

**PUBLIC DISCLOSURE**

April 1, 2013

**COMMUNITY REINVESTMENT ACT  
PERFORMANCE EVALUATION**

Colonial Virginia Bank  
3205909

6720 Sutton Road  
Gloucester, VA 23061

**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 major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the bank's size, financial condition, and demand for credit in the assessment areas.
- A majority of the institution's reported Home Mortgage Disclosure Act (HMDA) and small business loans were originated to borrowers within the bank's assessment areas.
- The bank's borrower distribution performance for HMDA lending is considered reasonable, while its small business loan performance is excellent. Overall, the bank's borrower distribution performance is considered excellent.
- The geographic distribution performance of the bank's HMDA lending is considered poor, while the small business loan performance is considered excellent. Overall, the bank's geographic distribution performance is considered reasonable.
- 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 a small bank developed by the Federal Financial Institutions Examination Council (FFIEC). Colonial Virginia Bank (CVB) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, CVB's 2010 and 2011 HMDA loan originations and purchases were considered in the evaluation. In addition, small business lending was identified as a significant product line and was also considered in the evaluation. The analysis includes all small business and small business secured by real estate loans that were originated by the bank during calendar year 2011.

Because the bank's operations are concentrated in its Virginia Beach-Norfolk-Newport News, VA-NC metropolitan statistical area (MSA), this assessment area was reviewed utilizing the FFIEC's full-scope procedures. The bank's other assessment area, Richmond, VA MSA, is smaller and was evaluated utilizing the FFIEC's limited scope procedures. Detailed information about the bank's activities (loan volume, branch locations and deposit accounts) within each assessment area is included in Appendix B.

## DESCRIPTION OF INSTITUTION

CVB is headquartered in Gloucester, Virginia, and currently operates two full-service branch offices in Gloucester County, Virginia and one loan production office in York County, Virginia. The institution's previous CRA rating, dated January 12, 2009, was Satisfactory. No known legal impediments exist that would restrain the bank from meeting the credit needs of its assessment areas.

As of December 31, 2012, the bank held assets totaling \$117.9 million, of which 65.4% were net loans. 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), as of December 31, 2012, is represented in the following table:

**Composition of Loan Portfolio**

Loan Type	12/31/2012	
	\$(000s)	%
Secured by 1-4 Family dwellings	38,688	48.7
Multifamily	1,304	1.6
Construction and Development	8,930	11.3
Commercial & Industrial/ NonFarm NonResidential	25,819	32.6
Consumer Loans and Credit Cards	3,495	4.4
Agricultural Loans/ Farmland	1,022	1.3
All Other	48	0.1
<b>Total</b>	<b>79,306</b>	<b>100.0</b>

As reflected in the preceding table, the bank is an active residential mortgage and commercial lender. The bank also continues to offer other loans, such as consumer and farm loans; however, the dollar volume of such lending is relatively small in comparison to the residential mortgage and commercial lending. Because of relative size, the performance of residential mortgage and small business lending, which is a subset of commercial lending, is considered in this evaluation.

During the evaluation period, the bank served two contiguous assessment areas located in eastern Virginia in an area commonly referred to as the Northern Neck. The composition of the bank’s assessment areas are detailed in the following table.

Assessment Area	City/County	Census Tracts Included
Virginia Beach-Norfolk-Newport News, VA-NC MSA	Gloucester County	All
	King and Queen County	9505.00
	King William County	9503.00
	Matthews County	All
	Poquoson City	All
	York County	All
Richmond, VA MSA	New Kent County	All

Since the previous CRA evaluation, CVB opened one full-service branch in New Kent County, Virginia in June 2009. The addition of this branch required designation of the Richmond, VA MSA assessment area. The branch was recently (September 2012) closed and the bank no longer serves the market area. Because the bank operated a branch in the Richmond, VA MSA assessment area for a majority of the evaluation period, the bank’s performance in the Richmond, VA MSA assessment area is included in this evaluation.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

Area demographic, available market aggregate, and Dun & Bradstreet (D&B) business data are used as proxies for demand when evaluating the bank’s performance. While demographic data are from the 2000 census, the D&B business and aggregate small business data is from 2011, and the aggregate HMDA data are from 2010 and 2011.

While CVB’s HMDA loan data from calendar years 2010 and 2011 were fully analyzed and considered in the evaluation, bank and aggregate data from only 2011 are reflected in the assessment area analysis tables. In instances when the bank’s 2010 HMDA performance varies significantly from its performance during 2011, such variance and the corresponding impact on the overall performance are discussed. Analysis of the bank’s small business lending includes all such lending during 2011, but does not include such activity from 2010.

When evaluating the borrower and geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by the dollar volume of such loans in the assessment area. The institution’s overall rating is based on the performance in the full scope assessment area. For CVB, the Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area was evaluated using full scope procedures.

Overall, the bank’s performance is rated 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. Each of these components is discussed in the following sections.

**Loan-To-Deposit Ratio**

The bank’s current (December 31, 2012) loan-to-deposit ratio equals 75% and averaged 72% for a 16-quarter period ending December 31, 2012. The quarterly average loan-to-deposit ratios for all banks headquartered in metropolitan areas in Virginia and of similar asset size to CVB ranged from 78% to 84.9% for the same 16-quarter period. Since September 30, 2008, the bank’s assets, deposits, and loans have increased by 14.2%, 22.2% and 31.5%, respectively. The bank’s loan-to-deposit ratio is considered reasonable given the institution’s size, financial condition, and local credit needs.

**Lending in Assessment Area**

To determine the institution's volume of lending within its assessment areas, the geographic location of the recently extended HMDA and small business loans was 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 Improvement	1	33.3	225	74.3	2	66.7	78	25.7
Home Purchase	27	73.0	3,510	76.3	10	27.0	1,088	23.7
Refinancing	9	69.2	1,795	68.7	4	30.8	817	31.3
<b>Total HMDA related</b>	<b>37</b>	<b>69.8</b>	<b>5,530</b>	<b>73.6</b>	<b>16</b>	<b>30.2</b>	<b>1,983</b>	<b>26.4</b>
Small Bus. - Secured by Real Estate	22	57.9	3,091	59.1	16	42.1	2,138	40.9
Small Business	27	49.1	3,795	47.5	28	50.9	4,189	52.5
<b>TOTAL LOANS</b>	<b>86</b>	<b>58.9</b>	<b>12,416</b>	<b>59.9</b>	<b>60</b>	<b>41.1</b>	<b>8,310</b>	<b>40.1</b>

As illustrated in the preceding table, the bank originated a majority of its residential mortgage (HMDA) loans (69.8 %) within its assessment areas. When combined together, a majority (52.7%) of the bank’s small business and small business secured by real estate loans was also originated in the bank’s assessment areas. Overall, the institution's level of lending within its assessment areas is considered responsive to community credit needs.

For analytical purposes, the small business loans secured by residential real estate data has been combined with the small business data throughout the remainder of this evaluation.

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

Within the bank's market areas, a high level of small business 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 revenue data is often not reported for a majority of these loans. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of loans to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

The bank's HMDA performance varies from reasonable to excellent by year and is considered reasonable overall, while its small business performance is considered excellent. Overall, the bank's borrower distribution performance is considered excellent and reflects both the strength and larger relative size (dollar volume) of the bank's small business performance.

### **Geographic Distribution of Loans**

The bank's full scope assessment area does not contain low-income census tracts. CVB's lending performance varies from very poor to reasonable for HMDA lending by year and is considered poor overall, while the bank's small business lending performance is considered excellent. Overall, the bank's geographic distribution performance is considered reasonable.

### **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

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

This assessment area includes all of Gloucester, Mathews, and York counties, as well as the City of Poquoson and census tracts 9505.00 in King and Queen County and 9503.000 in King William County, Virginia. The assessment area consists mostly of a portion of the Virginia Beach-Norfolk-Newport News, VA-NC MSA but also includes two adjacent census tracts located in the Richmond, VA MSA. The bank operates two full-service branch offices within the assessment area, as well as, one loan production office.

According to the 2000 census data, the assessment area has a population of 117,636 and a median housing value of \$128,595. The owner-occupancy rate for the assessment area equals 72.9% and exceeds the rates for the entire Virginia Beach-Norfolk-Newport News, VA-NC MSA (58.9%) and the Commonwealth of Virginia (63.3%). The percentage of families living below the poverty level in the assessment area (4.2%) is significantly lower than the percentage for the entire MSA (8.4%) and the commonwealth (7 %). The 2010 and 2011 median family incomes for Virginia Beach-Norfolk-Newport News, VA-NC MSA assessment area equal \$68,200 and \$69,900, 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 2000 Census Boundar and 2011 D&B information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	4,114	12.2
Moderate	3	12.0	3,184	9.5	313	9.8	5,533	16.4
Middle	10	40.0	15,251	45.3	872	5.7	7,646	22.7
Upper	12	48.0	15,222	45.2	224	1.5	16,364	48.6
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>25</b>	<b>100.0</b>	<b>33,657</b>	<b>100.0</b>	<b>1,409</b>	<b>4.2</b>	<b>33,657</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,244	14.4
Moderate	1,585	4.6	4,070	9.4	437	10.7	6,835	15.7
Middle	16,749	48.6	20,351	46.9	1,495	7.3	8,567	19.7
Upper	16,151	46.8	19,002	43.8	502	2.6	21,777	50.2
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>34,485</b>	<b>100.0</b>	<b>43,423</b>	<b>100.0</b>	<b>2,434</b>	<b>5.6</b>	<b>43,423</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	301	4.3	274	4.2	12	4.3	15	6.8
Middle	3,140	45.2	2,907	45.1	125	45.0	108	48.9
Upper	3,507	50.5	3,268	50.7	141	50.7	98	44.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>6,948</b>	<b>100.0</b>	<b>6,449</b>	<b>100.0</b>	<b>278</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>
	<b>Percentage of Total Businesses:</b>			92.8		4.0		3.2

\*NA-Tracts without household or family income as applicable

The local economy is based on a variety of health care and service industries, military installations, and research facilities. Major area employers include Riverside Regional Medical Center, Virginia Institute of Marine Science, military installations (Naval Weapons Station and Camp Perry), Wal Mart stores, local governments, and area school systems. Current and recent periodic unemployment rates are included in the following table.

Unemployment Rate Trend								
Geographic Area	June 2009	Dec 2009	June 2010	Dec 2010	June 2011	Dec 2011	June 2012	Dec 2012
Gloucester County	6.8%	6.1%	6.9%	6.5%	6.1%	5.5%	5.6%	5%
King and Queen County	7.7%	9.1%	8.8%	8.5%	7.4%	7.4%	6.8%	6.1%
King William County	7.4%	8.2%	7.2%	7.4%	7%	6.8%	6.2%	6.3%
Mathews County	5.7%	6.2%	6.2%	6.3%	6.3%	5.1%	5.4%	4.8%
Poquoson City	5.7%	6.3%	6.1%	5.6%	5.9%	5.4%	5.7%	5%
York County	5.9%	5.7%	5.4%	5.4%	5.8%	5.3%	5.3%	4.8%
Virginia Beach-Norfolk-Newport News, VA-NC MSA	7.5%	7.5%	7.6%	7.2%	7.3%	7%	6.9%	6.1%
Virginia	7.4%	7.2%	7.2%	6.6%	6.7%	6.1%	6.2%	5.5%

As indicated in the table, area unemployment rates are currently lower than they were in June of 2009. While unemployment rates have declined within the assessment area on an overall basis, they have fluctuated during the three and one-half year period reflected in the table. In general, local area unemployment rates have tended to follow the unemployment rate trend within the entire MSA and commonwealth.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that the demand for affordable housing has increased steadily during recent years. As demand increased, the funding sources for affordable housing, both grant- and debt-based, declined. The contact indicated that although the condition of the local economy has improved that the funding support for affordable housing has not returned to pre-recession levels. The contact specifically mentioned affordable housing programs offered by the Federal Home Loan of Atlanta (FHLBA) and suggested that additional affordable housing resources could be accessed if more area financial institutions participated in the FHLBA's programs. The contact stated that area financial institutions are reasonably meeting the needs of the local market area.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:**

During 2011, the bank reported originating \$1.4 million in residential mortgage loans. During the same time period, the bank originated \$6.1 million in small business loans within the assessment area. Given its comparatively larger volume of small business lending, the bank's small business lending performance is weighted more heavily when considering its combined product performance.

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

CVB's small business distribution performance is considered excellent, while its HMDA borrower distribution performance varies from excellent to reasonable by year. The bank's overall performance is considered excellent and reflects, in part, the greater weight placed on the bank's small business lending.

**Distribution of HMDA Loans by Income Level of Borrower**

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	1	11.1	100	10.7	263	5.7	28,938	2.8
Moderate	4	44.5	366	39.3	863	18.7	131,110	12.9
Middle	1	11.1	120	12.9	1,164	25.2	231,515	22.8
Upper	3	33.3	345	37.1	2,333	50.4	624,412	61.5
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>931</b>	<b>100.0</b>	<b>4,623</b>	<b>100.0</b>	<b>1,015,975</b>	<b>100.0</b>
Unknown	3		482		1,218		316,501	

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

Within the assessment area, 12.2% of families are considered low-income, while 16.4% of families are moderate-income. When considering its overall HMDA lending performance, bank lending to low income borrowers (11.1%), although slightly less than the percentage of low-income families, exceeded the aggregate level of lending to such borrowers (5.7%). Bank lending to moderate-income borrowers (44.5%) substantially exceeded both the percentage of area moderate-income families (16.4%) and the aggregate level of lending (18.7%). The bank's overall performance during 2011 is considered excellent.

During 2010, the bank's performance was not as strong, although lending volume was higher. Specifically, in instances when borrower income was known, the bank reported originating 17 loans totaling \$2.7 million during 2010. Of these loans, one (5.9 %) totaling \$35,000 (1.3%) was extended to a low-income borrower, and three (17.6%) totaling \$409,000 (15.2%) were extended to moderate-income borrowers. During 2010, aggregate lenders extended 5.9% and 16.3% to low- and moderate-income borrowers, respectively. CVB's borrower distribution performance during 2010 is considered reasonable.

The bank's overall HMDA lending performance during 2010 and 2011 is considered reasonable. In reaching this conclusion more weight was placed on the bank's performance during 2010 because of the larger dollar volume of lending during that year.

**Distribution of Lending by Loan Amount and Size of Business**

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2011)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	36	90.0	4,361	70.0	785	48.5	33,015	45.4
Over \$1 Million	6	10.0	1,714	30.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	24	60.0	952	20.0	1,489	92.0	21,934	30.2
\$100,001-\$250,000	12	30.0	1,956	30.0	51	3.1	8,810	12.1
\$250,001-\$1 Million	6	10.0	3,167	50.0	80	4.9	41,998	57.7
<b>Total</b>	<b>42</b>	<b>100.0</b>	<b>6,075</b>	<b>100.0</b>	<b>1,620</b>	<b>100.0</b>	<b>72,742</b>	<b>100.0</b>

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

D&B data indicates that 92.8% of all local businesses have revenues that do not exceed \$1 million per year. According to 2011 aggregate small business data, 48.5% 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. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 56.3% were made to businesses having annual revenues of \$1 million or less. Of the bank's small business loans considered in the evaluation, 90% were to businesses with annual revenues of \$1 million or less. The bank's performance is considered excellent.

### **Geographic Distribution of Loans**

While there are no low-income census tracts within this assessment area, there is a mixture of moderate-, middle-, and upper-income census tracts. The moderate-income census tracts are located in York County, where the bank has a loan production office, and in King and Queen County. The bank does not have a physical presence in King and Queen County.

From a performance perspective, the bank's overall geographic distribution performance for HMDA lending is poor, while its small business lending performance is excellent. Overall, the bank's geographic distribution of lending within the assessment area is considered reasonable.

**Distribution of HMDA Loans by Income Level of Census Tract**

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(10) Home Purchase				(1,695)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	133	7.8	27,603	7.1
Middle	10	100.0	1,206	100.0	746	44.0	146,148	37.4
Upper	0	0.0	0	0.0	816	48.1	216,521	55.5
	(2) Refinance				(3,949)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	132	3.3	26,340	3.0
Middle	2	100.0	207	100.0	1,459	36.9	284,381	32.0
Upper	0	0.0	0	0.0	2,355	59.6	576,199	64.9
	(0) Home Improvement				(196)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	7	3.6	443	1.7
Middle	0	0.0	0	0.0	102	52.0	11,913	45.9
Upper	0	0.0	0	0.0	87	44.4	13,594	52.4
	(0) Multi-Family				(1)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	1	100.0	28,517	100.0
	<b>HMDA Totals</b>							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	272	4.7	54,386	4.1
Middle	12	100.0	1,413	100.0	2,307	39.5	442,442	33.2
Upper	0	0.0	0	0.0	3,259	55.7	834,831	62.6
NA*	0	0.0	0	0.0	3	0.1	817	0.1
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>1,413</b>	<b>100.0</b>	<b>5,841</b>	<b>100.0</b>	<b>1,332,476</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

The demographic data indicates that 4.6% of the area owner-occupied housing units are located in moderate-income census tracts. Similarly, 4.7% of the aggregate reported loans during 2011 were to residents of the moderate-income census tracts. During 2011, the bank did not originate any residential mortgage loans in moderate-income areas. The bank’s performance during 2011 is considered very poor.

During 2010 the bank’s performance was better than its performance during 2011. Specifically, the bank reported extending 19 loans totaling \$2.9 million within the assessment area. Of these loans, one (5.3%) was extended to a resident of a moderate-income census tract. The bank’s level of lending approximates both the percentage of owner-occupied housing units located in moderate-income tracts and the aggregate lending level (5%) during 2010. The bank’s performance during 2010 is considered reasonable.

When considering both the volume of lending (one HMDA loan extended in a moderate-income tract during the two years combined) and performance from each year, CVB’s overall geographic distribution of HMDA loans is considered poor.

**Distribution of Small Business Loans by Income Level of Census Tract**

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Virginia Beach-Norfolk-Newport News, VA-NC MSA (2011)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	6	14.3	1,557	25.6	48	3.1	1,906	2.6
Middle	24	57.1	1,990	32.8	644	41.3	38,714	53.6
Upper	12	28.6	2,528	41.6	866	55.6	31,668	43.8
NA*	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>42</b>	<b>100.0</b>	<b>6,075</b>	<b>100.0</b>	<b>1,558</b>	<b>100.0</b>	<b>72,288</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable

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

The bank's level of lending to businesses located in moderate-income census tracts (14.3%) substantially exceeded the percentage of businesses located in such areas (4.3%) and the 2011 aggregate lending level (3.1%). CVB's performance during 2011 is considered excellent.

## METROPOLITAN AREAS

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

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

### CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Facts and data reviewed for the Richmond, VA MSA 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. The conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's overall rating.

Assessment Area	Lending Test
Richmond, VA MSA	Consistent

**CRA APPENDIX A  
LIMITED REVIEW TABLES**

**Richmond, VA MSA Assessment Area**

This assessment area includes all of New Kent County, Virginia. During the evaluation period, the bank operated one branch office in this assessment area. The branch was closed during 2012.

**Performance Test Data for Richmond, VA MSA**

**Limited Review Lending Table**

Richmond, VA MSA (2011)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	<b>Home Purchase</b>				<b>Home Improvement</b>			
<i>Geographic</i>	(0)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	67.9	65.7	0	0.0	69.0	65.7
Upper	0	0.0	32.1	35.0	0	0.0	31.0	35.0
	<b>Refinance</b>				<b>Multi-Family</b>			
<i>Geographic</i>	(2)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	2	100.0	72.4	65.7	0	0.0	0.0	65.7
Upper	0	0.0	27.6	35.0	0	0.0	0.0	35.0
	<b>HMDA Totals</b>				<b>Consumer</b>			
<i>Geographic</i>	(2)				(2)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	2	100.0	70.7	65.7	0	0.0	NA	66.6
Upper	0	0.0	29.3	35.0	0	0.0	NA	33.4
<i>Borrower</i>	(2)				(2)			
Low	0	0.0	7.2	14.2	0	0.0	NA	16.2
Moderate	1	50.0	25.6	19.2	1	0.0	NA	15.1
Middle	0	0.0	28.6	22.6	0	0.0	NA	19.2
Upper	1	50.0	38.6	44.0	1	0.0	NA	49.5
Total	2	100.0	100.0	100.0	2	0.0	NA	100.0
	<b>Small Business</b>				<b>Small Farm</b>			
<i>Geographic</i>	(4)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	4	100.0	65.8	66.7	0	0.0	100.0	63.2
Upper	0	0.0	34.2	33.3	0	0.0	0.0	36.8
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	2	50.0	50.6	93.9	0	0.0	100.0	97.4

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

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

*NA represents no activity in the income category*

**CRA APPENDIX B**

**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, 2012, while the loan volume includes all HMDA and small business loans considered in the evaluation.

Assessment area	Loan Volume				Branches		Deposit volume	
	#	%	\$(000s)	%	#	%	\$(000s)	%
Virginia Beach-Norfolk-Newport News, VA-NC MSA	73	84.9%	\$10,389	83.7%	2	66.7%	\$103,584	95.8%
Richmond, VA MSA *	13	15.1%	\$2,028	16.3%	1*	33.3%	\$4,492	4.2%
<b>TOTAL</b>	<b>86</b>	<b>100%</b>	<b>\$12,417</b>	<b>100%</b>	<b>3</b>	<b>100%</b>	<b>\$108,076</b>	<b>100%</b>

\* The branch located in New Kent County within the Richmond, VA MSA assessment area closed on September 7, 2012. The bank no longer serves this assessment area.

## CRA APPENDIX C

### GLOSSARY

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

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

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

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

Activities that revitalize or stabilize-

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

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

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

**Full-scope review:** Performance under the Lending Test (and if applicable, consideration of investments and services) 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 Test (and if applicable, consideration of investments and services) 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.