

PUBLIC DISCLOSURE

December 4, 2017

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Virginia Commonwealth Bank

34425

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Richmond, Virginia

Federal Reserve Bank of Richmond

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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: Satisfactory

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered more than reasonable given the bank's size, financial condition and credit needs of the assessment areas.
- A majority of the institution's 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 (lending to borrowers of difference incomes and revenue levels) is considered reasonable overall.
- The bank's geographic distribution performance for HMDA lending is considered reasonable, while its small business performance is excellent. Overall, the bank's borrower distribution performance is considered reasonable.
- The bank's community development performance demonstrates a reasonable level of responsiveness to the community development needs of its assessment areas through qualified community development loans, investments, and services.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Virginia Commonwealth Bank (VCB) was evaluated using the interagency examination procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). VCB is required to report certain information regarding its home mortgage lending in accordance with the Home Mortgage Disclosure Act. Accordingly, the bank's 2015 and 2016 HMDA loans were considered in the evaluation. In addition, small business lending was identified as a primary product line and was also considered in the evaluation. The analysis includes all small business loans originated by the bank during calendar year 2016.

As of April 1, 2017, the Bank of Lancaster (BOL) and VCB merged, with BOL remaining as the surviving institution, operating under the name Virginia Commonwealth Bank. Due to the timing of this evaluation, VCB will be evaluated based on its pre-merger lending activity as BOL. Community development activity will be used from BOL prior to the official merger date and VCB post-merger.

Full-scope evaluation procedures were applied to the Lancaster, VA nonmetropolitan (NonMSA) assessment area, as the bank's operations during a majority of the evaluation period primarily serve this market based loan and deposit volumes. The Richmond, VA MSA assessment area was subject to the limited review procedures as defined by the FFIEC. For the limited review, a determination was made as to whether the performance was consistent with the assigned overall rating. Appendix B includes information detailing the lending volume, branch locations, and deposit volume by assessment area.

DESCRIPTION OF INSTITUTION

VCB is headquartered in Richmond, Virginia, and operates a total of 19 branch offices within Virginia. The bank is a wholly-owned subsidiary of Bay Banks of Virginia, Inc., a single-bank holding company, also headquartered in Richmond, VA. The bank received a Satisfactory rating at its prior CRA evaluation dated August 26, 2013. No known legal impediments exist that would constrain the bank from meeting the credit needs of its assessment areas. As of September 30, 2017, the bank held total assets of \$955.1 million, of which 77.5% were net loans and 7.5% were securities. As of the same time period, deposits totaled \$768.9 million. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) is represented in the following table.

Composition of Loan Portfolio

Loan Type	9/30/2017	
	\$(000s)	%
Secured by 1-4 Family dwellings	315,697	42.4
Multifamily	20,398	2.7
Construction and Development	63,046	8.5
Commercial & Industrial/ NonFarm NonResidential	283,214	38.0
Consumer Loans and Credit Cards	48,572	6.5
Agricultural Loans/ Farmland	956	0.1
All Other	12,911	1.7
Total	744,794	100.0

Note: Percentages in the table may not equal 100% due to rounding.

As indicated in the preceding table, VCB is an active residential mortgage and commercial/small business lender. The bank also continues to offer other loans, such as consumer loans; however, the volume of such lending is relatively small in comparison to the residential mortgage and commercial/small business lending. As such, the volume of small business lending as well as reported HMDA loans led to their consideration within the evaluation.

The bank has currently delineated two assessment areas in eastern and central Virginia. One assessment area is located in a NonMSA area within the state, while the other includes a portion of the Richmond, VA MSA. The following table reflects the current composition of the bank’s assessment areas.

Assessment Area	County/City	Census Tracts
Lancaster County, VA NonMSA	Lancaster County	All
	Middlesex County	All
	Northumberland County	All
	Richmond County	All
	Westmoreland County	All
Richmond, VA	Chesterfield County	All
	Dinwiddie County	All
	Henrico County	All
	Prince George County	All
	City of Colonial Heights	All
	City of Hopewell	All
	City of Petersburg	All
City of Richmond	All	

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

An analysis of lending during the review period is discussed in greater detail in the subsequent sections of this evaluation. While HMDA loan data from calendar years 2015 and 2016 was fully analyzed and considered in the evaluation, only bank and aggregate data from 2016 is presented in the assessment area analysis tables. In instances where the 2015 HMDA performance varies significantly from 2016, such variances and the corresponding impact on the overall performance are discussed. As previously mentioned, small business loan activity included in the evaluation included originations made in 2016.

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 data from 2016 is also considered when evaluating the bank's performance. The aggregate HMDA and small business lending data include all activity reported by lenders that originated or purchased such loans within the bank's assessment areas. Because VCB does not 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 of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then weighted by the dollar volume of such loans in the assessment area.

Within VCB's assessment areas, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The 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, VCB's lending is also compared to a group of traditional small business lenders that excludes credit card/specialty lenders.

Overall, the bank's lending test 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.

The review of the bank's community development activities is rated Satisfactory. 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 the bank's responsiveness to identified community development lending, investment, and service needs. While multiple bank community development investments apply to both assessment areas, they are presented in the discussion of the Lancaster, VA NonMSA community development activities since that market was evaluated utilizing the full-scope evaluation procedures.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of September 30, 2017, equaled 96.2% and averaged 95.9% for the 17-quarter period ending September 30, 2017. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in similar areas to VCB ranged from 50.5% to 87.2% during the same 17-quarter period. Since June 30, 2013, assets, net loans, and deposits have increased by 185.9%, 219.1%, and 178.9%, respectively. This increase is due to the aforementioned merger between BOL and VCB. From a CRA perspective, the bank's loan-to-deposit ratio is considered more than reasonable given the institution's size, financial condition, and local credit needs.

Lending in Assessment Areas

To determine the institution’s volume of lending within its assessment areas, the geographic location of the bank’s HMDA loans originated during calendar years 2015 and 2016, and small business loans originated in 2016, were considered. The lending distribution inside and outside of the bank's assessment areas is represented in the table below.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	260	81.8	79,802	80.7	58	18.2	19,094	19.3
Home Improvement	35	89.7	4,913	77.5	4	10.3	1,426	22.5
Refinancing	89	74.2	24,887	69.3	31	25.8	11,001	30.7
Multi-Family Housing	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA related	384	80.5	109,602	77.7	93	19.5	31,521	22.3
Small Business*	186	56.5	10,575	36.4	143	43.5	18,453	63.6
TOTAL LOANS	570	70.7	120,177	70.6	236	29.3	49,974	29.4

**The number and dollar amount of loans reflects a sample of such loans originated during 2016 and does not reflect loan data collected or reported by the institution.*

As indicated in the preceding table, a majority of the number of residential mortgage and small business loans were extended to residents of the bank’s assessment areas. Overall, the institution’s level of lending within its assessment areas is considered responsive to community credit needs.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN LANCASTER, VA NONMSA
ASSESSMENT AREA**

The bank operates eight branch offices within the assessment area, located throughout the northern peninsula of Virginia. As of June 30, 2017, the bank ranked first out of ten institutions in local deposit market share by having 19.8% of the assessment area's Federal Deposit Insurance Corporation insured deposits.

According to 2010 ACS data, the assessment area has a population of 61,388 and a median housing value of \$219,954. The owner-occupancy rate for the assessment area equals 53.6% and is lower than the rates for both the nonmetropolitan areas of Virginia (59.9%) and the entire Commonwealth of Virginia (61.8%). Within the assessment area, 7.5% of families are considered below the poverty level, which is slightly higher than the Commonwealth rate (7.2%), but lower than the nonmetropolitan areas of Virginia (11.8%). The 2015 and 2016 HUD estimated median family incomes for nonmetropolitan areas of Virginia equaled \$52,700 and \$52,300, respectively. The following table includes relevant demographic data for the assessment area.

Assessment Area Demographics

Lancaster, VA NonMSA <i>(Based on 2010 ACS Data and 2016 D&B Information)</i>									
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	2,267	13.2	
Moderate	0	0.0	0	0.0	0	0.0	2,493	14.6	
Middle	4	21.1	3,794	22.2	350	9.2	3,566	20.8	
Upper	12	63.2	13,330	77.8	933	7.0	8,798	51.4	
NA	3	15.7	0	0.0	0	0.0			
Total	19	100.0	17,124	100.0	1,283	7.5	17,124	100.0	
	Owner Occupied Units by Tract		Households						
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	4,303	17.0	
Moderate	0	0.0	0	0.0	0	0.0	3,235	12.8	
Middle	4,211	20.9	5,403	21.3	631	11.7	4,494	17.7	
Upper	15,912	79.1	19,941	78.7	2,014	10.1	13,312	52.5	
NA	0	0.0	0	0.0	0	0.0			
Total	20,123	100.0	25,344	100.0	2,645	10.4	25,344	100.0	
	Total Businesses by Tract		Businesses by Tract and Revenue Size						
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
	#	%	#	%	#	%	#	%	
Low	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	
Middle	599	21.7	537	21.3	52	26.5	10	22.2	
Upper	2,160	78.3	1,981	78.7	144	73.5	35	77.8	
NA	0	0.0	0	0.0	0	0.0	0	0.0	
Total	2,759	100.0	2,518	100.0	196	100.0	45	100.0	
Percentage of Total Businesses:				91.3		7.1		1.6	

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, two of the assessment area middle-income census tracts (located in Lancaster County) have been classified as being underserved during 2015 and 2016. Underserved census tracts are typically located in rural communities that may lack certain community services/infrastructure and are also distant from more urban population centers.

The assessment area is located in a rural portion of the state of Virginia, and limited employment opportunities exist within the area. The economy is primarily comprised of health care, retail, and manufacturing industries. Major area employers include Walmart, Rappahannock General Hospital, Manufacturing Techniques, Haynesville Correctional Institute, and the various local municipalities and school systems. Recent and historical area unemployment rates are included in the following table.

Unemployment Rate Trend					
Geographic Area	Sept. 2013	Sept. 2014	Sept. 2015	Sept. 2016	Sept. 2017
Lancaster County	6.6%	6.1%	4.9%	4.7%	3.9%
Middlesex County	5.4%	5.1%	3.8%	3.7%	3.2%
Northumberland County	6.1%	5.7%	4.8%	4.6%	4.2%
Richmond County	5.7%	5%	4.1%	3.8%	3.4%
Westmoreland County	6.4%	5.9%	4.6%	4.5%	4.2%
Commonwealth of Virginia	5.6%	5.1%	4.1%	4.2%	3.6%

As shown in the table above, unemployment rates are decreasing throughout the assessment area. All rates are trending downward and reflect a consistent pattern with the state rate over the recent five-year period.

An official from a local economic development organization was contacted during the evaluation to discuss the local economic conditions and area credit needs. The contact stated that the area has seen increased commercial, retail, and residential activity. Furthermore, existing businesses are also experiencing growth throughout all sectors. The contact mentioned that local financial institutions appear to be meeting the banking needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

In 2016 within the assessment area, the bank originated \$40.3 million in HMDA loans and \$9.7 million in small business loans. When considering overall performance, significantly more weight is placed on the bank’s HMDA lending performance than its small business performance given the larger dollar volume of such lending.

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

Overall, VCB’s borrower distribution performance is considered reasonable for both HMDA and small business lending during the evaluation period.

Distribution of HMDA Loans by Income Level of Borrower

Lancaster, VA NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	11	7.7	692	1.8	80	4.7	6,563	1.8
Moderate	9	6.3	1,013	2.6	182	10.6	21,779	6.0
Middle	18	12.7	2,473	6.3	334	19.5	49,914	13.8
Upper	104	73.3	35,007	89.3	1,120	65.2	284,473	78.4
Total	142	100.0	39,185	100.0	1,716	100.0	362,729	100.0
Unknown	7		1,132		387		79,183	

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

During 2016, the bank’s lending to low-income borrowers (7.7%) lagged the percentage of area low-income families (13.2%) but exceeded the aggregate lending level (4.7%) to such borrowers. VCB’s lending to moderate-income borrowers (6.3%) was lower than both the percentage of such families (14.6%) and the aggregate level of lending (10.6%). Overall, the bank’s performance during 2016 is considered reasonable. The bank’s performance in 2015 was similar and also considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Lancaster, VA NonMSA (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	86	48.0	7,137	73.3	508	42.7	19,496	48.9
Over \$1 Million	93	52.0	2,595	26.7	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	158	88.3	3,314	34.0	1,110	93.4	16,306	40.9
\$100,001-\$250,000	12	6.7	2,247	23.1	53	4.5	9,289	23.3
\$250,001-\$1 Million	9	5.0	4,172	42.9	26	2.1	14,289	35.8
Total	179	100.0	9,733	100.0	1,189	100.0	39,884	100.0

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

D&B data indicate that 91.3% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 42.7% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 56.5% were made to businesses having annual revenues of \$1 million or less. Of the bank's small business loans considered in the evaluation, 48% were to businesses with annual revenues of \$1 million or less. VCB's small business lending during 2016 is considered reasonable.

Geographic Distribution of Loans

There are no low- or moderate-income census tracts in this assessment area. The bank's residential mortgage lending distribution in middle-income census tracts is considered reasonable, while the small business geographic distribution performance is considered excellent in such tracts. Overall, the geographic distribution of loans is considered reasonable and reflects the greater weight placed on HMDA lending.

Distribution of HMDA Loans by Income Level of Census Tract

Lancaster, VA NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(93)				(1,062)			
	Home Purchase							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	23	24.7	7,090	25.4	211	20.0	46,540	20.6
Upper	70	75.3	20,789	74.6	844	80.0	179,878	79.4
	(41)				(901)			
	Refinance							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	3	7.3	532	4.9	168	18.6	35,447	18.0
Upper	38	92.7	10,425	95.1	733	81.4	162,024	82.0
	(15)				(135)			
	Home Improvement							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	3	20.0	12	0.8	18	13.3	1,395	11.3
Upper	12	80.0	1,469	99.2	117	86.7	10,982	88.7
	(0)				(1)			
	Multi-Family							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	1	100.0	3,320	100.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	29	19.5	7,634	18.9	397	18.9	83,382	18.9
Upper	120	80.5	32,683	81.1	1,695	80.6	356,204	80.6
NA*	0	0.0	0	0.0	11	0.5	2,326	0.5
Total	149	100.0	40,317	100.0	2,103	100.0	441,912	100.0

NA*-Tracts without household or family income as applicable

During 2016, home purchase and refinance lending were the primary HMDA products extended by the bank and aggregate lenders. When considering the distribution of aggregate lending, VCB's home purchase and home improvement lending in middle-income tracts are each considered excellent, while its refinance lending is considered poor. Given the nominal volume of multi-family housing HMDA transactions within the assessment area, this loan type category was given minimal weight when considering the bank's overall performance.

On a combined basis during 2016, VCB's level of lending within middle-income census tracts (19.5%) is comparable to the proportion of owner-occupied housing units located in such areas (20.9%) and the aggregate lending level (18.9%). Overall, VCB's performance during 2016 is considered reasonable. The bank's performance in 2015 was similar to 2016 and is also considered reasonable.

Distribution of Small Business Loans by Income Level of Census Tract

Lancaster, VA NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	NA	NA	NA	NA	NA	NA	NA	NA
Middle	108	60.3	2,442	25.1	201	18.8	7,085	18.7
Upper	71	39.7	7,291	74.9	867	81.2	30,802	81.3
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	179	100.0	9,733	100.0	1,068	100.0	37,887	100.0

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

In 2016, the bank’s lending to businesses located in middle-income census tracts (60.3%) substantially exceeded the percentage of businesses located in such areas (21.7%) as well as the aggregate lending level (18.8%). As a result, VCB’s performance is considered excellent.

Community Development Loans, Investments, and Services

VCB’s community development test is rated Satisfactory, and the bank supports community development organizations and initiatives that benefit this assessment area by funding community development loans and by providing community development services. Additionally, the bank maintains community development investments which benefit both this assessment area and its Richmond, VA market. Discussions with an individual knowledgeable of the local community development activities indicated that while the availability of local community development activities is currently improving, overall opportunities are still somewhat limited. The bank faces no meaningful constraints preventing it from originating community development loans, investing in qualified securities, and providing community development services.

Within this assessment area, and since the previous evaluation, VCB originated three community development loans totaling approximately \$6 million. All of the loans were made to area organizations for economic development purposes.

As of the date of this evaluation, VCB held the following qualified investments which benefited this assessment area and/or a larger regional or statewide area:

- A Virginia Housing Development Authority (VHDA) Mortgage Bond, totaling \$415,000. The VHDA promotes affordable housing by financing single- and multi-family mortgage for low- and moderate-income individuals throughout the Commonwealth of Virginia.
- Three commitments for Virginia Community Development Corporation (VCDC) Housing Equity Funds totaling \$1.5 million, of which \$25,000 has been funded to date. The VCDC’s mission is to “serve as a leader in the development of innovative affordable housing and revitalization of Virginia’s communities by acting as a catalyst for creative and profitable private sector investments.”

In addition, the bank made charitable contributions totaling \$41,975 to qualified community development organizations servicing the needs of low- and moderate-income individuals within the assessment area.

Since its previous evaluation, VCB and its employees volunteered their time and provided financial expertise to the following organizations that provide community development services targeted to area low- and moderate-income residents and economic development:

- Northern Neck and Richmond County YMCAs – Two employees serve on the boards of directors for these organizations which provide financial assistance to members of the community that are unable to afford to participate in its programs.
- Richmond County Board of Zoning – An employee serves on the board of directors for this organization which is responsible for making zoning decisions that affect the growth and economic infrastructure of the county.
- Richmond County Industrial Development Authority – An employee serves on the board of directors for this organization which is responsible for supporting the industrial and manufacturing business sector in the county.
- Lancaster County Economic Development Authority – An employee serves on the board of directors. The Lancaster County Economic Development Authority is charged with attracting businesses and supporting existing business infrastructure within the county.

METROPOLITAN AREAS

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

DESCRIPTION OF INSTITUTION’S OPERATIONS IN METROPOLITAN AREAS

The assessment area, noted in the table below, 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. Information about loan volume, branches, and deposits are included in Appendix B of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for each 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.

Assessment Area	Lending Test	Community Development Test
Richmond, VA	Consistent	Consistent

**CRA APPENDIX A
LIMITED REVIEW TABLES**

Richmond, VA Assessment Area

The bank operates ten branches in this assessment area. The assessment area is comprised of the counties of Chesterfield, Dinwiddie, Henrico, Prince George, and the cities of Colonial Heights, Hopewell, Petersburg, and Richmond located in central Virginia.

Performance Test Data for Richmond, VA Assessment Area

The bank's lending performance in this assessment area is consistent with its performance in the Lancaster, VA NonMSA assessment area.

Limited Review Lending Table

Richmond, VA (2016)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(39)				(5)			
Low	7	17.9	3.2	4.3	1	20.0	4.0	4.3
Moderate	6	15.4	15.1	16.7	1	20.0	14.7	16.7
Middle	8	20.5	33.9	35.4	1	20.0	35.3	35.4
Upper	18	46.2	47.8	43.6	2	40.0	46.0	43.6
	Refinance				Multi-Family			
<i>Geographic</i>	(14)				(0)			
Low	1	7.1	2.2	4.3	0	0.0	16.7	4.3
Moderate	0	0.0	11.8	16.7	0	0.0	40.5	16.7
Middle	2	14.3	30.7	35.4	0	0.0	19.0	35.4
Upper	11	78.6	55.3	43.6	0	0.0	23.8	43.6
	HMDA Totals				Consumer			
<i>Geographic</i>	(58)				(NA)			
Low	9	15.5	2.8	4.3	NA	NA	NA	NA
Moderate	7	12.1	13.7	16.7	NA	NA	NA	NA
Middle	11	19.0	32.5	35.4	NA	NA	NA	NA
Upper	31	53.4	51.0	43.6	NA	NA	NA	NA
<i>Borrower</i>	(47)				(NA)			
Low	7	14.9	8.0	20.9	NA	NA	NA	NA
Moderate	10	21.3	20.6	17.4	NA	NA	NA	NA
Middle	6	12.8	24.2	20.5	NA	NA	NA	NA
Upper	24	51.0	47.2	41.2	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(7)				(NA)			
Low	0	0.0	6.3	5.7	NA	NA	NA	NA
Moderate	2	28.6	16.9	20.3	NA	NA	NA	NA
Middle	2	28.6	29.4	32.5	NA	NA	NA	NA
Upper	3	42.9	47.4	41.4	NA	NA	NA	NA
<i>Revenue</i>	(7)				(NA)			
Busn/ Farms with revenues <=\$1 M	7	100.0	47.4	90.8	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

Community Development Loans, Investments, and Services

In addition to the community development activities benefitting multiple assessment areas in Virginia, including this one, the bank held investments in four pools of mortgage-backed securities issued by Ginnie Mae, and three pools of mortgage-backed securities issued by Fannie Mae totaling approximately \$9.3 million. All of the underlying mortgage loans in the investments were made to low- and moderate-income borrowers within the Richmond, Virginia MSA. While the total dollar amount of the investments represents a significant commitment to community development activities, several of the investments were purchased within two months of the beginning of the evaluation, and thus they did not receive a significant amount of weight in the overall conclusion for the assessment area.

Additionally, VCB originated two loans totaling, \$2.6 million to organizations supporting qualified community development activities in the assessment area. The loans supported revitalization and affordable housing efforts within the area.

CRA APPENDIX B

LOAN, BRANCH, AND DEPOSIT VOLUME

Table 1 includes the distribution of VCB's branch offices prior to the merger, along with deposit volume as of June 30, 2016. It also includes loan volume comprised of the HMDA and small business loans considered in the evaluation.

Table 1

Assessment Area	HMDA & Small Business Loan Volume				Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Lancaster, VA NonMSA AA	471	82.6%	\$92,248	76.8%	8	72.7%	\$305,553	80.5%
Richmond, VA AA	99	17.4%	\$27,929	23.2%	3	27.3%	\$73,953	19.5%
Total	570	100%	\$120,177	100%	11	100%	\$379,506	100%

Table 2 includes the distribution of VCB's branch offices after consummation of the merger in April 2017 along with deposit volume as of June 30, 2017.

Table 2

Assessment Area	Branches		Deposit Volume	
	#	%	\$ (000s)	%
Richmond, VA AA	10	52.6%	\$381,770	53.4%
Lancaster, VA NonMSA AA	8	42.1%	\$307,582	43.0%
Virginia Beach, VA AA	1	5.3%	\$25,894	3.6%
Total	19	100%	\$715,246	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.