

PUBLIC DISCLOSURE

July 28, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Hampton Roads

05510533

201 Volvo Parkway

Chesapeake, Virginia, 23320

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 Hampton Roads, Chesapeake, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of July 28, 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 high loan-to-deposit ratio and overwhelming majority of loans extended to residents of the assessment area exceed standards for satisfactory performance. The level of lending to borrowers of different incomes and businesses with revenues under \$1 million demonstrates a satisfactory level of performance. The geographic distribution of loans inside the assessment area is also considered reasonable given the bank's resources, branch locations, and demographics of the local community.

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

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>Bank of Hampton Roads</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 have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Bank of Hampton Roads, headquartered in Chesapeake, Virginia, operates ten branches. Six of these offices are located in Chesapeake, two are in Virginia Beach, one is in Norfolk, and one is in Suffolk, Virginia. As of March 31, 1997, the bank had total assets of \$131 million, of which 75% were loans. Various deposit and loan products are available through the institution, including loans for residential mortgage, home improvement, consumer, small business, and commercial purposes. The composition of the loan portfolio, as of March 31, 1997, is as follows: 64% real estate secured (consumer and business), 26% commercial, 9% consumer, and 1% other. Based on the number of loans extended during the previous six months, consumer motor vehicle and small business 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 bank's assessment area includes the Cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach. These five cities are part of the Norfolk-Virginia Beach-Newport News Metropolitan Statistical Area (MSA). According to the most recent census, the population of the assessment area is 962,322. Two hundred thirty-six census tracts are included in the assessment area, of which 38 are low-income, 50 are moderate-income, 91 are middle-income, and 57 are upper-income. Of the 38 low-income census tracts, six are unpopulated. The remaining 32 populated census tracts are concentrated in the Cities of Norfolk and Portsmouth. Several of the low- and moderate-income geographies in the assessment area are located within, or in close proximity to, military installations, state parks, or local shipyards.

The local economy is well diversified, and primary employment opportunities include the military, construction and real estate development, agriculture, retail and wholesale trade, light manufacturing, and tourism. The unemployment rates as of May 1997 for Chesapeake (4.5%), Norfolk (7.4%), Portsmouth (8.7%), Suffolk (7.4%), and Virginia Beach (4.4%) remain mixed compared to the Commonwealth's jobless rate of 4.2%. The 1996 median-family income for the MSA is \$42,100.

A community contact was performed with a local government official to further assist in evaluating the bank's CRA performance. The contact indicated that while there is a demand for additional small business loans in the area, local financial institutions have been active in meeting community credit needs.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The institution is responsive to area loan demand. During the previous six quarters, the average loan-to-deposit ratios for institutions headquartered in metropolitan areas of Virginia and of similar asset size to the Bank of Hampton Roads ranged from 71% to 75%. The bank's average loan-to-deposit ratio for the previous five quarters is 90% and exceeds 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 50 small business and 70 motor vehicle loans extended during the previous six months was reviewed. 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	118	2	120
Percentage of Total Loans	98%	2%	100%
Total Amount of Loans (000's)	\$4,034	\$103	\$4,137
Percentage of Total Amount	97%	3%	100%

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

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

The following charts illustrate the distribution of the 69 motor vehicle loans and 49 business loans extended in the assessment area by income level of borrower or by size of the business.

Distribution of Motor Vehicle Loans by Income Level of Borrower

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	7	18	19	25	69
Percentage of Total Loans	10%	26%	28%	36%	100%
Total Amount of Loans (000's)	\$48	\$142	\$244	\$390	\$824
Percentage of Total Loans	6%	17%	30%	47%	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	19%	19%	24%	38%	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 (36%) closely corresponds to the percentage of such families (38%) in the community.

Distribution of Loans by Size of Business

	Revenues ≤ \$1 Million	Revenues > \$1 Million	Total
Total Number of Loans	33	16	49
Percentage of Total Loans	67%	33%	100%
Total Amount of Loans (000's)	\$1,902	\$1,307	\$3,209
Percentage of Total Amount	59%	41%	100%

The loans extended to businesses with gross revenues of \$1 million or less demonstrate the bank's willingness to meet small business credit needs within its local community.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various census tracts 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.

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

	Low-Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	3	32	34	69
Percentage of Total Loans	0	4%	47%	49%	100%
Total Amount of Loans (000's)	0	\$20	\$352	\$452	\$824
Percentage of Total Loans	0	2%	43%	55%	100%

In the bank's assessment area, 10% of the population resides in low-income census tracts, 18% in moderate-income tracts, 44% in middle-income tracts, and 28% in upper-income tracts. As indicated above, only 4% of the motor vehicle loans sampled were extended in low- and moderate-income areas. This level of lending is somewhat low; however, a majority of the institution's branches are located in Chesapeake, Virginia, which contain only one low-income census tract and no moderate-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 and throughout the assessment area. Competition from these particular credit unions may have contributed to the low volume of bank lending within low- and moderate-income census tracts.

Small Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	2	10	14	23	49
Percentage of Total Loans	4%	20%	29%	47%	100%
Total Amount of Loans (000's)	\$43	\$349	\$1,292	\$1,525	\$3,209
Percentage of Total Loans	1%	11%	40%	48%	100%

The level of lending to businesses in low- and moderate-income areas (24%) approximates the population percentage (28%) residing in such areas. The overall geographic distribution of loans is reasonable given the demographics of the local area and the bank's resources and branch locations.

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