

PUBLIC DISCLOSURE

March 5, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Virginia Business Bank
3390702
9020 Stony Point Parkway
Suite 225
Richmond, Virginia 23235

**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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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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 more than reasonable in relation to demand for credit in the bank's assessment area.
- A majority of the institution's small business loans were originated within the bank's assessment area.
- Lending to businesses with revenues of \$1 million or less is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered excellent given area demographic data.
- The bank has not received any complaints regarding its CRA performance since the bank's inception.

SCOPE OF EXAMINATION

Based on the number and dollar amount of loans originated since Virginia Business Bank's inception on April 3, 2006, small business loans were identified as the primary credit product extended by the bank. This product line was considered in the evaluation and includes 43 small business loans extended from April 3, 2006, through December 31, 2006.

DESCRIPTION OF INSTITUTION

Virginia Business Bank (VBB) is a de novo institution headquartered in Richmond, Virginia. The institution opened its one-branch operation on April 3, 2006, with a business model that is geared towards serving the banking needs of small- to medium-sized businesses.

As of December 31, 2006, the bank had \$30 million in assets, of which 79.5% were loans. VBB focuses on three key areas: construction lending and development, commercial lending, and private investment lending. As of December 31, 2006, the loan portfolio was comprised of 46.5% commercial real estate, 46% commercial, 4.9% consumer, 2.3% one- to four-family real estate secured, and .3% other loans. This is the first CRA evaluation of the institution.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes all of Chesterfield County, Henrico County, and the City of Richmond, and is a part of the Richmond, Virginia Metropolitan Statistical Area (MSA). The assessment area contains 19 low-income, 38 moderate-income, 74 middle-income, and 53 upper-income census tracts. According to the 2000 census data, the assessment area has a population of 719,993 and a median housing value of \$114,130. The owner-occupancy rate for the assessment area is 61.5%, which lags the owner-occupancy rate for the MSA and the commonwealth (64.6% and 63.3%, respectively). The percentage of families living below the poverty level in the assessment area (7%) is comparable to that of the MSA (6.9%) and the commonwealth (7%). The 2006 median family income is \$67,200.

The following table provides demographic data for the assessment area by the income level of families and the percentage of area families living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract, as well as Dun & Bradstreet (D&B) business demographic information.

Henrico, City of Richmond, Chesterfield (MA 40060) ASSESSMENT AREA DEMOGRAPHICS								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	19	10.3	11,627	6.2	4,302	37.0	34,988	18.7
Moderate	38	20.7	32,335	17.3	4,354	13.5	32,111	17.2
Middle	74	40.2	75,676	40.5	3,373	4.5	41,600	22.3
Upper	53	28.8	67,067	35.9	1,078	1.6	78,006	41.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	184	100.0	186,705	100.0	13,107	7.0	186,705	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner Occupied		Rental		Vacant		
		#	%	#	%	#	%	
Low	21,890	6,035	3.2	27.6	13,329	60.9	2,526	11.5
Moderate	59,835	24,923	13.4	41.7	30,134	50.4	4,778	8.0
Middle	124,776	79,668	42.8	63.8	39,775	31.9	5,333	4.3
Upper	96,058	75,380	40.5	78.5	17,198	17.9	3,480	3.6
NA	0	0	0.0	0.0	0	0.0	0	0.0
Total	302,559	186,006	100.0	61.5	100,436	33.2	16,117	5.3
	Total Businesses by Tract	Businesses by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	2,990	11.2	2,328	10.2	446	15.5	216	23.6
Moderate	4,109	15.4	3,380	14.8	584	20.3	145	15.8
Middle	10,709	40.1	9,297	40.6	1,080	37.5	332	36.2
Upper	8,869	33.2	7,879	34.4	767	26.7	223	24.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	26,677	100.0	22,884	100.0	2,877	100.0	916	100.0
Percentage of Total Businesses:				85.8		10.8		3.4
	Total Farms by Tract	Farms by Tract and Revenue Size						
		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
		#	%	#	%	#	%	
Low	3	2.8	3	2.8	0	0.0	0	0.0
Moderate	4	3.7	3	2.8	1	50.0	0	0.0
Middle	52	48.1	52	49.1	0	0.0	0	0.0
Upper	49	45.4	48	45.3	1	50.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	108	100.0	106	100.0	2	100.0	0	0.0
Percentage of Total Farms:				98.1		1.9		0.0

NA Tracts are tracts without household or family income.

Residents commute throughout the area for jobs in the tobacco, chemical, insurance, pharmaceutical, banking, and medical industries. With Richmond serving as the capital of the Commonwealth of Virginia, many employment opportunities are available with the state government. The area also provides employment with local and Federal governments. As of February 2007, the unemployment rates for Chesterfield County, Henrico County, and the City of Richmond were 2.6%, 2.9%, and 4.5%, respectively. The unemployment rates for the Richmond, Virginia MSA and Commonwealth of Virginia are 3.3% and 3.2%, respectively.

A local economic development official was contacted during the examination to discuss area economic conditions and credit needs. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan-To-Deposit Ratio

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. VBB's loan-to-deposit ratio, as of December 31, 2006, equals 186.7% and averaged 137.8% for the three-quarter period also ending December 31, 2006. In comparison, the average of quarterly loan-to-deposit ratios for all banks headquartered in metropolitan areas of Virginia and of similar asset size to the Virginia Business Bank ranged from 65% to 79.5% during the same three-quarter period. As reflected in the current loan-to-deposit ratio, loan growth has substantially exceeded deposit growth for the institution. Since June 30, 2007, bank assets, loans, and deposits have increased by 56.1%, 544.6%, and 263%, respectively. The bank's growth can be attributed to its de novo status. Given the bank's recent entry into the market and its high rate of growth, the loan-to-deposit ratio is considered more than reasonable.

Lending In Assessment Area

To determine the institution's volume of lending within its assessment area, 43 small business loans were reviewed. The lending distribution is represented in the following table for the assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	29	14	43
Percentage of Total Loans	67.4%	32.6%	100%
Total Amount of Loans (000's)	\$8,794	\$3,799	\$12,593
Percentage of Total Amount	69.8%	30.2%	100%

As illustrated in the preceding chart, a majority of the number (67.4%) and dollar amount (69.8%) of loans were provided to borrowers located in the bank's assessment area. Overall, the institution's level of lending within its assessment area is considered responsive to community credit needs.

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

To evaluate the level of lending to borrowers of varying income levels, the 29 small business loans extended within the assessment area were analyzed and are reflected in the following table. Discussion of the bank's performance follows each table. Area demographic data are used as proxies for demand.

Distribution of Small Business Loans by Size of Business

	Revenues \leq \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	18	11	29
Percentage of Total Loans	62.1%	37.9%	100%
Total Amount of Loans (000's)	\$4,423	\$4,371	\$8,794
Percentage of Total Amount	50.3%	49.7%	100%

Of the 29 small business loans included in the analysis, 62.1% were made to businesses with revenues of \$1 million or less. Based on recent D&B data, 85.8% of businesses within the assessment area have annual revenues of \$1 million or less. Aggregate small business data indicate that 42.7% of reported small business loans in 2005 were to businesses having revenues of \$1 million or less. The remaining portion of businesses had revenues exceeding \$1 million or revenue data was not available. Considering demographic and aggregate data the bank's level of lending is considered reasonable.

Geographic Distribution of Loans

The geographic distribution of the loans within the assessment area is reflected in the following table. Discussion of the bank's performance follows the table.

Distribution of Small Business Loans in Assessment Area by Income Level of Geography

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	11	3	6	9	29
Percentage of Total Loans	38%	10.3%	20.7%	31	100%
Total Amount of Loans (000's)	\$4,523	\$1,510	\$1,022	\$1,739	\$8,794
Percentage of Total Amount	51.4%	17.2%	11.6%	19.8%	100%

The bank's small business lending within low-income census tracts (38%) significantly exceeds that of the 2005 aggregate data (7.3%) as well as the percentage of area businesses located in such areas (11.2%). Small business lending in moderate-income census tracts is slightly below 2005 aggregate lending (13.6%) as well as the percentage of area businesses located in moderate-income tracts (15.4%). Overall, the level of lending to businesses in low- and moderate-income areas is considered excellent.

Fair Lending Or Other Illegal Credit Practices Review

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.