

PUBLIC DISCLOSURE

October 31, 2011

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Virginia Commerce Bank

1190074

5350 Lee Highway

Arlington, Virginia 22207

**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: Virginia Commerce Bank is rated "SATISFACTORY."

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

PERFORMANCE LEVELS	<u>VIRGINIA COMMERCE BANK</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory		X	X
Low Satisfactory	X		
Needs to Improve			
Substantial Noncompliance			

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

The major factors supporting the institution's rating include:

- A substantial majority of the institution's small business and Home Mortgage Disclosure Act (HMDA) loans were originated within the bank's assessment area.
- Overall, the bank's distribution by borrower income or revenue is considered marginally adequate. This conclusion considers the adequate performance level of the bank's small business lending for both years analyzed (2009 and 2010) as well as marginally adequate HMDA lending performance in 2009. HMDA lending performance in 2010 was much weaker and is considered poor; but, notwithstanding the greater weight accorded to HMDA lending based upon lending dollar volume, overall performance is adequate relative to demand for credit among borrowers of different incomes or revenues.
- Overall, the bank's geographic distribution is considered poor, though the geographic distribution of the bank's small business lending is considered adequate for both 2009 and 2010. Greater weight is placed on its HMDA lending, which is considered poor for both years in the analysis.

- The bank originated a relatively high level of community development loans (16 loans totaling \$36.6 million) during the evaluation period. Three of the loans, totaling approximately \$16.3 million, have aided in a revitalization effort led by the Alexandria Redevelopment and Housing Authority to convert public housing units, many of which were dilapidated and unoccupied, into a mixed income community containing 218 newly constructed affordable housing units as well as market rate town homes. The remaining 13 loans provided either affordable housing, community development services targeted to low- and moderate-income individuals, or were originated under the Small Business Administration's (SBA) 504 loan program.
- The bank maintains a significant level of qualified community development investments.
- Delivery systems and branch locations are accessible to all segments of the assessment area, and bank employees provide a relatively high level of support to organizations that provide community development services in the bank's assessment area.
- The bank has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Virginia Commerce Bank (VCB) was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). According to these procedures, HMDA and small business lending activity reported by the institution from January 1, 2009, through December 31, 2010, was reviewed. The bank did not report any small farm loans during the evaluation period. The evaluation also considered any qualified community development loan, investment, or service activity since the previous evaluation as well as all qualified investments outstanding as of the date of this evaluation, regardless of when made.

DESCRIPTION OF INSTITUTION

Virginia Commerce Bank (VCB), is a subsidiary of Virginia Commerce Bancorp, Inc., a single-bank holding company headquartered in Arlington, Virginia. VCB operates 28 branch offices in the counties of Arlington, Fairfax, Loudoun, Prince William, and Spotsylvania and the cities of Alexandria, Fairfax, Falls Church, Fredericksburg, Manassas, and Manassas Park. Since the previous CRA evaluation, VCB opened one new branch office in Prince William County. The new branch office did not require changes to the bank's assessment area, as the new branch office was located within the boundaries of the existing assessment area. The bank has not closed any branches since the prior evaluation. The bank's assessment area for this evaluation consists of all census tracts within the cities and counties in which the bank has branches as well as Stafford County, which is surrounded by the cities and counties in which branch offices are located.

As of September 30, 2011, the bank had \$2.9 billion in assets, of which 71.9% were net loans and 20.5% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (using gross loans) as of June 30, 2011, is represented in the following table.

Composition of Loan Portfolio

Loan Type	9/30/2011	
	\$(000s)	%
Secured by 1-4 Family dwellings	404,044	18.6
Multifamily	72,472	3.3
Construction and Development	323,643	14.9
Commercial & Industrial/ NonFarm NonResidential	1,355,954	62.6
Consumer Loans and Credit Cards	8,882	0.4
Agricultural Loans/ Farmland	2,538	0.1
All Other	0	0.0
Total	2,167,533	100.0

As reflected in the preceding table, commercial and industrial/nonfarm nonresidential loans represent the largest portion of the bank’s loan portfolio followed by loans secured by one- to four-family dwellings and construction and development loans. The bank’s business strategy is primarily focused on serving business and commercial customers, in both its deposit and lending base. This is reflected in its loan portfolio; however, recently the bank has also significantly increased the volume of its one- to four-family dwelling lending. Much of this lending has been targeted to its business customers and the bulk of such loans (typically fixed-rate loans) are sold on the secondary market to investors. As such, though the dollar volume of such loans represents a comparatively modest proportion of the bank’s loan portfolio, the number and dollar amounts of new lending transactions reflected in the analysis for this evaluation includes a significantly greater amount of one- to four-family lending than it does small business lending.

DESCRIPTION OF OPERATIONS IN THE WASHINGTON-ALEXANDRIA-ARLINGTON, DC-MD-VA-WV MSA

All counties and cities included in the assessment area are located in the northern portion of the Commonwealth of Virginia, and the assessment area is completely contained within the broader Washington-Alexandria-Arlington, DC-VA-MD-WV Metropolitan Statistical Area (MSA). According to 2000 census data, the area has a population of 2,017,317 and a median housing value of \$194,638. The owner-occupancy rate for the assessment area of 64.2% exceeds both the rates for the MSA (58.8%) and the Commonwealth of Virginia (63.3%). The overall family poverty rate of the assessment area (3.3%) is less than both the Commonwealth rate (7%) and the MSA rate (5.6%). The 2010 and 2011 median family incomes for the MSA equal \$101,700 and \$104,300, respectively. As of June 30, 2011, VCB ranked seventh out of 56 institutions in deposit market share, having 2.4% of the deposits within the assessment area.

Based on its financial capacity, there are no significant limitations on the bank's ability to meet credit needs within the community it serves. The institution received a Satisfactory rating at its prior CRA evaluation dated October 26, 2009. The following table provides pertinent assessment area demographic data.

Assessment Area Demographics

Washington-Arlington-Alexandria, DC-MD-VA-WV MSA								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	5	1.4	3,929	0.8	544	13.8	73,299	14.3
Moderate	47	12.8	61,248	12.0	5,389	8.8	79,371	15.5
Middle	153	41.6	215,317	42.1	7,461	3.5	113,446	22.2
Upper	162	44.0	231,396	45.2	3,681	1.6	245,774	48.0
NA	1	0.3	0	0.0	0	0.0		
Total	368	100.0	511,890	100.0	17,075	3.3	511,890	100.0
	Owner Occupied Units by Tract		Households					
	#	%	HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
			#	%	#	%	#	%
Low	1,070	0.2	8,375	1.1	1,127	13.5	110,555	14.7
Moderate	40,173	8.1	107,074	14.3	9,466	8.8	117,625	15.7
Middle	208,563	41.9	321,668	42.8	13,846	4.3	159,517	21.2
Upper	248,491	49.9	314,191	41.8	7,974	2.5	363,611	48.4
NA	0	0.0	0	0.0	0	0.0		
Total	498,297	100.0	751,308	100.0	32,413	4.3	751,308	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
	#	%	Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
			#	%	#	%	#	%
Low	824	0.7	728	0.7	46	0.6	50	0.9
Moderate	10,183	8.3	9,082	8.4	631	7.6	470	8.6
Middle	49,461	40.6	43,771	40.4	3,375	40.9	2,315	42.4
Upper	61,507	50.4	54,684	50.5	4,202	50.9	2,621	48.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	121,975	100.0	108,265	100.0	8,254	100.0	5,456	100.0
Percentage of Total Businesses:				88.8		6.8		4.5

*NA-Tracts without household or family income as applicable

A variety of employment opportunities exist in the immediate local area and additionally many residents of the assessment area commute to work in Washington, D.C. The largest employers in the assessment area are the federal government; local governments (including education); Booz, Allen and Hamilton (technology consultants/government contractors); Inova Fairfax Hospital, Science Applications International; and George Mason University. Recent unemployment rates are displayed in the following table for the Commonwealth of Virginia; the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA; and all cities and counties in the assessment area.

Unemployment Rate Trend								
Geographic Area	Dec-09	Mar-10	Jun-10	Sep-10	Dec-10	Mar-11	Jun-11	Sep-11
Cities								
Alexandria	4.9%	5.3%	4.7%	4.5%	4.4%	4.5%	4.8%	4.8%
Fairfax	5.5%	6%	5.9%	5.1%	5.2%	5.1%	6.6%	6.9%
Falls Church	6.8%	7.3%	6.2%	6%	5.7%	6.8%	7.7%	8.2%
Fredericksburg	10.1%	10.4%	9.6%	8.4%	9.3%	9.7%	10.3%	10%
Manassas	7.7%	8.5%	7.3%	7.1%	6.5%	6.6%	6.2%	6.8%
Manassas Park	6.1%	6.7%	6.1%	6%	5.9%	5.6%	5%	5.4%
Counties								
Arlington	4.3%	4.7%	4.2%	4%	3.7%	3.9%	3.9%	3.8%
Fairfax	4.9%	5.4%	5.1%	4.6%	4.4%	4.5%	4.5%	4.6%
Loudoun	4.8%	5.3%	4.9%	4.5%	4.2%	4.3%	4.4%	4.4%
Prince William	5.8%	6.4%	5.8%	5.4%	5.3%	5.4%	5.3%	5.4%
Spotsylvania	5.9%	6.3%	6%	5.4%	5.2%	5.6%	5.5%	5.5%
Stafford	5.9%	6.3%	5.9%	5.4%	5.5%	5.4%	5.2%	5.5%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	6.2%	6.6%	6.3%	5.9%	5.7%	5.8%	6.2%	6.1%
Commonwealth of Virginia	7%	7.4%	7%	6.5%	6.4%	6.3%	6.3%	6.4%

As reflected in the table, area unemployment rates have generally declined in most jurisdictions during the two-year period shown. Unemployment across the area is also generally lower than the rates for the entire MSA and for Virginia, although, overall rates remain at somewhat elevated levels which reflects continued economic weakness caused, in large part, by the recent national economic recession.

A local economic development official was recently contacted to further assist in evaluating the bank's CRA performance. The official works for an organization whose primary purpose is to provide counseling, training, and resource information to area small businesses. The contact noted that local financial institutions are willing to provide counseling and in-kind donations in addition to loans as needed to the organization's clients. The official expressed a satisfaction with the participation of local financial institutions given the current economic conditions. Overall, local opportunities are considerable for community development loans and investments within the market area. Despite a highly competitive market, VCB faces no significant constraints in taking advantage of available community development opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Ratings for the lending, investment, and service tests are assigned to the institution based on its performance within the assessment area. Following the FFIEC's procedures, lending test performance accounts for one-half of the overall rating, while the investment and service tests are equally weighted and each account for one-quarter of the overall rating.

LENDING TEST

Based upon VCB's lending activity, loan distribution, and level of community development lending, the lending test is rated low satisfactory. Proxies for demand used to evaluate the bank's performance include area demographic data, Dun & Bradstreet (D&B) business data, and market aggregate information. Small business and HMDA aggregate data includes VCB and all other reporting institutions that originated and/or purchased loans of the type considered within the bank's assessment area. Demographic data is based on the 2000 census, aggregate statistics and D&B business data are from 2009 and 2010.

Primary emphasis is placed on the number of loans originated when evaluating the geographic and borrower distribution for each loan category (HMDA and small business) within the assessment area. The institution's overall distribution is assessed based on the performance of each loan category with consideration given to the dollar volume each category contributes to overall lending activity. Therefore, within the assessment area, HMDA loans represent the largest dollar volume and are weighted more heavily.

Within the bank's market area, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a significant majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of 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 bank lending.

A substantial majority of the bank's HMDA and small business loans, both by number and dollar, were extended within the assessment area. While the geographic distribution of VCB's lending is considered poor and its borrower distribution adequate, the bank extended a relatively high level of community development loans which has contributed significantly to revitalization of low- and moderate-income areas, development of affordable housing, provision of community development services, and promotion of small business within the assessment area. The strong level of community development lending compensated for the bank's uneven borrower and geographic distribution performance.

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 eight-quarter period ending September 30, 2011, averaged 94.5% and ranged from 89% to 99.4%. During the seven-quarter period ending June 30, 2011, the quarterly average loan-to-deposit ratios for the national peer group of banks with similar asset size to VCB ranged from 76.3% to 83.6%; the national peer group is defined as all insured commercial banks having assets between \$1 billion and \$3 billion. VCB's loan-to-deposit ratio, as of September 30, 2011, equaled 89%. Since June 30, 2009, assets and deposits have increased by 9% and 8.4%, respectively, and loans have decreased by 5.2%. Additional lending is possible through the bank's sale of mortgage loans to investors. Within the context of the CRA and considering relevant performance context factors such as bank size, financial condition, and local area credit needs, there are no significant barriers to the bank's ability to lend, and the level of lending activity is considered good.

Assessment Area Concentration:

The institution's lending volume for HMDA and small business loans from January 1, 2009, to December 31, 2010, inside and outside its delineated assessment area is represented in the following table:

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	371	82.8	185,291	84.8	77	17.2	33,275	15.2
Home Improvement	35	83.3	17,681	89.2	7	16.7	2,144	10.8
Multi-Family Housing	2	25.0	4,550	30.7	6	75.0	10,254	69.3
Refinancing	631	83.5	223,737	84.3	125	16.5	41,587	15.7
Total HMDA related	1,039	82.9	431,259	83.2	215	17.1	87,260	16.8
Small Business	910	89.3	234,281	88.8	109	10.7	29,633	11.2
TOTAL LOANS	1,949	85.7	665,540	85.1	324	14.3	116,893	14.9

As indicated in the previous table, a substantial majority of the number and dollar amounts of loans have been provided to residents and businesses within the bank's assessment area.

Distribution by Borrower Income and Revenue Size of the Business:

While loan data from calendar years 2009 and 2010 were analyzed and considered in the evaluation, only bank and aggregate data from 2010 is presented in the analysis tables that follow. In instances where the performance during 2009 varies significantly from performance in 2010, such variances and the corresponding impact on the overall performance is discussed.

Distribution of HMDA Loans by Income Level of Borrower

Washington-Arlington-Alexandria, DC-MD-VA-WV MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(152) Home Purchase				(51,159)			
Low	5	3.3	472	0.6	5,786	11.3	905,700	5.2
Moderate	16	10.5	4,020	5.0	12,008	23.5	2,894,328	16.7
	(291) Refinance				(81,147)			
Low	3	1.0	569	0.5	3,524	4.3	593,698	2.2
Moderate	26	8.9	6,148	5.5	10,656	13.1	2,373,358	8.8
	(12) Home Improvement				(2,707)			
Low	1	8.3	110	1.4	262	9.7	16,111	4.3
Moderate	0	0.0	0	0.0	435	16.1	42,344	11.4
	(0) Multi-Family				(0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	9	2.0	1,151	0.6	9,572	7.1	1,515,509	3.4
Moderate	42	9.2	10,168	5.1	23,099	17.1	5,310,030	11.9
Middle	89	19.6	27,324	13.7	34,897	25.8	10,429,069	23.4
Upper	315	69.2	160,264	80.6	67,445	50.0	27,331,102	61.3
Total	455	100.0	198,907	100.0	135,013	100.0	44,585,710	100.0
Unknown	29		18,230		23,341		8,304,034	

() represents the total number of bank loans for the specific Loan Purpose where income is known
Percentage's (%) are calculated on all loans where incomes are known

Of the HMDA volume reported during 2010, the bank and aggregate reporters originated a significantly larger proportion of refinance and home purchase transactions than home improvement loans. During 2010, the bank's home purchase and refinance lending is considered to be poor based on the limited lending to low- and moderate -income borrowers.

When considering the bank's 2010 performance overall, 2% of the bank's HMDA loans were made to low-income borrowers. This level of lending is less than both the aggregate lending level (7.1 %) and the percentage of low-income families within the assessment area (14.3%). Furthermore, the bank's lending to moderate-income borrowers (9.2%) is also less than the aggregate lending level (17.1%) and the percentage of moderate-income families within the assessment area (15.5%). The bank's 2010 performance is considered poor.

Performance during 2009 is somewhat better, particularly when considering lending to moderate-income borrowers. The bank originated 2.4% and 11.5% of its 2009 HMDA loans to low- and moderate-income borrowers, respectively. While both percentages reflect less activity than evidenced by the aggregate lending levels, 2009 moderate-income lending more closely approximates the percentage of moderate-income families within the assessment area. Overall, the bank's 2009 HMDA lending, taking into account lending more consistent with effective demand for credit among moderate-income families, is considered marginally adequate.

Distribution of Lending by Loan Amount and Size of Business

Washington-Arlington-Alexandria, DC-MD-VA-WVMSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	166	36.4	36,367	31.4	10,280	28.1	545,861	36.2
Over \$1 Million	277	60.7	75,742	65.3	NA	NA	NA	NA
Unknown	13	2.9	3,803	3.3	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	186	40.8	11,056	9.5	33,665	92.1	399,233	26.5
\$100,001-\$250,000	122	26.8	23,233	20.0	1,297	3.5	239,215	15.9
\$250,001-\$1 Million	148	32.5	81,623	70.4	1,610	4.4	868,263	57.6
Total	456	100.0	115,912	100.0	36,572	100.0	1,506,711	100.0

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

D&B data indicates that 88.8% of all local businesses have revenues that do not exceed \$1 million per year and the percentage of aggregate lending to small businesses with annual revenues of \$1 million or less in 2010 was 28.1%. During 2010, a group of traditional bank lenders, which excludes certain large credit card lenders, originated 51.8% of reported small business loans to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses with revenues in excess of \$1 million per year or revenues were not known. Overall, 36.4% of the bank's small business loans in 2010 were to businesses with annual revenues of \$1 million or less, and the bank's performance is considered adequate. The bank's 2009 performance was substantially similar. Overall, the bank's small business distribution by business revenue is considered adequate.

HMDA lending is given more weight than small business lending in arriving at an overall borrower distribution conclusion. Notwithstanding the poor HMDA lending performance in 2010, adequate small business performance and marginally adequate 2009 HMDA lending distribution performance supports an assessment of an overall marginally adequate distribution of lending by borrower income level and business revenue given the effective demand for credit suggested by area demographic and aggregate proxies for demand.

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, DC-MD-VA-WV MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(161)				Home Purchase (56,569)			
Low	0	0.0	0	0.0	171	0.3	47,528	0.2
Moderate	7	4.3	2,012	2.3	5,745	10.2	1,480,076	7.7
	(306)				Refinance (98,904)			
Low	1	0.3	268	0.2	182	0.2	49,288	0.2
Moderate	9	2.9	3,130	2.7	5,204	5.3	1,423,491	4.4
	(15)				Home Improvement (2,824)			
Low	0	0.0	0	0.0	9	0.3	678	0.2
Moderate	0	0.0	0	0.0	191	6.8	17,293	4.3
	(2)				Multi-Family (57)			
Low	0	0.0	0	0.0	2	3.5	100,529	14.1
Moderate	0	0.0	0	0.0	6	10.5	219,687	30.8
	HMDA Totals							
Low	1	0.2	268	0.1	364	0.2	198,023	0.4
Moderate	16	3.3	5,142	2.4	11,146	7.0	3,140,547	5.9
Middle	116	24.0	43,151	19.9	57,499	36.3	15,988,372	30.2
Upper	351	72.5	168,576	77.6	89,338	56.4	33,559,377	63.5
NA*	0	0.0	0	0.0	7	0.0	3,425	0.0
Total	484	100.0	217,137	100.0	158,354	100.0	52,889,744	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.

Geographic Distribution:

Refinance and home purchase lending represent the largest categories of HMDA lending for the bank and aggregate reporters in 2009 and 2010. Given the limited volume of both home improvement and multi-family lending during the same time period, these products carry less weight in the overall assessment of lending performance. VCB's geographic distribution by product is considered poor for refinances and home purchases. When considering total 2010 HMDA lending, VCB's performance (.2%) in low-income areas is consistent with aggregate lenders (.2%) and the percentage of owner-occupied units in these areas (.2%); but, VCB's performance in moderate income areas (3.3%) significantly lags the level of lending by aggregate lenders (7%) and the percentage of owner-occupied units in moderate-income areas (8.1%), and is considered poor. Performance in 2009 was substantially similar to 2010 and is likewise considered poor.

Distribution of Small Business Loans by Income Level of Census Tract

Washington-Arlington-Alexandria, DC-MD-VA-WV MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	196	0.5	15,335	1.0
Moderate	21	4.6	4,533	3.9	2,561	7.1	91,362	6.1
Middle	167	36.6	44,226	38.2	13,588	37.6	604,520	40.3
Upper	268	58.8	67,153	57.9	19,756	54.7	788,169	52.6
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	456	100.0	115,912	100.0	36,101	100.0	1,499,386	100.0

*NA-Tracts without household or family income as applicable

In 2010, VCB did not extend any loans within low-income census tracts in the assessment area; however, there was limited demand for loans in these areas as indicated by the aggregate lending level of .5%, and that only .7% of businesses within the assessment area are located in low-income tracts. Within moderate-income census tracts, the bank’s level of small business lending (4.6%) was less than the percentage of businesses located in such areas (8.3%) but somewhat closer to the aggregate lending level (7.1%). Similarly, VCB’s 2009 lending in low- and moderate- income areas (.2% and 5.1%, respectively), although better, was less than the aggregate lending levels of .5% and 7.5%, respectively. By year and overall, the bank’s performance is considered adequate.

Overall, because of the greater weight given to the higher dollar volume poor HMDA lending performance for both years considered, the bank’s geographic distribution is considered poor given area demographic and aggregate data.

Community Development Lending:

Reviews of the lending activities of other area banks indicate that considerable community development opportunities exist within the assessment area. CRA performance context considers not only available opportunities but bank capacity as well. As evidenced by its recent loan-to-deposit ratio (89 %), the bank is an active lender.

As previously discussed, the bank extended a total of 16 loans for community development purposes totaling \$36.7 million within the assessment area. These loans supported revitalization/stabilization efforts, affordable housing initiatives, the provision of services to low- and moderate-income individuals and families, and the support of small businesses through the SBA’s 504 loan program.

The revitalization/stabilization efforts include the following:

- The bank originated three loans totaling approximately \$16.3 million to builders working with the Alexandria Redevelopment and Housing Authority (ARHA) under an approved redevelopment plan that will convert aging and dilapidated public housing units, many of which are presently unoccupied, to a mixed income community that will ultimately provide 218 newly constructed affordable housing units. Upon completion, the redevelopment plan will not only provide upgraded affordable housing units to residents, but will also revitalize multiple low- and moderate-income neighborhoods across a geographic span that includes low- and moderate-income census tracts.

- The bank originated four loans totaling approximately \$8.3 million for affordable housing related projects, or to organizations whose primary purpose involves the provision of affordable housing. One of the loans (totaling approximately \$7.2 million) facilitated the purchase of an affordable housing complex and two adjacent lots, with plans for future expansion and development of additional affordable housing units. The remaining three loans were made to two organizations within the assessment area whose missions are dedicated to developing and preserving affordable housing within the communities that the organizations serve.
- VCB originated four loans totaling \$4.2 million to two organizations whose primary missions are to provide services to low- and moderate-income individuals. One of the borrowers provides day care and educational development opportunities for low- and moderate-income residents and their children. The other organization's services are primarily targeted to homeless citizens, many of whom have mental illnesses and/or other disabilities.
- The bank originated five loans totaling approximately \$7.9 million to three different borrowers as part of the SBA's 504 loan program. The program is designed to encourage economic development by providing small businesses with long-term, fixed-rate financing to acquire major fixed assets for expansion or modernization.

INVESTMENT TEST

VCB reported \$2.9 billion in total assets with a securities portfolio totaling \$602.6 million as of September 30, 2011. Discussions with individuals knowledgeable of the local area and reviews of the performance evaluations of other banks operating in the local market indicate that there are considerable qualified investment opportunities in the assessment area. Given the size of its investment portfolio, the bank faces no significant constraints in making qualified investments.

As of the date of this evaluation, the institution held ten qualified community development investments totaling \$29.1 million. The qualified investments included eight bonds issued by the Virginia Housing Development Authority (VHDA) that benefited portions of the institution's assessment area as well as a broader regional or statewide area. The VHDA is a state operated mortgage finance agency that helps low- and moderate-income Virginians attain quality, affordable housing. The two additional qualified investments were Fannie Mae Bonds that were secured by home mortgages to low- and moderate-income borrowers located within Virginia. While one Fannie Mae bond benefited the statewide area, the second bond of \$1.2 million directly benefitted the bank's assessment area. Given the considerable qualified investment opportunities in the assessment area, the institution's overall performance under the investment test is rated high satisfactory.

SERVICE TEST

As with community development lending and investment opportunities, community development service opportunities are considerable in the bank's assessment area. The bank faces no constraints in participating in such opportunities. The bank's overall performance under the service test is rated high satisfactory. Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment area, including low- and moderate-income areas. Furthermore, the bank provides a relatively high level of community development services given the size, location, and financial capacity of the institution.

Retail Services:

Delivery systems, branch locations, and hours of operation are considered accessible and convenient to all portions of the assessment area. Within the assessment area, 12.8% of area families reside in low- or moderate-income census tracts. A comparable portion of the bank's branch offices, 10.7%, are located in such areas. Branch offices are generally open until 6:00 p.m. Monday through Friday. Branch locations and business hours are considered convenient and meet the needs of the assessment area.

Community Development Services:

Financial expertise has been provided to the following community development organizations:

- Alexandria Small Business Development Center – A bank officer serves on the board of directors of this nonprofit organization that provides management consulting, educational programs and business resources to local small businesses.
- Arlington-Alexandria Coalitions for the Homeless – A bank officer serves on the board of directors for an organization that provides housing and support services to homeless families. The organization provides training programs focusing on financial planning, budgeting and employment.
- Arlington Free Clinic – A bank officer is a member of the community council for this nonprofit organization that provides medical services to low-income individuals.
- Arlington Partnership for Affordable Housing – A bank officer serves on the board of directors for this nonprofit organization that assists county residents with finding affordable housing.
- Arlington Street People's Assistance Network – A bank officer is a board member for this organization that provides support services for homeless individuals or those facing homelessness.
- Business Finance Group – A bank officer serves as a financial educator for this certified development company that provides financing to eligible small businesses.
- Carpenters Shelter – A bank officer serves as a board member of this organization that provides emergency shelter and transitional housing services for homeless individuals in Alexandria.
- Hopkins House – A bank officer serves as a trustee and vice chairman of resource development for this local charity that provides educational programs and services to economically disadvantaged children and their families.
- Liberty Promise – Two bank employees serve as financial educators for an organization that provides support services to low- and moderate- income immigrants.
- Northern Virginia Family Services – Three bank officers are loan committee members. This nonprofit provides small, interest free loans to credit-worthy, low-income applicants and funds the repair or purchase of vehicles for travel to employment.
- Rebuilding Together Alexandria – A bank officer serves as a fundraising committee member for this organization that repairs and rehabilitates the homes of low-income, elderly and disabled homeowners.

- Southeast Fairfax Development Corporation – Two bank officers serve as board members and economic committee members for this organization which provides business development services to small businesses in a moderate-income area of Fairfax County.

Systems for delivering retail banking services, including to low- and moderate-income areas, and the community development services provided are considered highly responsive to community credit needs.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

GLOSSARY

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

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

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

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

Activities that revitalize or stabilize-

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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