

PUBLIC DISCLOSURE

June 13, 2011

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Virginia Community Bank
105222

114 Industrial Drive
Louisa, Virginia 23093

**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 **Outstanding**.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to demand for credit in the bank's combined assessment areas.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans were originated within the bank's assessment areas.
- Lending to businesses with revenues of \$1 million or less and to borrowers of different income levels is considered excellent overall.
- The bank's overall geographic distribution performance is considered excellent.
- The bank had not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Virginia Community Bank (VCB) is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, 2009 and 2010 HMDA loans reported by the institution were reviewed. In addition, based on the number of new loans originated recently by the institution, small business loans were also identified as a primary credit product and considered in the evaluation. The analysis included small business loans originated by the institution in 2010.

DESCRIPTION OF INSTITUTION

VCB is headquartered in Louisa, Virginia, and operates seven branches within the counties of Louisa, Goochland, Spotsylvania, Orange, and Culpeper. VCB is a wholly-owned subsidiary of Virginia Community Bankshares, Inc., a single bank holding company. VCB's previous CRA rating, dated May 22, 2006, was Outstanding. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2011, VCB had \$226.4 million in assets, of which 65.2% were (net) loans. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio based on gross loans as of March 31, 2011, is depicted in the following table:

Composition of Loan Portfolio

Loan Type	3/31/2011	
	\$(000s)	%
Secured by 1-4 Family dwellings	37,207	24.2
Multifamily	1,865	1.2
Construction and Development	24,481	15.9
Commercial & Industrial/ NonFarm NonResidential	82,265	53.6
Consumer Loans and Credit Cards	4,465	2.9
Agricultural Loans/ Farmland	2,083	1.4
All Other	1,174	0.8
Total	153,540	100.0

As indicated in the preceding table, the bank is an active commercial/small business and residential mortgage lender. The bank also continues to offer other loans, such as consumer, farm, and credit cards; however, the volume of lending in these areas is comparatively small.

The bank serves three assessment areas, which are depicted in the following table. Two of the bank’s assessment areas are located in portions of metropolitan statistical areas (MSAs), while the remaining assessment area is located in a nonmetropolitan (nonMSA) portion of the Commonwealth.

Assessment Area	City/County	Census Tracts Included
Richmond, VA MSA	Louisa County	All
	Goochland	All
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	City of Fredericksburg	All
	Spotsylvania County	All
Culpeper, VA NonMSA	Culpeper County	All
	Orange County	All

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

The bank’s operations are concentrated in the Richmond, VA MSA and Culpeper, VA NonMSA assessment areas. Consequently, these assessment areas were reviewed utilizing the FFIEC’s full-scope procedures. Since the Washington-Arlington-Alexandria, DC-MD-VA-WVA MSA assessment area had significantly less lending, this assessment area 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**.

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation. While HMDA loans from calendar years 2009 and 2010 was fully analyzed and considered in the evaluation, unless otherwise noted bank and aggregate data from only 2009 is presented in the assessment area analyses. If the 2010 performance is not similar to the performance described for 2009, then pertinent additional information is provided.

Area demographic, market aggregate, and Dun & Bradstreet (D&B) business data are used as proxies for demand when evaluating the bank’s performance. Aggregate HMDA lending data includes all activity reported by lenders subject to reporting residential mortgage data that originated and/or purchased such loans within the bank’s assessment areas. Similarly, the aggregate data for small business lending includes all lenders required to reporting small business data. The bank is not subject to CRA reporting requirements; therefore, VBC’s small business lending activity is not included within

the aggregate information. Demographic data is from the 2000 census, while D&B business demographic data are from 2010. Aggregate HMDA data from calendar year 2009 is utilized as a proxy for demand in the case of 2009 HMDA lending. In the case of 2010 lending, both for HMDA and small business, aggregate data from 2009 was considered as an element of performance context in the analysis since the 2010 aggregate data is not yet publicly available.

When evaluating the geographic and the borrower distribution for a specific loan category within an assessment area, primary emphasis is placed on the number of loans originated. To arrive at an overall assessment area conclusion regarding the distribution of lending, performance in each loan category is then considered in relation to the dollar volume of such loans in the assessment area. The institution's overall rating is based on the overall performance of each market area and primary consideration is given to the dollar volume each market contributes to the overall activity considered in the evaluation. During 2010, the bank originated \$3.5 million in HMDA loans and \$8.3 million in small business loans within its assessment areas. As a result, the small business loan performance is given comparatively more weight in the bank's overall lending performance. All conclusions also take into consideration relevant performance context factors.

Overall, the bank's performance is rated as Outstanding. 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

A bank's loan-to-deposit ratio is one measure of its lending relative to its capacity. The bank's loan-to-deposit ratio as of March 31, 2011, equaled 78.6% and averaged 83.3% for the 20-quarter period ending March 31, 2011. 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 VCB ranged from 78.1% to 86.8% during the same time period. Since March 31, 2006 the bank's assets, loans, and deposits have increased by 25.7%, 26.4%, and 23.3%, respectively. When considering the institution's growth, size, branch locations, and financial capacity, its loan-to-deposit ratio is reasonable.

Lending in Assessment Area

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	13	68.4	1,403	68.1	6	31.6	658	31.9
Home Improvement	10	100.0	305	100.0	0	0.0	0	0.0
Refinancing	74	93.7	5,415	85.4	5	6.3	927	14.6
Total HMDA related	97	89.8	7,123	81.8	11	10.2	1,585	18.2
Small Business*	75	75.0	8,251	53.8	25	25.0	7,087	46.2
TOTAL LOANS	172	82.7	15,374	63.9	36	17.3	8,672	36.1

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

As illustrated in the preceding table, a substantial majority of the number (82.7%) and dollar amount (63.9%) of the loan types considered in the evaluation were extended to borrower's located in the bank's 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

The bank's HMDA lending to low- and moderate-income borrowers as well as its lending to small businesses is considered excellent in the Richmond, VA MSA assessment area. While HMDA lending to low- and moderate-income borrowers is considered reasonable in the Culpeper, VA NonMSA assessment area, the level of lending to small businesses in this assessment area is considered excellent. The Richmond, VA MSA is weighted more heavily because the bank's volume of lending is slightly greater in this market area. Considering the bank's excellent level of small business lending in both markets along with its excellent level of lending to low- and moderate-income borrowers in the Richmond MSA, VCB's overall borrower distribution performance is considered excellent.

Within the bank's market areas, a high level of 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 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. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered excellent for both HMDA and small business lending in the Richmond, VA MSA. The Culpeper, VA nonMSA assessment area only contains middle- and upper-income census tracts. Lending within the middle-income tracts is considered reasonable. The institution's overall geographic distribution performance is considered excellent.

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 THE RICHMOND, VA MSA

This assessment area includes all of Louisa and Goochland Counties. VCB ranks third in deposit market share having 20.9 % of assessment area deposits as of June 30, 2010.

According to data from the 2000 census, the assessment area has a population of 42,490 and a median housing value of \$113,667. The owner-occupancy rate for the market equals 73%, which is higher than both the owner-occupancy rate in the Richmond MSA (64.6%) and the Commonwealth of Virginia rate (63.3%). In the assessment area, 6% of families are considered below the poverty level, while in the Richmond MSA, 6.9% of families are impoverished and in the Commonwealth, 7% of families are impoverished. The 2009 and 2010 median family incomes for the Richmond MSA equal \$73,200 and \$73,900, respectively. The following table provides pertinent demographic data for the assessment area.

Assessment Area Demographics

Richmond, VA MSA								
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	2,668	22.1
Moderate	3	30.0	4,305	35.7	351	8.2	2,273	18.8
Middle	4	40.0	5,194	43.0	320	6.2	2,837	23.5
Upper	3	30.0	2,569	21.3	48	1.9	4,290	35.5
NA	0	0.0	0	0.0	0	0.0		
Total	10	100.0	12,068	100.0	719	6.0	12,068	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	3,776	23.4
Moderate	4,614	34.3	5,938	36.8	758	12.8	2,696	16.7
Middle	5,983	44.5	6,979	43.2	656	9.4	3,426	21.2
Upper	2,838	21.1	3,236	20.0	146	4.5	6,255	38.7
NA	0	0.0	0	0.0	0	0.0		
Total	13,435	100.0	16,153	100.0	1,560	9.7	16,153	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	830	33.9	762	34.0	38	31.9	30	33.7
Middle	824	33.6	785	35.0	15	12.6	24	27.0
Upper	796	32.5	695	31.0	66	55.5	35	39.3
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	2,450	100.0	2,242	100.0	119	100.0	89	100.0
Percentage of Total Businesses:				91.5		4.9		3.6

*NA-Tracts without household or family income as applicable

Primary employment industries include government, banking, manufacturing, retail, and construction. Major area employers include municipal governments (including area school boards), Capital One Bank, Klockner Pentaplast (plastics manufacturer), Virginia Electric and Power Company Inc., Carmax Auto Superstores, Inc., and Luck Stone Corporation (construction). Current and recent periodic unemployment rates are included in the following table:

Geographic Area	Unemployment Rate Trend									
	Sept 2006	March 2007	Sept 2007	March 2008	Sept 2008	March 2009	Sept 2009	March 2010	Sept 2010	March 2011
Louisa County	3.0%	2.6%	2.8%	3.6%	4.2%	7.5%	8.4%	8.6%	7.4%	7%
Goochland County	2.4%	2.1%	2.3%	3%	3.3%	6.2%	7%	7.1%	6.1%	5.6%
Richmond, VA MSA	3.2%	3%	3.1%	3.8%	4.4%	7.4%	8%	8.1%	7.5%	7%
Commonwealth of Virginia	3.1%	2.9%	3%	3.6%	4%	6.7%	6.9%	7.4%	6.5%	6.3%

As indicated by the table, area unemployment rates have generally risen since the previous evaluation. High area unemployment rates may adversely affect a bank’s ability to extend credit as unemployed applicants often have diminished repayment capacity. The most current data suggest that unemployment rates are beginning to stabilize within the area.

An individual knowledgeable of the local market area was contacted during the evaluation to discuss the condition of the local economy and community credit needs. The contact stated that the rate of economic growth for new and existing businesses in the area has slowed significantly since 2008. The individual noted that the availability of business sites in the local industrial and business parks may serve to attract new businesses once the economy improves. In the opinion of the contact, local institutions financial institutions are adequately serving the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

During 2009 and 2010, the bank originated \$1.9 million and \$2.1 million, respectively, in HMDA loans in the assessment area. In 2010 the bank originated \$3 million in small business loans within the assessment area.

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

The bank’s HMDA and small business borrower distribution performances are considered excellent overall.

Distribution of HMDA Loans by Income Level of Borrower

Richmond, VA MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(1) Home Purchase				(811)			
Low	0	0.0	0	0.0	82	10.1	10,938	5.6
Moderate	0	0.0	0	0.0	211	26.0	35,563	18.2
	(28) Refinance				(2,364)			
Low	10	35.7	298	23.3	162	6.9	18,951	3.4
Moderate	11	39.3	606	47.4	425	18.0	68,511	12.1
	(2) Home Improvement				(134)			
Low	0	0.0	0	0.0	21	15.7	869	6.1
Moderate	1	50.0	27	36.0	34	25.4	1,586	11.1
	(0) Multi-Family				(0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	10	32.3	298	18.3	265	8.0	30,758	4.0
Moderate	12	38.7	633	38.8	670	20.2	105,660	13.6
Middle	7	22.6	546	33.5	828	25.0	164,389	21.2
Upper	2	6.5	155	9.5	1,546	46.7	473,443	61.1
Total	31	100.0	1,632	100.0	3,309	100.0	774,250	100.0
Unknown	3		301		607		144,356	

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

Within the assessment area, refinance loans represented the largest lending volume reported by both the bank and the aggregate lenders during 2009. VCB has a heavy concentration of refinance loans and its performance of making such loans to low- and moderate-income borrowers is considered excellent when compared to aggregate and demographic data.

Overall, the bank's lending to low-income borrowers (32.3%) exceeds the percentage of low-income families (22.1%) in the assessment area and substantially exceeds the aggregate level of lending (8%). VCB's lending to moderate-income borrowers (38.7%) also exceeded both the percentage of moderate-income families (18.8%) and the aggregate lending level (20.2%). The bank's performance during 2009 is considered excellent.

During 2010, the bank's borrower distribution performance was similar to its performance during 2009. Specifically, VCB reported originating 36 HMDA loans totaling \$2.1 million during 2010 in the assessment area. Of these loans, fifteen (44.1%) were to low-income borrowers and ten (29.4%) were to moderate-income borrowers. The bank's combined performance for 2009 and 2010 is considered excellent.

Distribution of Lending by Loan Amount and Size of Business

Richmond, VA MSA (2010)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	25	92.6	2,681	88.5	NA	NA	NA	NA
Over \$1 Million	2	7.4	350	11.5	NA	NA	NA	NA
<i>Unknown</i>	0	0.0	0	0.0	NA	NA	NA	NA
<i>by Loan Size</i>								
\$100,000 or less	17	63.0	860	28.4	NA	NA	NA	NA
\$100,001-\$250,000	8	29.6	1,506	49.7	NA	NA	NA	NA
\$250,001-\$1 Million	2	7.4	664	21.9	NA	NA	NA	NA
Total	27	100.0	3,031	100.0	NA	NA	NA	NA

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

According to recent D&B data, 91.5% of all local businesses have annual revenue of \$1 million or less. Considering as performance context 2009 aggregate lending, 16% of aggregate small business loans were extended to businesses having annual revenues of \$1 million or less. The remaining loans were made to businesses that had annual revenues exceeding \$1 million or their level of revenue was not known.

The performance of traditional bank lenders, which excludes credit card lenders, was also considered in the evaluation. After excluding the specialty lenders, 47.5% of the small business loans originated in 2009 by the remaining traditional bank lenders was to businesses with annual revenues of \$1 million or less. Overall, in the context of both the D&B data and available aggregate data, the bank's level of lending to small businesses (92.6%) is considered to be excellent.

Geographic Distribution of Loans

As indicated in the demographic table, there are no low-income census tracts and three moderate-income census tracts within the assessment area.

Distribution of HMDA Loans by Income Level of Census Tract

Richmond, VA MSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(1) Home Purchase				(940)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	377	40.1	75,818	34.0
	(30) Refinance				(2,837)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	17	56.7	1,000	64.4	895	31.5	184,650	27.1
	(3) Home Improvement				(139)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	3	100.0	103	100.0	51	36.7	3,599	24.5
	(0) Multi-Family				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	20	58.8	1,103	57.1	1,323	33.8	264,067	28.7
Middle	14	41.2	830	42.9	1,681	42.9	368,602	40.1
Upper	0	0.0	0	0.0	906	23.1	283,678	30.9
NA*	0	0.0	0	0.0	6	0.2	2,259	0.2
Total	34	100.0	1,933	100.0	3,916	100.0	918,606	100.0

*NA-Tracts without household or family income as applicable

() represents the total number of bank loans for the specific Loan Purpose

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

As previously noted, refinance loans are the largest product extended by VCB as well as by aggregate lenders. The bank's refinance lending in moderate-income tracts during 2009 substantially exceeds aggregate lending in such tracts as well as owner-occupied units in these tracts (34.3%).

Overall, the bank's 2009 HMDA lending in moderate-income tracts exceeded both aggregate lending in such tracts and the percentage of owner-occupied units located in these tracts. VCB's lending in moderate-income tracts during 2010 (52.8%) was similar to that of 2009. Considering area demographics and available aggregate lending data, the bank's geographic distribution of lending is considered excellent.

Distribution of Small Business Loans by Income Level of Census Tract

Richmond, VA MSA (2010)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	17	63.0	1,852	61.1	NA	NA	NA	NA
Middle	10	37.0	1,179	38.9	NA	NA	NA	NA
Upper	0	0.0	0	0.0	NA	NA	NA	NA
NA*	0	0.0	0	0.0	NA	NA	NA	NA
Total	27	100.0	3,031	100.0	NA	NA	NA	NA

*NA-Tracts without household or family income as applicable

Of the 2010 small business loans extended by the bank in this assessment area, 63% were located in moderate-income census tracts. This level of lending exceeds the percentage of businesses located in moderate-income census tracts (33.9%) and the 2009 aggregate lending level (29.8%) in such areas. Based on the D&B data and available aggregate data, the bank's performance is considered to be excellent.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE CULPEPER, VA NONMSA ASSESSMENT AREA

This assessment area includes all of Culpeper and Orange Counties. VCB ranks sixth in deposit market share having 7% of assessment area deposits as of June 30, 2010.

According to data from the 2000 census, the assessment area has a population of 60,143 and a median housing value of \$122,271. The owner-occupancy rate for the market equals 67.6%, which is slightly higher than the rate both in nonmetropolitan areas of Virginia (65.4%) and the Commonwealth of Virginia (63.3%). In the assessment area, 7% of families are considered below the poverty level, while in nonmetropolitan areas of Virginia, 10.7% of families are impoverished and overall in the Commonwealth, 7% of families are considered impoverished. The 2009 and 2010 median family incomes for the nonmetropolitan areas of Virginia equal \$53,100 and \$53,300, respectively. The following table provides pertinent demographic data for the assessment area.

Assessment Area Demographics

Culpeper, VA NonMSA								
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	2,092	12.7
Moderate	0	0.0	0	0.0	0	0.0	2,181	13.2
Middle	4	44.4	5,346	32.4	528	9.9	3,349	20.3
Upper	5	55.6	11,158	67.6	635	5.7	8,882	53.8
NA	0	0.0	0	0.0	0	0.0		
Total	9	100.0	16,504	100.0	1,163	7.0	16,504	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	3,185	14.3
Moderate	0	0.0	0	0.0	0	0.0	2,659	11.9
Middle	4,870	29.7	7,498	33.6	1,021	13.6	3,777	16.9
Upper	11,515	70.3	14,795	66.4	1,087	7.3	12,672	56.8
NA	0	0.0	0	0.0	0	0.0		
Total	16,385	100.0	22,293	100.0	2,108	9.5	22,293	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	1,286	36.6	1,147	35.6	70	48.6	69	48.9
Upper	2,223	63.4	2,077	64.4	74	51.4	72	51.1
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	3,509	100.0	3,224	100.0	144	100.0	141	100.0
Percentage of Total Businesses:				91.9		4.1		4.0

*NA-Tracts without household or family income as applicable

Primary employment industries include government, health care, retail, and manufacturing. Major area employers include municipal governments (including area school boards), Culpeper Memorial Hospital, Wal-Mart, Von Holtzbrinck Publishing, and the Communications Corporation of America. Current and recent periodic unemployment rates are included in the following table:

Geographic Area	Unemployment Rate Trend									
	Sept 2006	March 2007	Sept 2007	March 2008	Sept 2008	March 2009	Sept 2009	March 2010	Sept 2010	March 2011
Culpeper County	3.1%	3.5%	3.5%	4.5%	4.8%	8.6%	8%	8.8%	7.3%	7.1%
Orange County	3%	3.2%	3%	4.1%	4.7%	7.8%	8%	8.5%	7.2%	7.1%
Commonwealth of Virginia	3.1%	2.9%	3%	3.6%	4%	6.7%	6.9%	7.4%	6.5%	6.3%

As indicated by the table, area unemployment rates have generally risen since the previous evaluation. High area unemployment rates may adversely affect a bank’s ability to extend credit as unemployed applicants often have diminished repayment capacity. While the most current data reflects that unemployment is trending downward in the area, it still exceeds that of the rate in the Commonwealth.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

During 2009 and 2010, the bank originated \$745,000 and \$683,000, respectively, in HMDA loans in the assessment area. In 2010, the bank originated \$3.8 million in small business loans within the assessment area.

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

Distribution of HMDA Loans by Income Level of Borrower

Culpeper, VA NonMSA (2009)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(5) Home Purchase				(1,305)			
Low	1	20.0	41	9.8	19	1.5	2,027	0.8
Moderate	2	40.0	220	52.8	246	18.9	33,667	13.6
	(4) Refinance				(1,940)			
Low	0	0.0	0	0.0	76	3.9	10,964	2.7
Moderate	0	0.0	0	0.0	214	11.0	28,753	7.1
	(0) Home Improvement				(99)			
Low	0	0.0	0	0.0	4	4.0	263	2.4
Moderate	0	0.0	0	0.0	11	11.1	1,010	9.3
	(0) Multi-Family				(0)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
	HMDA Totals							
Low	1	11.1	41	6.6	99	3.0	13,254	2.0
Moderate	2	22.2	220	35.2	471	14.1	63,430	9.6
Middle	1	11.1	60	9.6	796	23.8	132,688	20.1
Upper	5	55.6	304	48.6	1,978	59.2	450,591	68.3
Total	9	100.0	625	100.0	3,344	100.0	659,963	100.0
Unknown	2		120		745		159,803	

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

As reflected in the preceding table, the bank reported a low volume of HMDA related loans in 2009. Of these loans only home purchase loans and refinance loans were originated by the bank. While the bank did not extend any refinance loans to low- and moderate-income borrowers, the bank's performance in extending home purchase loans to such borrowers exceeded aggregate lending and the percentage of such families (11.1% low-income and 22.2% moderate-income) in the assessment area and is considered excellent.

VCB also reported limited HMDA lending in 2010 in this assessment area with only five loans extended (where income was known). Of these loans, none were extended to low- and moderate-income borrowers. When considering the bank's limited HMDA lending for 2009 and 2010 along with the distribution of such lending when compared to area demographics and aggregate lending, the bank's overall level of lending to low- and moderate-income borrowers is considered reasonable.

Distribution of Lending by Loan Amount and Size of Business

Culpeper, VA NonMSA (2010)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$1 Million or Less	31	86.1	3,018	80.1	NA	NA	NA	NA
Over \$1 Million	5	13.9	749	19.9	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	28	77.8	1,377	36.5	NA	NA	NA	NA
\$100,001-\$250,000	4	11.1	770	20.4	NA	NA	NA	NA
\$250,001-\$1 Million	4	11.1	1,620	43.0	NA	NA	NA	NA
Total	36	100.0	3,767	100.0	NA	NA	NA	NA

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

According to D&B data, 91.9% of all local businesses have annual revenues of \$1 million or less. Considering performance context, during 2009, 24.2% of aggregate small business loans were extended to businesses having annual revenues of \$1 million or less. The remaining loans were made to businesses that had annual revenues exceeding \$1 million or their level of revenue was not known.

The performance of traditional bank lenders, which excludes credit card lenders, was also considered in the evaluation. After excluding the specialty lenders, 67.7% of the small business loans originated in 2009 by the remaining traditional bank lenders was to businesses with annual revenues of \$1 million or less. Overall, in the context of both the D&B data and available aggregate data, the bank's level of lending to small businesses (86.1%) is considered to be excellent.

Geographic Distribution of Loans

The bank's assessment area contains only middle- and upper-income geographies. Accordingly, all small business and HMDA loans were extended to borrowers in middle- and upper-income areas.

VCB's 2009 HMDA lending in middle-income census tracts (54.5%) exceeded aggregate lending in such tracts (26%) as well as owner-occupied units located in these tracts (29.7%). The bank's 2010 HMDA lending was similar with 66.7% of loans extended to borrowers located in middle-income census tracts.

During 2010, the bank's small business lending in middle-income tracts (63%) exceeded the number of businesses located in such tracts (36.6%). 2009 aggregate lending in these tracts (33.8%) suggests demand consistent with the D&B percentage of businesses.

Based on area demographics and in the context of available aggregate lending data, VCB's geographic level of lending is considered reasonable.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WASHINGTON-ARLINGTON-ALEXANDRIA, DC-MD-VA-WV MSA

The Washington-Arlington-Alexandria, DC-MD-VA-WV MSA was reviewed using limited review examination procedures. The portions of this MSA making up the assessment area are Spotsylvania County and the City of Fredericksburg. Information detailing the composition of this assessment area, including selected demographic data, is included in **APPENDIX A** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Facts and data reviewed for the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA assessment area, including performance and demographic information, can be found in **APPENDIX A** of this evaluation. The bank's performance in the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA assessment area was generally consistent with the institution's overall level of performance. Due to the relatively small market presence in this assessment area, the level of performance in this assessment area does not impact the institution's overall rating.

**CRA APPENDIX A
 LIMITED REVIEW TABLES**

WASHINGTON-ARLINGTON-ALEXANDRIA, DC-MD-VA-WV MSA ASSESSMENT AREA

This assessment area operates one branch office and includes a portion of the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA. There is one low-income tract, five moderate-income tracts, and nine middle-income tracts within the assessment area.

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

Limited Review Lending Table

Washington-Arlington-Alexandria, DC-MD-VA-WV MSA								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase (2009)				Home Improvement (2009)			
<i>Geographic</i>	(2)				(1)			
Low	0	0.0	1.5	1.5	0	0.0	1.8	1.5
Moderate	1	50.0	20.9	23.8	1	100.0	27.6	23.8
<i>Borrower</i>	(1)				(1)			
Low	0	0.0	27.3	22.0	1	100.0	23.0	22.0
Moderate	0	0.0	29.3	22.9	0	0.0	21.6	22.9
	Refinance (2009)				Multi-Family (2009)			
<i>Geographic</i>	(2)				(0)			
Low	0	0.0	1.7	1.5	0	0.0	0.0	1.5
Moderate	2	100.0	27.0	23.8	0	0.0	50.0	23.8
<i>Borrower</i>	(1)				(0)			
Low	1	100.0	16.9	22.0	0	0.0	0.0	22.0
Moderate	0	0.0	26.9	22.9	0	0.0	0.0	22.9
	HMDA Total (2009)				Consumer			
<i>Geographic</i>	(5)				(NA)			
Low	0	0.0	1.6	1.5	NA	NA	NA	NA
Moderate	4	80.0	24.5	23.8	NA	NA	NA	NA
<i>Borrower</i>	(3)				(NA)			
Low	2	66.7	22.0	22.0	NA	NA	NA	NA
Moderate	0	0.0	27.9	22.9	NA	NA	NA	NA
	Small Business (2010)				Small Farm (2010)			
<i>Geographic</i>	(12)				(0)			
Low	0	0.0	6.3	7.8	0	0.0	0.0	0.0
Moderate	5	41.7	23.8	23.8	0	0.0	41.7	61.9
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	11	91.7	24.9	90.6	0	0.0	91.7	100.0

*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*

CRA APPENDIX B

Loan, branch, and Deposit Volume by Assessment Area

Loan volume data reflects the HMDA loans reported by the institution from January 1, 2009, through December 31, 2010, and small business loans from January 1, 2010, through December 31, 2010. Deposit volume data was reported to the Federal Deposit Insurance Corporation and is current as of June 30, 2010.

Assessment Area	HMDA/Small Business Loan Volume				# of Offices		Deposit Volume	
	#	%	\$(000s)	%	#	%	\$(000)	%
Richmond, VA MSA	97	56.4%	7,047	45.8%	5	62.5%	107,788	58.0%
Washington-Arlington-Alexandria, DC-MD-VA-WV MSA	22	12.8%	3,132	20.4%	1	12.5%	9,812	5.3%
Culpeper, VA NonMSA	53	30.8%	5,195	33.8%	2	25.0%	68,301	36.7%
Total	172	100%	15,374	100%	8	100%	185,901	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.

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.