eastern North Carolina and eastern/central Virginia. When acquired, Gateway Bank & Trust Company held assets of approximately \$2.2 billion, loans totaling \$1.8 billion, and deposit accounts totaling \$1.7 billion. Gateway Bank & Trust Company also owned Gateway Bank Mortgage, a non-bank mortgage company described in the preceding paragraph.

As of September 30, 2009, the bank held assets totaling \$2.7 billion, of which 82.1% were loans and 3.5% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio as of September 30, 2009, is represented in the following chart:

Composition of Loan Portfolio

Loan Type	9/30/2009	
	\$(000s)	%
Secured by 1-4 Family dwellings	407,756	17.7
Multifamily	67,221	2.9
Construction and Development	769,381	33.3
Commercial & Industrial/ NonFarm NonResidential	1,002,128	43.4
Consumer Loans and Credit Cards	34,195	1.5
Agricultural Loans/ Farmland	17,991	0.8
All Other	8,344	0.4
Total	2,307,016	100.0

With a majority of the bank's loans outstanding being commercial/industrial and construction/development, the bank remains primarily a commercial and small business lender. While consumer and residential mortgage loans are extended by the bank, they represent relatively minor business lines for the bank.

The Bank of Hampton Roads' previous CRA rating, dated September 17, 2007, was satisfactory. The bank was evaluated using the intermediate small bank procedures and received satisfactory ratings for both the lending and community development tests. Similarly, Gateway Bank & Trust Company's previous CRA rating, dated September 15, 2008, was satisfactory. Gateway Bank & Trust Company was also evaluated under the intermediate small bank procedures and received satisfactory ratings for both the lending and community development tests.

Currently, BOHR serves nine assessment areas located in Virginia and North Carolina. The following table details the composition of each of the bank's nine assessment areas.

Assessment Area Name	City/County	State	Census Tracts Included
Virginia Beach-Norfolk, VA-NC Metropolitan Statistical Area (MSA)	Chesapeake	VA	All
	Currituck *	NC	All
	Norfolk	VA	All
	Portsmouth	VA	All
	Suffolk	VA	All
	Virginia Beach	VA	All
Elizabeth City *	Camden	NC	All
	Chowan	NC	All
	Pasquotank	NC	All
	Perquimans	NC	All
	Washington	NC	All
Raleigh-Cary, NC MSA *	Wake	NC	All
Dare County *	Dare	NC	All
Durham, NC MSA *	Durham	NC	All
Wilmington, NC MSA *	New Hanover	NC	All
Richmond, VA MSA *	Chesterfield	VA	All
	Henrico	VA	All
	Richmond	VA	All
Emporia *	Greensville	VA	All
	Emporia	VA	All
Charlottesville, VA MSA *	Albemarle	VA	All
	Charlottesville	VA	All

* Geographical areas added to the BOHR's assessment area following the acquisition of Gateway Bank and Trust Company on May 9, 2009.

Prior to acquiring Gateway Bank & Trust Company, BOHR operated 17 full-service bank branches. BOHR acquired 37 additional branch locations because of the merger. Since the acquisition of Gateway Bank & Trust Company, BOHR has neither opened nor closed any branch offices.

Because the majority loan data considered in this evaluation is from calendar years 2007 and 2008, BOHR's evaluation was based on the bank's assessment area prior to the May 2009 merger, which substantially increased the bank's geographic footprint. Loan data from calendar year 2009 could not be considered as the data is not yet available.

BOHR's assessment area prior to the merger, and the assessment area considered for this evaluation, included all of the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach, Virginia. According to the 2000 census data, this market area has a population of 1,023,086 and a median housing value of \$108,618. The assessment area owner-occupancy rate (58.6%) lags the commonwealth's owner-occupancy rate (63.3%) and reflects the area's large military personnel presence, where a large portion of military personnel either live in barracks or rent. Within the assessment area, 8.6% of families are considered below the poverty level and this rate exceeds that of the commonwealth (7%). The 2008 HUD estimated median family income for the MSA equals \$65,100. The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Virginia Beach-Norfolk-Newport News, VA-NC MA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	21	8.3	12,631	4.8	5,126	40.6	50,399	19.2
Moderate	72	28.5	57,409	21.9	8,842	15.4	49,151	18.8
Middle	89	35.2	105,679	40.3	6,424	6.1	60,663	23.1
Upper	69	27.3	86,331	32.9	2,076	2.4	101,837	38.9
NA	2	0.8	0	0.0	0	0.0		
Total	253	100.0	262,050	100.0	22,468	8.6	262,050	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	5,165	2.2	19,548	5.3	7,787	39.8	77,534	20.8
Moderate	37,235	16.0	90,823	24.4	15,268	16.8	64,941	17.5
Middle	98,643	42.5	146,286	39.3	11,112	7.6	78,741	21.2
Upper	90,977	39.2	115,418	31.0	5,062	4.4	150,859	40.5
NA	0	0.0	0	0.0	0	0.0		
Total	232,020	100.0	372,075	100.0	39,229	10.5	372,075	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	1,418	3.7	1,224	3.5	152	4.9	42	3.9
Moderate	8,674	22.3	7,608	22.0	789	25.5	277	25.8
Middle	15,121	38.9	13,468	38.9	1,254	40.5	399	37.2
Upper	13,463	34.7	12,265	35.4	847	27.3	351	32.7
NA	156	0.4	94	0.3	57	1.8	5	0.5
Total	38,832	100.0	34,659	100.0	3,099	100.0	1,074	100.0
	Percentage of Total Businesses:			89.3		8.0		2.8

*NA-Tracts without household or family income as applicable

The local economy is diverse and dependent on government, ship building, healthcare industries, and the military. Major employers in the area include the U.S. Department of Defense, Northrop Grumman, Sentara Healthcare, the public school systems, and local municipalities. Current and recent periodic unemployment rates are included in the following table:

City/County	November 2007	November 2008	November 2009
Chesapeake	3%	4.3%	6.1%
Norfolk	4.1%	6.1%	8.3%
Portsmouth	4.2%	5.7%	8.5%
Suffolk	3.2%	4.6%	6.2%
Virginia Beach	2.8%	4.2%	5.7%
Commonwealth of Virginia	3%	4.6%	6.4%

As indicated by the table, area unemployment rates have risen sharply since November 2007. Rising area unemployment rates may affect a bank's ability to extend credit as unemployed applicants often have diminished repayment capacity. Regional data from the Virginia Employment Commission indicates that office and administrative support, construction, manufacturing, and sales occupations account for the largest portion of unemployed workers.

A nonprofit organization official was contacted during the evaluation to discuss local economic conditions and area credit needs. The contact suggested that worsening economic conditions and a tightening of credit standards have prevented several affordable housing and start-up business ventures from obtaining loans. The contact did indicate that a few local small businesses have expanded or relocated their facilities as market rents have generally declined, which made the expansions more affordable. The contact suggested that other small businesses might be in a position to expand their operations but have been hesitant to invest their liquid assets into expansion projects. Despite the difficult economic conditions, the contact indicated that local financial institutions are adequately serving the needs of the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

To evaluate the bank's performance, HMDA and small business lending activity was analyzed. Area demographic, D&B business, and market aggregate data are used as proxies for demand when evaluating the bank's performance. Aggregate data includes all reporting institutions that originated and/or purchased loans of the type considered within the bank's assessment area. Demographic data is from the 2000 census, while the D&B business data and aggregate small business and HMDA statistics are from calendar year 2008. Primary consideration is given to the number (and corresponding percentage) of transactions when assessing lending performance for specific individual loan types. When combining multiple loan products to arrive at an overall conclusion, the perceived level of performance of each product is weighted primarily by the dollar volume that the product contributes to the overall activity considered in the evaluation. All conclusions also take into consideration relevant performance context factors.

While HMDA loan data from calendar years 2007 and 2008 were analyzed and considered in the evaluation, unless otherwise noted, bank and aggregate data from 2008 is presented in the following tables. In instances where the performance during 2007 varies significantly from performance in 2008, such variances and the corresponding impact on the overall performance are discussed.

Within the bank's market area, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a significant majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of loans to businesses with annual revenues of \$1 million or less. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better gauge performance, BOHR's lending is also compared to a peer group of traditional small business lenders for 2008 that excludes the credit card lenders.

LOAN-TO-DEPOSIT RATIO

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. During the nine-quarter period ending September 30, 2009, the quarterly average loan-to-deposit ratios of all banks headquartered in metropolitan areas of Virginia and of similar asset size to the Bank of Hampton Roads ranged from 86.6% to 96.6%. The bank's average loan-to-deposit ratio for the same time period equaled 109.9% and ranged from 105.1% to 113.5%. Currently, the institution's loan-to-deposit ratio equals 105.4% (September 30, 2009). Within the context of the CRA and considering relevant performance context factors such as bank size, financial condition, and local credit needs, the bank's loan-to-deposit ratio is considered reasonable.

LENDING IN ASSESSMENT AREA

The institution's lending volume for HMDA from January 1, 2007, through December 31, 2008, and small business loans from calendar year 2008, is represented in the following table:

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	53	89.8	11,178	86.8	6	10.2	1,694	13.2
Home Improvement	24	92.3	564	93.8	2	7.7	37	6.2
Multi-Family Housing	3	100.0	607	100.0	0	0.0	0	0.0
Refinancing	12	85.7	4,069	93.6	2	14.3	280	6.4
Total HMDA related	92	90.2	16,418	89.1	10	9.8	2,011	10.9
Small Business	212	93.0	26,181	91.8	16	7.0	2,351	8.2
Small Business secured by RE	124	83.8	35,306	87.9	24	16.2	4,849	12.1
Total Small Bus. related	336	89.4	61,487	89.5	40	10.6	7,200	10.5
TOTAL LOANS	428	89.5	77,905	89.4	50	10.5	9,211	10.6

**The number and dollar amount of loans reflects a sample of such loans originated during the evaluation period and does not reflect loan data collected or reported by the institution.*

As indicated in the preceding table, a substantial majority of HMDA and small business loans, both by number and dollar amount, have been provided to residents and businesses of the bank's assessment area.

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

The bank's borrower distribution performance for small business lending is considered reasonable, while the bank's residential mortgage (HMDA) performance is considered poor. On a combined basis, the bank's borrower distribution performance is considered reasonable. In reaching this conclusion, substantially more weight was placed on the bank's small business performance because this product accounts for a larger dollar volume of lending than HMDA lending within this assessment area.

Distribution of Lending by Loan Amount and Size of Business
(includes Small Business and Small Business secured by Real Estate)

Virginia Beach-Norfolk-Newport News, VA-NC MA (2008)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	163	48.5	23,135	37.6	8,698	31.4	355,761	37.2
Over \$1 Million	146	43.5	34,747	56.5	NA	NA	NA	NA
Unknown	27	8.0	3,605	5.9	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	181	53.9	8,197	13.3	25,893	93.5	265,387	27.8
\$100,001-\$250,000	66	19.6	12,596	20.5	815	2.9	148,568	15.5
\$250,001-\$1 Million	89	26.5	40,694	66.2	974	3.5	542,245	56.7
Total	336	100.0	61,487	100.0	27,682	100.0	956,200	100.0

* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data indicated that 89.3% of all local businesses have revenues that do not exceed \$1 million per year. According to 2008 aggregate small business data, 31.4% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining portion of businesses either had revenues exceeding \$1 million or revenues were unknown. Additionally, data from 2008 for a peer group of traditional bank reporters was also considered. According to the peer group data, 56.8% of the selected peer group's reported small business loans were to businesses having revenues of \$1 million or less. Revenues were either unknown or in excess of \$1 million for the remaining portion of loans. During 2008, 48.5% of the bank's small business loans were to businesses with annual revenues of \$1 million or less. The lending level is considered to be within a reasonable range of performance.

Distribution of HMDA Loans by Income Level of Borrower

Virginia Beach-Norfolk-Newport News, VA-NC MA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(9)				Home Purchase (16,336)			
Low	0	0.0	0	0.0	485	3.0	58,725	1.5
Moderate	0	0.0	0	0.0	3,934	24.1	657,658	16.9
	(3)				Refinance (22,928)			
Low	0	0.0	0	0.0	1,651	7.2	184,966	4.2
Moderate	0	0.0	0	0.0	5,308	23.2	788,379	17.8
	(13)				Home Improvement (2,914)			
Low	0	0.0	0	0.0	257	8.8	13,261	5.5
Moderate	4	30.8	36	14.3	674	23.1	45,388	18.8
	(0)				Multi-Family (0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	0	0.0	0	0.0	2,393	5.7	256,952	3.0
Moderate	4	16.0	36	0.8	9,916	23.5	1,491,425	17.4
Middle	5	20.0	347	7.8	12,665	30.0	2,428,294	28.3
Upper	16	64.0	4,082	91.4	17,204	40.8	4,397,436	51.3
Total	25	100.0	4,465	100.0	42,178	100.0	8,574,107	100.0
Unknown	20		3,594		7,554		2,035,579	

() represents the total number of bank loans for the specific Loan Purpose where income is known

Percentage's (%) are calculated on all loans where incomes are known

When considering the bank's 2008 HMDA data and in instances where borrowers' incomes were known, home improvement loans were the bank's most frequent product extended, while refinances were the product extended most frequently by the aggregate reporters. During 2008, the bank reported 20 loans for which borrower income was unknown. These loans are not considered in the borrower distribution analysis. As previously noted the bank is primarily a commercial lender and extends relatively few residential mortgage loans (HMDA). Of the residential mortgage loans reported by the bank, several were to either business borrowers or for business purposes, such as purchasing or improving residential rental property.

During 2008, the bank reported originating no HMDA loans to low-income borrowers and 16% of its loans were made to moderate-income borrowers. This lending level lags both the percentage of such families residing in the assessment area (19.2% and 18.8%, respectively) and the aggregate lending level to such borrowers (5.7% and 23.5%, respectively). The bank's performance during 2008 is considered poor. During 2007, the bank's performance was better with 26.1% (6/23) of loans to moderate-income borrowers, however, no loans were originated to low-income borrowers. The bank's performance during 2007 is considered marginally reasonable given that the aggregate lenders reported 6.1% and 21.9% of their loans to low- and moderate-income borrowers, respectively. Overall, the bank's level of residential mortgage lending to low- and moderate-income borrowers during 2007 and 2008 on a combined basis is considered poor.

GEOGRAPHIC DISTRIBUTION OF LOANS

The bank's small business geographic distribution is considered reasonable, while the bank's HMDA performance is considered excellent. Overall, the bank's performance is considered reasonable. This conclusion reflects the greater weight placed on the bank's small business lending because of the larger volume of such lending by the bank.

Distribution of Small Business Loans by Income Level of Census Tract (includes Small Business and Small Business secured by Real Estate)

Virginia Beach-Norfolk-Newport News, VA-NC MA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	23	6.8	4,433	7.2	703	2.6	32,271	3.4
Moderate	55	16.4	8,697	14.1	4,926	18.1	209,747	22.0
Middle	128	38.1	22,351	36.4	10,412	38.2	345,320	36.3
Upper	129	38.4	25,984	42.3	11,102	40.8	351,877	36.9
NA*	1	0.3	22	0.0	97	0.4	13,289	1.4
Total	336	100.0	61,487	100.0	27,240	100.0	952,504	100.0

*NA-Tracts without household or family income as applicable; or a small county

The bank's level of small business lending in low-income areas (6.8%) exceeds the percentage of businesses located in low-income census tracts (3.7%) and the aggregate lending level (2.6%). The bank's level of lending in moderate-income areas (16.4%) lags the percentage of businesses located in moderate-income census tracts (22.3%) and is comparable to the aggregate lending level (18.1%). The bank's small business geographic distribution performance is considered reasonable overall.

Distribution of HMDA Loans by Income Level of Census Tract

Virginia Beach-Norfolk-Newport News, VA-NC MA (2008)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(26) Home Purchase				(18,702)			
Low	5	19.2	519	11.2	446	2.4	90,869	2.0
Moderate	4	15.4	656	14.1	3,357	17.9	610,713	13.7
	(6) Refinance				(27,841)			
Low	2	33.3	2,422	76.5	750	2.7	119,802	2.2
Moderate	1	16.7	180	5.7	4,859	17.5	735,832	13.3
	(13) Home Improvement				(3,111)			
Low	0	0.0	0	0.0	95	3.1	5,081	2.0
Moderate	1	7.7	125	49.8	555	17.8	36,901	14.4
	(0) Multi-Family				(78)			
Low	0	0.0	0	0.0	7	9.0	5,843	1.7
Moderate	0	0.0	0	0.0	18	23.1	27,894	8.3
	HMDA Totals							
Low	7	15.6	2,941	36.5	1,298	2.6	221,595	2.1
Moderate	6	13.3	961	11.9	8,789	17.7	1,411,340	13.3
Middle	20	44.4	2,291	28.4	21,992	44.2	4,446,543	41.9
Upper	12	26.7	1,866	23.2	17,653	35.5	4,530,208	42.7
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	45	100.0	8,059	100.0	49,732	100.0	10,609,686	100.0

*NA-Tracts without household or family income as applicable; or a small county

() represents the total number of bank loans for the specific Loan Purpose

Loans where the geographic location is unknown are excluded from this table.

During 2008, the bank’s level of home purchase and refinance lending in low- and moderate-income census tracts meets or exceeds the proportion of owner-occupied housing units located in such areas (2.2% and 16%, respectively), while home improvement lending lags the demographic proxy. When considering the loan products on a combined basis, 15.6% of loans were originated in low-income tracts and 13.3% were originated in moderate-income census tracts. The aggregate lenders reported originating 2.6% and 17.7% of loans in low- and moderate-income census tracts, respectively. The bank’s performance during 2008 is considered reasonable.

The bank’s performance during 2007 was stronger than during 2008. During 2007, the bank originated 2.1% (1) and 40.4% (19) of all loans (47) within low- and moderate-income census tracts, respectively. During the same period, the aggregate lenders reported 2.9% and 18.1% of loans in low- and moderate-income census tracts, respectively. The bank’s performance during 2007 is considered excellent.

When considering the 2007 and 2008 data on a combined basis, the bank reported originating 92 total HMDA loans, with 8 loans (8.7%) in low-income census tracts and 25 loans (27.2%) in moderate-income census tracts. Based in part on the strength of its moderate-income tract performance during 2007, the bank’s overall geographic distribution performance is considered excellent.

COMMUNITY DEVELOPMENT LOANS, INVESTMENTS, AND SERVICES

BOHR supports community development initiatives and organizations that benefit the assessment area by funding community development loans, making donations, and providing financial expertise and other support to local organizations providing community development services. Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other

financial institutions having a local presence indicate that local community development opportunities are reasonably available in the assessment area. Given its current loan-to-deposit ratio (105.4%), the bank's capacity for additional lending, including community development lending, is somewhat constrained. Additionally, the bank faces moderate constraints regarding investment activity when considering its balance sheet structure and funding strategies. The bank faces no constraints, however, in providing community development services.

During the evaluation period, the bank originated three community development loans totaling \$7.9 million that benefit the bank's assessment area. The loans aided in the revitalization and stabilization of low- and/or moderate-income census tracts and supported affordable housing initiatives.

The bank continues to own a \$250,000 investment in a bond issued by the Virginia Housing Development Authority (VHDA). The VHDA is a public mortgage lender that serves the housing needs of low- and moderate-income individuals throughout the Commonwealth of Virginia. The bank has also provided charitable donations totaling \$9,000 to multiple organizations whose operations primarily benefit area low- and moderate-income residents.

The bank and its employees participate in the following community development services:

- A bank officer teaches financial literacy classes for children in the foster care system through the City of Portsmouth Department of Social Services "Independent Living Program."
- Several bank employees have participated in a financial literacy program for children at Parkway Elementary School. A majority of the students at the school come from low- or moderate-income families.
- A bank officer teaches financial literacy classes for inmates of the Norfolk City Jail.
- In partnership with the VHDA, two bank officers have participated in first time homebuyer seminars targeted to lower income members of the armed forces.
- A bank officer serves on the board of directors of a nonprofit entity that provides vocational and other job skill training to individuals with disabilities.

Overall, the bank's performance demonstrates an adequate responsiveness to the community development needs when considering the institutional capacity and available opportunities within the assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

GLOSSARY

Aggregate lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Consumer loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

Middle-income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography.

Moderate-income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-occupied units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.