

PUBLIC DISCLOSURE

June 16, 2014

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Bank of Hampton Roads

1161029

641 Lynnhaven Parkway
Virginia Beach, Virginia 23452

**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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INSTITUTION RATING

INSTITUTION'S CRA RATING: Bank of Hampton Roads is rated “**SATISFACTORY.**”

The following table indicates the performance level of Bank of Hampton Roads with respect to the lending, investment, and service tests.

PERFORMANCE LEVELS	Bank of Hampton Roads		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		
Low Satisfactory		X	X
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests in determining the overall rating.

Major factors supporting the institution’s rating include:

- A substantial majority of the number and dollar volume of the institution's reported Home Mortgage Disclosure Act (HMDA), small business, and small farm loans were originated within the bank's combined assessment areas.
- Lending activity is consistent with the bank’s capacity and reflects a good level of responsiveness to the credit needs of the assessment areas.
- While the geographic and the borrower lending distribution performance varies by product and assessment area, the bank’s geographic and its borrower distribution performance are each considered good overall.
- While the bank’s level of community development lending varies across its assessment areas, the bank extended an adequate level of qualified community development loans overall during the evaluation period.
- While the bank’s level of qualified community development investments varies by geographic area, the bank made an adequate level of community development investments when considering available opportunities and bank capacity.
- Within the multistate MSA and the State of North Carolina, delivery systems and branch locations are considered accessible to all segments of the bank’s assessment areas. Within the Commonwealth of Virginia, delivery systems and branch locations are considered reasonably accessible.
- During the evaluation period, the bank participated in a relatively high level of community development services within the multistate MSA and an adequate level of community development services in the State of North Carolina and the Commonwealth of Virginia.

INSTITUTION

SCOPE OF EXAMINATION

The Bank of Hampton Roads (BHR) was evaluated using the interagency examination procedures for large institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, HMDA, small business, and small farm lending activity reported by BHR from January 1, 2012, through December 31, 2013, was considered in the evaluation. Because the bank originated a comparatively small volume (ten loans totaling \$2.4 million) of small farm loans during the 2012-2013 period, these loans were not considered when evaluating the geographic and the borrower lending distribution performance.

Qualified community development loans that were originated or renewed from March 5, 2012, the date of the most recent CRA evaluation, through the evaluation date are considered for this evaluation. All qualified community development services provided since the previous evaluation, all qualified investments made during this same period, and those investments outstanding as of the evaluation, regardless of when made, were also considered. Data from other affiliates and subsidiaries are not included in the analysis.

To help determine the availability of community development opportunities in specific assessment areas, the CRA public evaluations of other financial institutions operating in these areas were reviewed. Also, in some markets members of the community were contacted to develop performance context information regarding local economic conditions, area credit needs, the performance of banks in the assessment area, as well as potential community development opportunities.

Because of the bank's branch locations, an overall rating and ratings for the lending, investment, and services tests are assigned to the institution, the multistate assessment area, the State of North Carolina, and the Commonwealth of Virginia. The multistate and state ratings are based only on the performance in the assessment areas subject to the full-scope review.

The bank serves six assessment areas located in Virginia and North Carolina. Based upon branch locations and relative market size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the following three assessment areas:

- Virginia Beach-Norfolk-Newport News, VA-NC MSA
- Elizabeth City, NC NonMSA
- Richmond, VA MSA

The remaining three assessment areas were subject to the limited review procedures provided for by the FFIEC. For each assessment area reviewed utilizing the limited scope evaluation procedures, a determination was made as to whether performance was consistent with the assigned overall state rating. As noted in Appendix E, the bank exited the Wilmington, NC MSA market area during 2012, and the bank's performance in this market area is not considered in this evaluation.

Appendix D includes information detailing the lending volume, branch locations, and deposit volume by assessment area, and Appendix E details the composition of each assessment area.

The institution's overall rating is based on the ratings assigned to each state, and these ratings are weighted primarily according to bank activity as measured by relative lending volume, amount of deposits, and the number of branches. According to evaluation procedures, the Lending Test performance accounts for half of the overall rating while the Investment and Service Tests are equally weighted and combined account for the remaining half of the overall rating.

DESCRIPTION OF INSTITUTION

BHR is headquartered in Virginia Beach, Virginia, and operates 27 branch offices in central and eastern Virginia and central and eastern North Carolina. The bank is a subsidiary of Hampton Roads Bankshares, a multibank holding company also located in Virginia Beach, Virginia. BHR also owns a subsidiary mortgage company, Gateway Bank Mortgage, headquartered in Raleigh, North Carolina. This evaluation reflects only the performance of BHR and does not consider or include the activities of any related entities. The bank’s previous CRA rating, dated March 5, 2012, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2014, the bank had assets of \$1.6 billion, of which 67.3% were net loans and 16.8% were securities. As of the same date, deposits totaled \$1.3 billion. Various credit products are available through the institution including commercial, small business, real estate secured, and consumer loans. The composition of the loan portfolio (using gross loans) is represented in the following table:

Composition of Loan Portfolio

Loan Type	3/31/2014	
	\$(000s)	%
Secured by 1-4 Family dwellings	275,456	24.5
Multifamily	96,828	8.6
Construction and Development	129,228	11.5
Commercial & Industrial/ NonFarm NonResidential	559,749	49.8
Consumer Loans and Credit Cards	51,109	4.5
Agricultural Loans/ Farmland	6,473	0.6
All Other	4,969	0.4
Total	1,123,812	100.0

As indicated in the preceding table, BHR is primarily a commercial lender. The bank offers other loans, such as consumer and farm loans; however, the volume of such lending is relatively small in comparison to its commercial lending, which includes small business loans. The bank originates a relatively small volume of residential mortgage loans. Most residential mortgage loan requests are processed by the bank’s subsidiary mortgage company, Gateway Bank Mortgage. As previously noted, Gateway Bank Mortgage’s activity is not considered within this evaluation.

As previously noted, the bank currently serves six assessment areas located in Virginia and North Carolina. During the evaluation period, the bank closed several branches. In some instances, the branch closures affected the bank’s delineation of its assessment areas. Information about the branch closures and their impact on the bank’s assessment areas is included in Appendix E.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

When evaluating the bank’s performance, relevant area demographic data from the 2010 census are used as proxies for demand. Dun & Bradstreet (D&B) business demographic data from 2012 and 2013 are also considered when evaluating the bank’s performance. Additionally, when such data is available, aggregate lending data is considered. For this review, aggregate HMDA and small business/farm loan data from calendar year 2012 was available. Analyses of lending during the review period are discussed in greater detail in subsequent sections of this evaluation.

Throughout the analysis of lending, loans without a reported income (in the case of borrower distribution) and loans where the reported geographic information is incomplete (in the case of geographic distribution) are excluded from both bank loan totals and comparative aggregate lending totals.

While HMDA and small business data from calendar years 2012 and 2013 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2012 are presented in the assessment area analysis tables. In instances where the 2013 performance varies significantly from the performance noted during 2012, such variance and the corresponding impact on the overall performance are discussed. Aggregate data from 2013 was not available as of the date of the evaluation.

During 2012 and 2013, BHR reported originating ten small farm loans totaling \$2.4 million. During the same time period, the bank reported originating 827 HMDA and small business loans totaling \$178.9 million. Because of its comparatively low volume, the bank's small farm lending performance was not evaluated, as it would not affect BHR's overall performance.

When considering the institution's overall rating, the bank's performance in the Virginia Beach-Norfolk-Newport News, VA-NC multistate MSA assessment area is weighted more heavily than the bank's performance in the State of North Carolina or the Commonwealth of Virginia, as the bank's operations (loans, branches, and deposits) are concentrated in the multistate MSA. The bank's performance in the Commonwealth of Virginia is given the least weight in determining the institution's overall rating because of its relative smaller size. Appendix D includes information detailing BHR's lending volume, branch locations, and deposit volume by assessment area.

Lending Activity:

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. The bank's quarterly loan-to-deposit ratio for the nine-quarter period ending March 31, 2014, averaged 85.3% and ranged from 79.1% to 88.8%. During this same period, the average of quarterly loan-to-deposit ratios of a national peer group ranged from 73.6% to 76%. The national peer group is defined as all insured commercial banks having assets of greater than \$1 billion but less than \$3 billion. BHR's loan-to-deposit ratio, as of March 31, 2014 equaled 85.7%.

Since December 31, 2011, the bank's assets, loans, and deposits have decreased 14.3%, 14.3% and 19.2%, respectively. Considering relevant performance context factors such as bank size, financial condition, and local area credit needs, the bank's lending levels for the purposes of CRA reflect a good level of responsiveness to assessment area credit needs.

Assessment Area Concentration:

The following table includes all reported HMDA, small business, and small farm loans from January 1, 2012, through December 31, 2013.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	38	84.4	11,695	87.8	7	15.6	1,625	12.2
Home Improvement	17	94.4	599	95.2	1	5.6	30	4.8
Refinancing	75	85.2	22,516	89.1	13	14.8	2,765	10.9
Multi-Family Housing	6	85.7	7,566	91.6	1	14.3	694	8.4
Total HMDA related	136	86.1	42,376	89.2	22	13.9	5,114	10.8
Small Business	615	91.9	115,870	88.1	54	8.1	15,582	11.9
Small Farm	7	70.0	1,620	66.4	3	30.0	821	33.6
TOTAL LOANS	758	90.6	159,866	88.1	79	9.4	21,517	11.9

As indicated in the table above, a substantial majority of the overall number and dollar amount of loans considered in the evaluation were provided to residents, businesses, and farms of the bank's assessment areas.

Geographic and Borrower Distribution:

When evaluating the geographic and borrower distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then weighted by the dollar volume of each category extended in the assessment area. Similarly, when the performance in multiple assessment areas is considered to reach a statewide, multistate MSA, or institutional rating, the overall level of performance for each assessment area subject to full scope review is weighted primarily according to their dollar volume during the review period.

Within BHR's assessment areas, a high level of small business lending activity has been reported by specialized lenders, who often originate or purchase 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 substantial 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 aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

The bank primarily extends small business and commercial loans. Within most of its assessment areas during the evaluation period, the bank extended a substantially larger volume of small business loans than residential mortgage loans. Accordingly, the bank's small business loan performance was typically given more weight when considering the bank's combined product performance levels.

The bank's geographic distribution performance is considered good in the multistate MSA, excellent in the State of North Carolina, and poor in the Commonwealth of Virginia. After accounting for the variation in performance and market area size, the bank's overall geographic distribution performance is considered good. The bank's borrower distribution performance is considered good in the multistate MSA and the State of North Carolina and adequate in the Commonwealth of Virginia. Overall, the bank's borrower distribution performance is considered good.

Community Development Lending:

The availability of safe and sound community development loan opportunities varies by assessment area. As discussed in more detail later in this evaluation, community development lending opportunities within the bank's two full-scope metropolitan assessment areas (Virginia Beach-Norfolk-Newport News, VA-NC MSA and Richmond, VA MSA) are reasonably available, while opportunities are limited in the bank's remaining full-scope assessment area (Elizabeth City, NC NonMSA).

The bank originated nine community development loans totaling approximately \$12.5 million within its assessment areas during the review period. Additional information regarding these loans is included in each applicable assessment area discussion. To the extent that the bank extended any other community development loans, such loans were required to be reported as either small business or HMDA loans and could not also be reported as community development loans. Overall, relative to available opportunities, the bank originated an adequate level of community development loans during the evaluation period.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated low satisfactory. As of March 31, 2014, the institution reported \$1.6 billion in total assets and a securities portfolio totaling \$273.3 million. As of the evaluation date, the bank held approximately \$4.5 million in qualified investments.

The bank's qualified investments benefit multistate areas and include the following:

- Ginnie Mae Multifamily Housing Bonds (\$1.2 million) – The loan pools that comprise these bonds directly serve the housing needs of low- and moderate-income individuals throughout the bank's assessment areas and surrounding multistate area.
- CapitalSouth Partners Fund III (\$1.2 million) – The Fund is a licensed SBIC that invests in businesses located in a multistate area that includes North Carolina and Virginia. SBICs are privately owned investment firms that are licensed by the Small Business Administration and provide venture capital to small businesses in the form of equity investments and subordinate debt.
- Plexus Capital Fund III (\$131,250) – The Fund is a licensed SBIC that invests in businesses located in the mid-Atlantic region, which includes North Carolina and Virginia.

The institution also actively supports numerous community development organizations by making charitable donations. During the evaluation period, the bank made charitable donations to community development organizations totaling approximately \$19,425 on a combined assessment area basis. Qualified investments, including donations, targeting specific assessment areas are discussed in conjunction with the evaluation of those areas.

SERVICE TEST

The bank's overall performance under the Service Test is rated low satisfactory. Delivery systems, branch locations, and hours of operation are considered accessible to all portions of the assessment areas. Of the 27 full service branch offices, one (3.7%) is located within a low-income census tract and two (7.4%) are located in moderate-income income census tracts.

The bank and its employees provide an adequate level of support to organizations that provide community development services throughout its various assessment areas. Additional discussion of specific community development services is included within the applicable assessment area sections of this evaluation.

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.

MULTISTATE METROPOLITAN AREA

CRA RATING FOR THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MSA ASSESSMENT AREA ¹:

The lending test is rated: **HIGH SATISFACTORY**
The investment test is rated: **LOW SATISFACTORY**
The service test is rated: **HIGH SATISFACTORY**

Major factors supporting the rating include:

- Overall lending activity is adequate in relation to the bank's capacity and the needs of the assessment area.
- While the bank's geographic distribution performance varies by product, its overall performance is considered good.
- The bank's borrower distribution performance also varies by product and is considered good overall.
- A relatively high level of community development loans were originated within the assessment area.
- Relative to the available investment opportunities, bank capacity, and local market impact, the bank's level of qualified investments reflects adequate performance.
- Delivery systems and branch locations are reasonably accessible to all segments of the bank's assessment areas, and bank personnel provide a relatively high level of financial expertise to local organizations that facilitate community development.

SCOPE OF EXAMINATION

Reported HMDA and small business loans were analyzed to determine the geographic and borrower distribution of the bank's lending. The reported HMDA and small business loan data are from calendar years 2012 and 2013. Small farm lending performance was not evaluated because of the limited volume of such lending. Community development lending activity includes all such loans extended by the bank since its previous evaluation (March 5, 2012). The institution's efforts to serve its markets through qualified community development investments and services were also reviewed.

The bank operates branches within both the Virginia and North Carolina portions of the Virginia Beach-Norfolk-Newport News, VA-NC MSA. Ratings for the multistate MSA are based solely on the bank's performance in this assessment area. This assessment area accounts for 55.4% of the bank's lending (dollar volume), 63% of branches, and 43.1% of deposit volume.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MSA ASSESSMENT AREA

The bank operates 17 branches within the cities of Chesapeake, Norfolk, Portsmouth, Suffolk, and Virginia Beach, Virginia, as well as Currituck County, North Carolina. These cities and county constitute a portion of the Virginia Beach-Norfolk-Newport News, VA-NC MSA. As of June 2013, BHR ranked 7th out of 22 institutions in deposit market share having 3.7% of the assessment area's available Federal Deposit Insurance Corporation (FDIC) insured deposits (credit union deposits are not included).

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate metropolitan area.

According to 2010 census data, the assessment area has a population of approximately 1.1 million and a median housing value of \$250,905. The owner-occupancy rate for the assessment area (59.2%) approximates that of the entire MSA (59%), the State of North Carolina (58.4%) and the Commonwealth of Virginia (61.8%). Within the assessment area, 7.5% of families are considered below the poverty level, which is similar to the percentages in the Commonwealth of Virginia (7.2%) and the overall MSA (7.5%), but is less than the overall poverty rate in the State of North Carolina (11.4%). The 2012 and 2013 median family incomes for the Virginia Beach-Norfolk-Newport News, VA-NC MSA equal \$70,900 and \$73,300, respectively. The following table provides pertinent assessment area demographic data:

Assessment Area Demographics

Virginia Beach-Norfolk-Newport News, VA-NC MSA (Based on 2010 ACS Boundaries and 2012 D&B information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	23	8.0	15,492	5.6	5,382	34.7	53,906	19.5
Moderate	67	23.3	57,370	20.8	6,893	12.0	50,498	18.3
Middle	105	36.5	102,840	37.3	5,979	5.8	60,723	22.0
Upper	87	30.2	100,124	36.3	2,454	2.5	110,699	40.1
NA	6	2.1	0	0.0	0	0.0		
Total	288	100.0	275,826	100.0	20,708	7.5	275,826	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	6,845	2.6	23,348	5.8	8,140	34.9	86,886	21.5
Moderate	44,859	17.2	93,132	23.0	12,586	13.5	70,875	17.5
Middle	101,298	38.8	154,253	38.1	12,529	8.1	79,790	19.7
Upper	108,097	41.4	133,897	33.1	5,380	4.0	167,079	41.3
NA	0	0.0	0	0.0	0	0.0		
Total	261,099	100.0	404,630	100.0	38,635	9.5	404,630	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	2,129	3.7	1,887	3.6	157	4.8	85	4.2
Moderate	10,763	18.7	9,628	18.5	758	23.0	377	18.7
Middle	22,504	39.1	20,168	38.6	1,494	45.2	842	41.7
Upper	21,900	38.1	20,369	39.0	822	24.9	709	35.1
NA	209	0.4	132	0.3	71	2.2	6	0.3
Total	57,505	100.0	52,184	100.0	3,302	100.1	2,019	100.0
	Percentage of Total Businesses:			90.7		5.7		3.5

*NA-Tracts without household or family income as applicable

Employment opportunities are available in a variety of industries including healthcare, food and retail services, and construction, as well as in county and municipal government. Also, a number of military facilities also employ a number of both service members and civilians. Major area employers include: U.S. Department of Defense, Northrop Grumman Newport News (shipbuilding), Sentra Healthcare, City of Virginia Beach Schools, Walmart, and Dominion Enterprises (media services). Current and recent unemployment rates are included in the following table:

Geographic Area	Unemployment Rate Trend		
	April 2012	April 2013	April 2014
Chesapeake, VA	5.8%	5.4%	4.6%
Norfolk, VA	7.1%	6.5%	6%
Portsmouth, VA	7.9%	7%	6.6%
Suffolk, VA	6.4%	5.8%	5.6%
Virginia Beach, VA	5.3%	5%	4.5%
Virginia Beach-Norfolk-Newport News, VA-NC MSA	6.1%	5.7%	5.1%
Commonwealth of Virginia	5.5%	5.2%	4.7%
Currituck, NC	5.5%	5.8%	4.4%
State of North Carolina	8.8%	7.9%	6.1%

Although trending down, the unemployment rates in the cities of Norfolk, Portsmouth, and Suffolk, Virginia, are high in relation to unemployment rate in the overall MSA and the Commonwealth of Virginia. Unemployment rates within other portions of the the assessment area are similar to or compare favorably to the unemployment rate in the overall MSA and to statewide rates.

During the evaluation, two individuals, an affordable housing official and an economic development director, were contacted to discuss local economic conditions and community credit needs. Collectively, the contacts indicated that despite overall improving economic conditions that several infrastructure projects have stalled or been delayed indefinitely as area municipalities work through challenging budgetary issues. One of the contacts stated that the demand for affordable housing exceeds the local supply. Both contacts indicated that area financial institutions are reasonably serving the banking needs of the local community.

Discussions with the community contacts and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the bank’s assessment area. During the evaluation period, the bank faced some constraints in its capacity to originate community development loans and to make qualified investments given the structure of its balance sheet. The bank faces no significant constraints relative to its size and business strategy in supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MSA ASSESSMENT AREA

LENDING TEST

The institution’s overall lending performance within this assessment area is considered good. This conclusion is based on the evaluation of the bank lending activity, geographic and borrower distribution performance, and the level of community development lending, while taking into account the bank’s market strategy, area demographic data, and aggregate loan data.

Within this assessment area during 2012 and 2013 combined, the bank reported originating \$18.8 million in residential mortgage (HMDA) loans while it made \$69.6 million in small business loans. Accordingly, the performance associated with small business lending was given more weight when evaluating overall performance. As previously discussed, small farm lending is not considered within this assessment area because of its comparatively limited volume.

Lending Activity:

The proportion of bank lending activity within this assessment area as measured by number (50.4%) and dollar volume (55.4%) exceeds the proportion of the bank’s deposits (43.1%) from the assessment area. According to 2012 aggregate data, the institution ranked 92nd in reported mortgage lending with less than one percent market share, and 14th in reported CRA lending with 1.1% market share. During 2012, 444 institutions reported originating HMDA loans and 70 institutions reported originating CRA (small business and small farm) loans within the assessment area. Overall, BHR’s lending activity in this market is considered adequate.

Geographic Distribution:

The bank’s geographic distribution performance is considered poor for residential mortgage (HMDA) lending and good for small business lending. The bank’s overall geographic distribution performance within this assessment area is considered good. In reaching this conclusion, greater weight was placed on the bank’s small business lending performance because of its comparatively larger volume of lending within the assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(4) Home Purchase				(20,807)			
Low	0	0.0	0	0.0	529	2.5	68,272	1.4
Moderate	0	0.0	0	0.0	3,402	16.3	543,386	11.5
Middle	3	75.0	710	78.9	8,071	38.8	1,605,576	34.0
Upper	1	25.0	190	21.1	8,805	42.3	2,505,369	53.1
	(17) Refinance				(39,779)			
Low	1	5.9	1,200	18.4	617	1.6	85,806	0.9
Moderate	1	5.9	200	3.1	4,941	12.4	846,982	9.3
Middle	7	41.2	703	10.8	14,486	36.4	2,927,427	32.3
Upper	8	47.0	4,410	67.7	19,735	49.6	5,209,543	57.5
	(4) Home Improvement				(2,947)			
Low	0	0.0	0	0.0	92	3.1	2,289	1.2
Moderate	0	0.0	0	0.0	476	16.2	18,902	10.3
Middle	4	100.0	136	100.0	1,138	38.6	59,290	32.3
Upper	0	0.0	0	0.0	1,241	42.1	103,083	56.2
	(1) Multi-Family				(38)			
Low	0	0.0	0	0.0	3	7.9	839	0.4
Moderate	0	0.0	0	0.0	15	39.5	91,259	41.9
Middle	0	0.0	0	0.0	8	21.1	8,936	4.1
Upper	1	100.0	687	100.0	12	31.5	116,897	53.6
	HMDA Totals							
Low	1	3.8	1,200	14.6	1,241	2.0	157,206	1.1
Moderate	1	3.8	200	2.4	8,834	13.9	1,500,529	10.6
Middle	14	53.8	1,549	18.8	23,703	37.3	4,601,229	32.4
Upper	10	38.6	5,287	64.2	29,793	46.8	7,934,892	55.9
NA*	0	0.0	0	0.0	24	0.0	5,910	0.0
Total	26	100.0	8,236	100.0	63,595	100.0	14,199,766	100.0

NA*-Tracts without household or family income as applicable

As indicated by the loan volume in the preceding table, BHR originated a relatively small volume of HMDA reportable loans during 2012. The bank's volume of HMDA lending within the assessment area during 2013 is similar.

On a combined product basis during 2012, BHR originated one (3.8%) loan in a low-income census tract, which exceeded the percentage of owner-occupied housing units (2.6%) and the aggregate lending level (2%). However, in moderate-income census tracts, BHR's percentage of lending (3.8%) substantially lagged the percentage of owner-occupied housing units (17.2%) as well as the aggregate lending level (13.9%). BHR's performance during 2012 is considered poor, and its performance during 2013 is substantially similar.

Distribution of Small Business Loans by Income Level of Census Tract

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	1	0.6	27	0.1	464	2.8	26,520	4.2
Moderate	30	18.0	5,717	18.0	3,158	19.0	148,943	23.4
Middle	86	51.5	19,423	61.2	6,701	40.4	267,055	42.0
Upper	47	28.1	6,288	19.8	6,100	36.8	181,389	28.5
NA*	3	1.8	288	0.9	158	1.0	12,399	1.9
Total	167	100.0	31,743	100.0	16,581	100.0	636,306	100.0

*NA-Tracts without household or family income as applicable

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

The bank's level of small business lending in low-income census tracts (.6%) lagged both the percentage of businesses located in such tracts (3.7%) and the aggregate level of lending (2.8%). However, the demand for small business loans in the assessment area's low-income census tracts is somewhat limited when considering the aggregate and demographic information. The bank's level of lending in moderate-income census tracts (18%) approximates both the percentage of businesses located in such areas (18.7%) and the aggregate level of lending (19%). Overall, the bank's performance is considered good during 2012, and its performance during 2013 is similar.

Distribution by Borrower Income and Revenue Size of the Business:

The bank's borrower distribution performance is poor for HMDA lending and good for small business lending. Given the relative size of and strength of performance for each product, the bank's overall performance is considered good.

Distribution of HMDA Loans by Income Level of Borrower

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	1	6.3	128	12.1	3,336	7.2	361,560	3.7
Moderate	2	12.5	40	3.8	9,864	21.3	1,504,059	15.4
Middle	4	25.0	149	14.1	12,713	27.5	2,451,238	25.0
Upper	9	56.2	743	70.0	20,381	44.0	5,470,034	55.9
Total	16	100.0	1,060	100.0	46,294	100.0	9,786,891	100.0
Unknown	10		7,176		17,301		4,412,875	

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

The regulation that implements HMDA provides that borrower income is reported to the extent that it is relied upon and the borrower is a natural person. Borrower income cannot be reported for business entities. As indicated in the preceding table, borrower income was not known for ten of the 26 residential mortgage loans that BHR originated in the assessment area during 2012. As previously noted, the bank is primarily a commercial lender, and most of the ten loans for which borrower income was not known were loans to businesses. Accordingly, these ten loans are excluded from the borrower income distribution analysis.

While the bank’s lending to low-income borrowers (6.3%) lagged the percentage of low-income families in the assessment area (19.5%), it approximated the aggregate reporter level (7.2%). The bank’s lending to moderate-income borrowers (12.5%) substantially lagged both the percentage of moderate-income area families (18.3%) and the aggregate reporter lending level (21.3%). Overall, the bank’s performance during 2012 is considered adequate, in large part because of the bank’s low-income borrower performance.

During 2013, the bank originated 16 HMDA loans totaling \$5.2 million, for which borrower income was known. Of these loans, none (0%) were to low-income borrowers and two (12.4%) totaling \$45,000 (.9%) were to moderate-income borrowers. The bank’s performance during 2013 is poor.

Overall, the bank’s performance during 2012 and 2013 is considered poor. In reaching this conclusion, more weight was placed on the bank’s performance during 2013 than its performance during 2012 because of the larger dollar volume of lending (when borrower income was known).

Distribution of Lending by Loan Amount and Size of Business

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2012)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	76	45.5	13,625	42.9	6,299	36.5	258,467	40.2
Over \$1 Million	69	41.3	14,813	46.7	NA	NA	NA	NA
Unknown	22	13.2	3,305	10.4	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	93	55.7	4,587	14.5	16,033	93.0	182,509	28.4
\$100,001-\$250,000	35	21.0	6,325	19.9	548	3.2	98,612	15.3
\$250,001-\$1 Million	39	23.3	20,831	65.6	668	3.8	361,497	56.3
Total	167	100.0	31,743	100.0	17,249	100.0	642,618	100.0

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

D&B data indicates that 90.7% of all local businesses have revenues that do not exceed \$1 million per year. According to 2012 aggregate small business data, 36.5% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 46.2% were made to businesses having annual revenues of \$1 million or less. Of the small business loans considered in the evaluation, 45.5% were to businesses with annual revenues of \$1 million or less. BHR’s performance during 2012 is good, and its performance during 2013 is similar.

Community Development Loans:

As previously discussed, opportunities for community development lending are reasonably available within the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area. While opportunities are reasonably available, there appears to be a significant amount of competition among local financial institutions for such lending.

During the evaluation period, the bank originated five community development loan totaling \$10.9 million within this assessment area. The loans were to organizations whose operations primarily benefit low- and moderate-income residents within the assessment area.

The bank extended a relatively high level of community development loans within the assessment area during the evaluation period when considering the availability of such opportunities consistent with safe and sound operations and the bank's balance sheet strategy.

INVESTMENT TEST

During the evaluation period, BHR made charitable donations totaling \$16,100 that support local organizations that provide community development services within the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area.

Previously discussed investment activities that benefit the broader regional area, which may include the bank's assessment area, include:

- Bonds totaling \$1.2 million issued by Ginnie Mae that provide affordable housing to low- and moderate-income people.
- Equity investments totaling \$1.3 million in two SBICs that promote small business development and job creation.

BHR's level of investment activity exhibits adequate responsiveness to area community development needs when considering investment opportunities consistent with safe and sound operations and its balance sheet strategy.

SERVICE TEST

Within the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area, the bank's performance under the service test is considered good. Systems for delivering retail banking services are reasonably accessible to all portions of the assessment area. Also, the bank and its employees support various local community development organizations.

Retail Services:

Delivery systems are reasonably accessible to all portions of the assessment area. Automated teller machines (ATMs) are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

Within the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area, one (5.9%) of BHR's 17 branches is located in a moderate-income census tract. Nine additional branches are located within a close proximity (one mile radius) to area low- and moderate-income census tracts. Within the assessment area, 5.6% and 20.8% of area families live in low- and moderate-income census tracts, respectively. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

During the evaluation period, BHR closed three branch offices within the assessment area. Of these three closed offices, one was located in a moderate-income census tract and none were located in low-income census tracts. Despite having closed one branch in a moderate-income census tract, the bank's record of closing branches has generally not adversely affected the accessibility of its delivery systems, as the bank operates another branch within 2 ½ miles of the moderate-income census tract branch that was closed.

Community Development Services:

BHR's employees provide a relatively high level of support to various local organizations whose operations directly benefit low- and moderate-income residents and support small business development. Bank employees support these organizations by providing financial expertise, serving as directors, and managing fundraising campaigns. Examples of organizations that BHR supported during the evaluation period include the following:

Community Services

- Southeast Rural Community Assistance Project
- Food Bank of Southeast Virginia
- Brotherly Love Ministries
- The Up-Center of Hampton Roads
- Cerebral Palsy of Virginia
- James Barry Robinson Institute
- Judeo-Christian Outreach Center

Small Business Development

- Outer Banks Community Development Corporation
- Hampton Roads Hispanic Chamber of Commerce
- Bank on Virginia Beach

Affordable Housing

- Our House Families

In addition to the above services, the institution offers no-cost checking products to individuals as well as low-cost checking to businesses within the community. These accounts can benefit all segments of the community including low- and moderate-income individuals and small businesses.

STATE OF NORTH CAROLINA

CRA RATING FOR NORTH CAROLINA²: SATISFACTORY

The lending test is rated: HIGH SATISFACTORY
The investment test is rated: LOW SATISFACTORY
The service test is rated: LOW SATISFACTORY

Major factors supporting the rating include:

- Overall lending activity is adequate in relation to the bank's capacity and the needs of the assessment area.
- The bank's geographic distribution performance is considered excellent.
- The bank's borrower distribution performance varies by product and is considered good overall.
- The bank did not extend any community development loans within the North Carolina assessment areas during the evaluation period.
- Relative to the available investment opportunities, bank capacity, and local market impact, the bank's level of qualified investments reflects adequate performance.
- Delivery systems and branch locations are accessible to all segments of the bank's assessment areas, and bank personnel provide an adequate level of financial expertise to local organizations that facilitate community development.

SCOPE OF EXAMINATION

Reported HMDA and small business loans were analyzed to determine the geographic and the borrower distribution of the bank's lending. The reported HMDA and small business loan data are from calendar years 2012 and 2013. Small farm lending performance was not evaluated because of the limited volume of such lending. Community development lending activity includes all such loans extended by the bank since its previous evaluation (March 5, 2012). The institution's efforts to serve its markets through qualified community development investments and services were also reviewed.

The bank has delineated the following three assessment areas in the State of North Carolina:

- Elizabeth City, NC NonMSA
- Raleigh-Cary, NC MSA
- Dare, NC NonMSA

On a combined basis, the assessment areas in the State of North Carolina account for 34.9% of the bank's lending (dollar volume), 22.2% of branches, and 37.8% of deposit volume. Information about loan volume, branches, and deposits are included in Appendix D of this report.

² For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Based upon relative size and concentration of banking activities, the Elizabeth City, NC NonMSA assessment area was identified as the bank's primary market within North Carolina and was reviewed utilizing the FFIEC's full-scope evaluation procedures. Consequently, the bank's performance ratings within North Carolina are based on its performance in this one assessment area. The remaining assessment areas were subject to limited review procedures and a determination was made as to whether their performance exceeded, was consistent with, or below the assigned state ratings.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF NORTH CAROLINA

The institution operates six branches within three assessment areas in the state. The assessment areas are located in eastern and central North Carolina. The six branch offices account for approximately \$510.1 million of the bank's June 30, 2013 total deposits.

As of June 2013, BHR ranked 10th out of 35 institutions in deposit market share having 2.2% of the available FDIC insured deposits within its assessment areas in the state. According to 2012 aggregate data, the institution ranked 118th out of 539 lenders in reported mortgage lending with a <.1% market share and ranked 23rd out of 94 lenders in reported small business loans with a .6% market share.

Based on 2010 census data, the North Carolina assessment areas served by the bank have a total population of approximately 1 million, including 247,687 families. A majority of the families are middle- and upper-income (65%), while low- and moderate-income families comprise 19.3% and 15.7% of the total, respectively. Within these assessment areas, the owner-occupancy rate equals 58.4%, and 7.3% of families live below the poverty level. Area median family incomes during 2012 and 2013 are detailed below.

Area	Median Family Incomes	
	2012	2013
Raleigh-Cary, NC MSA	\$79,900	\$75,300
North Carolina Statewide Nonmetropolitan Area	\$50,200	\$48,300

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE STATE OF NORTH CAROLINA

The bank's overall North Carolina state rating and the rating for each test for the state is based upon performance in the Elizabeth City, NC NonMSA assessment area, which is discussed in detail in the next section of this evaluation.

NONMETROPOLITAN STATEWIDE AREA

(If some or all of the assessment areas within the non-metropolitan statewide area were reviewed using full-scope review)

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ELIZABETH CITY, NC
NONMSA ASSESSMENT AREA**

The bank operates four branches within this assessment area that includes all of the counties of Camden, Chowan, Pasquotank, Perquimans, and Washington located in northeastern North Carolina. As of June 2013, BHR ranked 1st out of 12 institutions in deposit market share having 33.3% of the assessment area's available FDIC insured deposits.

According to 2010 census data, the assessment area has a population of 92,115 and a median housing value of \$159,499. The owner-occupancy rate for the assessment area (59.2%) exceeds the rate for nonmetropolitan areas of North Carolina (57.5%). The overall family poverty rate in the assessment area (13.6%) is similar to the rate in nonmetropolitan areas of the state (13.8%). The 2012 and 2013 median family incomes for the nonmetropolitan areas of North Carolina equal \$50,200 and \$48,300, respectively. The following table provides pertinent assessment area demographic data:

Assessment Area Demographics

Elizabeth City, NC NonMSA (Based on 2010 ACS Boundaries and 2012 D&B information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	4.8	638	2.7	255	40.0	4,882	20.3
Moderate	2	9.5	1,867	7.8	465	24.9	3,916	16.3
Middle	11	52.4	12,764	53.1	1,830	14.3	4,706	19.6
Upper	7	33.3	8,753	36.4	709	8.1	10,518	43.8
NA	0	0.0	0	0.0	0	0.0		
Total	21	100.0	24,022	100.0	3,259	13.6	24,022	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	252	1.0	1,139	3.3	488	42.8	8,151	23.9
Moderate	1,682	6.9	3,011	8.8	983	32.6	4,673	13.7
Middle	12,906	53.3	18,610	54.5	3,402	18.3	5,946	17.4
Upper	9,391	38.8	11,413	33.4	1,129	9.9	15,403	45.0
NA	0	0.0	0	0.0	0	0.0		
Total	24,231	100.0	34,173	100.0	6,002	17.6	34,173	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	128	2.9	118	2.9	9	4.6	1	0.6
Moderate	580	13.0	528	12.9	28	14.4	24	13.7
Middle	2,308	51.7	2,121	51.8	93	47.9	94	53.7
Upper	1,448	32.4	1,328	32.4	64	33.1	56	32.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	4,464	100.0	4,095	100.0	194	100.0	175	100.0
	Percentage of Total Businesses:			91.7		4.3		3.9

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, eight of the assessment area middle-income census tracts have been classified as being distressed during 2012 and 2013. Specifically, six of the middle-income census tracts within Chowan and Pasquotank Counties combined have been designated distressed due to a high rate of poverty. Additionally, two middle-income census tracts in Washington County are designated as being distressed due to unemployment.

Employment in the assessment area is provided by health care providers, agriculture, retail services, and state and federal government. Major area employers include East Carolina Health, Sentara Albemarle Hospital, and local municipalities, including local school systems. Recent unemployment rates since the previous CRA evaluation are presented by county and for the state in the following table.

Geographic Area	Unemployment Rate Trend		
	April 2012	April 2013	April 2014
Camden County	7.1%	7%	5.9%
Chowan County	9.9%	9.5%	7.4%
Pasquotank County	10%	9.7%	8.3%
Perquimans County	9.4%	8.9%	7%
Washington County	11.4%	9.7%	7%
State of North Carolina	8.8%	7.9%	6.1%

While area unemployment rates have been trending down since April 2012, unemployment rates within many of the counties that comprise the assessment area remain high in relation to the current overall statewide unemployment rate.

During the evaluation, an economic development official was contacted to discuss local economic conditions and community credit needs. The contact stated that there is a need for more affordable housing and home improvement lending within the local market area. In addition, the contact suggested that additional foreclosure prevention programs might alleviate some of the demand for subsidized affordable housing. The contact further opined that local financial institutions could sponsor additional homeownership and retention counseling programs through monetary donations and/or teaching seminars. Nonetheless, the contact indicated that area financial institutions are reasonably meeting the banking needs of the local community.

Discussions with individuals knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that the demand for community development services may be greater than local community development infrastructure can supply. From that perspective, community development opportunities appear limited within the bank’s assessment area. Further, during the evaluation period, the bank’s balance sheet strategy may have constrained somewhat the bank’s capacity to originate community development loans and make qualified investments. The bank faces no significant constraints relative to its size and business strategy in supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution’s overall lending performance within this assessment area is considered good. This conclusion is based on the evaluation of the bank lending activity, geographic and borrower distribution performance, and the level of community development lending, while taking into account the bank’s market strategy, area demographic data, and aggregate loan data.

Within this assessment area during 2012 and 2013 combined the bank reported originating \$3.6 million in residential mortgage loans and originated \$19.6 million in small business loans. Accordingly, the performance associated with small business lending was given the most weight when considering overall performance.

Lending Activity:

According to 2012 aggregate data, the institution ranked 92nd in reported mortgage lending with a .4% market share and 11th in reported CRA lending with a 6.4% market share. During 2012, 175 institutions reported originating HMDA loans and 31 institutions reported originating CRA loans within the assessment area. Bank lending activity within this assessment area as measured by number (23.5%) and dollar volume (15.4%) lags the proportion of the bank’s deposits (30%) from the assessment area. Overall, BHR’s level of lending activity is considered adequate.

Geographic Distribution:

The bank’s geographic distribution performance is considered excellent for both residential mortgage and small business lending within the Elizabeth City, NC NonMSA assessment area during the evaluation period.

Distribution of HMDA Loans by Income Level of Census Tract

Elizabeth City, NC NonMSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(4) Home Purchase				(890)			
Low	0	0.0	0	0.0	7	0.8	749	0.5
Moderate	1	25.0	74	28.4	20	2.2	1,562	1.1
Middle	3	75.0	187	71.6	379	42.5	53,416	37.3
Upper	0	0.0	0	0.0	484	54.3	87,572	61.1
	(4) Refinance				(1,893)			
Low	0	0.0	0	0.0	9	0.5	1,290	0.4
Moderate	1	25.0	15	3.6	45	2.4	4,844	1.4
Middle	2	50.0	328	78.8	833	44.0	142,768	41.3
Upper	1	25.0	73	17.6	1,006	53.1	196,807	56.9
	(5) Home Improvement				(140)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	10	7.1	280	3.8
Middle	4	80.0	201	94.8	63	45.0	3,047	41.1
Upper	1	20.0	11	5.2	67	47.9	4,091	55.1
	(0) Multi-Family				(2)			
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
Middle	0	0.0	0	0.0	2	100.0	1,291	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	0	0.0	0	0.0	16	0.5	2,039	0.4
Moderate	2	15.4	89	10.0	75	2.6	6,686	1.3
Middle	9	69.2	716	80.5	1,277	43.7	200,522	40.3
Upper	2	15.4	84	9.5	1,557	53.2	288,470	58.0
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	13	100.0	889	100.0	2,925	100.0	497,717	100.0

NA*-Tracts without household or family income as applicable

As indicated by the loan volume in the preceding table, BHR originated a relatively small volume of HMDA reportable loans during 2012. The bank’s volume of HMDA lending within the assessment area during 2013 is similar. The demographic and aggregate data suggest that demand for residential mortgage loans is limited in the one low- and two moderate-income census tracts within the assessment area.

During 2012, BHR originated no HMDA loans in the assessment area’s low-income census tract. As previously indicated, the demand for residential mortgage loans is limited within the low-income census tract given that only 1% of the assessment area’s owner-occupied housing units are located in the low-income census tract and .5% of the aggregate loans were extended there. BHR extended 15.4% of its loans in the moderate-income census tracts which substantially exceeded the percentage of owner-

occupied housing units (6.9%) and the aggregate lending (2.6%). Based on its lending performance in moderate-income census tracts and the limited demand for loans in the low-income census tract, the bank's performance during 2012 is excellent, and its performance during 2013 is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Elizabeth City, NC NonMSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	1	1.4	172	1.8	32	2.5	1,238	1.8
Moderate	10	14.3	2,773	28.2	123	9.7	9,103	13.1
Middle	37	52.9	4,921	50.1	675	53.2	33,715	48.5
Upper	22	31.4	1,950	19.9	439	34.6	25,498	36.6
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	70	100.0	9,816	100.0	1,269	100.0	69,554	100.0

*NA-Tracts without household or family income as applicable

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

While BHR's small business lending in the low-income census tract (1.4%) lagged the percentage of businesses located in such areas (2.9%) and the aggregate level of lending (2.5%), its lending in moderate-income census tracts (14.3%) exceeded both the percentage of area businesses located in such census tracts (13%) and the aggregate lending level (9.7%). Given the strength of its performance in moderate-income census tracts and the limited demand for lending in the low-income census tract, the bank's performance during 2012 is considered excellent. The bank's performance during 2013 is similar to its performance during 2012.

Distribution by Borrower Income and Revenue Size of the Business:

The bank's borrower distribution performance is excellent for HMDA lending and good for small business lending. Given the relative size of and strength of performance for each product type, the bank's overall performance is considered good.

Distribution of HMDA Loans by Income Level of Borrower

Elizabeth City, NC NonMSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	0	0.0	0	0.0	86	3.7	6,270	1.7
Moderate	2	18.2	88	11.2	285	12.4	28,411	7.6
Middle	3	27.3	178	22.7	517	22.4	70,021	18.8
Upper	6	54.5	517	66.1	1,416	61.5	267,158	71.9
Total	11	100.0	783	100.0	2,304	100.0	371,860	100.0
Unknown	2		106		628		126,694	

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

While 20.3% of area families are low-income, the aggregate data suggests that the effective demand for loans from such borrowers is lower given that only 3.7% of the aggregate reporters' loans were to low-income borrowers. As indicated in the table, BHR did not originate any loans to low-income borrowers during 2012. Bank lending to moderate-income borrowers (18.2%) exceeded both the percentage of such families (16.3%) in the assessment area and the aggregate level of lending (12.4%). The bank's performance during 2012 is good.

During 2013, the bank’s level of lending to low- and moderate-income borrowers increased. The bank reported originating 14 loans totaling \$777,000 for which the borrowers’ incomes were known during 2013. Of these loans, one (7.1%) totaling \$15,000 was to a low-income borrower and three (21.4%) totaling \$136,000 were to moderate-income borrowers. The bank’s performance during 2013 is considered excellent.

Because the bank extended a similar dollar volume of loans in the assessment area during 2012 and 2013, the bank’s performance from each year is similarly weighted. Given the strength of the bank’s performance during 2013, its overall performance during 2012 and 2013 is considered excellent.

Distribution of Lending by Loan Amount and Size of Business

Elizabeth City, NC NonMSA (2012)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	35	50.0	4,322	44.0	456	31.6	36,179	50.7
Over \$1 Million	15	21.4	3,829	39.0	NA	NA	NA	NA
<i>Unknown</i>	20	28.6	1,665	17.0	NA	NA	NA	NA
<i>by Loan Size</i>	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	46	65.7	1,603	16.3	1,288	89.3	18,689	26.2
\$100,001-\$250,000	13	18.6	2,184	22.2	80	5.5	13,676	19.2
\$250,001-\$1 Million	11	15.7	6,029	61.5	75	5.2	38,969	54.6
Total	70	100.0	9,816	100.0	1,443	100.0	71,334	100.0

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

D&B data indicates that 91.7% of all local businesses have revenues that do not exceed \$1 million per year. According to 2012 aggregate small business data, 31.6% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining portion of loans were extended to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. During 2012, 51.8% of the small business loans originated by the remaining traditional bank lenders were made to businesses having annual revenues of \$1 million or less. Of BHR’s small business loans considered during 2012, 50% were to businesses with annual revenues of \$1 million or less. The bank’s performance during 2012 is good, and its performance during 2013 is similar.

Community Development Lending:

As previously indicated, opportunities for community development lending are limited within the Elizabeth City, NC NonMSA assessment area. Given the structure of its balance sheet, the bank may have faced some constraints in making community development loans during the evaluation period.

During the evaluation period, BHR did not originate any community development loans within this assessment area. To the extent that the bank extended such loans, they were required to be reported as either small business or HMDA loans and could not also be reported as community development loans.

INVESTMENT TEST

During the evaluation period, BHR made charitable donations totaling \$1,075 that support local organizations that provide community development services within the Elizabeth City, NC NonMSA assessment area.

Previously discussed investment activities that benefit the broader regional area, which may include the bank's assessment area, include:

- Bonds totaling \$1.2 million issued by Ginnie Mae that provide affordable housing to low- and moderate-income people.
- Equity investments totaling \$1.3 million in two SBICs that promote small business development and job creation.

BHR's level of investment activity exhibits adequate responsiveness to area community development needs when considering investment opportunities and constraints that the bank may have faced given the structure of its balance sheet.

SERVICE TEST

Within the Elizabeth City, NC NonMSA assessment area, the bank's performance under the service test is considered adequate. Systems for delivering retail banking services are accessible to all portions of the assessment area. Additionally, the bank and its employees have participated in a few community development service activities.

Retail Services:

Delivery systems are accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

Within the Elizabeth City, NC NonMSA assessment area, one (25%) of the bank's four branches is located in a low-income census tract and one branch (25%) is located in a moderate-income census tract. Within the assessment area, 2.7% and 7.8% of area families live in low- and moderate-income census tracts, respectively. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

During the evaluation period, BHR closed one branch office within the assessment area. The branch was located in a middle-income census tract. The bank's record of closing branches has not adversely affected the accessibility of its delivery systems within the assessment area.

Community Development Services:

Community development service opportunities are generally limited within the area. During the evaluation period, two BHR employees provided financial expertise to the following community development organization:

- River City Community Development Corporation (affordable housing and community services)

As previously noted, the institution offers no-cost checking products to individuals as well as low-cost checking to businesses within the community. These accounts can benefit all segments of the community including low- and moderate-income individuals and small businesses.

During the evaluation period, the bank provided an adequate level of community development services when considering the limited local opportunities.

METROPOLITAN NORTH CAROLINA AREAS
(For each metropolitan area where no assessment areas were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN METROPOLITAN AREAS

An assessment area, which is noted in the table below, was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. Conclusions regarding performance, which did not impact the institution’s overall rating, are included in the following table. For each test, the conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's statewide ratings.

Assessment Area	Lending Test	Investment Test	Service Test
Raleigh-Cary, NC MSA	Below	Consistent	Consistent

NONMETROPOLITAN NORTH CAROLINA STATEWIDE AREA

(If none of the assessment areas within the non-metropolitan statewide area were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

An assessment area, which is noted in the table below, was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. Conclusions regarding performance, which did not impact the institution’s overall rating, are included in the following table. For each test, the conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's statewide ratings.

Assessment Area	Lending Test	Investment Test	Service Test
Dare County, NC NonMSA	Consistent	Consistent	Consistent

COMMONWEALTH OF VIRGINIA

CRA RATING FOR VIRGINIA³: SATISFACTORY

The lending test is rated: LOW SATISFACTORY
The investment test is rated: HIGH SATISFACTORY
The service test is rated: LOW SATISFACTORY

Major factors supporting the rating include:

- Overall lending activity is adequate when considering loan volume, the bank's capacity, and area credit needs.
- The bank's geographic distribution performance is considered poor for both HMDA and small business lending.
- The bank's borrower distribution performance is considered adequate based upon the bank's small business lending.
- BHR originated an adequate level of community development loans in Virginia during the evaluation period.
- Relative to the available investment opportunities, bank capacity, and local market impact, the bank's level of qualified investments reflects good performance.
- Delivery systems are reasonably accessible to all segments of the bank's assessment areas, and the bank participates in an adequate number of qualified community development service activities within the Commonwealth of Virginia.

SCOPE OF EXAMINATION

Reported HMDA and small business loans were analyzed to determine the geographic and borrower distribution of the bank's lending. The reported HMDA and small business loan data are from calendar years 2012 and 2013. Small farm lending performance was not evaluated because of the limited volume of such lending. Community development lending activity includes all such loans extended by the bank since its previous evaluation (March 5, 2012). The institution's efforts to serve its markets through qualified community development investments and services were also reviewed.

The bank has delineated the following assessment areas in the Commonwealth of Virginia:

- Richmond, VA MSA
- Emporia, VA NonMSA

On a combined basis, the assessment areas in the Commonwealth of Virginia account for 9.7% of the bank's lending (dollar volume), 14.8% of branches, and 19.1% of deposit volume. Information about loan volume, branches, and deposits are included in Appendix D of this report.

³ For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation is adjusted and does not reflect performance in the parts of those states contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

Based upon relative size and concentration of banking activities, the Richmond, VA MSA assessment area was identified as the bank’s primary market within Virginia and was reviewed utilizing the FFIEC’s full-scope evaluation procedures. Consequently, the bank’s performance ratings within Virginia are based on its performance in this one assessment area. The remaining assessment area was subject to limited review procedures, and a determination was made as to whether its performance exceeded, was consistent with, or below the assigned state ratings.

DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA

The institution operates four branches within two assessment areas in the Commonwealth. The assessment areas are located in the central and southern central portions of Virginia. The four branch offices account for \$258.9 million of the bank's total deposit base in June 2013.

As of June 2013, BHR ranked 11th out of 34 institutions in deposit market share having .4% of the available FDIC insured deposits within its assessment areas in the state. According to 2012 aggregate data, the institution ranked 103rd out of 427 lenders in reported mortgage lending with a <.1% market share and ranked 31st out of 73 lenders in reported small business loans with a .1% market share.

Based on 2010 census data, the Virginia assessment areas served by the bank have a total population of 845,555, including 206,719 families. A majority of the families are middle- and upper-income (61.8%), while low- and moderate-income families comprise 20.8% and 17.4% of the total, respectively. Within these assessment areas, the owner-occupancy rate equals 59.5%, and 8.5% of families live below the poverty level. Area median family incomes during 2012 and 2013 are detailed below.

Area	Median Family Incomes	
	2012	2013
Richmond, VA MSA	\$75,600	\$73,900
Commonwealth of Virginia Nonmetropolitan Area	\$52,600	\$51,600

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VIRGINIA

The bank’s overall rating in Virginia and the rating for each test for the Commonwealth is based upon performance in the Richmond, VA MSA assessment area, which is discussed in detail in the next section of this evaluation.

METROPOLITAN AREAS

*(For metropolitan areas with some or all assessment areas
reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN RICHMOND, VA MSA ASSESSMENT
AREA**

The bank operates three branches in the counties of Chesterfield and Henrico and the City of Richmond, Virginia. These counties and city constitute a portion of the Richmond, VA MSA. As of June 2013, BHR ranked 13th out of 33 institutions in deposit market share having .3% of the assessment area's available FDIC insured deposits.

According to 2010 census data, the assessment area has a population of 827,385 and a median housing value of \$229,185. The owner-occupancy rate for the assessment area (59.6%) approximates the rate for the MSA (62.7%) and the Commonwealth of Virginia (61.8%). The overall family poverty rate of the assessment area equals 8.4% and is higher than the rate in the MSA (7.5%) and the Commonwealth of Virginia (7.2%). The 2012 and 2013 median family incomes for the Richmond, VA MSA equals \$75,600 and \$73,900, respectively. The following table provides pertinent assessment area demographic data:

Assessment Area Demographics

Richmond, VA MSA (Based on 2010 ACS Boundaries and 2012 D&B information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	22	10.9	15,539	7.7	5,791	37.3	42,199	20.8
Moderate	50	24.9	41,133	20.3	5,151	12.5	35,114	17.3
Middle	62	30.8	66,212	32.6	4,170	6.3	41,581	20.5
Upper	66	32.8	80,110	39.5	1,962	2.4	84,100	41.4
NA	1	0.5	0	0.0	0	0.0		
Total	201	100.0	202,994	100.0	17,074	8.4	202,994	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	9,000	4.3	27,069	8.5	9,371	34.6	72,185	22.7
Moderate	34,548	16.7	72,949	23.0	10,308	14.1	54,039	17.0
Middle	71,995	34.8	103,341	32.5	9,075	8.8	59,127	18.6
Upper	91,560	44.2	114,310	36.0	5,586	4.9	132,318	41.7
NA	0	0.0	0	0.0	0	0.0		
Total	207,103	100.0	317,669	100.0	34,340	10.8	317,669	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	3,159	6.2	2,649	5.7	380	12.7	130	6.7
Moderate	10,760	21.0	9,494	20.5	754	25.1	512	26.5
Middle	16,924	33.1	15,311	33.1	999	33.3	614	31.8
Upper	20,317	39.6	18,793	40.6	852	28.4	672	34.8
NA	40	0.1	21	0.0	14	0.5	5	0.2
Total	51,200	100.0	46,268	99.9	2,999	100.0	1,933	100.0
	Percentage of Total Businesses:			90.4		5.9		3.8

*NA-Tracts without household or family income as applicable

The assessment area is located in central Virginia, and a diverse mixture of government and local industries supports the regional economy. Major area employers include the Commonwealth of Virginia, Virginia Commonwealth University (including the VCU Health System), Capital One Bank, Philip Morris USA, E.I. DuPont DeNemours and Company, Bon Secours Richmond Health System, local government, and area school systems. Current and recent periodic unemployment rates are included in the following table.

Geographic Area	Unemployment Rate Trend		
	April 2012	April 2013	April 2014
Chesterfield County	5.6%	5.3%	4.7%
Henrico County	5.7%	5.1%	4.8%
Richmond City	7.1%	6.6%	5.7%
Richmond, VA MSA	6%	5.6%	5%
Commonwealth of Virginia	5.5%	5.2%	4.7%

While area unemployment rates have been trending down since April 2012, unemployment rates within the City of Richmond remain higher than the statewide and overall MSA rates.

A local affordable housing official was contacted during the examination to discuss local housing conditions and area credit needs. The contact stated that demand for affordable housing remains high, but also indicated the economy was improving. In particular, the contact stated demand for first-time homebuyer resources is increasing, while demand for foreclosure prevention programs appears to be declining. The contact expressed that local financial institutions are adequately serving the needs of the local community.

Overall discussions with the community contact and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the bank’s assessment area when considering performance context factors. During the evaluation period, the bank was constrained somewhat in originating community development loans and making qualified investments given the structure of its balance sheet. The bank faces no significant constraints relative to its size and business strategy in supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

The institution's overall lending performance within this assessment area is considered adequate. This conclusion is based on the evaluation of the bank’s lending activity, geographic and borrower distribution, and the level of community development lending while taking into account the bank’s market strategy, area demographic data, and aggregate loan data.

Within this assessment area during 2012 and 2013 the bank reported originating \$5.9 million in residential mortgage (HMDA) loans and \$6.2 million in small business loans. Given the dollar volume of lending by loan product, the performance for each loan product is approximately equal weight when determining BHR’s overall level of performance.

Lending Activity:

Bank lending activity within this assessment area as measured by number (5.4%) and dollar volume (7.6%) lags the proportion of bank’s deposits (14.6%) and the percentage of branches (11.1%) in the assessment area. According to 2012 aggregate data, the institution ranked 111th in reported mortgage lending with less than .1% market share, and ranked 36th in reported CRA lending with less than .1% market share. During 2012, 426 institutions reported originating HMDA loans and 73 institutions reported originating CRA loans within the assessment area. Overall, BHR’s level of lending activity is considered adequate.

Geographic Distribution:

While the bank’s performance varies by loan product and year, its overall geographic distribution performance is considered poor for both HMDA and small business lending.

Distribution of HMDA Loans by Income Level of Census Tract

Richmond, VA MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(1) Home Purchase				(14,762)			
Low	0	0.0	0	0.0	354	2.4	35,120	1.2
Moderate	0	0.0	0	0.0	2,108	14.3	260,935	8.7
Middle	1	100.0	100	100.0	4,820	32.7	767,581	25.5
Upper	0	0.0	0	0.0	7,480	50.6	1,951,918	64.6
	(2) Refinance				(27,679)			
Low	0	0.0	0	0.0	455	1.6	51,281	0.9
Moderate	0	0.0	0	0.0	2,803	10.1	389,772	6.8
Middle	1	50.0	230	55.0	7,903	28.6	1,305,953	22.9
Upper	1	50.0	188	45.0	16,518	59.7	3,945,564	69.4
	(0) Home Improvement				(1,222)			
Low	0	0.0	0	0.0	53	4.3	2,795	2.9
Moderate	0	0.0	0	0.0	213	17.4	7,928	8.2
Middle	0	0.0	0	0.0	449	36.7	26,716	27.5
Upper	0	0.0	0	0.0	507	41.6	59,541	61.4
	(1) Multi-Family				(77)			
Low	0	0.0	0	0.0	10	13.0	77,949	14.0
Moderate	0	0.0	0	0.0	19	24.7	151,287	27.2
Middle	1	100.0	2,900	100.0	27	35.1	169,795	30.5
Upper	0	0.0	0	0.0	21	27.2	157,180	28.3
	HMDA Totals							
Low	0	0.0	0	0.0	872	2.0	167,145	1.8
Moderate	0	0.0	0	0.0	5,143	11.8	809,922	8.7
Middle	3	75.0	3,230	94.5	13,199	30.2	2,270,045	24.2
Upper	1	25.0	188	5.5	24,526	56.0	6,114,203	65.3
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	4	100.0	3,418	100.0	43,740	100.0	9,361,315	100.0

NA*-Tracts without household or family income as applicable

As indicated in the table, BHR reported few HMDA loans within the assessment area during 2012. None of these loans were originated in area low- or moderate-income census tracts, yet the demographic data indicate that 4.3% and 16.7% of owner-occupied housing units are located in such areas, respectively. In addition, 2% and 11.8% of the aggregate lending occurred in low- and moderate-income census tracts, respectively. The demographic and aggregate data indicate that there is viable demand for residential mortgage loans in the assessment area's low- and moderate-income census tracts. The bank's performance during 2012 is very poor.

During 2013, the bank reported originating nine HMDA loans totaling \$2.5 million within the assessment area. Of these loans, none were to residents in low-income census tracts and three (33.3%) totaling \$416,000 (16.6%) were originated in moderate-income census tracts. The bank's performance during 2013 is considered good.

The bank's geographic distribution performance is considered very poor during 2012 and good during 2013. When considering both the number and dollar volume of lending in area low- and moderate-income census tracts, the bank's overall performance during 2012 and 2013 is considered poor.

Distribution of Small Business Loans by Income Level of Census Tract

Richmond, VA MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	2	18.2	200	11.6	872	6.1	67,738	10.0
Moderate	3	27.3	104	6.0	2,596	18.1	139,319	20.5
Middle	2	18.2	700	40.5	4,434	30.8	204,659	30.2
Upper	4	36.3	725	41.9	6,466	44.9	265,751	39.1
NA*	0	0.0	0	0.0	11	0.1	1,323	0.2
Total	11	100.0	1,729	100.0	14,379	100.0	678,790	100.0

*NA-Tracts without household or family income as applicable

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

The bank’s lending in low- (18.2%) and moderate-income (27.3%) census tracts exceeds the percentage of area businesses located in low-income (6.2%) and moderate-income (21%), as well as the aggregate lending in low- (6.1%) and moderate-income (18.1%) census tracts. The bank’s performance during 2012 is considered excellent.

During 2013, the bank reported originating 17 small business loans totaling \$4.5 million within the assessment area. Of these loans, none were originated in low- or moderate-income census tracts, yet the demographic data and prior year’s aggregate data indicate that viable demand exists. The bank’s performance during 2013 is very poor.

The bank’s overall performance during 2012 and 2013 is considered poor. In reaching this conclusion, more weight is placed on the bank’s performance during 2013 because of the larger dollar volume of lending during that calendar year.

Distribution by Borrower Income and Revenue Size of the Business:

Overall, the bank’s HMDA and its small business borrower distribution performance are considered adequate.

Distribution of HMDA Loans by Income Level of Borrower

Richmond, VA MSA (2012)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	0	0.0	0	0.0	3,657	10.1	382,832	5.3
Moderate	1	100.0	100	100.0	7,826	21.6	1,097,715	15.1
Middle	0	0.0	0	0.0	8,527	23.5	1,541,699	21.3
Upper	0	0.0	0	0.0	16,213	44.8	4,227,702	58.3
Total	1	100.0	100	100.0	36,223	100.0	7,249,948	100.0
Unknown	3		3,318		7,517		2,111,367	

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

As indicated in the preceding table, borrower income was not known for three of the four residential mortgage loans that BHR originated in the assessment area during 2012. Each of the three loans for which borrower income was not known were loans to businesses, and borrower income is not reported for loans to businesses. Accordingly, these three loans are excluded from the borrower income distribution analysis.

While extending 100% of loans in low- and moderate-income census tracts is typically associated with excellent performance, little weight is given to this conclusion since it is based upon a single reported HMDA loan within the assessment area for which the borrower income was known.

During 2013, the bank reported originating nine loans totaling \$2.5 million. Of these loans, six were extended to businesses, and borrower income is not reported for loans to businesses. While the three remaining loans were to natural persons, borrower income was not relied upon or reported for these three loans. As a result, HMDA lending could not be evaluated for 2013.

Based upon the very limited volume of lending upon which to draw a conclusion, the bank’s distribution of HMDA loans is not a factor in evaluating its borrower distribution performance in this assessment area.

Distribution of Lending by Loan Amount and Size of Business

Richmond, VA MSA (2012)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	5	45.4	714	41.3	5,790	38.8	239,645	35.0
Over \$1 Million	3	27.3	375	21.7	NA	NA	NA	NA
Unknown	3	27.3	640	37.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	5	45.5	214	12.4	13,591	91.1	176,712	25.8
\$100,001-\$250,000	5	45.5	965	55.8	574	3.8	103,086	15.0
\$250,001-\$1 Million	1	9.0	550	31.8	759	5.1	405,679	59.2
Total	11	100.0	1,729	100.0	14,924	100.0	685,477	100.0

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

D&B data from 2012 indicates that 90.4% of all local businesses have revenues that do not exceed \$1 million per year. According to 2012 aggregate small business data, 38.8% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or had revenues that were unknown. After excluding large credit card lenders that report small business loans, 46.6% of reported small business loans were to businesses having revenues of \$1 million or less. The bank's level of lending to businesses having annual revenues of \$1 million or less (45.4%) is considered good.

During 2013, the bank extended 17 loans totaling \$4.5 million. Of these loans, three (17.6%) totaling \$325,000 (7.3%) were to businesses having revenues of \$1 million or less per year. Of the remaining loans, seven (41.2%) were to businesses having annual revenue in excess of \$1 million, and revenue was not known for seven (41.2%) loans. According to D&B data from 2013, 90.1% of area businesses have revenue of \$1 million or less per year. Aggregate data from 2013 cannot be considered in the analysis because the data was not available at the time of the evaluation. However, considering 2012 aggregate data as performance context suggestive of potential demand, the bank’s level of lending to businesses having annual revenues of \$1 million or less per year reflects poor performance during 2013.

While the bank’s performance varies during 2012 and 2013, its overall performance is considered adequate when considering not only the dollar volume of lending during each year but also the strength of performance and proportion of loans for which borrower revenue data was not known.

Community Development Lending:

As previously discussed, opportunities for community development lending are reasonably available within the Richmond, VA MSA assessment area. During the evaluation period, the bank originated three community development loans totaling \$1.4 million within this assessment area. The loans were to organizations whose operations primarily benefit low- and moderate-income residents within the assessment area.

The bank extended an adequate level of community development loans within the assessment area during the evaluation period when considering the availability of such opportunities and constraints associated with the bank's balance sheet strategy.

INVESTMENT TEST

During the evaluation period, BHR maintained or made the following qualified investments that specifically benefit the Richmond, VA MSA assessment area:

- Ginnie Mae Multifamily Housing Bonds (\$2.1 million) – The underlying loans that comprise these bonds provide housing to low- and moderate-income individuals throughout the Richmond, VA MSA assessment area.
- Charitable donations totaling \$1,500 were made that support a local organization that provides qualified community development services.

As previously discussed investment activities totaling \$2.5 million benefit the broader regional area, which may include the bank's assessment area.

BHR's level of investment activity exhibits good responsiveness to area community development needs when considering investment opportunities and constraints that the bank may have faced given the structure of its balance sheet.

SERVICE TEST

Within the Richmond, VA MSA assessment area, the bank's performance under the service test is considered adequate. Systems for delivering retail banking services are reasonably accessible to all portions of the assessment area. Also, the bank supported a few local community development organizations during the evaluation.

Retail Services:

Delivery systems are reasonably accessible to all portions of the assessment area. ATMs are available and, through a network, provide customers with 24-hour nationwide access. Bank-by-mail and bank-by-computer services are also offered by the institution. In addition, the institution provides customers with 24-hour telephone access to their accounts through an automated system.

The bank operates three branches in the assessment area; none of which are located in low- or moderate-income census tracts. Within the assessment area, 7.7% of area families reside in low-income census tracts and 20.3% of families reside in moderate-income census tracts. While one branch is located within a close proximity (one mile radius) of five moderate-income census tracts, none of the bank's branches are located within a close proximity to low-income census tracts within the assessment area; nonetheless, business hours are considered convenient and meet the needs of the assessment area, and the bank's branch locations are considered reasonably accessible to individuals and census tracts of different income levels within the assessment area.

During the evaluation period, BHR closed one branch office within the assessment area that was located in an upper-income census tract. The closure of this office has not adversely affected the accessibility of the bank's delivery systems within the assessment area.

Community Development Services:

As previously noted, community development service opportunities are reasonably available within the Richmond, VA MSA assessment area. During the evaluation period, two BHR employees provided financial expertise to the following community development organizations:

- William Byrd Community House (community services)
- Virginia Supportive Housing (affordable housing)

As previously noted, the institution offers no-cost checking products to individuals as well as low-cost checking to businesses within the community. These accounts can benefit all segments of the community including low- and moderate-income individuals and small businesses.

During the evaluation period, the bank provided an adequate level of community development services when considering the bank's market presence and available opportunities.

NONMETROPOLITAN VIRGINIA STATEWIDE AREA

(If none of the assessment areas within the non-metropolitan statewide area were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

An assessment area, which is noted in the table below, was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. Conclusions regarding performance, which did not impact the institution’s overall rating, are included in the following table. For each test, the conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's statewide ratings. In the instance where the bank’s performance is considered below, the performance is considered to be less than adequate because the statewide service test rating is low satisfactory.

Assessment Area	Lending Test	Investment Test	Service Test
Emporia, VA NonMSA	Consistent	Consistent	Below

CRA APPENDIX A
SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED⁴	OTHER INFORMATION
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Full Review	1500 Mount Pleasant Road, Chesapeake, VA 100 Moyock Commons Drive, Moyock, NC	Small farm lending was not evaluated
Elizabeth City, NC	Full Review	1145 North Road Street, Elizabeth City, NC	Small farm lending was not evaluated
Raleigh-Cary, NC MSA	Limited Review	None	Small farm lending was not evaluated
Dare County, NC NonMSA	Limited Review	None	Small farm lending was not evaluated
Richmond, VA MSA	Full Review	8209 West Broad Street Richmond, VA	Small farm lending was not evaluated
Emporia, VA NonMSA	Limited Review	None	Small farm lending was not evaluated

⁴ There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

CRA APPENDIX B

Summary of State and Multistate MSA Ratings

State and Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Virginia Beach-Norfolk-Newport News, VA-NC MSA	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
State of North Carolina	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Commonwealth of Virginia	Low Satisfactory	High Satisfactory	Low Satisfactory	Satisfactory

CRA APPENDIX C

LIMITED REVIEW TABLES

Raleigh-Cary, NC MSA Assessment Area

This assessment area includes Wake County, North Carolina. The assessment area includes 13 low-, 31 moderate-, 64 middle-, and 76 upper-income census tracts. Three tracts in the assessment area do not have income designations.

Performance Test Data for Raleigh-Cary, NC MSA

LENDING TEST

Limited Review Lending Table

Raleigh-Cary, NC MSA (2012)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(0)				(0)			
Low	0	0.0	1.7	2.0	0	0.0	1.7	2.0
Moderate	0	0.0	13.9	17.0	0	0.0	15.2	17.0
Middle	0	0.0	43.8	38.2	0	0.0	34.0	38.2
Upper	0	0.0	40.6	42.9	0	0.0	49.1	42.9
	Refinance				Multi-Family			
<i>Geographic</i>	(1)				(0)			
Low	0	0.0	1.0	2.0	0	0.0	11.9	2.0
Moderate	0	0.0	10.2	17.0	0	0.0	27.1	17.0
Middle	1	100.0	33.9	38.2	0	0.0	35.6	38.2
Upper	0	0.0	54.9	42.9	0	0.0	25.4	42.9
	HMDA Totals				Consumer			
<i>Geographic</i>	(1)				(NA)			
Low	0	0.0	1.3	2.0	NA	NA	NA	NA
Moderate	0	0.0	11.4	17.0	NA	NA	NA	NA
Middle	1	100.0	37.0	38.2	NA	NA	NA	NA
Upper	0	0.0	50.3	42.9	NA	NA	NA	NA
<i>Borrower</i>	(0)				(NA)			
Low	0	0.0	8.1	19.5	NA	NA	NA	NA
Moderate	0	0.0	17.6	15.8	NA	NA	NA	NA
Middle	0	0.0	24.1	19.6	NA	NA	NA	NA
Upper	0	0.0	50.2	45.1	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(7)				(0)			
Low	0	0.0	3.7	4.2	0	0.0	0.0	1.5
Moderate	1	14.3	15.6	17.9	0	0.0	14.8	12.4
Middle	2	28.6	33.9	34.1	0	0.0	29.5	46.3
Upper	4	57.1	46.8	43.6	0	0.0	55.7	39.9
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	4	57.1	43.3	90.7	0	0.0	62.2	98.3

Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known
Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known
NA represents no activity in the income category

Overall, the bank's lending performance during 2013 was generally better than the performance in 2012. The bank did not originate any community development loans in the assessment area during the evaluation period.

INVESTMENT TEST

Investments benefiting this market are limited to those previously discussed that benefit the statewide and multistate areas.

SERVICE TEST

The bank operates one branch located in a middle-income census tract within this assessment area. During the evaluation period, the bank closed two branches located in upper-income census tracts. Banking services offered in the assessment area are substantially the same as the services available to other communities the bank serves. Three employees have provided financial expertise to promote community development services through The Collaborative, Change the Triangle, and Brogden Middle School.

Dare County, NC NonMSA Assessment Area

This assessment area includes all of Dare County, North Carolina. While there are no low- or moderate-income census tracts within the assessment area, the assessment area includes two middle- and seven upper-income census tracts, as well as, two census tracts that do not have income designations.

Performance Test Data for Dare County, NC NonMSA

LENDING TEST

Limited Review Lending Table

Dare County, NC NonMSA (2012)									
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic	
	#	%	%	%	#	%	%	%	
	Home Purchase				Home Improvement				
<i>Geographic</i>	(7)				(0)				
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	NA	NA	NA	NA	NA	NA	NA	NA	
Middle	6	85.7	19.7	15.4	0	0.0	17.2	15.4	
Upper	1	14.3	80.3	84.6	0	0.0	82.8	84.6	
	Refinance				Multi-Family				
<i>Geographic</i>	(2)				(0)				
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	NA	NA	NA	NA	NA	NA	NA	NA	
Middle	0	0.0	13.9	15.4	0	0.0	0.0	15.4	
Upper	2	100.0	86.1	84.6	0	0.0	100.0	84.6	
	HMDA Totals				Consumer				
<i>Geographic</i>	(9)				(NA)				
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	NA	NA	NA	NA	NA	NA	NA	NA	
Middle	6	66.7	15.9	15.4	NA	NA	NA	NA	
Upper	3	33.3	84.1	84.6	NA	NA	NA	NA	
<i>Borrower</i>	(0)				(NA)				
Low	0	0.0	1.3	10.9	NA	NA	NA	NA	
Moderate	0	0.0	5.2	13.4	NA	NA	NA	NA	
Middle	0	0.0	12.0	19.4	NA	NA	NA	NA	
Upper	0	0.0	81.5	56.3	NA	NA	NA	NA	
	Small Business				Small Farm				
<i>Geographic</i>	(50)				(0)				
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	NA	NA	NA	NA	NA	NA	NA	NA	
Middle	3	6.0	12.2	14.4	0	0.0	0.0	42.3	
Upper	47	94.0	87.8	85.6	0	0.0	100.0	57.7	
<i>Revenue</i>									
Busn/ Farms with revenues <=\$1 M	29	58.0	42.5	91.2	0	0.0	100.0	96.3	

*Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known
Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known
NA represents no activity in the income category*

Overall, the bank's lending performance during 2013 is slightly stronger than its performance in 2012. No community development loans were originated within this market area during the review period.

INVESTMENT TEST

Investments benefiting this market are limited to those previously discussed that benefit the statewide and multistate areas. Additionally, the bank made charitable donations totaling \$750 that support qualified community development investment within the assessment area.

SERVICE TEST

The bank's operates one branch within this assessment area located in an upper-income census tract. Since the previous evaluation, two branch offices located in upper-income census tracts were closed. Banking services offered in the assessment area are substantially the same as the services available to other communities the bank serves. During the evaluation period, bank employees provided financial expertise to the Community Care Clinic of Dare, Food for Thought, and Outer Banks Forum for the Lively Artis Food Drive.

Emporia, VA NonMSA Assessment Area

This assessment area includes all of the County of Greensville and the City of Emporia, Virginia. The assessment area includes one moderate-, three middle-income census tracts, and one census tract that does not have an income designation.

Performance Test Data for Emporia, VA NonMSA

LENDING TEST

Limited Review Lending Table

Emporia, VA NonMSA (2012)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(0)				(2)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	17.7	14.3	0	0.0	29.4	14.3
Middle	0	0.0	82.3	85.7	2	100.0	70.6	85.7
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	Refinance				Multi-Family			
<i>Geographic</i>	(3)				(1)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	66.7	16.9	14.3	1	100.0	100.0	14.3
Middle	1	33.3	83.1	85.7	0	0.0	0.0	85.7
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	HMDA Totals				Consumer			
<i>Geographic</i>	(6)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	50.0	19.0	14.3	NA	NA	NA	NA
Middle	3	50.0	81.0	85.7	NA	NA	NA	NA
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Borrower</i>	(4)				(NA)			
Low	1	25.0	5.2	23.9	NA	NA	NA	NA
Moderate	1	25.0	27.3	21.0	NA	NA	NA	NA
Middle	1	25.0	25.6	18.7	NA	NA	NA	NA
Upper	1	25.0	41.9	36.3	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(8)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	25.0	22.8	23.9	0	0.0	0.0	0.0
Middle	6	75.0	77.2	76.1	0	0.0	100.0	100.0
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	5	62.5	41.9	91.7	0	0.0	56.9	100.0

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

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

NA represents no activity in the income category

The bank's lending performance during 2013 was similar to its performance during 2012.

One community development loan totaling \$200,000 was extended within this assessment area during the evaluation period.

INVESTMENT TEST

Investments benefiting this market are limited to those previously discussed that benefit the Commonwealth of Virginia.

SERVICE TEST

The bank operates one branch in this assessment area located in a middle-income census tract and closed one branch located in a middle-income census tract since the previous evaluation. Banking services offered in this assessment area are substantially the same as the services available to other communities the bank serves.

CRA APPENDIX D

The following loan table includes the distribution of branches offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current of as of June 30, 2013, while the loan volume includes all reported HMDA, small business, and small farm loans considered in the evaluation.

Assessment Area	Combined 2012 & 2013 HMDA/CRA Loan Volume				Full-Service Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Virginia Beach-Norfolk-Newport News, VA-NC MSA	382	50.4%	\$88,548	55.4%	17	63.0%	\$581,653	43.1%
Elizabeth City, NC NonMSA	178	23.5%	\$24,639	15.4%	4	14.8%	\$404,526	30.0%
Raleigh-Cary, NC MSA	26	3.4%	\$8,296	5.2%	1	3.7%	\$51,590	3.8%
Dare County, NC NonMSA	105	13.9%	\$22,880	14.3%	1	3.7%	\$53,957	4.0%
Richmond, VA MSA	41	5.4%	\$12,128	7.6%	3	11.1%	\$197,643	14.6%
Emporia, VA NonMSA	26	3.4%	\$3,375	2.1%	1	3.7%	\$61,265	4.5%
TOTAL	758	100%	\$159,866	100%	27	100%	\$1,350,634	100%

CRA APPENDIX E

Assessment Area Composition

Assessment Area Name	City/County	State	Census Tracts Included
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Chesapeake	VA	All
	Currituck	NC	All
	Norfolk	VA	All
	Portsmouth	VA	All
	Suffolk	VA	All
	Virginia Beach	VA	All
Elizabeth City, NC NonMSA	Camden	NC	All
	Chowan	NC	All
	Pasquotank	NC	All
	Perquimans	NC	All
	Washington	NC	All
Dare County, NC NonMSA	Dare	NC	All
Raleigh-Cary, NC MSA	Wake	NC	All
Richmond, VA MSA	Chesterfield	VA	All
	Henrico	VA	All
	Richmond	VA	All
Emporia, VA NonMSA	Greensville	VA	All
	Emporia	VA	All

Since the date of its prior evaluation (March 5, 2012), the bank closed 12 branch offices. Information about these closures is included in the following table.

Date	Assessment Area Name	# of Branches	Other Information
March 2012	Emporia, VA NonMSA	1	Branch closed
April 2012	Elizabeth City, NC NonMSA	1	Branch closed
July 2012	Raleigh-Cary, NC MSA	1	Branch closed
September 2012	Raleigh-Cary, NC MSA	2	Branches sold
August 2012	Wilmington, NC MSA	1	Branch sold
June 2013	Dare, NC NonMSA	2	Branches closed
July 2013	Virginia Beach-Norfolk-Newport News, VA-NC MSA	3	Branches closed
July 2013	Richmond, VA MSA	1	Branch closed

Following the sale of its branch to another financial institution in August 2012, BHR no longer operated a branch within or served the Wilmington, NC MSA market area. BHR's performance in the Wilmington, NC MSA is not considered in this evaluation because the bank left the market area during the evaluation period.

CRA APPENDIX F

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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and

- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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.