

PUBLIC DISCLOSURE

April 18, 2016

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Xenith Bank

3153288

901 E. Cary Street, Suite 1700

Richmond, Virginia 23219

**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: This institution is rated SATISFACTORY.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable in relation to the bank's size, financial condition, and demand for credit in the assessment areas.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment areas.
- While the bank's borrower distribution performance (lending to low- and moderate-income borrowers and small businesses with annual revenues of \$1 million or less) varies by product and year, it is considered reasonable for both full scope assessment areas, and therefore, reasonable overall.
- The bank's geographic lending distribution performance (lending in low- and moderate-income census tracts) varies by assessment area from reasonable to excellent and is considered reasonable overall.
- The bank's lending, service, and investment activities demonstrate an excellent level of responsiveness to the community development needs of its Richmond, VA MSA assessment area and an adequate level of responsiveness to its Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area. Community development performance is considered excellent overall, with greater weight accorded the Richmond, VA MSA and consideration given to investments and services that are innovative in nature and highly responsive to the credit needs of the bank's combined assessment areas.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures for an intermediate-small bank developed by the Federal Financial Institutions Examination Council (FFIEC). Xenith Bank (XB) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, XB's 2014 and 2015 HMDA loan originations were considered in the evaluation. In addition, small business loans are considered to be a primary product line and were also considered in the evaluation. All small business loans extended by the institution during 2014 and 2015 were included in the analysis.

The community development test considered all qualified community development loan, investment, and service activities since the previous evaluation (April 2, 2012). Qualified investments outstanding as of the evaluation date, regardless of when made, were also considered.

Based on the FFIEC's evaluation procedures, an overall rating and ratings for the Lending and Community Development Tests were assigned to the institution based on its performance within the assessment areas evaluated using full scope procedures. The bank's operations are concentrated in the Richmond, VA Metropolitan Statistical Area (MSA) and Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment areas, and therefore, these two assessment areas were reviewed utilizing the

FFIEC's full scope procedures. The bank's Washington-Arlington-Alexandria, DC-VA-MD-WV MSA assessment area was reviewed using the FFIEC's limited scope review procedures given its relatively limited loan and deposit activity. Detailed information about the bank's activities (loan, branch, and deposit volume) within each assessment area is included in **Appendix B**.

DESCRIPTION OF INSTITUTION

XB is headquartered in Richmond, Virginia, and operates eight full service branch offices within the cities of Richmond and Suffolk, and the counties of Gloucester and Fairfax, Virginia. The institution is a wholly-owned subsidiary of Xenith Bankshares, Inc., a single bank holding company also headquartered in Richmond, Virginia. The bank's previous CRA rating, dated April 2, 2012, was Satisfactory. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of December 31, 2015, XB reported \$1 billion in assets, of which 74.3% were net loans and 13.5% were securities. As of the same date, deposits totaled \$889.5 million. Various deposit and loan products are available through the institution including loans for business, residential mortgage, and consumer purposes. The composition of the loan portfolio (using gross loans) is represented in the following table:

Composition of Loan Portfolio

Loan Type	12/31/2015	
	\$(000s)	%
Secured by 1-4 Family dwellings	74,709	9.6
Multifamily	48,996	6.3
Construction and Development	103,962	13.3
Commercial & Industrial/ NonFarm NonResidential	418,036	53.6
Consumer Loans and Credit Cards	69,476	8.9
Agricultural Loans/ Farmland	1,708	0.2
All Other	62,640	8.0
Total	779,527	100.0

As indicated in the preceding table, the bank is primarily a commercial/small business lender, followed by construction and development. The bank is also an active residential mortgage and multifamily lender, although the majority of its HMDA reportable loans are for business purposes. The bank continues to offer other loans, such as consumer loans; however, such lending is not considered a primary business line for the bank in comparison to commercial/small business and residential mortgage lending.

The bank continues to serve three assessment areas throughout central, southeastern, and northern Virginia that include portions of the Richmond, VA MSA, Virginia Beach-Norfolk-Newport News, VA-NC MSA, and Washington-Arlington-Alexandria, DC-VA-MD-WV MSA. The following table reflects the composition of the bank's assessment areas during 2014 and 2015.

Assessment Area Delineations		
Assessment Area (AA) Name	City/County	Census Tracts Included
Richmond, VA MSA AA	Chesterfield County, VA	All
	Hanover County, VA	All
	Henrico County, VA	All
	City of Colonial Heights, VA	All
	City of Hopewell, VA	All
	City of Petersburg, VA	All
	City of Richmond, VA	All
Virginia Beach-Norfolk-Newport News, VA-NC MSA AA	Gates County, NC	All
	Gloucester County, VA	All
	York County, VA	All
	Chesapeake City, VA	All
	Hampton City, VA	All
	City of Newport News, VA	All
	City of Norfolk, VA	All
	Poquoson City, VA	All
	City of Portsmouth, VA	All
	City of Suffolk, VA	All
	City of Virginia Beach, VA	All
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA AA	Arlington County, VA	All
	Fairfax County, VA	All
	City of Alexandria, VA	All
	Fairfax City, VA	All
	City of Falls Church, VA	All

During June 2014, XB acquired two new branch offices located in Gloucester County, Virginia through its merger with Colonial Virginia Bank. As a result of the merger, and considering the recent lending and deposit patterns of its existing three branches located in the City of Suffolk, XB changed the delineation of its Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area. Specifically, the bank added the counties of Gloucester and York, and the cities of Hampton, Newport News, and Poquoson, Virginia, and Gates County, North Carolina (the bank has no branch offices in Gates County), and removed the counties of Isle of Wight, Franklin, and Southampton, Virginia from the assessment area.

During January 2016, the bank closed its existing branch and opened a new branch in Fairfax County, Virginia. The closed branch office was located in an upper-income census tract, while the new branch office is located in a middle-income census tract. The branching activity did not result in any changes to the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA assessment area.

The bank’s delineation of its three assessment areas aligns with its effective lending areas and complies with the regulation’s delineation criteria.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation. While residential mortgage and small business loan data from calendar years 2014 and 2015 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2014 is presented in the assessment area analysis tables. In instances where the bank’s 2015 HMDA or small business performance varies significantly from its performance in 2014, such variance and the corresponding impact on the overall performance is discussed.

When evaluating the bank's performance, relevant area demographic data from the 2010 American Community Survey (ACS) is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. Dun & Bradstreet (D&B) business demographic data from 2014 and 2015, and aggregate HMDA and small business loan data from calendar year 2014 are also used as proxies for demand when evaluating the bank's performance. Aggregate HMDA and small business data from 2015 could not be considered in the evaluation because it is not yet available. The aggregate data includes all activity reported by lenders subject to reporting residential mortgage and small business lending that originated or purchased such loans within the bank's assessment areas. Because XB is not required to report small business loan data, its lending is not included in the aggregate data.

When evaluating the borrower and the geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the dollar volume of such loans in the assessment area. As a result, for this evaluation, small business lending is given greater weight when evaluating lending distribution performance in the Richmond, VA MSA assessment area, while HMDA lending is given greater weight when evaluating lending distribution performance in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area.

Overall, the bank's lending performance is considered Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, and geographic distribution performance. It also reflects greater weight on performance in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area given the substantially greater transaction volume of overall lending activity in this assessment area compared to the Richmond, VA MSA assessment area.

The bank's Community Development Test performance is considered Outstanding. This conclusion is based on the number and amount of community development loans, the amount of qualified investments, the extent to which the bank provides community development services, and its responsiveness to identified community development needs. The overall performance reflects greater weight accorded to performance in the Richmond, VA MSA assessment area, where a majority of the bank's deposit volume is derived, and consideration of innovative and highly responsive investment and service activity that benefits the bank's combined assessment areas.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio equaled 86.8% as of December 31, 2015, and averaged 93.6% for the 16-quarter period ending December 31, 2015. In comparison, the quarterly average loan-to-deposit ratios for all banks headquartered in metropolitan areas of Virginia and of similar asset size to XB ranged from 76.4% to 83.3% during the same 16-quarter period. Since December 31, 2011, the bank's assets, loans, and deposits have increased by 118.1%, 139.9%, and 137.2%, respectively. The bank has grown organically and through merger and acquisition activity during this time period. When considering relevant performance context factors such as the institution's size, financial condition, and local credit needs, the bank's loan-to-deposit ratio is considered more than reasonable.

Lending in Assessment Areas

To determine the institution's volume of lending within its assessment areas, the geographic location of its residential mortgage (HMDA) and small business loans originated during 2014 and 2015 were considered. The lending distribution inside and outside of the bank's assessment areas 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	95	93.1	14,218	87.3	7	6.9	2,068	12.7
Home Improvement	12	92.3	1,659	94.3	1	7.7	100	5.7
Refinancing	19	70.4	5,544	80.7	8	29.6	1,327	19.3
Multi-Family Housing	2	66.7	1,700	40.5	1	33.3	2,500	59.5
Total HMDA related	128	88.3	23,121	79.4	17	11.7	5,995	20.6
Small Business	101	69.2	33,581	79.0	45	30.8	8,934	21.0
TOTAL LOANS	229	78.7	56,702	79.2	62	21.3	14,929	20.8

As reflected in the preceding table, a majority of the number (78.7%) and dollar amounts (79.2%) of the bank's HMDA and small business loans were originated within its combined assessment areas. Overall, the institution's level of lending within its assessment areas is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

Within the bank's assessment 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 substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better gauge performance, XB's lending is also compared to a group of traditional small business lenders that excludes credit card/specialty lenders.

While XB routinely extends residential real estate secured loans, a significant portion of its HMDA reportable loans are for business purposes (i.e. for the purchase, refinancing, or improvement of rental property) and to business entities. Often, borrower income data is not reported when XB extends these loans, and as such, a majority of its HMDA loans do not contain borrower income data and cannot be included in the borrower distribution analysis.

The bank's borrower distribution performance varies from poor to reasonable by product and year in the Richmond, VA MSA assessment area, while its performance varies from reasonable to excellent by product and year in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area.

In general, the bank's small business borrower distribution performance exceeds its HMDA borrower distribution performance in both assessment areas. However, based on the dollar volume of lending in each assessment area, small business performance carries greater weight in the Richmond, VA MSA assessment area, while HMDA performance carries greater weight in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area. Accordingly, borrower distribution performance is considered reasonable for both full scope assessment areas and the institution overall.

Geographic Distribution of Loans

The bank's geographic distribution performance in the Richmond, VA MSA assessment area varies by product from reasonable to excellent and is considered excellent overall, while geographic distribution performance in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area is considered reasonable for HMDA and small business lending. Considering the transaction volume of lending during the review period, greater weight is given to performance in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area, and geographic distribution performance is considered reasonable for the institution overall.

Community Development Loans, Investments, and Services

Discussions with individuals knowledgeable of the local communities and a review of community development activities of other financial institutions that operate in XB's assessment areas indicate that community development opportunities are reasonably available within the assessment areas. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

XB supports community development in its local markets and the larger statewide area by making qualified loans and investments, and by providing financial expertise and other support to local organizations that provide community development services. During the evaluation period, the bank originated several community development loans totaling \$61.5 million within its assessment areas. In general, bank lending supported organizations that provide qualified community development services, permanent job creation primarily benefiting low- and moderate-income people or areas, and development in areas designated for revitalization.

Qualified community development activities that benefit multiple assessment areas, or the broader statewide and regional area that include the bank's three assessment areas, are as follows:

- The bank has invested \$1 million in one bond issued by the Virginia Housing Development Authority (VHDA). The VHDA promotes affordable housing by financing single- and multi-family mortgages for low- and moderate-income individuals throughout the Commonwealth of Virginia. This bond supports 32 properties, 25 of which are within the bank's three assessment areas.
- The bank has committed \$1 million to Farragut Mezzanine Partners III, L.P., of which \$900,000 has been funded. Farragut is a licensed Small Business Investment Company (SBIC) that provides financing to small business start-up organizations within the Mid-Atlantic region, including the Commonwealth of Virginia. The fund's portfolio currently includes 14 small businesses, five of which are within the bank's combined assessment areas.
- The bank has committed \$1 million to the Virginia Community Development Corporation (VCDC) Housing Equity Fund of Virginia XIX, LLC, of which \$1,000 has been funded. The VCDC is a nonprofit organization that revitalizes communities by facilitating affordable housing, redevelopment of historic properties, and community revitalization throughout the Commonwealth of Virginia. During 2014, this fund supported 11 properties, nine of which were located within the bank's combined assessment areas.
- The bank has invested \$100,000 in Impact Makers, a for-profit B-Corporation that contributes 100% of its net profits to four charity partners that provide qualified community development services primarily benefitting low- or moderate-income individuals throughout the Commonwealth of Virginia. During 2014, Impact Makers provided \$312,000 in direct, unrestricted financial support and pro-bono consulting services to its charity partners and other local charities. This innovative investment has directly benefited the Richmond, VA MSA assessment area, where three of the charity partners operate.
- Six bank employees serve as officers of the Xenith Charitable Foundation, a non-profit organization fully managed and funded by Xenith associates. Monetary donations and volunteer resources are provided to local organizations that serve low- and moderate-income individuals within the communities where the bank operates. XB carries all expenses and 100% of all contributions are given to local organizations. Since its inception in 2010, the foundation has donated \$131,000 and collected in-kind donations for several local organizations.

- The bank partners with Neighborhood Housing Services of Richmond, a local Community Development Financial Institution (CDFI) that assists low- and moderate-income families to purchase affordable housing throughout the Commonwealth of Virginia. Through its partnership, the bank participates in several community development activities that primarily serve the Richmond, VA MSA assessment area, including the following:
 - The bank provides grants through the Federal Home Loan Bank of Atlanta's Affordable Housing Program. Two bank employees processed 25 grant applications during the review period, with \$102,500 in total grants disbursed.
 - The bank offers an Individual Development Account (IDA) for low- and moderate-income individuals' saving for homeownership. As of the date of this evaluation, the bank has five active IDA accounts.
 - A bank employee serves as a financial advisor and assists with fundraising and strategic planning for the organization.
 - The bank extended one loan totaling \$60,000 for the rehabilitation of affordable housing properties within its Richmond, VA MSA assessment area.
- The bank also partners with Business Finance Group, a non-profit Certified Development Company (CDC) that promotes economic development through participation in the U.S. Small Business Administration 504 Loan Program and serves businesses in the Mid-Atlantic region, including the Commonwealth of Virginia and the bank's three assessment areas. Through this partnership, the bank provides qualified community development loans and financial services, including the following:
 - The bank extended two loans totaling \$1 million during the review period to fund the organization's participation in a pilot small business loan program of the Small Business Administration (SBA).
 - A bank employee serves as treasurer and assists in making financial decisions for the organization.
- The bank offers Interest on Lawyer Trust Accounts (IOLTA), providing a method of raising money for the provision of legal services for low- and moderate-income individuals. As of the date of this evaluation, the bank has six active IOLTA accounts.

In addition to the activities described above, the bank has made approximately \$23,377 in qualified donations since the previous evaluation. XB has also provided community development services through contributions of financial expertise to several local organizations that primarily assist low- and moderate-income residents of its assessment areas. Details of community development activities that benefit specific communities are included in the discussion of each designated assessment area.

The bank's community development performance is considered excellent in the Richmond, VA MSA assessment area and adequate in the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area. While the bank's dollar volume of lending is fairly evenly distributed between the two full scope assessment areas, approximately half of its total deposit volume is in the Richmond, VA MSA assessment area. Community development performance is considered excellent overall, supported by the bank's level of activity in the Richmond, VA MSA assessment area and by the activities described above, including investments, product offerings, and services through its charitable foundation, that are considered highly responsive to the community development needs of its combined assessment areas.

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 INSTITUTION'S OPERATIONS IN RICHMOND, VA MSA ASSESSMENT AREA

Within its Richmond, VA MSA assessment area, XB operates two full-service branches that serve Chesterfield, Hanover, and Henrico Counties, and the cities of Colonial Heights, Hopewell, Petersburg, and Richmond, Virginia in their entirety. The assessment area is located in central Virginia and contains 29 low-, 59 moderate-, 78 middle-, 79 upper-income census tracts, and two tracts without an income designation.

As of June 2015, XB ranked 8th out of 32 financial institutions in deposit market share, having .5% of the assessment area's available FDIC insured deposits (credit union deposits are not included). According to 2014 aggregate data, the institution ranked 111th out of 449 lenders in reported residential mortgage lending, with less than .01% of the market share.

According to the 2010 census data, the Richmond, VA MSA assessment area has a population of 999,670 and a median housing value of \$229,389. The owner-occupancy rate for the assessment area equals 60.3%, which is slightly lower than the rate for the entire Richmond, VA MSA (62.5%) and the rate for the Commonwealth of Virginia (61.8%). The family poverty rate in the assessment area (8%) is higher than both the entire MSA (7.5%) and the Commonwealth of Virginia (7.2%). The 2014 and 2015 HUD estimated median family incomes within the Richmond, VA MSA equal \$76,400 and \$77,600, respectively. The following table provides pertinent demographic data for the assessment area.

Assessment Area Demographics

Richmond, VA MSA								
<i>(Based on 2010 ACS Data and 2015 D&B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	29	11.7	18,735	7.6	6,485	34.6	51,371	20.7
Moderate	59	23.9	48,349	19.5	6,127	12.7	43,419	17.5
Middle	78	31.6	83,825	33.8	4,873	5.8	51,414	20.7
Upper	79	32.0	97,194	39.1	2,284	2.3	101,899	41.1
NA	2	0.8	0	0.0	0	0.0		
Total	247	100.0	248,103	100.0	19,769	8.0	248,103	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	11,241	4.4	32,982	8.6	10,963	33.2	87,411	22.9
Moderate	41,117	16.3	85,679	22.4	12,513	14.6	65,561	17.2
Middle	90,001	35.6	128,464	33.6	10,615	8.3	71,021	18.6
Upper	110,556	43.7	134,952	35.4	6,202	4.6	158,084	41.3
NA	0	0.0	0	0.0	0	0.0		
Total	252,915	100.0	382,077	100.0	40,293	10.5	382,077	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	3,277	6.0	2,812	5.6	451	11.5	14	7.0
Moderate	10,486	19.3	9,519	19.0	872	22.2	95	47.7
Middle	18,066	33.3	16,693	33.3	1,337	34.0	36	18.1
Upper	22,395	41.3	21,089	42.0	1,255	31.8	51	25.7
NA	60	0.1	36	0.1	21	0.5	3	1.5
Total	54,284	100.0	50,149	100.0	3,936	100.0	199	100.0
Percentage of Total Businesses:				92.3		7.3		0.4

*NA-Tracts without household or family income as applicable

Employment opportunities exist within a variety of industries, including healthcare, financial services, education, and manufacturing. Major employers in the area include Bon Secours Richmond Health System, HCA Virginia Health System, Anthem, Capital One Financial Corp., Virginia Commonwealth University, Amazon, Dominion Resources, and Altria Group. The following table provides recent unemployment rates for the MSA, the Commonwealth of Virginia, and all cities and counties within the assessment area. Unemployment rates across the area have steadily declined since May 2012, evidencing improvement in the local economy.

Unemployment Rate Trend					
Geographic Area	May 2012	May 2013	May 2014	May 2015	March 2016
Chesterfield County	6.2%	5.7%	5.2%	4.5%	3.8%
Hanover County	5.5%	5%	4.6%	4.1%	3.5%
Henrico County	6%	5.5%	5.1%	4.5%	3.9%
City of Colonial Heights	6.8%	6.6%	6%	5%	4.5%
City of Hopewell	9.9%	9.7%	8.6%	7.7%	6.5%
City of Petersburg	11.9%	11.6%	10.6%	9.5%	8%
City of Richmond	7.5%	6.7%	6.2%	5.5%	4.6%
Richmond, VA MSA	6.6%	6.1%	5.5%	4.9%	4.2%
Commonwealth of Virginia	6%	5.7%	5.3%	4.7%	4.2%

A local affordable housing official was contacted recently to discuss local housing conditions and credit needs of the community. The contact stated that the demand for affordable housing remains high, while the quality of housing in the Richmond area has improved in recent years. In addition, the contact stated that there is high demand for down payment assistance and homeownership counseling services throughout the area. The contact opined that local financial institutions are generally meeting the credit needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2015, the bank originated HMDA loans totaling \$4.9 million and small business loans totaling \$9.3 million within this assessment area. Accordingly, the bank’s small business lending performance carries greater weight than its HMDA performance when evaluating lending performance in this assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Within this assessment area, the bank’s HMDA borrower distribution performance is poor, while its small business borrower distribution performance is reasonable. Based on the bank’s small business performance, and its larger comparative volume within the assessment area, the bank’s overall performance in this assessment area is reasonable.

Distribution of HMDA Loans by Income Level of Borrower

Richmond, VA MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	0	0.0	0	0.0	2,960	12.5	293,012	6.2
Moderate	1	100.0	142	100.0	5,570	23.6	783,860	16.7
Middle	0	0.0	0	0.0	5,579	23.6	1,024,971	21.8
Upper	0	0.0	0	0.0	9,531	40.3	2,602,673	55.3
Total	1	100.0	142	100.0	23,640	100.0	4,704,516	100.0
Unknown	1		650		6,095		1,468,527	

Percentages (%) are calculated on all loans where incomes are known

As previously mentioned, the majority of the bank’s HMDA loans are for business purpose where borrower income is not often reported. During 2014, XB extended only two HMDA loans in this assessment area, and only one had borrower income reported. The one loan was extended to a moderate-income borrower (100%), which exceeds aggregate lending to low- and moderate-income borrowers (36.1%) and the percentage of low- and moderate-income families within the assessment area (38.2%). The bank’s performance is considered reasonable, although it is noted that the presence or absence of additional loans could alter performance conclusions based on such limited volume.

During 2015, XB extended seven HMDA loans in the assessment area totaling \$4.7 million, but similarly, only one loan for \$259,000, was originated where the borrower’s income was known. The one loan was not extended to a low- or moderate-income borrower (0%). The bank’s performance is considered poor, although it is noted that the presence or absence of additional loans could alter performance conclusions based on such limited volume.

On a combined basis when considering the dollar volume of loans in each year, the bank’s overall HMDA lending borrower distribution performance is considered poor.

Distribution of Lending by Loan Amount and Size of Business

Richmond, VA MSA (2014)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	5	27.8	1,730	24.5	8,415	48.1	268,622	33.6
Over \$1 Million	13	72.2	5,326	75.5	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	4	22.2	340	4.8	15,975	91.3	236,995	29.6
\$100,001-\$250,000	3	16.7	650	9.2	681	3.9	124,094	15.5
\$250,001-\$1 Million	11	61.1	6,066	86.0	834	4.8	439,066	54.9
Total	18	100.0	7,056	100.0	17,490	100.0	800,155	100.0

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

D&B data from 2014 indicates that 89.9% of all local businesses have revenues that do not exceed \$1 million per year. According to 2014 aggregate lending data, 48.1% of reported loans were extended to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or the revenue was not known. When considering the small business loans originated by traditional bank lenders, which excludes credit card and other specialty lenders, 55% of reported loans were extended to businesses with annual revenues of \$1 million or less. During 2014, 27.8% of XB’s small business loans were to businesses with annual revenues of \$1 million or less. The bank’s performance is considered poor.

During 2015, XB originated 17 small business loans totaling \$9.3 million, and its performance improved as 47.1% of small business loans were extended to businesses with annual revenues of \$1 million or less. D&B data from 2015 indicates that 92.3% of all local businesses have revenues that do not exceed \$1 million per year. Since 2015 aggregate small business data is not yet available, 2014 aggregate lending to businesses with annual revenues of \$1 million or less (48.1%) and 2014 aggregate lending by traditional bank lenders excluding credit card and other specialty lenders (55 %) is considered as an element of performance context. Based on these factors, the bank’s performance is considered reasonable.

On a combined basis when considering the dollar volume of loans and the relative strength of performance in each year, the bank’s overall small business lending borrower distribution performance is considered reasonable.

Geographic Distribution of Loans

XB’s HMDA geographic distribution performance is considered reasonable during 2014 and 2015, while its small business performance is excellent. Overall, the bank’s distribution of lending in low- and moderate-income census tracts is considered excellent.

Distribution of HMDA Loans by Income Level of Census Tract

Richmond, VA MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(0) Home Purchase				(17,494)			
Low	0	0.0	0	0.0	506	2.9	50,074	1.3
Moderate	0	0.0	0	0.0	2,294	13.1	296,539	7.8
Middle	0	0.0	0	0.0	5,980	34.2	1,075,654	28.2
Upper	0	0.0	0	0.0	8,714	49.8	2,389,224	62.7
	(1) Refinance				(10,668)			
Low	0	0.0	0	0.0	366	3.4	39,249	2.0
Moderate	0	0.0	0	0.0	1,518	14.2	189,170	9.4
Middle	1	100.0	142	100.0	3,689	34.6	589,690	29.4
Upper	0	0.0	0	0.0	5,095	47.8	1,185,886	59.2
	(0) Home Improvement				(1,506)			
Low	0	0.0	0	0.0	66	4.4	1,848	1.9
Moderate	0	0.0	0	0.0	266	17.7	7,954	8.0
Middle	0	0.0	0	0.0	584	38.8	32,299	32.4
Upper	0	0.0	0	0.0	590	39.1	57,439	57.7
	(1) Multi-Family				(64)			
Low	0	0.0	0	0.0	9	14.1	43,923	17.1
Moderate	1	100.0	650	100.0	23	35.9	53,614	20.8
Middle	0	0.0	0	0.0	18	28.1	82,564	32.1
Upper	0	0.0	0	0.0	14	21.9	77,259	30.0
	HMDA Totals							
Low	0	0.0	0	0.0	947	3.2	135,094	2.2
Moderate	1	50.0	650	82.1	4,101	13.8	547,277	8.9
Middle	1	50.0	142	17.9	10,271	34.5	1,780,207	28.8
Upper	0	0.0	0	0.0	14,413	48.5	3,709,808	60.1
NA*	0	0.0	0	0.0	3	0.0	657	0.0
Total	2	100.0	792	100.0	29,735	100.0	6,173,043	100.0

NA*-Tracts without household or family income as applicable

During 2014, the bank extended two total HMDA loans in this assessment area, including one located in a moderate-income census tract (50%). Although based on limited volume, the bank’s level of lending exceeds aggregate lending in low- and moderate-income census tracts (17%) and the proportion of owner-occupied housing units located in such tracts (20.7%). The bank's performance during 2014 is considered reasonable, and its performance during 2015 is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Richmond, VA MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	3	16.7	990	14.0	1,081	6.3	74,419	9.4
Moderate	7	38.9	2,797	39.6	2,980	17.3	135,949	17.2
Middle	7	38.9	2,949	41.8	5,297	30.8	246,746	31.2
Upper	1	5.5	320	4.6	7,809	45.4	331,359	41.9
NA*	0	0.0	0	0.0	17	0.2	2,762	0.3
Total	18	100.0	7,056	100.0	17,184	100.0	791,235	100.0

*NA-Tracts without household or family income as applicable

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

During 2014, the bank's level of lending to businesses located in low-income census tracts (16.7%) significantly exceeds aggregate small business lending in low-income tracts (6.3%) and the percentage of businesses located in such tracts (6.2%). The bank's lending to businesses located in moderate-income census tracts (38.9%) also significantly exceeds aggregate lending in moderate-income tracts (17.3%) and the percentage of businesses located in such tracts (19.5%). The bank's performance during 2014 is considered excellent, and its performance during 2015 is similar.

Community Development Loans, Investments, and Services

A discussion with an individual knowledgeable of the local community and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

Since the previous evaluation, the bank has extended the following qualified community development loans that benefit this assessment area:

- Two loans totaling \$5 million to a local nonprofit organization that provides education services to children with developmental disabilities and autism, where 85% of the students receive financial aid from the public school system.
- One loan totaling \$5.6 million to facilitate the expansion of a biotechnology research park, creating job opportunities in a moderate-income area.
- One loan totaling \$225,000 to a local nonprofit organization that provides clinical treatment, child development, and education services to low-and-moderate income children of the area.
- Four loans totaling \$18.2 million to local developers for the construction and development of mixed-use residential and commercial space and multi-family housing in low-income areas of Manchester, an area designated by the City of Richmond for revitalization and development.
- Three loans totaling \$13.3 million to local developers for the construction and development of multifamily housing in low-income census areas of Scott's Addition and the Boulevard corridor, areas designated by the City of Richmond's Economic Development Authority for revitalization.
- One loan totaling \$688,000 to a local developer for the renovation of commercial real estate located in a moderate-income area in the City of Petersburg, promoting economic development by attracting businesses to relocate jobs to the area.

Specific to this assessment area, the bank and its employees provide financial expertise and financial education to the following organizations that provide community development services to low-and moderate-income residents, facilitate small business development, or focus on job creation:

- A bank employee serves as a board member for Virginia Baptist Homes Foundation, an organization that provides financial assistance to residents of local continuing care retirement communities who have outlived their financial resources.
- Several bank employees provide financial education through Junior Achievement’s “JA in a Day” financial literacy program. Each year the bank participates in this program at Harvie Elementary School in Henrico County, Virginia, primarily serving low- and moderate-income children.
- A bank employee serves as a council member for the Greater Richmond Chamber of Commerce, which provides resources and services to small businesses and promotes economic development throughout the Richmond metropolitan area.
- A bank employee serves as a board member for the Westminster Canterbury Foundation, an organization that provides financial assistance and health services to low- and moderate-income residents of the retirement community.
- A bank employee serves on the finance committee for Crossover Health Clinic, an organization that provides health care to low-income residents of the Richmond metropolitan area.
- A bank employee provides financial expertise and assists with fundraising for the Blue Sky Fund, an organization that provides education and youth development services for low-income children.
- A bank employee provides financial education to individuals at the Home Again Shelter. The shelter assists low- and moderate-income families find affordable permanent housing.
- A bank employee serves as an advisor to the pastor of a local religious organization, providing assistance in obtaining foreclosed real estate to be used as housing for homeless veterans.
- A bank employee serves as a board member for HOPE Thrift Store and assists with maintaining financials for the store to support its mission. HOPE Thrift sells gently-used clothing and household items at an affordable cost, serving low- and moderate-income residents of the local community.
- A bank employee serves as a board member for St. Joseph’s Villas Foundation, a nonprofit organization that provides health, education, and housing services to low- and moderate-income individuals and families in the Richmond metropolitan area.
- A bank employee serves as a board member for Child Savers Foundation, a local nonprofit organization that provides clinical treatment, child development, and education services to low-and-moderate income children of the area.
- A bank employee provides financial literacy and education to low- and moderate-income residents of the community through the domestic missions of a local religious organization.

Additionally, XB has invested \$1 million in a Fannie Mae (FNMA) mortgage-backed security for an affordable housing multifamily dwelling in the City of Richmond, Virginia. As previously mentioned, the bank holds \$3.1 million in four qualified investments that benefit the larger statewide and regional area, all of which have directly benefited this assessment area. In addition, the bank made approximately \$4,450 in donations during the evaluation period to organizations that provide qualified community development services specific to this assessment area.

Overall, the bank has demonstrated an excellent level of responsiveness to local community development needs through its lending and investment activities and support of area organizations that facilitate community development.

METROPOLITAN AREAS

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

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

XB operates five full-service branches located in Gloucester County and the City of Suffolk, Virginia that serve a portion of the Virginia Beach-Norfolk-Newport News, VA-NC MSA. The bank's assessment area is located in southeastern Virginia and northeastern North Carolina and includes Gloucester and York Counties, and the cities of Chesapeake, Hampton, Newport News, Norfolk, Poquoson, Portsmouth, Suffolk, and Virginia Beach, Virginia, and Gates County, North Carolina in their entirety. The assessment area contains 27 low-, 98 moderate-, 141 middle-income, 114 upper-income census tracts, and nine tracts without an income designation.

As of June 2015, XB ranked 11th out of 26 financial institutions in deposit market share, having 1.2% of the assessment area's available FDIC insured deposits (credit union deposits are not included). According to 2014 aggregate data, the institution ranked 72nd out of 450 lenders in reported residential mortgage lending, with .1% of the market share.

According to the 2010 census data, the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area has a population of 1,527,950 and a median housing value of \$240,111. The owner-occupancy rate for the assessment area equals 58.6%, which is slightly lower than the rate for the entire Virginia Beach-Norfolk-Newport News, VA-NC MSA (59.2%) and the rate for the Commonwealth of Virginia (61.8%). The family poverty rate in the assessment area (7.9%) is similar to the rates for both the MSA in its entirety (7.6%) and the Commonwealth of Virginia (7.2%). The 2014 and 2015 HUD estimated median family incomes for the Virginia Beach-Norfolk-Newport News, VA-NC MSA equal \$72,200 and \$74,000, respectively. The following table provides pertinent demographic data for the assessment area.

Assessment Area Demographics

Virginia Beach-Norfolk-Newport News, VA-NC MSA (Based on 2010 ACS Data and 2015 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	27	6.9	17,152	4.5	6,118	35.7	75,349	19.6
Moderate	98	25.2	84,531	22.0	11,491	13.6	70,604	18.4
Middle	141	36.2	145,986	38.0	9,206	6.3	85,420	22.2
Upper	114	29.4	136,562	35.5	3,332	2.4	152,858	39.8
NA	9	2.3	0	0.0	0	0.0		
Total	389	100.0	384,231	100.0	30,147	7.8	384,231	100.0
	Owner Occupied Units by Tract		Households					
	#	%	HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
			#	%	#	%	#	%
Low	7,533	2.1	27,311	4.8	9,824	36.0	124,555	22.0
Moderate	64,176	17.8	140,063	24.7	20,701	14.8	99,577	17.6
Middle	141,185	39.3	216,164	38.2	18,106	8.4	112,968	20.0
Upper	146,725	40.8	182,578	32.3	7,686	4.2	229,016	40.4
NA	0	0.0	0	0.0	0	0.0		
Total	359,619	100.0	566,116	100.0	56,317	9.9	566,116	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
	#	%	Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
			#	%	#	%	#	%
Low	3,117	4.7	2,737	4.5	365	7.8	15	8.3
Moderate	12,781	19.4	11,567	19.0	1,173	25.2	41	22.8
Middle	24,926	37.8	22,976	37.7	1,880	40.4	70	38.9
Upper	24,853	37.8	23,641	38.6	1,158	24.9	54	30.0
NA	182	0.3	102	0.2	80	1.7	0	0.0
Total	65,859	100.0	61,023	100.0	4,656	100.0	180	100.0
Percentage of Total Businesses:				92.6		7.1		0.3

*NA-Tracts without household or family income as applicable

The local economy is diverse with a mixture of industries such as government, military, manufacturing, education, and healthcare. The area contains, or is in close proximity to, numerous military installations, including U.S. Army, Air Force, and Navy bases. Major employers in the area include local government and public school systems, U.S. Department of Defense, U.S. Department of Veteran Affairs, Sentara Healthcare, Christopher Newport University, Old Dominion University, Wal-Mart, and Riverside Regional Medical Center. Recent area unemployment rates, which evidence a consistent positive trend, are included in the following table.

Unemployment Rate Trend					
Geographic Area	May 2012	May 2013	May 2014	May 2015	March 2016
Gates County	7.5%	7%	6.1%	5.6%	5.3%
Gloucester County	5.5%	5.2%	4.9%	4.2%	3.9%
York County	5.8%	5.3%	5.1%	4.5%	4.1%
Chesapeake City	6.4%	5.9%	5.4%	4.7%	4.5%
Hampton City	8.3%	7.4%	6.7%	6.1%	5.9%
City of Newport News	7.5%	6.6%	6.2%	5.5%	5.3%
City of Norfolk	7.7%	6.9%	6.4%	5.8%	5.4%
Poquoson City	5.5%	5.1%	4.7%	4%	3.6%
City of Portsmouth	8.8%	8%	7.1%	6.3%	6.4%
City of Suffolk	7%	6.3%	5.9%	5.1%	4.9%
City of Virginia Beach	5.7%	5.4%	5%	4.5%	4.1%
Virginia Beach-Norfolk-Newport News, VA-NC MSA	6.8%	6.2%	5.7%	5.1%	4.8%
Commonwealth of Virginia	6%	5.7%	5.3%	4.7%	4.2%
State of North Carolina	9.1%	8.1%	6.4%	6%	5.4%

An affordable housing official was contacted recently to discuss local economic conditions and community credit needs. The contact indicated that local financial institutions are reasonably meeting the credit needs of the community, primarily through supporting larger organizations that provide various services to low- and moderate-income individuals. The contact noted that local government and grant funding has been reduced in recent years, leaving smaller affordable housing organizations with an increased need for funding to provide its programs and services for low- and moderate-income residents of the community. Within this context, the contact suggested that opportunities exist for local financial institutions to assist affordable housing organizations by providing monetary donations and financial services.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Within this assessment area, the bank originated HMDA loans totaling \$7.7 million and small business loans totaling \$4.5 million during 2015. Accordingly, the bank’s HMDA lending performance carries greater weight than its small business performance when evaluating the bank’s overall lending performance in this assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Within this assessment area, the bank’s HMDA borrower distribution performance is reasonable, while its small business borrower distribution performance is excellent. HMDA lending performance carries greater weight based on its larger comparative volume, and therefore, the overall borrower distribution performance in this assessment area is reasonable.

Distribution of HMDA Loans by Income Level of Borrower

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	1	4.3	51	1.9	4,363	12.3	328,504	4.7
Moderate	4	17.4	166	6.0	8,481	23.8	1,255,744	18.1
Middle	3	13.0	133	4.8	9,807	27.6	1,894,182	27.3
Upper	15	65.3	2,395	87.3	12,934	36.3	3,461,472	49.9
Total	23	100.0	2,745	100.0	35,585	100.0	6,939,902	100.0
Unknown	34		5,303		12,710		3,250,953	

Percentages (%) are calculated on all loans where incomes are known

During 2014, XB’s lending to low-income borrowers (4.3%) lagged the aggregate level of lending to such borrowers (12.3%) and the percentage of low-income families within the assessment area (19.6%). XB’s lending to moderate-income borrowers (17.4%) was similar to the aggregate level of lending to such borrowers (23.8%) and the percentage of moderate-income families within the assessment area (18.4%). Overall, the bank’s performance during 2014 is considered marginally reasonable.

During 2015, the bank originated a total of 40 loans totaling \$5.9 million, but income was known for only 18 (totaling \$1.7 million) of those loans. Nonetheless, proportionally, XB’s level of lending to low- and moderate-income borrowers increased compared to 2014. The bank extended 11.1% of its HMDA loans to low-income borrowers and 22.3% to moderate-income borrowers. Considering 2014 aggregate lending and the relevant area demographics as elements of performance context, the bank’s performance during 2015 is considered reasonable.

The bank’s overall HMDA lending borrower distribution performance is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2014)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	8	57.1	1,411	39.0	9,201	48.0	251,512	33.2
Over \$1 Million	6	42.9	2,211	61.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	5	35.7	286	7.9	17,804	92.8	239,080	31.6
\$100,001-\$250,000	5	35.7	736	20.3	634	3.3	111,392	14.7
\$250,001-\$1 Million	4	28.6	2,600	71.8	749	3.9	407,203	53.7
Total	14	100.0	3,622	100.0	19,187	100.0	757,675	100.0

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

D&B data from 2014 indicates that 90.3% of all local businesses have revenues that do not exceed \$1 million per year. According to 2014 aggregate lending data, 48% of reported loans were extended to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or the revenue was not known. When considering the small business loans originated by traditional bank lenders, which excludes credit card and other specialty lenders, 53.7% of reported loans were extended to businesses with annual revenues of \$1 million or less. During 2014, 57.1% of XB’s small business loans were to businesses with annual revenues of \$1 million or less. The bank’s performance is considered reasonable.

During 2015, XB originated 32 loans totaling \$4.5 million, and its performance level of small business lending improved, with 71.9% of loans extended to businesses with annual revenues of \$1 million or less. D&B data from 2015 indicates that 92.6% of all local businesses have revenues that do not exceed \$1 million per year. Since 2015 aggregate small business data is not yet available, 2014 aggregate lending to businesses with annual revenues of \$1 million or less (48%) and 2014 aggregate lending by traditional bank lenders excluding credit card and other specialty lenders (53.7%) is considered as an element of performance context. Based on these factors, the bank's performance is considered excellent.

On a combined basis when considering the dollar volume of loans in each year and the relative strength of performance each year, overall small business lending borrower distribution performance is considered excellent.

Geographic Distribution of Loans

XB's HMDA and small business geographic distribution performance is considered reasonable during 2014 and 2015. Accordingly, the overall distribution of lending in low- and moderate-income census tracts in this assessment area is considered reasonable.

Distribution of HMDA Loans by Income Level of Census Tract

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(44)				Home Purchase (26,496)			
Low	0	0.0	0	0.0	554	2.1	76,414	1.3
Moderate	7	15.9	911	14.5	4,681	17.7	765,345	12.8
Middle	26	59.1	2,890	46.0	10,231	38.6	1,971,016	33.1
Upper	11	25.0	2,487	39.5	11,030	41.6	3,146,862	52.8
	(6)				Refinance (17,617)			
Low	0	0.0	0	0.0	339	1.9	46,131	1.3
Moderate	2	33.3	378	31.3	3,014	17.1	451,200	12.8
Middle	3	50.0	478	39.5	7,031	39.9	1,237,586	35.2
Upper	1	16.7	353	29.2	7,233	41.1	1,781,606	50.7
	(7)				Home Improvement (4,071)			
Low	0	0.0	0	0.0	104	2.6	2,831	1.6
Moderate	1	14.2	13	2.4	813	20.0	22,972	12.8
Middle	3	42.9	474	86.0	1,690	41.4	63,850	35.7
Upper	3	42.9	64	11.6	1,464	36.0	89,411	49.9
	(0)				Multi-Family (97)			
Low	0	0.0	0	0.0	9	9.3	33,186	6.2
Moderate	0	0.0	0	0.0	33	34.0	176,256	33.1
Middle	0	0.0	0	0.0	32	33.0	246,012	46.3
Upper	0	0.0	0	0.0	23	23.7	76,320	14.4
	HMDA Totals							
Low	0	0.0	0	0.0	1,006	2.1	158,562	1.6
Moderate	10	17.5	1,302	16.2	8,541	17.7	1,415,773	13.9
Middle	32	56.1	3,842	47.7	18,984	39.3	3,518,464	34.5
Upper	15	26.4	2,904	36.1	19,750	40.9	5,094,199	50.0
NA*	0	0.0	0	0.0	14	0.0	3,857	0.0
Total	57	100.0	8,048	100.0	48,295	100.0	10,190,855	100.0

NA*-Tracts without household or family income as applicable

During 2014, the bank did not extend any HMDA loans in low-income census tracts (0%), lagging the aggregate level of lending in low-income tracts (2.1%) and the proportion of owner-occupied units in such tracts (2.1%). The bank extended 17.5% of its loans in moderate-income census tracts, which is similar to the aggregate lending level (17.7%) and the proportion of owner-occupied housing units located in such tracts (17.8%). Overall, the bank's lending performance during 2014 is considered reasonable, and its performance during 2015 is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
Low	1	7.1	7	0.2	847	4.5	55,802	7.4
Moderate	2	14.3	325	9.0	3,499	18.5	166,035	22.1
Middle	4	28.6	464	12.8	7,016	37.1	280,814	37.3
Upper	7	50.0	2,826	78.0	7,484	39.5	243,408	32.4
NA*	0	0.0	0	0.0	85	0.4	5,916	0.8
Total	14	100.0	3,622	100.0	18,931	100.0	751,975	100.0

*NA-Tracts without household or family income as applicable

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

During 2014, the bank's level of lending to businesses located in low-income census tracts (7.1%) exceeds the aggregate lending level (4.5%) and the percentage of businesses located in such tracts (4.9%). The bank's lending to businesses located in moderate-income census tracts (14.3%) slightly lags the aggregate lending level (18.5%) and the percentage of businesses located in such tracts (19.6%). The bank's overall performance during 2014 is considered reasonable, and its performance during 2015 is similar.

Community Development Loans, Investments, and Services

A discussion with an individual knowledgeable of the local community and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

Since the previous evaluation, XB has not extended any community development loans specific to this assessment area. The bank and its employees provide financial expertise or financial education to the following organizations that provide community development services to low- and moderate-income residents or facilitate economic development:

- A bank employee serves as treasurer of the Parent Teacher Association (PTA) for Booker T. Washington Elementary School located in the City of Suffolk, primarily serving low- and moderate-income children.
- A bank employee assists with fundraising for Suffolk Business Women, a nonprofit organization that empowers professional business women and provides financial services to organizations that serve low- and moderate-income residents of the community.
- A bank employee serves as treasurer for Suffolk Meals on Wheels, a nonprofit organization providing free or reduced cost meals to low- and moderate-income residents of the area.

As previously mentioned, the bank holds \$3.1 million in four qualified investments that benefit the larger statewide and regional area; three of which have directly benefited this assessment area. These investments are considered responsive to local credit needs, as nine of the 32 total properties in the VHDA bond, six of the 11 total properties in the VCDC Housing Equity Fund XIX, and one of the 14 businesses in the SBIC's portfolio are located within this assessment area. In addition, the bank made approximately \$15,677 in donations during the evaluation period to organizations that provide qualified community development services specific to this assessment area.

Overall, the bank has demonstrated an adequate level of responsiveness to local community development needs through its lending and investment activities and support of area organizations that facilitate community development.

METROPOLITAN AREAS

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

DESCRIPTION OF INSTITUTION’S OPERATIONS IN METROPOLITAN AREAS

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

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX A** of this evaluation. A conclusion regarding performance, which did not impact the institution’s overall rating, is included in the following table. For each test, the conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's overall rating. The bank’s lending performance in the assessment area is generally below, while its community development performance is generally consistent with, the institution’s overall level of performance. Conclusions for this assessment area did not impact the institution’s overall rating because the bank’s activity in this market represents a comparatively lesser proportion of its overall deposit and lending activity.

Assessment Area	Lending Test	Community Development Test
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA Assessment Area	Below	Consistent

CRA APPENDIX A

LIMITED REVIEW TABLES

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

XB operates one full-service branch in Fairfax County, Virginia that serves Arlington and Fairfax Counties, and the cities of Alexandria, Fairfax, and Falls Church, Virginia in their entirety. The assessment area includes a portion of the larger Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and contains 15 low-, 45 moderate-, 127 middle-, 171 upper-income census tracts, and five tracts with unknown income designations.

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

Limited Review Lending Table

Washington-Arlington-Alexandria DC-VA-MD-WV MD (2014)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(2)				(0)			
Low	0	0.0	2.3	1.8	0	0.0	1.4	1.8
Moderate	2	100.0	10.1	8.9	0	0.0	9.5	8.9
Middle	0	0.0	37.2	35.0	0	0.0	35.9	35.0
Upper	0	0.0	50.4	54.4	0	0.0	53.2	54.4
	Refinance				Multi-Family			
<i>Geographic</i>	(0)				(0)			
Low	0	0.0	1.7	1.8	0	0.0	8.7	1.8
Moderate	0	0.0	9.1	8.9	0	0.0	21.7	8.9
Middle	0	0.0	36.3	35.0	0	0.0	37.0	35.0
Upper	0	0.0	52.9	54.4	0	0.0	32.6	54.4
	HMDA Totals				Consumer			
<i>Geographic</i>	(2)				(NA)			
Low	0	0.0	2.0	1.8	NA	NA	NA	NA
Moderate	2	100.0	9.7	8.9	NA	NA	NA	NA
Middle	0	0.0	36.8	35.0	NA	NA	NA	NA
Upper	0	0.0	51.5	54.4	NA	NA	NA	NA
	Borrower				(NA)			
<i>Borrower</i>	(0)				(NA)			
Low	0	0.0	5.6	15.7	NA	NA	NA	NA
Moderate	0	0.0	15.5	14.2	NA	NA	NA	NA
Middle	0	0.0	25.5	19.1	NA	NA	NA	NA
Upper	0	0.0	53.4	51.0	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(9)				(NA)			
Low	0	0.0	1.6	1.8	NA	NA	NA	NA
Moderate	0	0.0	9.2	8.9	NA	NA	NA	NA
Middle	4	44.4	37.7	35.4	NA	NA	NA	NA
Upper	5	55.6	51.5	53.9	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	3	33.3	50.6	88.5	NA	NA	NA	NA

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

Based on limited HMDA lending volume during 2014 and 2015, greater weight is given to small business lending performance in this assessment area. Small business lending borrower distribution performance varies from poor to reasonable by year and is considered poor overall, while geographic distribution performance is considered poor for both years. Overall lending test performance for the assessment area is considered poor.

Community Development Loans, Investments, and Services

The bank's community development activities are consistent with those discussed in the full-scope assessment areas. Since the previous evaluation, the bank has extended the following qualified community development loans that benefit this assessment area:

- Two loans totaling \$8.5 million to finance the relocation of an organization's headquarters closer and more accessible to public transportation. The organization provides health services to low-and moderate-income individuals throughout the Washington metropolitan area.
- Two loans totaling \$1.3 million to finance a startup business that provides transition and rehabilitation services and seeks employment opportunities for veterans, especially the wounded warrior community.
- Five loans totaling \$6.7 million to a nonprofit organization that provides community development services such as monitoring compliance for U.S. Department of Housing and Urban Development (HUD) manufactured housing programs and providing community development and affordable housing grant planning and administration services to municipalities and local governments.
- One loan totaling \$1 million to a nonprofit organization that promotes affordable housing for low- and moderate-income families throughout northern Virginia.

Specific to this assessment area, the bank and its employees provide financial expertise and financial education to the following organizations that provide community development services to low-and moderate-income residents or facilitate economic development:

- A bank employee serves on the finance committee of Volunteers of America, a nonprofit organization headquartered in the City of Alexandria that provides affordable housing, healthcare, and other services to low- and moderate-income residents of the community.
- A bank employee serves as finance committee chair for a local religious organization that provides food, clothing, shelter, and assistance to low- and moderate-income residents of the area.

As previously mentioned, the bank holds \$3.1 million in four qualified investments that benefit the larger statewide and regional area. These investments are considered responsive to local credit needs, as eight of the 32 total properties in the VHDA bond and three of the 14 businesses in the SBIC's portfolio are located within this assessment area. In addition, the bank made approximately \$250 in donations during the evaluation period to an organization that provided qualified community development services specific to this assessment area.

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Loan, Branch, and Deposit Volume by Assessment Area

The following table includes the distribution of branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2015, while the loan volume includes all HMDA and small business loans considered in the evaluation.

Assessment Area (AA)	Loan Volume				Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Virginia Beach-Norfolk-Newport News, VA-NC MSA AA	161	70.3%	\$23,845	42.1%	5	62.5%	\$250,727	29.6%
Richmond, VA MSA AA	44	19.2%	\$22,124	39%	2	25%	\$431,722	50.9%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA AA	24	10.5%	10,733	18.9%	1	12.5%	\$165,156	19.5%
Total	229	100%	\$56,702	100%	8	100%	\$847,605	100%

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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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

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

Full-scope review: Performance under the Lending and Community Development 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 and Community Development 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.