

PUBLIC DISCLOSURE

April 9, 2012

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

StellarOne Bank

1009420

105 Arbor Drive

Christiansburg, Virginia 24073

**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: StellarOne Bank is rated SATISFACTORY.

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

PERFORMANCE LEVELS	StellarOne Bank		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X	X	X
Low Satisfactory			
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:

- Lending activity overall is consistent with the bank's capacity and market presence.
- An adequate percentage of the institution's combined Home Mortgage Disclosure Act (HMDA), small business, and small farm loans were originated within the bank's assessment areas.
- The bank's geographic distribution performance ranges from poor to excellent by loan product and year within its assessment areas. Most often, however, the bank's performance is either good or adequate. Overall, the bank's geographic distribution performance is adequate.
- The bank's borrower distribution performance varies by business line and year across its assessment areas. In general, the bank's HMDA performance tended to be stronger than its small business performance. Despite the variations in performance, the bank's overall geographic distribution performance is excellent.
- During the evaluation period, the bank reported a low level of community development lending within its assessment areas.
- The bank maintains a high level of qualified community development investments when considering available opportunities.
- Delivery systems and branch locations are accessible to all segments of the assessment area reviewed.
- A relatively high level of community development services throughout the institution's numerous assessment areas was identified.

INSTITUTION

SCOPE OF EXAMINATION

StellarOne Bank (SB) was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, HMDA, small business, small farm, and qualified community development lending activity reported by the institution from January 1, 2010, through December 31, 2011, was reviewed.

Qualified community development loans that were originated or renewed from April 12, 2010, 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, and all qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

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 discern information about local economic conditions, local credit needs, performance of banks in the assessment area, as well as potential community development opportunities.

The institution's overall rating for each test is based on the ratings assigned to each assessment area and 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.

Because of relative size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the following assessment areas:

- Blacksburg-Christiansburg-Radford, VA Metropolitan Statistical Area (MSA)
- Roanoke, VA MSA
- Shenandoah Valley, VA Nonmetropolitan (NonMSA)
- Culpeper, VA NonMSA

The remaining assessment areas were subject to the limited review process 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. **Appendix B** provides information detailing the geographic composition of each of the bank's ten assessment areas and additionally includes lending volume, branch locations, and deposit volume by assessment area.

DESCRIPTION OF INSTITUTION

Headquartered in Christiansburg, Virginia, SB operates 54 full-service branch offices throughout southwest and central Virginia. SB is a subsidiary of StellarOne Corporation, a single-bank holding company headquartered in Charlottesville, Virginia. The bank also operates one loan production office in Henrico County, Virginia. On December 31, 2011, SB sold its wholesale mortgage division located in Greenville, South Carolina. There have been no branch openings or closings since the previous evaluation. SB received a satisfactory rating at its prior CRA evaluation conducted April 12, 2010. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of December 31, 2011, SB had assets exceeding \$2.9 billion of which 70.1% were net loans and 16.1% were securities. Various credit products are available through the institution including small business, commercial, consumer, and real estate secured loans. The composition of the loan portfolio (using gross loans) as of December 31, 2011, is represented in the following table:

Composition of Loan Portfolio

Loan Type	12/31/2011	
	\$(000s)	%
Secured by 1-4 Family dwellings	800,372	38.6
Multifamily	93,336	4.5
Construction and Development	213,774	10.3
Commercial & Industrial/ NonFarm NonResidential	919,087	44.3
Consumer Loans and Credit Cards	22,271	1.1
Agricultural Loans/ Farmland	17,295	0.8
All Other	7,535	0.4
Total	2,073,670	100.0

As indicated in the preceding table, the bank is an active commercial and residential mortgage lender. However, the composition of the bank’s loan portfolio as reflected by the portfolio percentages understates, to some degree, the bank’s origination volume of residential mortgage loans because it sells a large portion of its residential mortgage loans to secondary market investors. The bank offers other loans, such as consumer and farm loans; however, the volume of such lending is relatively small in comparison to the commercial/small business and residential mortgage lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

When evaluating the bank’s performance under the Lending Test, consideration is given to the bank’s level of lending in conjunction with relevant demographic data from the 2000 census and Dun & Bradstreet (D&B) business demographic data from 2010. Aggregate lending data is also considered when such data is available. For this review, aggregate HMDA and small business/farm loan data from calendar year 2010 was available. Analyses of lending during the review period are discussed in greater detail in subsequent sections of this evaluation.

While HMDA, small business, and small farm data from calendar years 2010 and 2011 were fully analyzed and considered in the evaluation, only bank and aggregate loan data from 2010 are presented in the assessment area analyses. In instances where the performance during the other years varies significantly from the performance in 2010, such variance and the corresponding impact on the overall performance are discussed. Aggregate data from 2011 is not yet available.

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 seven-quarter period ending December 31, 2011, averaged 86.1% and ranged from 83.4% to 88.3%. The average of quarterly loan-to-deposit ratios of the national peer group was 77.4% and ranged from 75.2% to 80.5% for the same time period. The national peer group is defined as all insured commercial banks having assets between \$1 billion and \$3 billion. SB’s loan-to-deposit ratio, as of December 31, 2011, equaled 84.9%.

Since December 31, 2009, bank assets, loans, and deposits have decreased by 3.4%, 6.8%, and 2.6%, respectively. Within the context of the CRA and considering relevant performance context factors such as the bank's size, financial condition, and business strategy and economic conditions and local area credit needs, the bank's lending level is considered responsive to the credit needs of the bank's assessment areas.

In an effort to meet the needs of its local communities, the bank offers and/or participates in various special loan programs that have flexible underwriting criteria and benefit low- and moderate-income people and/or areas. These programs include Fair Housing Administration (FHA), Veterans Administration, and Rural Housing Service loans. Also, borrowers experiencing financial difficulties have access to the bank's consumer mortgage loan restructure program that helps qualified borrowers retain ownership of their homes by restructuring their loans. Since January 1, 2010, SB has restructured 156 loans totaling over \$18 million. Participation in such loan programs and partnerships demonstrates SB's commitment to its local market areas and a willingness to participate in flexible and, at times, complex credit transactions that benefit low- and moderate-income borrowers and/or areas.

Assessment Area Concentration:

To determine the institution's volume of lending within its assessment area, all reported originations and purchases of HMDA, small business, and small farm loans from January 1, 2010, through December 31, 2011, were considered. The data does not include large commercial loans (loan amounts in excess of \$1 million), or any other loan type not specified.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase - Conventional	594	55.4	114,846	58.5	478	44.6	81,554	41.5
Home Purchase - FHA	502	35.2	76,841	38.2	926	64.8	124,171	61.8
Home Improvement	305	91.0	11,890	75.7	30	9.0	3,810	24.3
Multi-Family Housing	12	92.3	7,419	98.7	1	7.7	100	1.3
Refinancing	1,513	49.2	255,736	46.4	1,560	50.8	295,049	53.6
Home Purchase - VA	52	32.3	11,002	32.7	109	67.7	22,668	67.3
Total HMDA related	2,978	49.0	477,734	47.5	3,104	51.0	527,352	52.5
Small Business	1,657	91.4	282,739	84.0	155	8.6	54,042	16.0
Small Farm	16	94.1	1,004	93.0	1	5.9	75	7.0
TOTAL LOANS	4,651	58.8	761,477	56.7	3,260	41.2	581,469	43.3

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

As indicated in the preceding table, an adequate percentage of the number and dollar amounts of loans have been provided to assessment area residents notwithstanding that less than a majority of refinance and government guaranteed home purchase loans were originated within the bank's assessment areas. Prior to December 31, 2011, SB operated a wholesale mortgage division located in South Carolina that originated loans from unrelated third party brokers operating primarily in South Carolina, which is not included within any of its assessment areas. As previously noted, these loans were essentially funded by the sale of such loans originated rather than with bank deposits. The bank's wholesale mortgage division was sold to another financial institution at year-end 2011.

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 of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then weighted by dollar volume of such loans made in the assessment area.

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.

Within the bank's market areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a significant majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of loans made 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 residential mortgage and commercial loans including small business loans. Within most of its assessment areas during the evaluation period, the bank extended a larger volume of residential mortgage loans than small business loans. Accordingly, the bank's residential mortgage lending performance was generally given more weight when considering the bank's combined product performance levels.

During 2010 and 2011, SB reported originating 16 small farm loans totaling \$1 million within its 10 assessment areas. During the same time period, the bank reported 2,978 HMDA loans totaling \$477.7 million and 1,657 small business totaling \$282.7 million within its assessment areas. Because of its comparatively low volume, small farm lending performance was not evaluated in any of the bank's assessment areas, as it would not affect conclusions about SB's overall performance.

Within its primary assessment areas, the bank's geographic distribution performance (lending to borrowers by income level of census tract) ranges from poor to excellent by loan product and year but is considered either good or adequate overall within each assessment area. Because the bank's geographic distribution performance is adequate within the primary assessment areas that account for the combined largest dollar volume of lending, the bank's overall performance is considered adequate.

In general, the bank's borrower distribution performance (lending to borrowers of different income/revenue levels) is stronger than its geographic distribution performance. The bank's overall borrower distribution performance is excellent within three of the primary assessment areas and is adequate in the remaining assessment area.

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 full-scope metropolitan assessment areas (Blacksburg-Christiansburg-Radford, VA and Roanoke, VA MSAs) are reasonably available, while opportunities are limited in the bank's remaining full-scope assessment areas (Shenandoah Valley, VA and Culpeper, VA NonMSAs).

The bank originated four community development loans totaling \$4.1 million within its assessment areas during the review period. Additional information regarding these loans is included in the pertinent assessment area discussions. 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.

INVESTMENT TEST

The institution's level of responding to community development needs through its investment activities is rated high satisfactory. As of December 31, 2011, the institution reported \$2.9 billion in total assets and a securities portfolio totaling \$469 million. As of the evaluation date, the bank held approximately \$11.4 million in qualified investments.

Qualified investments benefiting the statewide area include the following:

- The bank has invested approximately \$6.6 million in six bonds issued by the Virginia Housing Development Authority (VHDA); of which \$5.6 million are new investments since the previous evaluation. The VHDA promotes affordable housing by financing single- and multi-family mortgages for low- and moderate-income individuals throughout the Commonwealth of Virginia.
- The bank has invested approximately \$4.8 million in five equity funds established by the Virginia Community Development Corporation (VCDC). The VCDC is a non-profit organization that revitalizes communities by facilitating affordable housing, redevelopment of historic properties, and community revitalization throughout the Commonwealth of Virginia.
- The bank holds a \$67,000 equity investment in Virginia Capital Partners, which operates a licensed Small Business Investment Company (SBIC) that focuses on investing in companies located in the Commonwealth of 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.

The institution also actively supports numerous community development organizations through donations. During 2010 and 2011, donations totaling \$195,938 were made to community development organizations that assist low- and moderate-income people and/or areas, benefit distressed and/or underserved areas, or support microenterprise development.

SERVICE TEST

The bank's overall performance under the service test is rated high satisfactory. Delivery systems, branch locations, and hours of operation are considered accessible and convenient to all portions of the assessment areas. Of the 54 branch offices, four (7.4%) are located within moderate-income areas.

The bank and its employees also actively support community development organizations that provide community development services throughout its various assessment areas. Discussion of specific activities is included for each assessment area, as applicable.

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.

METROPOLITAN AREAS

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

DESCRIPTION OF OPERATIONS IN THE BLACKSBURG-CHRISTIANSBURG-RADFORD, VA MSA ASSESSMENT AREA

The bank operates ten full-service branches in the assessment area that includes all of Giles, Montgomery, and Pulaski Counties, Virginia, as well as, the City of Radford, Virginia. The assessment area includes the entire MSA. As of June 2011, SB ranked first out of 14 institutions in deposit market share having 26.5% of the assessment area's available Federal Deposit Insurance Corporation (FDIC) insured deposits (credit union deposits are not included). According to 2010 aggregate data, the institution ranked fifth in reported mortgage lending with a 5.9% market share and ranked second in reported small business/farm loans with an 11.3% market share.

Based on 2000 census data, the assessment area has a population of 151,272 and a median housing value of \$86,048. The owner-occupancy rate for the assessment area equals 57.4%, which lags the commonwealth's rate of 63.3%. The overall family poverty rate of the assessment area (8.9%) exceeds commonwealth's rate (7%). The 2010 and 2011 median family incomes for the MSA equaled \$59,900 and \$59,700, respectively. The following table includes pertinent demographic data for the assessment area:

Assessment Area Demographics

Blacksburg-Christiansburg-Radford, VA MSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,058	20.1
Moderate	1	3.6	1,598	4.6	173	10.8	6,201	17.7
Middle	23	82.1	30,576	87.2	2,740	9.0	8,144	23.2
Upper	3	10.7	2,883	8.2	196	6.8	13,654	38.9
NA	1	3.6	0	0.0	0	0.0		
Total	28	100.0	35,057	100.0	3,109	8.9	35,057	100.0
	Owner Occupied Units by Tract	Households						
		HHs by Tract		HHs < Poverty by Tract		HHs by HH Income		
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	14,790	25.3
Moderate	1,755	4.9	2,234	3.8	307	13.7	9,262	15.8
Middle	31,241	86.8	50,965	87.2	10,007	19.6	9,686	16.6
Upper	2,988	8.3	5,257	9.0	1,086	20.7	24,736	42.3
NA	0	0.0	18	0.0	0	0.0		
Total	35,984	100.0	58,474	100.00	11,400	19.5	58,474	100.0
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	99	1.8	84	1.7	7	2.4	8	2.9
Middle	5,001	90.1	4,475	89.8	269	93.7	257	92.1
Upper	430	7.7	408	8.2	10	3.5	12	4.3
NA	20	0.4	17	0.3	1	0.3	2	0.7
Total	5,550	100.0	4,984	100.0	287	100.0	279	100.0
Percentage of Total Businesses:				89.8		5.2		5.0

*NA-Tracts without household or family income as applicable

Based on 2010 D&B information according to 2000 Census Boundaries.

The local economy is based upon a number of academic facilities as well as manufacturing, agriculture, service, and retail industries. Major area employers include Virginia Polytechnic Institute and State University, Radford University, Alliant Techsystems (aerospace and defense contractor), Celanese Acetate (chemical manufacturing), Volvo Group North America (truck manufacturing), and 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							
	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012
Giles County	8.8%	8.4%	8.2%	7.8%	7.7%	7.1%	6.7%	6.2%
Montgomery County	7.9%	6.8%	6.6%	6.5%	7%	6.4%	5.6%	5.7%
Pulaski County	9.9%	8%	7.8%	7.3%	7.7%	6.4%	6%	5.9%
Radford City	11.3%	8.1%	7.7%	7.9%	9.6%	7.9%	6.7%	6.6%
Blacksburg-Christiansburg-Radford, VA MSA	8.8%	7.3%	7.1%	7%	7.5%	6.6%	5.9%	6.1%
Virginia	7%	6.6%	5.9%	6.3%	6.5%	6.3%	5.9%	5.7%

As indicated in the preceding table, unemployment rates have been trending down since June 2010. Both Montgomery County and the City of Radford experienced increases in unemployment during June 2011. When considering the unemployment data over several years, an increase in unemployment typically occurs during June in these two localities. The increase in unemployment rates is likely attributable to the seasonal employment pattern associated with the two large universities located in these jurisdictions.

A local community development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that while the local community benefits from a relatively stable employment base, many of the jobs are low-wage. The contact indicated that this creates a need for grant programs to bridge the funds gap for low-income residents to access affordable housing. According to the contact, local financial institutions are supportive of the organization’s affordable housing programs.

Discussions with the individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the bank’s assessment area. Additionally, the bank does not face any constraints in providing community development services or making qualified investments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE BLACKSBURG-CHRISTIANSBURG-RADFORD, VA 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 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.

During 2010 and 2011, the bank originated \$82 million in HMDA (residential mortgage), \$41.9 million in small business, and \$230,000 in small farm loans within the assessment area. Accordingly, the bank’s HMDA performance is weighted more heavily when considering the bank’s combined product performance. As previously discussed, the performance of small farm lending is not considered within this assessment area because of its comparatively limited volume.

Lending Activity:

Bank lending activity within this assessment area as measured by dollars (16.3%) is nearly equal to the percentage of branch offices (18.5%) in the area, but is lower than the proportion of bank deposits (27.8%) in the assessment area. Loan volume by number of loans (19.4 %) is also lower than the branch and deposit percentages. Overall, the bank’s lending activity is considered adequate.

Geographic Distribution:

While the bank’s performance varies by year for each product, on an overall basis the distribution of HMDA and small business lending are each considered adequate within the assessment area. There are no low-income census tracts within the Blacksburg-Christiansburg-Radford, VA MSA assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Assessment Area: Blacksburg-Christiansburg-Radford, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(116)				Home Purchase (1,668)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	0.9	35	0.2	43	2.6	5,057	1.9
Middle	108	93.1	15,368	88.9	1,452	86.7	214,945	82.8
Upper	7	6.0	1,882	10.9	173	10.3	38,543	14.8
	(159)				Refinance (3,106)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	1.3	244	1.0	81	2.6	12,841	2.5
Middle	144	90.6	21,573	88.4	2,611	84.0	415,917	80.8
Upper	13	8.2	2,587	10.6	414	13.3	85,233	16.6
	(31)				Home Improvement (436)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	3.2	84	23.4	18	4.1	2,746	7.8
Middle	26	83.9	225	62.7	389	89.2	29,771	84.7
Upper	4	12.9	50	13.9	29	6.7	2,633	7.5
	(1)				Multi-Family (9)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1	100.0	56	100.0	9	100.0	10,628	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	1.3	363	0.9	142	2.7	20,644	2.5
Middle	279	90.9	37,222	88.4	4,461	85.3	671,261	81.8
Upper	24	7.8	4,519	10.7	616	11.8	126,409	15.4
NA*	0	0.00	0	0.00	10	0.2	1,863	0.2
Total	307	100.0	42,104	100.0	5,229	100.0	820,177	100.0

*NA-Tracts without household or family income as applicable

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

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

Refinance and home purchase lending represent the largest categories of HMDA lending for both SB and the aggregate lenders. Given the limited volume of multi-family housing HMDA reportable transactions within the assessment area, it is given the least weight when considering the bank’s overall performance. During 2010, SB’s level of refinance and home purchase lending lagged that of the aggregate lenders and the percentage of owner-occupied housing units in moderate-income census tracts.

On a combined product basis during 2010, SB’s lending in moderate-income census tracts (1.3%) lagged both the percentage of owner-occupied housing units (4.9%) and the aggregate lending level (2.7%) in such areas. The bank’s performance during this time period is considered poor.

During 2011, the bank’s performance improved. The bank reported originating 309 HMDA loans totaling \$39.9 million in this assessment area during 2011. Of these, eight (2.6%) loans totaling \$981,000 (2.5%) were extended to moderate-income census tract residents. Given the demographic data (percentage of owner-occupied housing units) and aggregate data from 2010, which is considered as an element of performance context, the bank’s performance during 2011 is good.

Given the comparable dollar volume of lending in 2010 and 2011, the bank’s performance during 2010 is given only slightly more weight than its performance during 2011. Overall, the bank’s HMDA geographic distribution performance is considered adequate on a combined basis.

Distribution of Small Business Loans by Income Level of Census Tract

Assessment Area: Blacksburg-Christiansburg-Radford, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	27	2.3	827	1.5
Middle	130	89.0	20,431	93.8	1,053	88.3	52,983	93.7
Upper	16	11.0	1,345	6.2	109	9.1	2,682	4.7
NA*	0	0.0	0	0.0	4	0.3	38	0.1
Total	146	100.0	21,776	100.0	1,193	100.0	56,530	100.0

*NA-Tracts without household or family income as applicable

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

D&B data from 2010 indicates that 1.8% of all area businesses are located in moderate-income census tracts. During 2010, the bank reported making no small business loans to businesses located in moderate-income census tracts. The demographic data and aggregate lending level (2.3%) indicate that demand for loans from businesses in such areas is limited. Notwithstanding this limited demand, the bank’s performance during 2010 is deemed poor.

During 2011, the bank reported 134 small business loans totaling \$20.1 million. Of these loans, four (3%) totaling \$172,000 were to businesses located in moderate-income census tracts. When considering the demographic data and aggregate data from 2010 as an element of performance context, the bank’s performance during 2011 is considered excellent.

Because the bank reported originating a slightly larger dollar volume of small business loans during 2010, its performance during that year was given slightly more weight when considering the bank’s overall performance. The bank’s small business geographic distribution performance during 2010 and 2011 is considered adequate overall.

Distribution by Borrower Income and Revenue Size of the Business:

SB’s residential mortgage loan borrower distribution performance is considered excellent, while its small business performance is considered good. The bank’s overall performance is considered excellent given the larger dollar volume of HMDA lending in the assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Assessment Area: Blacksburg-Christiansburg-Radford, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	41	14.2	2,552	6.3	413	9.1	30,600	4.4
Moderate	82	28.4	9,000	22.3	926	20.4	100,422	14.6
Middle	73	25.3	9,905	24.6	1,188	26.2	166,467	24.1
Upper	93	32.2	18,859	46.8	2,005	44.2	391,885	56.8
Total	289	100.0	40,316	100.0	4,532	100.0	689,374	100.0
Unknown	18		1,788		697		130,803	

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

Overall during 2010, the bank’s lending to low-income borrowers (14.2%) lagged the percentage of area low-income families (20.1%) but substantially exceeded the aggregate level of lending (9.1%) to such borrowers. In addition, bank’s lending to moderate-income borrowers exceeded both the percentage of such area families (17.7%) and the aggregate lending level (20.4%). The bank’s performance during 2010 is considered excellent.

During 2011, the bank reported originating 309 HMDA loans totaling \$39.9 million within the assessment area. In instances when borrower income was known, 39 loans (13.7%) totaling \$2.4 million (6.6%) were to low-income borrowers, and 61 loans (21.4%) totaling \$5.4 million (15%) were to moderate-income borrowers. When considering the aggregate lending data from 2010 as an element of performance context and the applicable demographic proxy, the bank’s performance during 2011 is considered good.

While the bank’s performance during 2011 is good, its performance during 2010 is excellent. The bank’s overall performance is considered excellent and reflects not only a slightly larger dollar volume of lending but also the strength of the bank’s performance during 2010.

Distribution of Lending by Loan Amount and Size of Business

Assessment Area: Blacksburg-Christiansburg-Radford, VA MSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	104	71.2	11,766	54.0	494	38.7	29,647	50.0
Over \$1 Million	37	25.3	9,636	44.3	NA	NA	NA	NA
Unknown	5	3.4	374	1.7	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	98	67.1	3,950	18.1	1,156	90.5	16,738	28.2
\$100,001-\$250,000	22	15.1	4,102	18.8	60	4.7	10,441	17.6
\$250,001-\$1 Million	26	17.8	13,724	63.0	62	4.9	32,169	54.2
Total	146	100.0	21,776	100.0	1,278	100.0	59,348	100.0

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

D&B data indicate that 89.8% of all local businesses have revenues that do not exceed \$1 million per year. According to 2010 aggregate small business data, 38.7% 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, 58.6% were made to businesses having annual revenues of \$1 million or less. Of the bank's small business loans considered in the evaluation, 71.2% were to businesses with annual revenues of \$1 million or less. StellarOne Bank’s small business lending during 2010 is considered excellent.

During 2011, the bank reported originating 134 small business loans totaling \$20.1 million. Of these loans, and when borrower revenue was known, 75 (56%) totaling \$6 million (30%) were to businesses having revenues of \$1 million or less per year. Borrower revenues were either in excess of \$1 million per year or unknown for the remaining portion of loans. Given the demographic data and, considered as performance context, aggregate data from 2010, the bank's performance during 2011 is good.

While the bank's performance during 2010 is excellent, its performance is good for 2011. When considering the relative strength of performance from each year and similar dollar volume of lending, the bank's overall performance is considered good.

Community Development Lending:

The bank did not originate any community development loans within this assessment area during the evaluation period. 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. As previously indicated, community development lending opportunities are reasonably available within in the assessment area.

INVESTMENT TEST

During the evaluation period, SB made charitable donations totaling \$58,000 that support local organizations that provide qualified community development services specifically within the Blacksburg-Christiansburg-Radford, VA MSA assessment area.

As previously described, SB maintains a significant level of qualified community development investments totaling nearly \$11.5 million that benefit the statewide area which includes the Blacksburg-Christiansburg-Radford, VA MSA assessment area.

SERVICE TEST

Within the Blacksburg-Christiansburg-Radford, VA MSA, SB's performance under the Service Test is considered good. Systems for delivering retail banking services are accessible to essentially all portions of the assessment area, including low- and moderate-income areas. Also, SB provides a relatively high level of services that include active participation in community development organizations.

Retail Services:

Delivery systems are 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, bank-by-computer, and mobile banking 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 institution has ten full-service branches within this assessment area, all of which are located in middle- and upper-income census tracts. However, one bank branch is located in a census tract that is adjacent to the single moderate-income census tract in the assessment area. The distribution of branches is adequate given that only 4.6% of the assessment area's families reside in moderate-income areas. There are no low-income geographies within the assessment area. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

Community Development Services:

Within this assessment area, SB employees participate in a relatively high level of community development service activities by providing financial expertise to support various local organizations whose operations directly benefit low- and moderate-income residents, revitalize or stabilize moderate-income census tracts, encourage small business development, and/or create jobs that typically benefit low- and moderate-income residents. These activities include, but are not limited to the following:

- Montgomery County Christmas Store (community service)
- Blacksburg Partnership (small business development)
- Montgomery County Economic Development Authority (small business development and job creation)
- Free Clinic of the New River Valley (community service)
- Montgomery-Blacksburg-Christiansburg Development Corporation (small business development and job creation)
- New River Valley Economic Development Council (small business development)
- Radford Elf Shelf (community service)
- Habitat for Humanity for the New River Valley (affordable housing)
- Roanoke-Blacksburg Technology Council (small business development and job creation)

DESCRIPTION OF OPERATIONS IN THE ROANOKE, VA MSA ASSESSMENT AREA

The bank operates ten full-service branches within this assessment area that includes all of Botetourt, Craig, Franklin, and Roanoke Counties, Virginia, as well as, the Cities of Roanoke and Salem, Virginia. The assessment area includes the entire MSA. As of June 2011, SB ranked sixth out of 17 institutions in deposit market share having 5.2% of the assessment area's available FDIC insured deposits. According to 2010 market share data, the institution ranked eighth in reported mortgage lending with a 3% market share and ninth in reported small business/farm loans with a 5.3% market share.

According to the 2000 census data, the assessment area has a population of 288,309 and a median housing value of \$99,876. The owner-occupancy rate for the assessment area equals 65.2%, which is slightly higher than the rate within the commonwealth (63.3%). The overall family poverty rate of the assessment area (6.9%) is similar to the rate within the commonwealth (7%). The 2010 and 2011 HUD estimated median family incomes for the assessment area equaled \$62,800 and \$62,400, respectively. The following table includes pertinent demographic data for the assessment area:

Assessment Area Demographics

Roanoke, VA MSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	3	5.1	2,806	3.5	938	33.4	14,436	17.9
Moderate	9	15.3	9,083	11.3	1,318	14.5	15,230	18.9
Middle	33	55.9	46,085	57.3	2,851	6.2	19,326	24.0
Upper	13	22.0	22,510	28.0	446	2.0	31,492	39.1
NA	1	1.7	0	0.0	0	0.0		
Total	59	100.0	80,484	100.0	5,553	6.9	80,484	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	1,702	2.0	4,698	3.9	1,730	36.8	26,636	22.3
Moderate	8,437	10.0	15,866	13.3	2,816	17.7	20,470	17.1
Middle	48,677	57.6	68,653	57.5	5,986	8.7	24,061	20.2
Upper	25,633	30.4	30,155	25.3	1,152	3.8	48,205	40.4
NA	0	0.0	0	0.0	0	0.0		
Total	84,449	100.0	119,372	100.00	11,684	9.8	119,372	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	425	3.0	359	2.9	39	4.7	27	4.4
Moderate	1,970	14.1	1,693	13.5	165	19.8	112	18.1
Middle	7,822	55.8	7,009	55.8	471	56.6	342	55.2
Upper	3,791	27.0	3,498	27.8	155	18.6	138	22.3
NA	9	0.1	6	0.0	2	0.2	1	0.2
Total	14,017	100.0	12,565	100.0	832	100.0	620	100.0
Percentage of Total Businesses:				89.6		5.9		4.4

*NA-Tracts without household or family income as applicable

Based on 2010 D&B information according to 2000 Census Boundaries.

The local economy has a diversified employment and industrial base that includes manufacturing, retail trade, health care, and tourism. Major area employers include Dynax America (mechanical component manufacturer), M.W. Manufacturers (metal fabricator), Wells Fargo Bank, Roanoke Memorial Hospital, Lewis Gale Medical Center, Yokohama Tire, local school systems, and area municipalities. 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							
	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012
Botetourt County	6.5%	6.1%	5.6%	5.7%	5.8%	5.8%	5.4%	5.3%
Craig County	7.6%	6.7%	6.4%	6.9%	7.2%	7.7%	7.9%	5.8%
Franklin County	7.3%	7.1%	7.5%	6.8%	6.6%	6.5%	6.3%	6.1%
Roanoke County	6.4%	6.2%	5.8%	5.6%	6%	5.7%	5.1%	5.2%
Roanoke City	8.8%	8.3%	8.3%	8.4%	8.6%	7.9%	7.6%	7.3%
Salem City	7.3%	7.1%	6.6%	6%	6.4%	6.5%	6.3%	6%
Roanoke, VA MSA	7.4%	7.1%	6.9%	6.7%	6.9%	6.6%	6.3%	6.1%
Virginia	7%	6.6%	6.4%	6.3%	6.5%	6.3%	5.9%	5.7%

While unemployment rates within the assessment area are currently below the June 2010 level, the declining trend has not been steady and some jurisdictions experienced increases between year-end 2010 and mid-year 2011. The unemployment rate in the City of Roanoke remains high in comparison to the overall unemployment rate of the MSA and the Commonwealth of Virginia.

A local community development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that although local economic conditions had generally improved that the local economy had not yet recovered to pre-recession conditions. Affordable housing remains a need within the local community and the contact suggested that the local community would benefit from affordable housing options that did not involve homeownership. The contact explained that certain area residents do not have sufficient incomes to purchase homes and that they would benefit from additional long-term affordable housing leasing opportunities. According to the contact, local financial institutions are adequately serving the credit needs of the local community.

Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the bank’s assessment area. Additionally, the bank does not face any constraints in providing community development services or making qualified investments.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN ROANOKE, VA 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 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.

During 2010 and 2011, the bank originated \$107.7 million in HMDA, \$45.4 million in small business, and \$93,000 in small farm loans within the assessment area. Accordingly, the bank’s HMDA performance is weighted more heavily when considering the bank’s combined product performance. As previously discussed, the performance of small farm lending is not considered within this assessment area because of its comparatively limited volume.

Lending Activity:

Bank lending activity, measured in dollars, within this assessment area (20.1%) exceeds the percentage of branch offices (18.5%) in the area as well as the level of deposits (14.2%). Measured by numeric volume (20.6 %), the lending activity level is substantially similar to the dollar volume and exceeds the deposit level percentage. Overall, the bank’s lending activity is considered good.

Geographic Distribution:

When considering the bank’s performance by loan product, HMDA lending is considered good, while small business lending is considered excellent. Given the relative dollar volume and performance level of each product, SB’s overall geographic distribution performance is considered good.

Distribution of HMDA Loans by Income Level of Census Tract

Assessment Area: Roanoke, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(172)				(3929)			
Low	0	0.0	0	0.0	61	1.6	4,527	0.7
Moderate	11	6.4	966	3.1	342	8.7	31,551	4.9
Middle	78	45.3	11,442	37.1	2,178	55.4	309,658	48.2
Upper	83	48.3	18,393	59.7	1,348	34.3	296,910	46.2
	(161)				(7421)			
Low	1	0.7	62	0.2	49	0.7	4,229	0.3
Moderate	7	4.3	968	3.5	358	4.8	37,288	2.9
Middle	88	54.7	14,126	50.8	3,914	52.7	590,758	46.3
Upper	65	40.4	12,669	45.5	3,100	41.8	644,788	50.5
	(25)				(932)			
Low	0	0.0	0	0.0	18	1.9	422	0.5
Moderate	2	8.0	51	2.7	85	9.1	3,457	4.2
Middle	15	60.0	584	30.9	529	56.8	39,848	48.5
Upper	8	32.0	1,252	66.3	300	32.2	38,358	46.7
	(5)				(20)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	40.0	480	36.2	5	25.0	2,431	4.7
Middle	1	20.0	210	15.8	9	45.0	27,678	53.0
Upper	2	40.0	635	47.9	6	30.0	22,077	42.3
	HMDA Totals							
Low	1	0.3	62	0.1	128	1.0	9,178	0.4
Moderate	22	6.1	2,465	4.0	790	6.4	74,727	3.6
Middle	182	50.1	26,362	42.6	6,630	53.9	967,942	47.1
Upper	158	43.5	32,949	53.3	4,754	38.6	1,002,133	48.8
NA*	0	0.00	0	0.00	2	0.0	232	0.0
Total	363	100.0	61,838	100.0	12,304	100.0	2,054,212	100.0

*NA-Tables without household or family income as applicable

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

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

During 2010, the bank’s performance varies by loan product type within the assessment area. Specifically, both the bank’s refinance and its home improvement performance are considered adequate, while its refinance performance is considered good. Its multi-family performance is excellent.

When considering the bank’s activity by census tract income levels, the bank extended a low volume of loans (one loan) to residents of area low-income census tracts. However, the percentage of area owner-occupied housing units located in such areas (2%) and the aggregate level of lending (1%) indicate that there is only limited demand for residential mortgage loans from residents of the low-income census tracts. Nonetheless, the bank’s lending to residents of low-income census tracts is considered poor. While bank lending in moderate-income census tracts (6.1%) lagged the percentage of owner-occupied housing units (11.8%) in such areas, it was comparable to the aggregate lending level (6.4%) and is considered good. Overall, the bank’s geographic distribution performance is considered good during 2010, and its performance during 2011 is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Assessment Area: Roanoke, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	4	2.3	449	1.9	97	3.1	8,098	4.7
Moderate	39	22.7	7,248	30.2	421	13.6	25,765	15.1
Middle	89	51.7	11,248	46.9	1,624	52.6	89,678	52.6
Upper	40	23.3	5,059	21.1	948	30.7	46,957	27.5
NA*	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Total	172	100.0	24,004	100.0	3,090	100.0	170,498	100.0

*NA-Tracts without household or family income as applicable
Loans where the geographic location is unknown are excluded from this table.

D&B data from 2010 indicates that 3% of small businesses are located in low-income census tracts and 14.1% are in moderate-income census tracts. During 2010, bank lending to businesses in low-income tracts (2.3%) lagged both the percentage of businesses located in such areas and the aggregate lending level (3.1%) and is considered adequate. However, bank lending in moderate-income tracts (22.7%) substantially exceeded both the percentage of businesses located in such areas and the aggregate lending level (13.6%) and is considered excellent. The bank’s overall performance during 2010 is considered excellent and reflects the strength of the bank’s lending performance in moderate-income census tracts. The bank’s performance during 2011 is similar to its performance during 2010.

Distribution by Borrower Income and Revenue Size of the Business:

The bank’s borrower distribution performance is considered adequate for HMDA lending and good for small business lending. The bank’s overall performance is considered adequate given the larger dollar volume of HMDA lending in the assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Assessment Area: Roanoke, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	29	8.5	2,196	3.7	1,251	11.8	103,653	6.1
Moderate	74	21.6	8,715	14.8	2,527	23.9	298,528	17.5
Middle	95	27.7	14,963	25.5	2,656	25.1	391,935	23.0
Upper	145	42.3	32,902	56.0	4,143	39.2	912,777	53.5
Total	343	100.0	58,776	100.0	10,577	100.0	1,706,893	100.0
Unknown	20		3,062		1,727		347,319	

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

During 2010, the bank’s lending to low-income borrowers (8.5%) lagged both the percentage of area low-income families (17.9%) and the aggregate level of lending (11.8%) to such borrowers and is considered adequate. Bank lending to moderate-income borrowers (21.6%) exceeded the percentage of such area families (18.9%) and was slightly less than the aggregate lending level (23.9%) to such borrowers and is considered good. The bank’s overall performance during 2010 is considered adequate, and its performance during 2011 is similar.

Distribution of Lending by Loan Amount and Size of Business

Assessment Area: Roanoke, VA MSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	119	69.2	15,604	65.0	1,253	38.8	77,625	45.1
Over \$1 Million	43	25.0	7,551	31.5	NA	NA	NA	NA
Unknown	10	5.8	849	3.5	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	98	57.0	4,031	16.8	2,849	88.3	45,109	26.2
\$100,001-\$250,000	49	28.5	8,485	35.3	194	6.0	34,475	20.0
\$250,001-\$1 Million	25	14.5	11,488	47.9	184	5.7	92,604	53.8
Total	172	100.0	24,004	100.0	3,227	100.0	172,188	100.0

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

D&B data indicates that 89.6% of all local businesses have revenues that do not exceed \$1 million per year. According to 2010 aggregate small business data, 38.8% 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, 59.2% were made to businesses having annual revenues of \$1 million or less. Of the small business loans considered in the evaluation, 69.2% were to businesses with annual revenues of \$1 million or less. The bank’s small business lending during 2010 is considered good, and its performance during 2011 is substantially similar.

Community Development Lending:

As previously indicated, opportunities for community development lending are reasonably available within the Roanoke, VA MSA assessment area. Given the bank’s market position, strategy, and capacity, it is not constrained in making community development loans.

During the evaluation period, the bank originated a relatively high level of qualified community development loans within the assessment area that include the following:

- Three loans totaling \$1.28 million were extended to an area business that aided in the creation of approximately 80 new jobs that primarily benefited low- and moderate-income residents.
- A \$300,000 line of credit was extended to a non-profit entity that provides services to homeless and other low-income area residents.
- A \$230,000 loan was extended to a non-profit entity that provides affordable housing to low-income residents.

INVESTMENT TEST

During the evaluation period, SB made charitable donations totaling \$51,438 that support local organizations that provide qualified community development services specifically within the Roanoke, VA MSA assessment area.

As previously described, SB maintains a significant level of qualified community development investments totaling nearly \$11.5 million that benefit the statewide area which includes the Roanoke, VA MSA assessment area.

SERVICE TEST

Within the Roanoke, VA MSA assessment area, SB's performance under the Service Test is considered good. Systems for delivering retail banking services are readily accessible to all portions of the assessment area, including low- and moderate-income areas. Also, SB provides a relatively high level of services through active participation in several community development organizations.

Retail Services:

Delivery systems are readily 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, bank-by-computer, and mobile banking 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 institution operates ten offices within this assessment area. While none of the branch offices are located in low-income census tracts, two (20%) are located in moderate-income tracts. In addition, another branch office is located in a middle-income census tract that is adjacent to two of the three assessment area's low-income census tracts. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

Community Development Services:

SB's employees participate in a relatively high level of community development service activities through provision of financial expertise to support various local organizations whose operations directly benefit low- and moderate-income residents, revitalize or stabilize low- and moderate-income areas, encourage small business development, and/or create jobs that typically benefit low- and moderate-income residents. These activities include but are not limited to the following:

- Project Access Roanoke Valley (community service)
- Boys and Girls Club of Roanoke (community service)
- Roanoke-Blacksburg Technology Council (small business development and job creation)
- Bedford Professional Women's Club (small business development and job creation)
- Community Housing Partners Corporation (affordable housing)
- Roanoke Area Ministries (community service)
- Children's Advocacy Programs of the Blue Ridge (community service)

METROPOLITAN AREAS

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

DESCRIPTION OF OPERATIONS IN METROPOLITAN AREAS OF VIRGINIA

Certain assessment areas, which are noted in the table below, were reviewed using the limited review examination procedures. Information detailing the composition of the markets, including selected demographic data, is included in **APPENDIX A** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN METROPOLITAN AREAS OF VIRGINIA

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

Assessment Area	Lending Test	Investment Test	Service Test
Charlottesville, VA MSA	Consistent	Consistent	Below
Harrisonburg, VA MSA	Consistent	Consistent	Below
Lynchburg, VA MSA	Below	Consistent	Consistent
Richmond, VA MSA	Consistent	Consistent	Consistent
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	Consistent	Consistent	Consistent

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 OPERATIONS IN THE SHENANDOAH VALLEY, VA NONMSA ASSESSMENT AREA

The bank operates 12 full-service branches within this assessment area that includes all of Alleghany, Augusta, and Rockbridge Counties, Virginia, and the Cities of Buena Vista, Covington, Lexington, Staunton, and Waynesboro, Virginia. As of June 2011, SB ranked first out of 19 institutions in deposit market share having 18.9% of the assessment area's available FDIC insured deposits. According to 2010 market share data, the institution ranked eighth in reported mortgage lending with a 4.6% market share and second in reported small business/farm loans with a 13.7% market share.

According to the 2000 census data, the assessment area has a population of 166,530 and a median housing value of \$91,195. The owner-occupancy rate for the market equals 68%, which exceeds the rate for nonmetropolitan areas within the Commonwealth (65.4 %). The percentage of area families living below the poverty level in the assessment area (6.6%) is substantially lower than the rate for the nonmetropolitan areas within the Commonwealth (10.7 %). The 2010 and 2011 median family incomes for nonmetropolitan areas of Virginia equaled \$53,300 and \$51,900, respectively. The following table includes pertinent demographic data for the assessment area:

Assessment Area Demographics

Shenandoah Valley, VA NonMSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,531	14.2
Moderate	2	5.4	2,475	5.4	464	18.7	7,338	16.0
Middle	18	48.6	20,287	44.1	1,435	7.1	10,214	22.2
Upper	17	45.9	23,234	50.5	1,142	4.9	21,913	47.6
NA	0	0.0	0	0.0	0	0.0		
Total	37	100.0	45,996	100.0	3,041	6.6	45,996	100.0
	Owner Occupied Units by Tract	Households						
		HHs by Tract		HHs < Poverty by Tract		HHs by HH Income		
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	12,138	18.4
Moderate	2,076	4.3	3,753	5.7	695	18.5	10,049	15.3
Middle	21,746	44.6	30,037	45.6	3,418	11.4	11,926	18.1
Upper	24,972	51.2	32,096	48.7	2,541	7.9	31,773	48.2
NA	0	0.0	0	0.0	0	0.0		
Total	48,794	100.0	65,886	100.00	6,654	10.1	65,886	100.0
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	248	3.5	208	3.3	24	6.3	16	5.2
Middle	3,193	45.1	2,908	45.6	139	36.3	146	47.4
Upper	3,633	51.4	3,267	51.2	220	57.4	146	47.4
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	7,074	100.0	6,383	100.0	383	100.0	308	100.0
Percentage of Total Businesses:				90.2		5.4		4.4

*NA-Tracts without household or family income as applicable

Based on 2010 D&B information according to 2000 Census Boundaries.

The assessment area is predominately rural, and according to data published by the FFIEC, five of the 18 middle-income census tracts within the assessment area have been designated as being distressed because of population loss. The distressed middle-income census tracts include all of the City of Covington (two tracts) and all of the middle-income census tracts in Alleghany County (three tracts).

The assessment area's economy is based on light manufacturing, health care services, and retail establishments. Major area employers include area health care facilities (Augusta Medical Center and Western State Hospital), Hershey Chocolate of Virginia, Pro Careers (employment services), MeadWestvaco (wood pulp processing), Wal-Mart Stores, area school systems, and local municipalities. 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							
	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012
Allegheny County	8.8%	7.9%	9.3%	8.8%	8.6%	8%	7.9%	8%
Augusta County	6.7%	6.2%	6.1%	6%	6.2%	6.2%	5.7%	5.8%
Rockbridge County	6.8%	7%	6.6%	6.6%	6.8%	6.2%	6.4%	6.1%
Buena Vista City	9.2%	8.7%	9.1%	7.8%	7.5%	7.4%	7.8%	7.6%
Covington City	9.9%	10.4%	10.6%	8.8%	8.1%	9%	9.2%	10.1%
Lexington City	14%	10.9%	11.3%	10.6%	12.8%	11.3%	10.5%	10.9%
Staunton City	7.7%	7.3%	7.7%	6.8%	7.2%	6.8%	6.5%	6.2%
Waynesboro City	8.8%	9.7%	9%	8.3%	7.8%	8%	7.3%	7.6%
Virginia	7%	6.6%	6.4%	6.3%	6.5%	6.3%	5.9%	5.7%

As indicated by the data included in the preceding table, area unemployment rates have generally been on a declining trend since June 2010. Except for Augusta County, area unemployment rates remain elevated in comparison to the commonwealth’s rate. Unemployment rates in the Cities of Covington and Lexington are particularly high in comparison to the commonwealth’s rate.

A local community development official was recently contacted to discuss local affordable housing conditions and area credit needs. The contact indicated that there is a shortage of affordable housing within the local community and suggested that additional affordable housing funding, both credit-based and grant-based, will be needed to increase supply. The contact indicated that local financial institutions were adequately serving the needs of the local community.

Discussion with the community development official and reviews of the performance evaluations of other financial institutions having a local presence indicate opportunities for community development activity within this particular market are generally limited. While opportunities are limited, the institution faces no significant constraints relative to its size and business strategy in making community development loans or investments or supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE SHENANDOAH VALLEY, VA NONMSA 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 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.

During 2010 and 2011, the bank originated \$76.4 million in HMDA, \$59.8 million in small business, and \$406,000 in small farm loans within the assessment area. Accordingly, the bank’s HMDA performance is weighted more heavily when considering the bank’s combined product performance. As previously discussed, the performance of small farm lending is not considered within this assessment area because of its comparatively limited volume.

Lending Activity:

Bank lending activity, measured in dollars, within this assessment area (17.9%) is slightly less than the percentage of branch offices (22.2%) in the area and the level of deposits (19.5%). Loan volume, by number of loans, (20.8%) approximates the percentage of branches and deposits. Overall, the bank’s lending activity is considered good.

Geographic Distribution:

There are no low-income census tracts within the assessment area. The bank’s geographic distribution performance is adequate for both residential mortgage and small business lending within this assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Assessment Area: Shenandoah Valley, VA NonMSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(85) Home Purchase				(1689)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	4.7	596	4.8	104	6.1	14,583	5.7
Middle	54	63.5	7,209	57.7	650	38.4	84,948	33.2
Upper	27	31.8	4,685	37.5	935	55.2	155,373	60.8
	(176) Refinance				(4117)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	6	3.4	663	2.3	160	3.9	19,279	2.9
Middle	97	55.1	17,173	59.6	1,409	34.2	212,449	32.3
Upper	73	41.5	10,991	38.1	2,548	61.8	424,190	64.5
	(21) Home Improvement				(281)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	11	3.9	188	1.1
Middle	9	42.9	63	16.7	132	47.0	7,327	43.6
Upper	12	57.1	314	83.3	138	49.1	9,305	55.3
	(1) Multi-Family				(11)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	4	36.4	2,828	16.8
Upper	1	100.0	3,264	100.0	7	63.6	14,043	83.2
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	10	3.5	1,259	2.8	275	4.5	34,050	3.6
Middle	160	56.5	24,445	54.4	2,195	35.9	307,552	32.5
Upper	113	39.9	19,254	42.8	3,628	59.4	602,911	63.7
NA*	0	0.00	0	0.00	12	0.2	2,078	0.2
Total	283	100.0	44,958	100.0	6,110	100.0	946,591	100.0

*NA-Tables without household or family income as applicable

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

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

Within this assessment area, refinance transactions were extended most frequently by the bank and aggregate lenders, followed by home purchase lending. When considering the distribution of aggregate lending, SB’s home purchase lending in moderate-income census tracts is adequate, its refinance lending is good, and its home improvement lending is poor. Overall during 2010, 3.5% of SB’s HMDA loans were extended to residents located in moderate-income census tracts. Aggregate lenders extended 4.5% of reported HMDA loans to residents in moderate-income census tracts. According to 2000 census data, 4.3% of owner-occupied housing units are located in moderate-income census tracts. SB’s performance during 2010 is considered adequate.

During 2011, the bank’s overall volume of lending and level of lending in moderate-income census tracts declined. Specifically, the bank reported originating 240 loans totaling \$31.5 million during 2011. Of these loans, four (1.7%) totaling \$301,000 (1%) were to moderate-income census tract residents. The bank’s performance during 2011 is poor given the proportion of owner-occupied housing units in moderate-income census tracts and considering the level of aggregate lending during 2010 as an element of performance context.

Accounting for the variation in the bank’s performance during 2010 and 2011, its overall HMDA geographic distribution performance is considered adequate. In reaching this conclusion, the bank’s performance during 2010 was given more weight given the larger dollar volume of lending during that year.

Distribution of Small Business Loans by Income Level of Census Tract

Assessment Area: Shenandoah Valley, VA NonMSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	7	2.7	1,192	3.3	75	4.2	6,739	6.8
Middle	114	43.5	14,255	39.8	751	42.1	34,749	35.1
Upper	141	53.8	20,359	56.9	959	53.7	57,574	58.1
NA*	0	0.0	0	0.0	0.0	0.0	0.0	0.0
Total	262	100.0	35,806	100.0	1,785	100.0	99,062	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 moderate-income census tracts (2.7%) lagged both the percentage of area businesses located in moderate-income areas (3.5%) and the aggregate lending level in moderate-income census tracts (4.2%). The bank’s performance during 2010 is considered adequate.

During 2011, the bank’s overall volume of lending declined but its lending distribution performance improved. The bank reported originating 175 small business loans totaling \$24 million during 2011. Of these loans, six (3.4%) totaling \$1.1 million were extended to businesses located in moderate-income census tracts within the assessment area. The bank’s performance during 2011 is considered good given the proportion of businesses located in area moderate-income census tracts and considering the level of aggregate lending during 2010 as an element of performance context.

Overall, the bank’s small business geographic distribution performance is considered adequate. In reaching this conclusion, more weight was placed on the bank’s performance during 2010 because of its comparatively larger dollar volume of lending.

Distribution by Borrower Income and Revenue Size of the Business:

Within the assessment area, the borrower distribution performance of HMDA loans is considered excellent, while the small business loan performance is considered good. The bank’s overall performance is considered excellent given the larger dollar volume of HMDA lending within the assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Assessment Area: Shenandoah Valley, VA NonMSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	25	9.0	1,567	3.8	327	6.1	25,927	3.2
Moderate	77	27.8	8,594	21.0	1,186	22.2	131,937	16.4
Middle	80	28.9	11,732	28.6	1,439	27.0	198,871	24.8
Upper	95	34.3	19,093	46.6	2,386	44.7	445,642	55.5
Total	277	100.0	40,986	100.0	5,338	100.0	802,377	100.0
Unknown	6		3,972		772		144,214	

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

Within the Shenandoah Valley, VA NonMSA assessment area during 2010, the bank’s refinance and home improvement lending levels exceeded the aggregate reporters’ lending levels and are considered excellent. The bank’s home purchase performance was generally consistent with the aggregate lending level and is considered good. During 2010 within the assessment area, refinance loans were extended most frequently by both the bank and the aggregate reporters.

During 2010, the bank’s lending to low-income borrowers (9%) lagged the percentage of low-income families in the assessment area (14.2%) but exceeded the aggregate reporter lending level (6.1%). Bank lending to moderate-income borrowers (27.8%) substantially exceeded both the percentage of moderate-income area families (16%) and the aggregate reporter lending level (22.2%). Overall, the bank’s performance during 2010 is considered excellent and reflects the strength of the bank’s refinance and home improvement lending performance.

During 2011, both the bank’s borrower distribution performance and its overall volume of lending declined, although performance is considered good. The bank reported originating 240 HMDA loans totaling \$31.5 million during 2011. Of these loans, 18 (7.6%) totaling \$715,000 (2.3%) were to low-income borrowers, and 54 (22.9%) totaling \$5.3 million were to moderate-income borrowers. The bank’s performance during 2011 is considered good given the percentage of area low- and moderate-income families and considering aggregate lending data from 2010 for performance context.

The bank’s combined performance during 2010 and 2011 is considered excellent. In reaching this conclusion, more weight was placed on the bank’s performance during 2010 given its larger dollar volume, and also reflects the strength of the bank’s low-income borrower lending performance during both years.

Distribution of Lending by Loan Amount and Size of Business

Assessment Area: Shenandoah Valley, VA NonMSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	176	67.2	18,011	50.3	760	40.2	46,937	46.7
Over \$1 Million	74	28.2	15,882	44.4	NA	NA	NA	NA
Unknown	12	4.6	1,913	5.3	NA	NA	NA	NA
by Loan Size	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	170	64.9	7,390	20.6	1,676	88.6	27,774	27.7
\$100,001-\$250,000	53	20.2	9,346	26.1	112	5.9	20,041	20.0
\$250,001-\$1 Million	39	14.9	19,070	53.3	104	5.5	52,619	52.4
Total	262	100.0	35,806	100.0	1,892	100.0	100,434	100.0

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

D&B data indicates that 90.2% of all local businesses have revenues that do not exceed \$1 million per year. According to 2010 aggregate small business data, 40.2% 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 large credit card lenders. Of the remaining small business loans originated by traditional bank lenders, 63.5% were made to businesses having annual revenues of \$1 million or less. Of the small business loans considered in the evaluation, 67.2% were to businesses with annual revenues of \$1 million or less. SB's small business lending during 2010 is considered good.

During 2011, the reported originating 175 small business loans totaling \$24 million. Of these loans, 87 (49.7%) totaling \$10.5 million were to business having annual revenues of \$1 million or less. When considering the aggregate lending from 2010 as an element of performance context, the bank's performance during 2011 is considered adequate.

The bank originated a larger dollar volume of loans during 2010 than during 2011; therefore, its performance during 2010 received more weight when considering its overall performance. In addition, the relative strength of the bank's performance during each year was also considered. Overall, the bank's small business lending performance is considered good on a combined basis.

Community Development Lending:

As previously indicated, opportunities for community development lending are limited within the Shenandoah Valley, VA NonMSA assessment area. Despite the limited opportunities, the bank is not constrained from making such loans given its market position, strategy, and capacity.

The bank originated one community development loan totaling \$116,211 within this assessment area during the review period. The loan was extended to a non-profit affordable housing organization. The borrower used the funds to purchase and renovate several single-family homes within a distressed middle-income census tract. Upon completion of the renovations, the homes are to be sold to low- and/or moderate-income residents. In addition, the renovation of these homes is designed to encourage residents to remain in the neighborhood rather than move. The bank's loan not only provides for affordable housing but also aids in the stabilization of a middle-income census tract that is distressed because of population loss.

INVESTMENT TEST

During the evaluation period, SB made charitable donations totaling \$26,700 that support local organizations that provide qualified community development services specifically within the Shenandoah Valley, VA NonMSA assessment area.

As previously described, SB maintains a significant level of qualified community development investments totaling nearly \$11.5 million that benefit the statewide area which includes the Shenandoah Valley, VA NonMSA assessment area.

SERVICE TEST

Within the Shenandoah Valley, VA NonMSA assessment area, SB's performance under the Service Test is considered outstanding. Systems for delivering retail banking services are accessible to all portions of the assessment area, including low- and moderate-income areas. Also, SB provides an outstanding level of services by actively participating in several community development organizations.

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, bank-by-computer, and mobile banking 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 12 offices within this assessment area, and the branch locations and business hours are considered convenient and meet the needs of the assessment area. None of the 12 local branch offices are located in the assessment area's two moderate-income census tracts; however, two of the bank's branches are located in census tracts that are adjacent to the two moderate-income census tracts. There are no low-income census tracts within the assessment area.

Community Development Services:

Within the assessment area, the bank and its employees are leaders in supporting community development by providing financial expertise to local organizations whose operations directly benefit low- and moderate-income residents, revitalize or stabilize moderate-income census tracts, encourage small business development, and/or create jobs that typically benefit low- and moderate-income residents. These activities include but are not limited to the following:

- Augusta County Economic Development Authority (small business development and job creation)
- Historic Staunton Foundation (small business development)
- Valley Community Service Board (community service)
- Big Brother & Big Sister of the Central Blue Ridge (community service)
- Valley Hope Counseling Services (community service)
- Staunton Downtown Development Association (small business development)
- Central Valley Habitat for Humanity (affordable housing)
- Riverheads Young Farmers (small business development)
- Central Valley Food Pantry (community service)
- Valley Mission (community service)
- Central Valley Angel Food Ministries (community service)
- Economic Development Authority of Staunton (small business development and job creation)
- Boys and Girls Club of Central Valley (community service)
- New Directions Shelter for Women and Children (community service)
- Central Valley Salvation Army (community service)
- Vector Industries (community service)

DESCRIPTION OF OPERATIONS IN THE CULPEPER, VA NONMSA ASSESSMENT AREA

The bank operates six full-service branches within an assessment area that includes all of Culpeper, Madison, and Orange Counties, Virginia. As of June 2011, SB ranked first out of 11 institutions in deposit market share having 31.8% of the assessment area's available FDIC insured deposits. According to 2010 market share data, the institution ranked seventh in reported mortgage lending with a 4.5% market share and ranked fourth in reported small business/farm loans with an 8.6% market share.

Based on census data from 2000, the assessment area has a population of 72,663 and a median housing value of \$120,737. The owner-occupancy rate for the market equals 68%, which exceeds the rate for nonmetropolitan areas within the commonwealth (65.4 %). The percentage of area families living below the poverty level in the assessment area (7%) is less than the rate for the nonmetropolitan areas within the commonwealth (10.7 %). The 2010 and 2011 median family incomes for nonmetropolitan areas of Virginia equaled \$53,300 and \$51,900, respectively. The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Culpeper, VA NonMSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,551	12.7
Moderate	0	0.0	0	0.0	0	0.0	2,806	14.0
Middle	6	54.5	8,885	44.3	772	8.7	4,119	20.6
Upper	5	45.5	11,158	55.7	635	5.7	10,567	52.7
NA	0	0.0	0	0.0	0	0.0		
Total	11	100.0	20,043	100.0	1,407	7.0	20,043	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	3,893	14.4
Moderate	0	0.0	0	0.0	0	0.0	3,367	12.5
Middle	8,516	42.5	12,242	45.3	1,437	11.7	4,662	17.2
Upper	11,515	57.5	14,795	54.7	1,087	7.3	15,115	55.9
NA	0	0.0	0	0.0	0	0.0		
Total	20,031	100.0	27,037	100.00	2,524	9.3	27,037	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
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	1,793	45.0	1,629	44.3	86	54.1	78	53.4
Upper	2,188	55.0	2,047	55.7	73	45.9	68	46.6
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	3,981	100.0	3,676	100.0	159	100.0	146	100.0
Percentage of Total Businesses:				92.3		4.0		3.7

*NA-Tracts without household or family income as applicable

Based on 2010 D&B information according to 2000 Census Boundaries.

The assessment area is predominately rural and, according to data published by the FFIEC, two of the six middle-income census tracts within the assessment area have been designated as being underserved. The underserved designation indicates that the community may not have access to routine community services. The two underserved middle-income census tracts are located in Madison County, which constitute the entire county.

The assessment area's economy is based on a variety of businesses including health care, retail trade, and local government. Major area employers include Culpeper Memorial Hospital, Wal-Mart Stores, Plow & Hearth (corporate headquarters and distribution center), Woodberry Forest School, Germanna Community College, Von Holtzbrinck Publishing, area government, and local school systems. In addition, a large number of area residents commute to Charlottesville and northern Virginia for employment opportunities. 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							
	June 2010	Sept 2010	Dec 2010	Mar 2011	June 2011	Sept 2011	Dec 2011	Mar 2012
Culpeper County	7.9%	7.4%	7.1%	7.2%	7.1%	6.8%	6.3%	6.4%
Madison County	6%	5.9%	5.4%	5.6%	5.5%	5.3%	4.8%	5.1%
Orange County	7.5%	7.3%	7.4%	7.4%	7.3%	7.3%	6.9%	6.8%
Virginia	7%	6.6%	5.9%	6.3%	6.5%	6.3%	5.9%	5.7%

As reflected in the table, area unemployment rates have declined since June 2010. Despite the reduction in unemployment rates, Culpeper and Orange Counties continue to have unemployment levels that exceed the commonwealth’s rate. Prospects for continued improvement are somewhat mixed as it was recently announced that a large employer in Orange County would close during the third quarter of 2012 and result in the loss of approximately 125 area jobs. Madison County, however, continues to maintain an unemployment level below that of the commonwealth and Culpeper and Madison Counties.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that the demand for affordable housing has increased steadily during recent years. As demand has increased, financial support in the form of donated real and personal property and monetary donations that support affordable housing have decreased. The contact suggested that residents of the local communities would benefit from additional affordable housing opportunities as well as an increase in other non-housing services targeted to area low- and moderate-residents. According to the contact, local financial institutions have been responsive to community needs.

Discussions with the individuals knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that limited community development opportunities are available within the bank’s assessment area. While opportunities are limited, the institution faces no significant constraints relative to its size and business strategy in making community development loans or investments or supporting community service activities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE CULPEPER, VA NONMSA 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 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.

During 2010 and 2011, the bank originated \$39.5 million in HMDA, \$32.3 million in small business, and \$245,000 in small farm loans within the assessment area. Accordingly, the performance associated with residential mortgage lending was given more weight when considering the bank’s overall performance. As previously discussed, the performance of small farm lending is not considered within this assessment area because of its comparatively limited volume.

Lending Activity:

Bank lending by dollar volume (9.5%) is similar to the percentage of branch offices (11.1%) but lower than the deposit volume (14.6%) in the assessment area. Loan volume by number of loans (10.2 %) is similar to the dollar volume. Overall lending activity is considered adequate.

Geographic Distribution:

As indicated in the demographic table, there are no low-or moderate income census tracts within the assessment area; consequently, the distribution of the bank’s lending in middle- and upper-income census tracts is considered. When considering the strength and relative size of the bank’s HMDA and small business lending in these tracts, its overall geographic distribution performance is good.

During 2010, the bank extended 166 HMDA loans within the assessment area totaling \$22.3 million. Of these loans, 83 (50%) totaling \$8.7 million (39%) were to residents of middle-income census tracts. The bank’s level of performance reasonably compares to the proportion of owner-occupied housing units located in middle-income areas (42.5%) and exceeds the aggregate performance for lending in such tracts (32.6%). The bank’s residential mortgage lending performance is considered excellent. The bank's 2011 HMDA loan geographic distribution was similar and this performance is also excellent.

During 2010, the bank originated 94 small business loans totaling \$16.2 million. Of these loans, 40 (42.6%) totaling \$6.4 million (39.5%) were to businesses located in the middle-income census tracts. The bank’s lending performance compares favorably to the percentage of businesses located in middle-income census tracts (45%) and the aggregate level of lending (44.1%) in such tracts. Overall, this level of lending is considered good. The bank's 2011 small business lending performance was similar.

Distribution by Borrower Income and Revenue Size of the Business:

Within the assessment area, the borrower distribution performance of HMDA loans is considered excellent, while the small business loan performance is considered good. On a combined basis, the bank’s borrower distribution performance is considered excellent and reflects both the strength and relative size of the bank’s HMDA lending performance.

Distribution of HMDA Loans by Income Level of Borrower

Assessment Area: Culpeper, VA NonMSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	HMDA Totals							
Low	12	7.4	550	2.5	86	2.7	7,391	1.2
Moderate	43	26.4	4,508	20.6	480	14.9	63,589	10.2
Middle	37	22.7	5,229	23.9	782	24.3	129,510	20.8
Upper	71	43.6	11,571	52.9	1,867	58.1	421,349	67.8
Total	163	100.0	21,858	100.0	3,215	100.0	621,839	100.0
Unknown	3		410		495		105,942	

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

The bank’s performance was generally consistent across each loan type and exceeded the aggregate lending levels for both low- and moderate-income borrowers. During 2010, the bank’s lending to low-income borrowers (7.4%) lagged the percentage of low-income families in the assessment area (12.7%) but greatly exceeded the aggregate reporter lending level (2.7%). The bank’s lending to moderate-income borrowers (26.4%) exceeded both the percentage of moderate-income area families (14%) and the aggregate reporter lending level (14.9%). Overall, the bank’s performance during 2010 is considered excellent and its performance during 2011 is similar.

Distribution of Lending by Loan Amount and Size of Business

Assessment Area: Culpeper, VA NonMSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	59	62.8	10,716	66.3	393	36.6	28,000	59.8
Over \$1 Million	27	28.7	4,666	28.9	NA	NA	NA	NA
Unknown	8	8.5	781	4.8	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	51	54.3	2,132	13.2	977	91.1	13,088	28.0
\$100,001-\$250,000	24	25.5	4,227	26.2	47	4.4	8,448	18.1
\$250,001-\$1 Million	19	20.2	9,804	60.7	49	4.6	25,248	54.0
Total	94	100.0	16,163	100.0	1,073	100.0	46,784	100.0

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

During 2010, 36.6% of aggregate reported small business 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. D&B data indicates that 92.3% of all local businesses have revenues that do not exceed \$1 million per year. Excluding large credit card lenders, 58.8% of the remaining reported small business loans were to businesses having revenues of \$1 million or less. SB’s level of lending to businesses having revenues of \$1 million or less (62.8%) is considered good, and its performance during 2011 is similar.

Community Development Lending:

The bank did not originate any community development loans within this assessment area during the evaluation period. 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. As previously indicated, community development lending opportunities are reasonably available within in the assessment area.

INVESTMENT TEST

During the evaluation period, SB made charitable donations totaling \$6,000 that support local organizations that provide qualified community development services specifically within the Culpeper, VA NonMSA assessment area.

As previously described, SB maintains a significant level of qualified community development investments totaling nearly \$11.5 million that benefit the statewide area which includes the Culpeper, VA NonMSA assessment area.

SERVICE TEST

Within the Culpeper, VA NonMSA assessment area, SB’s performance under the Service Test is considered good. Systems for delivering retail banking services are accessible to all portions of the assessment area, including low- and moderate-income residents. Additionally, the bank or its employees have participated in a relatively high level of services that provide community development.

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.

The institution has six offices within this assessment area, of which three (50%) are located in middle-income census tracts, and three are located in upper-income census tracts. There are no low- and moderate-income census tracts within the assessment area. Within the assessment 44.3% of area families reside in middle-income census tracts. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

Community Development Services:

SB's employees participate in a relatively high level of community development service activities by providing financial expertise to various local organizations whose operations directly benefit low- and moderate-income residents, revitalize or stabilize low- and moderate-income areas, encourage small business development, and/or create jobs that typically benefit low- and moderate-income residents. These activities include but are not limited to the following:

- Community Christmas Basket of Culpeper (community service)
- Culpeper Renaissance Inc. (small business development and job creation)
- Fill Circle Thrift Store (community service)
- Culpeper Salvation Army (community service)

NONMETROPOLITAN 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 NONMETROPOLITAN AREAS OF VIRGINIA

The Floyd, VA NonMSA assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the markets, including selected demographic data, is included in **APPENDIX A** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NONMETROPOLITAN AREAS OF VIRGINIA

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

Assessment Area	Lending Test	Investment Test	Service Test
Floyd, VA NonMSA	Exceeded	Consistent	Consistent

CRA APPENDIX A
LIMITED REVIEW TABLES

Charlottesville, VA MSA

This market includes all of Albemarle and Greene Counties, Virginia, and the City of Charlottesville, Virginia.

Performance Test Data for the Charlottesville, VA MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Charlottesville, VA MSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(45)				(3)			
Low	6	13.3%	2.7%	1.4%	0	0.0%	1.9%	1.4%
Moderate	4	8.9%	6.9%	6.4%	0	0.0%	6.6%	6.4%
Middle	17	37.8%	54.7%	61%	1	33.3%	61.8%	61%
Upper	18	40.0%	35.7%	31.1%	2	66.7%	29.7%	31.1%
	Refinance				Multi-Family			
<i>Geographic</i>	(59)				(0)			
Low	0	0.0%	1.5%	1.4%	0	0.0%	0.0%	1.4%
Moderate	4	6.8%	5.8%	6.4%	0	0.0%	75.0%	6.4%
Middle	39	66.1%	57.8%	61%	0	0.0%	25.0%	61%
Upper	16	27.1%	34.9%	31.1%	0	0.0%	0.0%	31.1%
	HMDA Total				Consumer			
<i>Geographic</i>	(107)				(NA)			
Low	6	5.6%	1.9%	1.4%	NA	NA	NA	NA
Moderate	8	7.5%	6.3%	6.4%	NA	NA	NA	NA
Middle	57	53.3%	56.9%	61%	NA	NA	NA	NA
Upper	36	33.6%	34.9%	31.1%	NA	NA	NA	NA
<i>Borrower</i>	(105)				(NA)			
Low	8	7.6%	6.4%	18.3%	NA	NA	NA	NA
Moderate	20	19.0%	19.6%	17.1%	NA	NA	NA	NA
Middle	22	21.0%	23.6%	22.2%	NA	NA	NA	NA
Upper	55	52.4%	50.5%	42.3%	NA	NA	NA	NA
Total	105	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(36)				(0)			
Low	1	2.8%	1.5%	1.1%	0	0.0%	0.0%	0.6%
Moderate	1	2.8%	9.0%	8.0%	0	0.0%	0.0%	0.6%
Middle	22	61.1%	54.7%	59.0%	0	0.0%	64.3%	69.1%
Upper	12	33.3%	34.8%	31.9%	0	0.0%	21.4%	29.7%
<i>Revenue</i>	(19)				(0)			
Busn/ Farms with revenues <=\$1 M	19	52.8%	34.7%	89.8%	0	0.0%	57.1%	99.4%

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 HMDA and its small business lending performance during 2011 are similar to its performance during 2010.

No community development loans were reported as having been extended within this assessment area during the evaluation period.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$13,500 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

The bank operates two branches within the assessment area and both are located in middle-income census tracts. Banking services offered in this assessment area are substantially the same as the services available to other communities the bank serves.

Within this assessment area, the bank and its employees provided financial expertise to the following organizations that provided community development services within the assessment area:

- CHIP (community services targeted to children)

Floyd, VA NonMSA

This market includes all of Carroll, Floyd, and Wythe Counties, Virginia. There are no low-, moderate-, or upper-income census tracts within the assessment area.

Performance Test Data for the Floyd, VA NonMSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Floyd, VA NonMSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(15)				(7)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	15	100.0%	97.1%	100%	7	100.0%	98.9%	100%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	Refinance				Multi-Family			
<i>Geographic</i>	(38)				(0)			
Low	NA	NA	NA	NA%	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	38	100.0%	98.9%	100%	0	0.0%	100.0%	100%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	HMDA Total				Consumer			
<i>Geographic</i>	(60)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	60	100.0%	98.4%	100%	NA	NA	NA	NA
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Borrower</i>	(58)				(NA)			
Low	7	12.1%	10.3%	18.9%	NA	NA	NA	NA
Moderate	20	34.5%	23.3%	19.9%	NA	NA	NA	NA
Middle	17	29.3%	27.6%	24.7%	NA	NA	NA	NA
Upper	14	24.1%	38.9%	36.6%	NA	NA	NA	NA
Total	58	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(31)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	31	100.0%	100.0%	100.0%	0	0.0%	98.3%	100.0%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	23	74.2%	47.1%	92.9%	0	0.0%	85.7%	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

Overall, the bank's HMDA and its small business performance in 2011 is similar to its performance during 2010.

During the review period, the bank originated one community development loan totaling \$25,000 within this assessment area.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$1,500 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

The bank operates two branches within this assessment area. Banking services offered in this assessment area are substantially the same as the services available to other communities the bank serves.

Within this assessment area, the bank and its employees provided financial expertise to the following organization that provided community development services within the assessment area:

- Partnership for Floyd (small business development and job creation)

Harrisonburg, VA MSA

This assessment area includes the entire MSA (Rockingham County and the City of Harrisonburg). There are no low-income census tracts within the assessment area.

Performance Test Data for the Harrisonburg, VA MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Harrisonburg, VA MSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(27)				(3)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	3.7%	10.8%	9.4%	0	0.0%	11.3%	9.4%
Middle	21	77.8%	68.6%	76.9%	1	33.3%	74.2%	76.9%
Upper	5	18.5%	22.6%	13.7%	2	66.7%	14.6%	13.7%
	Refinance				Multi-Family			
<i>Geographic</i>	(24)				(0)			
Low	NA	NA	NA	NA%	NA	NA	NA	NA
Moderate	0	0.0%	10.2%	9.4%	0	0.0%	45.5%	9.4%
Middle	17	70.8%	67.3%	76.9%	0	0.0%	27.3%	76.9%
Upper	7	29.2%	22.6%	13.7%	0	0.0%	27.3%	13.7%
	HMDA Total				Consumer			
<i>Geographic</i>	(54)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	1.9%	10.5%	9.4%	NA	NA	NA	NA
Middle	39	72.2%	67.8%	76.9%	NA	NA	NA	NA
Upper	14	25.9%	21.7%	13.7%	NA	NA	NA	NA
<i>Borrower</i>	(53)				(NA)			
Low	7	13.2%	7.8%	17.2%	NA	NA	NA	NA
Moderate	13	24.5%	22.6%	19.2%	NA	NA	NA	NA
Middle	20	37.7%	27.0%	25.0%	NA	NA	NA	NA
Upper	13	24.5%	42.6%	38.5%	NA	NA	NA	NA
Total	53	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(45)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	8	17.8%	12.8%	13.4%	0	0.0%	5.0%	8.7%
Middle	24	53.3%	57.8%	65.7%	0	0.0%	60.0%	79.0%
Upper	13	28.9%	29.4%	20.9%	0	0.0%	30.0%	12.3%
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	28	62.2%	38.1%	89.2%	0	0.0%	55.0%	98.6%

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 HMDA and its small business performance in 2011 is similar to its performance during 2010.

No community development loans were reported as having been extended within this assessment area during the evaluation period.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$8,000 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

SB operates three branch offices in this assessment area, one of which is located in a moderate-income census tract. The bank also offers services that are substantially the same as those available to the other communities the bank serves.

Lynchburg, VA MSA

The market includes all of Amherst, Appomattox, Bedford, and Campbell Counties, Virginia, as well as, the Cities of Bedford and Lynchburg, Virginia. This assessment area includes the entire MSA.

Performance Test Data for the Lynchburg, VA MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Lynchburg, VA MSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(66)				(9)			
Low	0	0.0%	0.6%	1.0%	0	0.0%	0.8%	1%
Moderate	2	3.0%	7.6%	9.4%	0	0.0%	5.7%	9.4%
Middle	43	65.2%	61.5%	68.7%	8	88.9%	63.2%	68.7%
Upper	21	31.8%	29.9%	20.8%	1	11.1%	19.5%	20.8%
	Refinance				Multi-Family			
<i>Geographic</i>	(95)				(2)			
Low	0	0.0%	0.3%	1%	0	0.0%	4.0%	1%
Moderate	6	6.3%	5.2%	9.4%	0	0.0%	4.0%	9.4%
Middle	61	64.2%	59.0%	68.7%	1	50.0%	76.0%	68.7%
Upper	28	29.5%	35.2%	20.8%	1	50.0%	16.0%	20.8%
	HMDA Total				Consumer			
<i>Geographic</i>	(172)				(NA)			
Low	0	0.0%	0.4%	1.0%	NA	NA	NA	NA
Moderate	8	4.7%	6.0%	9.4%	NA	NA	NA	NA
Middle	113	65.7%	60.0%	68.7%	NA	NA	NA	NA
Upper	51	29.7%	32.6%	20.8%	NA	NA	NA	NA
<i>Borrower</i>	(169)				(NA)			
Low	7	4.1%	7.7%	19.3%	NA	NA	NA	NA
Moderate	38	22.5%	22.4%	18.3%	NA	NA	NA	NA
Middle	46	27.2%	25.1%	23.2%	NA	NA	NA	NA
Upper	78	46.2%	44.9%	39.2%	NA	NA	NA	NA
Total	169	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(49)				(0)			
Low	1	2.0%	3.6%	3.5%	0	0.0%	0.0%	0.0%
Moderate	8	16.3%	12.1%	10.9%	0	0.0%	0.0%	6.7%
Middle	29	59.2%	56.0%	62.4%	0	0.0%	79.2%	76.8%
Upper	11	22.4%	28.3%	23.1%	0	0.0%	20.8%	16.4%
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	33	67.3%	37.0%	90.1%	0	0.0%	75.0%	99.3%

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 HMDA and its small business performance in 2011 is similar to its performance during 2010.

No community development loans were reported as having been extended within this assessment area during the evaluation period.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$1,000 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

The bank operates four branches in this market, of which one is located in a moderate-income census tract. Banking services offered in the assessment area are substantially the same as the services available to other communities the bank serves.

Within this assessment area, the bank and its employees provided financial expertise to the following organizations that provided community development services within the assessment area:

- Avenel Foundation (community services)
- Leadership Bedford (small business development and job creation)
- Alpha Ministries (community services)

Richmond, VA MSA

This market includes all of Caroline County, Virginia, which is a portion of the MSA. There are no low- or upper-income census tracts within the assessment area.

Performance Test Data for the Richmond, VA MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Richmond, VA MSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(5)				(1)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	80.0%	26.4%	38.1%	1	100.0%	50.0%	38.1%
Middle	1	20.0%	73.5%	61.9%	0	0.0%	50.0%	61.9%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	Refinance				Multi-Family			
<i>Geographic</i>	(4)				(0)			
Low	NA	NA	NA	NA%	NA	NA	NA	NA
Moderate	4	100.0%	27.7%	38.1%	0	0.0%	0.0%	38.1%
Middle	0	0.0%	72.3%	61.9%	0	0.0%	0.0%	61.9%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	HMDA Total				Consumer			
<i>Geographic</i>	(10)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	9	90.0%	28.0%	38.1%	NA	NA	NA	NA
Middle	1	10.0%	71.9%	61.9%	NA	NA	NA	NA
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Borrower</i>	(10)				(NA)			
Low	1	10.0%	14.4%	24.6%	NA	NA	NA	NA
Moderate	3	30.0%	35.2%	25.6%	NA	NA	NA	NA
Middle	2	20.0%	23.6%	23.0%	NA	NA	NA	NA
Upper	4	40.0%	26.8%	26.8%	NA	NA	NA	NA
Total	10	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(5)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	80.0%	42.4%	40.1%	0	0.0%	35.7%	59.7%
Middle	1	20.0%	57.6%	59.9%	0	0.0%	50.0%	40.3%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	2	40.0%	37.5%	93.0%	0	0.0%	57.1%	96.8%

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 HMDA and its small business performance in 2011 is similar to its performance during 2010.

No community development loans were reported as having been extended within this assessment area during the evaluation period.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$1,000 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

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

Washington-Arlington-Alexandria, DC-VA-MD-WV MSA

This assessment area includes all of Spotsylvania and Stafford Counties, Virginia, and the City of Fredericksburg, Virginia. The assessment area includes a portion of the MSA.

Performance Test Data for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA Assessment Area

LENDING TEST

Limited Review Lending Table

Assessment Area: Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (2010)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(24)				(3)			
Low	0	0.0%	1.0%	0.8%	0	0.0%	1.4%	0.8%
Moderate	5	20.8%	17.0%	14.9%	1	33.3%	13.5%	14.9%
Middle	19	79.2%	82.0%	84.3%	2	66.7%	85.1%	84.3%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	Refinance				Multi-Family			
<i>Geographic</i>	(39)				(1)			
Low	2	5.1%	0.9%	0.8%	0	0.0%	0.0%	0.8%
Moderate	11	28.2%	13.7%	14.9%	0	0.0%	0.0%	14.9%
Middle	26	66.7%	85.4%	84.3%	0	100.0%	100.0%	84.3%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
	HMDA Total				Consumer			
<i>Geographic</i>	(67)				(NA)			
Low	2	3.0%	1.0%	0.8%	NA	NA	NA	NA
Moderate	17	25.4%	15.2%	14.9%	NA	NA	NA	NA
Middle	48	71.6%	83.9%	84.3%	NA	NA	NA	NA
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Borrower</i>	(65)				(NA)			
Low	11	16.9%	15.3%	18.7%	NA	NA	NA	NA
Moderate	16	24.6%	25.6%	21.2%	NA	NA	NA	NA
Middle	16	24.6%	28.5%	28.1%	NA	NA	NA	NA
Upper	22	33.8%	30.6%	32.0%	NA	NA	NA	NA
Total	65	100.0%	100.0%	100.0%	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(91)				(0)			
Low	10	11.0%	4.9%	4.5%	0	0.0%	0.0%	0.0%
Moderate	15	16.5%	15.7%	16.1%	0	0.0%	27.3%	42.7%
Middle	66	72.5%	79.5%	79.4%	0	0.0%	63.6%	57.3%
Upper	NA	NA	NA	NA	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	48	52.7%	34.3%	91.1%	0	0.0%	81.8%	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

Overall, the bank's HMDA and its small business performance in 2011 is similar to its performance during 2010.

During the review period, the bank originated one community development loan totaling \$2.1 million within this assessment area.

INVESTMENT TEST

In addition to investments that benefit the Virginia statewide area, the bank made \$23,800 in charitable donations to organizations that provide community development services within this assessment area.

SERVICE TEST

SB operates four branch offices in this assessment area and each is located in a middle-income census tract. Banking services offered in the assessment area are substantially the same as the services available to other communities the bank serves.

CRA APPENDIX B

ASSESSMENT AREA COMPOSITION AND ACTIVITY

SB serves ten contiguous assessment areas located in southwest and central Virginia. Three of the assessment areas are located in nonmetropolitan areas of Virginia. The remaining seven assessment areas are located in metropolitan areas of Virginia. The following table reflects the composition of the bank's assessment areas.

Assessment Area Names	County/City	Census Tracts Included
Blacksburg-Christiansburg-Radford, VA MSA	Giles County	All
	Montgomery County	All
	Pulaski County	All
	Radford City	All
Shenandoah Valley, VA NonMSA	Alleghany County	All
	Augusta County	All
	Buena Vista City	All
	Covington City	All
	Lexington City	All
	Rockbridge County	All
	Staunton City	All
Charlottesville, VA MSA	Waynesboro City	All
	Albemarle County	All
	Charlottesville City	All
Harrisonburg, VA MSA	Greene County	All
	Harrisonburg City	All
Lynchburg, VA MSA	Rockingham County	All
	Amherst County	All
	Appomattox County	All
	Bedford City	All
	Bedford County	All
	Campbell County	All
Culpeper, VA NonMSA	Lynchburg City	All
	Culpeper County	All
	Madison County	All
Roanoke, VA MSA	Orange County	All
	Botetourt County	All
	Craig County	All
	Franklin County	All
	Roanoke City	All
	Roanoke County	All
Floyd, VA NonMSA	Salem City	All
	Carroll County	All
	Floyd County	All
Richmond, VA MSA	Wythe County	All
	Caroline County	All
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	Fredericksburg City	All
	Spotsylvania County	All
	Stafford County	All

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, 2011, while the loan volume includes all reported HMDA, small business, and small farm loans considered in the evaluation.

Assessment Area	Combined 2010 and 2011 HMDA & CRA Loan Volume				Full-Service Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Blacksburg-Christiansburg-Radford, VA MSA *	901	19.4%	\$124,145	16.3%	10	18.5%	\$671,454	27.8%
Charlottesville, VA MSA	206	4.4%	\$54,239	7.1%	2	3.7%	\$81,753	3.4%
Culpeper, VA NonMSA *	474	10.2%	\$72,006	9.5%	6	11.1%	\$351,768	14.6%
Floyd, VA NonMSA	167	3.6%	\$19,746	2.6%	2	3.7%	\$81,485	3.4%
Harrisonburg, VA MSA	205	4.4%	\$41,814	5.5%	3	5.6%	\$74,350	3.1%
Lynchburg, VA MSA	433	9.3%	\$75,149	9.9%	4	7.4%	\$186,069	7.7%
Richmond, VA MSA	38	0.8%	\$5,118	0.7%	1	1.9%	\$23,221	1.0%
Roanoke, VA MSA *	956	20.6%	\$153,264	20.1%	10	18.5%	\$344,200	14.2%
Shenandoah Valley, VA NonMSA *	967	20.8%	\$136,636	17.9%	12	22.2%	\$472,207	19.5%
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	304	6.5%	\$79,360	10.4%	4	7.4%	\$129,374	5.4%
TOTAL	4,651	100.0%	\$761,477	100.0%	54	100.0%	\$2,415,881	100.0%

* Full-scope assessment areas

CRA APPENDIX C

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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