



PUBLIC DISCLOSURE

May 16, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Clarke County

Berryville, Virginia

**Federal Reserve Bank of Richmond
Richmond, Virginia**

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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753324

2 East Main Street
Berryville, VA 22611

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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 reasonable given its size, financial condition, and assessment area credit needs.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans considered in the evaluation were originated within the bank's assessment area.
- The bank's borrower distribution lending performance is reasonable overall.
- The bank's geographic distribution is reasonable.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.
- The bank's responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and services is considered adequate.

SCOPE OF EXAMINATION

The Bank of Clarke County (BCC) was evaluated using the interagency evaluation procedures for an intermediate small bank developed by the Federal Financial Institutions Council (FFIEC). BCC is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, the bank's 2019 and 2020 HMDA loan originations (288 loans) were considered in the evaluation. In addition, small business lending was identified as a significant product line and a sample of 180 small business loans from a universe of 1,082 originated during 2020 were included in the analysis.

While the bank has reported its 2021 HMDA data, that data is not included in this analysis because the 2021 aggregate data is not yet available. Because aggregate data captures lending done under the same business and market conditions, aggregate data from 2021 is an important performance context factor needed to evaluate the bank's lending performance, especially since the pandemic continued throughout 2021.

Qualified community development loans and services provided since the previous evaluation (January 28, 2019) were also considered in this evaluation. Additionally, all qualified investments financed during this period, including those outstanding as of the date of this evaluation, were considered. To determine availability of qualified community development opportunities in the assessment area, CRA public evaluations of other financial institutions operating in the assessment area were reviewed. Additionally, a member of the community was contacted to discern local economic conditions, credit needs, the performance of local financial institutions, and potential community development opportunities.

DESCRIPTION OF INSTITUTION

BCC is headquartered in Berryville, Virginia, and operates 12 full-service branch locations and one drive-through facility in Clarke County, Frederick County, Loudoun County, and the City of Winchester. The bank is a wholly-owned subsidiary of Eagle Financial Services, Inc., a single-bank holding company, also headquartered in Berryville, Virginia. The bank received an Outstanding rating at its previous CRA evaluation dated January 28, 2019. No known legal impediments exist that would constrain the bank from meeting the credit needs of its assessment area.

As of March 31, 2022, bank assets totaled \$1.4 billion, of which 73.7% were net loans and 14.1% were securities. Deposits totaled \$1.2 billion during the same time period. Various deposit and loan products are available through the institution, including residential mortgage, business, and consumer purpose loans. The composition of the loan portfolio (reflecting gross loans) as of March 31, 2022, is depicted in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2022	
	\$ (000s)	%
Secured by 1-4 Family dwellings	258,999	25.3
Multifamily	29,308	2.9
Construction and Development	73,223	7.2
Commercial & Industrial/ NonFarm NonResidential	549,721	53.8
Consumer Loans and Credit Cards	79,841	7.8
Agricultural Loans/ Farmland	15,306	1.5
All Other	15,908	1.6
Total	1,022,306	100.0

As indicated in the preceding table, the bank is an active commercial/small business and residential mortgage lender. Although the bank offers a variety of lending products other than residential mortgage and commercial/small business loans, such lending represents a smaller portion of the overall lending activity. Due to the relative size and larger concentration compared to other loan products, residential mortgage and commercial/small business loan products were used for this evaluation.

DESCRIPTION OF WASHINGTON-BALTIMORE-ARLINGTON, VA ASSESSMENT AREA

BCC operates 13 locations (12 full-service offices and one drive-through facility) in the Washington-Baltimore-Arlington, VA assessment area, which are included within the Washington-Baltimore-Arlington, DC-MD-VA-WV-PA Combined Statistical Area (CSA). Clarke and Loudoun Counties are located within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Statistical Area (MSA), while Frederick County and the City of Winchester are located in the Winchester, VA-WV MSA. The counties and cities served by the bank are contiguous and are part of the larger CSA. The following table reflects the composition of the bank’s assessment area.

Assessment Area	City/County	Census Tracts Included
Washington-Baltimore-Arlington, VA	Clarke County	All
	Frederick County	All
	Loudoun County	All
	City of Winchester	All

As of June 30, 2021, BCC ranked 8th out of 22 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 5.7% of the assessment area’s deposits (excluding credit union deposits).

According to the most recently available 2015 American Community Survey (ACS) data, the assessment area has a population of 473,936 and a median housing value of \$386,213. The owner-occupancy rate for the assessment area (70.6%) is greater than the owner-occupancy rates for the Commonwealth of Virginia (59.2%), the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (57.8%), and the Winchester, VA-WV MSA (57.7%). The percentage of families living below the poverty level in the assessment area (3.5%) is lower than the rates in the Commonwealth (8.2%), the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (6.1%), and the Winchester, VA-WV MSA (6.8%). The 2019 HUD estimated median family incomes for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the Winchester, VA-WV MSA equaled \$114,700 and \$73,500, respectively, while the 2020 HUD estimated median family incomes for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the Winchester, VA-WV MSA equaled \$118,700 and \$83,400, respectively. The following table includes pertinent demographic data for the assessment area based on 2015 ACS data and 2020 Dun & Bradstreet (D&B) data.

Assessment Area Demographics

Washington-Baltimore-Arlington, VA <i>(Based on 2015 ACS Data and 2020 D&B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	1.1	1,321	1.1	58	4.4	17,125	14.3
Moderate	9	10.3	10,044	8.4	883	8.8	16,386	13.7
Middle	30	34.5	37,258	31.2	1,997	5.4	24,106	20.2
Upper	46	52.9	70,741	59.3	1,224	1.7	61,747	51.8
NA	1	1.2	0	0.0	0	0.0		
Total	87	100.0	119,364	100.0	4,162	3.5	119,364	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	481	0.4	1,964	1.2	158	8.0	23,496	14.8
Moderate	7,898	6.6	15,392	9.7	1,568	10.2	21,335	13.4
Middle	37,886	31.7	54,441	34.2	3,869	7.1	27,035	17.0
Upper	73,159	61.3	87,224	54.9	2,637	3.0	87,155	54.8
NA	0	0.0	0	0.0	0	0.0		
Total	119,424	100.0	159,021	100.0	8,232	5.2	159,021	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	795	2.7	712	2.6	79	4.1	4	1.7
Moderate	2,771	9.5	2,444	9.0	312	16.1	15	6.4
Middle	8,421	28.8	7,718	28.5	635	32.7	68	28.9
Upper	17,098	58.5	16,066	59.4	887	45.7	145	61.7
NA	153	0.5	120	0.5	30	1.4	3	1.3
Total	29,238	100.0	27,060	100.0	1,943	100.0	235	100.0
Percentage of Total Businesses:				92.6		6.6		0.8

*NA-Tracts without household or family income as applicable

The bank’s market area offers a large number and variety of employment opportunities. In addition to the federal, state, and local government entities, major employers include those within the retail, aerospace, defense, healthcare, and banking industries. The area’s largest private employers include Orbital Sciences Corporation, United Airlines, Inc., M.C. Dean, Inc., Raytheon Company, Trex Company, Inc., Navy Federal Credit Union, Berryville Graphics, Shenandoah University, and Valley Health Systems. Recent and historical unemployment rates since the previous evaluation are presented in the following table.

Geographic Area	March 2019	March 2020	March 2021	March 2022
Clarke County, VA	2.9%	2.5%	3.5%	2.3%
Frederick County, VA	2.8%	2.4%	3.4%	2.1%
Loudoun County, VA	2.5%	2.3%	3.7%	2.2%
City of Winchester, VA	3.1%	2.9%	4.2%	2.5%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	3.1%	3.7%	5.3%	3.6%
Winchester, VA-WV MSA	3.1%	2.8%	3.7%	2.3%
Commonwealth of Virginia	3%	2.9%	4.5%	2.7%

As indicated by the data included in the preceding table, unemployment rates for the assessment area were generally consistent with the unemployment rates across the Commonwealth of Virginia and related MSAs. Unemployment rates increased in 2021 due to the national emergency concerning the coronavirus disease 2019 (COVID-19) pandemic. Since the peak of the national pandemic, unemployment rates have generally normalized to their pre-pandemic levels.

An individual knowledgeable of local market conditions was contacted recently to discuss area economic conditions and community credit needs. She noted that the local area has a need for early-stage business financing, particularly for minority entrepreneurs as well as a need for low-cost financing for non-traditional business models. The contact indicated that she believes local banks have generally been responsive to the local community and offered products and rates that have favorable and affordable terms.

Overall, the discussion with the economic development official and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are readily available within the bank’s assessment area. Despite a highly competitive market, the bank faces no constraints in taking advantage of the community development opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Reported residential mortgage data from 2019 and 2020, as well as a sample of small business data from 2020, were fully analyzed and considered in the evaluation. 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 updated once every five years, which is used as a proxy for credit demand. Given the time period of the loan data used in this evaluation, ACS demographic data is from 2015. D&B business demographic data from 2020 is also considered when evaluating the bank’s performance.

While aggregate HMDA loan data from calendar years 2019 and 2020 were fully analyzed and considered in the evaluation, only bank and aggregate HMDA data from 2020 are presented in the assessment area tables. In instances where 2019 performance varies from the performance noted during 2020, such variance and the corresponding impact on the overall performance are discussed. Similarly, aggregate small business lending data includes all lenders subject to reporting small business data. Because BCC is not subject to data collection and reporting for the CRA, its small business lending activity is not included in the small business loan aggregate data; however, the data serves as a meaningful proxy for demand.

When assessing the individual loan products for geographic and borrower distribution performance, primary consideration is given to the number (and corresponding percentage) of loans. When combining multiple loan products to arrive at an overall conclusion, the level of performance for each product is weighted primarily by the dollar volume that the product contributes to the overall activity considered in the evaluation. The geographic and borrower distribution performance of HMDA loans focused on performance for Home Purchase, Home Improvement, Refinancing, and Multi-family loan categories. Performance for the Not Applicable, Other Closed, and Other Line of Credit loan categories was not evaluated because not all HMDA reporters are required to report each loan category, or the category contains relatively few loans overall.

During 2020 and 2019, BCC originated \$60.6 million and \$27.8 million in HMDA loans inside its assessment area, respectively. While the bank originated 1,082 small business loans totaling \$122.8 million in 2020, a sample of 180 small business loans was randomly selected for this evaluation. Of the 180 small business loans included in the sample, 146 loans totaling \$15.2 million were originated inside the assessment area. Accordingly, in instances where bank performance varied by product, small business lending received greater weight when determining overall performance.

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 area, borrower distribution performance, and geographic distribution performance.

The bank’s Community Development Test is rated Satisfactory. This conclusion is based on the amount of qualified investments, the extent to which the bank provides community development services, and its responsiveness to identified community development lending, investment, and service needs.

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

Loan-To-Deposit Ratio

The bank’s loan-to-deposit ratio as of March 31, 2022, equaled 81.5% and averaged 83.1% for the 13-quarter period ending March 31, 2022. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in the assessment area ranged from 73.3% to 91.9% during the same 13-quarter period. Since March 31, 2019, bank assets, net loans, and deposits have grown by 71.4%, 65.9%, and 75.4%, respectively. BCC’s loan-to-deposit ratio is considered reasonable given the bank’s size, financial condition, and assessment area credit needs.

Lending In Assessment Area

To determine the institution’s volume of lending within its assessment area, the geographic location of the bank’s HMDA loans in 2019 and 2020, as well as small business loans in 2020 were considered. The lending distribution inside and outside the bank’s assessment area is depicted in the following table.

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

Loan Type	Inside				Outside			
	#	%	\$ (000)	%	#	%	\$ (000)	%
Home Purchase	143	41.3	41,890	55.2	203	58.7	34,059	44.8
Home Improvement	57	87.7	4,729	93.9	8	12.3	309	6.1
Refinancing	235	82.7	58,290	82.1	49	17.3	12,734	17.9
Multi-Family Housing	19	54.3	18,289	42.0	16	45.7	25,258	58.0
Loan Purpose Not Applicable	0	0.0	0	0.0	0	0.0	0	0.0
Other Purpose Closed/Exempt	39	79.6	3,487	41.1	10	20.4	4,991	58.9
Other Purpose LOC	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA related	493	63.3	126,685	62.1	286	36.7	77,351	37.9
Small Business*	146	81.1	15,243	75.8	34	18.9	4,863	24.2
TOTAL LOANS	639	66.6	141,928	63.3	320	33.4	82,214	36.7

**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 previously discussed, two calendar years of HMDA lending and one year of small business lending were analyzed and considered in the evaluation. After accounting for the difference, a majority of the bank’s lending occurred within its assessment area. Overall, the institution’s level of lending within the assessment area is considered responsive to community credit needs.

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

BCC's borrower distribution performance is considered excellent for HMDA lending and reasonable for small business lending. Overall, BCC's combined HMDA and small business lending revealed reasonable penetration among individuals of different incomes and businesses of different sizes. In reaching this conclusion, more weight was placed on the bank's small business lending due to the significantly greater dollar volume of lending.

Distribution of HMDA Loans by Income Level of Borrower

Washington-Baltimore-Arlington, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
HMDA Totals								
Low	13	9.0	2,418	5.4	1,818	3.7	393,204	1.9
Moderate	21	14.5	3,274	7.3	7,032	14.2	2,161,536	10.6
Middle	33	22.8	6,651	14.7	14,136	28.5	5,521,889	27.1
Upper	78	53.7	32,776	72.6	26,556	53.6	12,293,699	60.4
Total	145	100.0	45,119	100.0	49,542	100.0	20,370,328	100.0
Unknown	40		15,530		9,795		4,649,178	

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

During 2020, the bank's lending to low-income borrowers (9%) was lower than the percentage of low-income families (14.3%) but is substantially higher than the aggregate lending level (3.7%). The bank's level of lending to moderate-income borrowers (14.5%) approximates the percentage of area moderate-income families (13.7%) and the aggregate level of lending (14.2%). Overall, the bank's distribution of HMDA loans reflects excellent distribution among low- and moderate-income borrowers during 2020, and its performance during 2019 is substantially similar.

Distribution of Lending by Loan Amount and Size of Business

Washington-Baltimore-Arlington, VA (2020)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
\$1 Million or Less	13	8.9	4,314	28.3	7,328	45.5	261,961	28.1
Over \$1 Million	3	2.1	1,280	8.4	NA	NA	NA	NA
Unknown	130	89.0	9,649	63.3	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	112	76.7	3,692	24.2	14,099	87.5	298,535	32.0
\$100,001-\$250,000	16	11.0	2,635	17.3	1,121	7.0	185,125	19.8
\$250,001-\$1 Million	18	12.3	8,917	58.5	889	5.5	449,691	48.2
Total	146	100.0	15,244	100.0	16,109	100.0	933,351	100.0

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

According to 2020 D&B data, 92.6% of all local businesses have revenue that do not exceed \$1 million per year. During 2020, 45.5% of aggregate reported small business loans were to businesses with revenue of \$1 million or less, and the remaining loans were to businesses that either have revenue exceeding \$1 million or had unknown revenue.

During 2020, BCC offered Paycheck Protection Program (PPP) loans which were designed to help businesses keep their workforce employed during the COVID-19 pandemic crisis. As part of the program, lenders were not required to consider borrower revenue as underwriting criteria; consequently, the majority of PPP loans were reported with unknown revenue. Of the 146 sampled small business loans in the bank's assessment area, 127 of them totaling \$8 million were PPP loans. This represents 87% by number and 52.6% by dollar amount of the small business loans in the analysis. While the

bank's PPP lending activity can be parsed from its small business loan data and used as performance context to explain the large percentage of loans for which revenue is not known, PPP data cannot be parsed from the aggregate lending data, which limits the ability to draw meaningful conclusions from a comparison to aggregate lending data. Given this limitation, a review of the bank's distribution by loan size was also conducted and used as an element of performance context. As reflected in the table, a high percentage (76.7%) of sampled loans in the analysis were in amounts of \$100,000 or less which suggests that BCC is helping to serve the needs of small businesses in the assessment area.

Additionally, of the 19 non-PPP loans in the sample, revenues were known for 16 of the loans, and a majority of them (13) had revenues less than \$1 million. While the bank's performance lags the percentage of area small businesses and the aggregate level of lending, after considering the unique data constraints for 2020, the bank's substantial volume of PPP lending activity, and contextual elements such as the distribution by loan size, overall, the bank's lending to businesses having revenues of \$1 million or less is considered reasonable.

Geographic Distribution of Loans

BCC's geographic distribution performance is considered excellent for HMDA lending and reasonable for small business lending. Given the dollar volume of lending for the universe of small business lending (\$122.8 million) as compared to the dollar volume of HMDA lending in 2020 and 2019 (\$60.6 million and \$27.8 million, respectively), the bank's small business lending performance is given more weight when determining the bank's overall performance. Overall, the bank's geographic distribution performance is considered reasonable.

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Baltimore-Arlington, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$ (000s)	% \$	#	%	\$ (000s)	% \$
	(45)				Home Purchase (15,377)			
Low	0	0.0	0	0.0	76	0.5	22,504	0.3
Moderate	5	11.1	811	4.2	870	5.7	274,188	3.9
Middle	24	53.3	7,160	37.1	4,276	27.8	1,556,927	22.2
Upper	16	35.6	11,317	58.7	10,155	66.0	5,168,740	73.6
	(121)				Refinance (42,463)			
Low	1	0.8	215	0.6	98	0.2	22,271	0.1
Moderate	10	8.3	2,149	5.7	1,422	3.3	417,662	2.4
Middle	66	54.5	18,251	48.4	8,160	19.2	2,661,983	15.2
Upper	44	36.4	17,081	45.3	32,783	77.3	14,425,989	82.3
	(17)				Home Improvement (1,475)			
Low	0	0.0	0	0.0	4	0.3	292	0.2
Moderate	1	5.9	32	1.5	43	2.9	4,493	2.3
Middle	11	64.7	1,592	75.4	290	19.7	33,600	17.6
Upper	5	29.4	488	23.1	1,138	77.1	152,949	79.9
	(2)				Multi-Family (22)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	50.0	888	57.2	8	36.4	23,266	8.4
Middle	0	0.0	0	0.0	8	36.4	76,982	27.7
Upper	1	50.0	665	42.8	6	27.2	177,660	63.9
	HMDA Totals							
Low	1	0.5	215	0.4	178	0.3	45,067	0.2
Moderate	17	9.2	3,880	6.4	2,343	3.9	719,609	2.9
Middle	101	54.6	27,003	44.5	12,734	21.5	4,329,492	17.3
Upper	66	35.7	29,551	48.7	44,082	74.3	19,925,338	79.6
NA*	0	0.0	0	0.0	0	0.0	0	0.0
Total	185	100.0	60,649	100.0	59,337	100.0	25,019,506	100.0

NA*-Tracts without household or family income as applicable

As depicted in the table above, the majority of the bank’s HMDA lending in 2020 was concentrated in refinance transactions followed by home purchase, home improvement, and multi-family lending which is similar to the aggregate proportion of lending. Multi-family lending was not a factor in the analysis due to limited lending within the assessment area. Considering both demographic and aggregate proxies for demand, the bank’s performance for refinance, home purchase, and home improvement lending are all considered excellent.

The bank’s HMDA geographic distribution in 2020 is considered excellent, driven primarily by its lending penetration into moderate-income census tracts. While BCC’s level of mortgage lending in low-income census tracts (.5%) approximates the level of owner-occupied housing units located in low-income census tracts (.4%) and the aggregate level of lending (.3%) in such tracts, there is minimal demand in the one low-income census tracts as evidenced by the aggregate and demographic figures. The bank’s mortgage lending in moderate-income census tracts (9.2%) substantially exceeded both the level of owner-occupied housing units located in moderate-income census tracts (6.6%) and the aggregate level of lending (3.9%) in such tracts. BCC’s 2020 performance is considered excellent, and its 2019 performance is substantially similar.

Distribution of Small Business Loans by Income Level of Census Tract

Washington-Baltimore-Arlington, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	2	1.4	67	0.4	468	2.9	42,119	4.5
Moderate	14	9.6	1,041	6.8	1,472	9.2	97,741	10.5
Middle	85	58.2	10,365	68.0	4,190	26.1	270,126	29.0
Upper	44	30.1	3,674	24.2	9,849	61.4	514,490	55.3
NA*	1	0.7	96	0.6	68	0.4	6,668	0.7
Total	146	100.0	15,243	100.0	16,047	100.0	931,144	100.0

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

Overall, BCC’s small business geographic distribution performance during 2020 is considered reasonable. D&B data from 2020 indicates that 2.7% and 9.5% of all businesses in the assessment area are located within low- and moderate-income census tracts, respectively. BCC’s lending to businesses located in low-income census tracts (1.4%) lagged the percentage of businesses located in low-income census tracts as well as the aggregate level of lending to business (2.9%) located in such tracts. The bank’s lending to businesses located in moderate-income census tracts (9.6%) approximates the percentage of businesses located in moderate-income census tracts and slightly exceeds the aggregate level of lending to businesses (9.2%) located in such tracts.

Community Development Loans, Investments, and Services

Information collected through discussions with an individual knowledgeable of the local community as well as a review of performance evaluations of other financial institutions operating within the assessment area indicate that numerous community development opportunities exist within the assessment area. The institution faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities.

BCC has supported local community development initiatives by originating nine community development loans totaling approximately \$8.6 million to local organizations within the assessment area. Qualified community development loans include:

- Three loans totaling \$5.8 million through SBA’s Paycheck Protection Program during the national pandemic, to companies that employed residents of, and which are located in low- or moderate-income census tracts.
- Two loans totaling \$1 million to a nonprofit organization that provides emergency housing and workforce development training for low- and moderate-income victims of domestic and sexual violence.
- Two loans totaling \$1.15 million to a nonprofit organization that provides temporary housing, meals, and counseling services to homeless individuals in the Northern Shenandoah Valley, which includes the bank’s assessment area.
- A loan for \$25,000 to a nonprofit organization that provides financial assistance and support services to address the need for stable, safe, affordable, and permanent housing for low-income and homeless individuals and families within the community.
- A loan for \$550,000 to finance a multi-family property that contains nine affordable housing units to be used for low- and moderate-income residents.

In 2021, BCC developed and implemented a loan product under the Special Purpose Credit Program (SPCP) provisions of Regulation B in response to unmet credit needs among minority and low-and moderate-income communities. Through this loan program, unsecured term loans of up to \$50,000 for existing businesses or \$10,000 for new businesses are offered to applicants who meet certain eligibility requirements of the program, including annual revenues of \$1 million or less for businesses, or \$500,000 for farms. As of the date of this evaluation, the bank had not yet originated any loans under this new loan program.

The bank also holds 15 qualified community development investments totaling approximately \$12.1 million and has made 57 qualified community development donations totaling \$36,500 to local organizations that promote affordable housing and assist low- and moderate-income residents within the bank's assessment area. Qualified community development investments include:

- Six investments in Virginia Housing Development Authority (VHDA) bonds totaling approximately \$2.8 million. The VHDA is a self-supporting, not-for-profit organization created by the Commonwealth of Virginia to help low- and moderate-income Virginians attain quality affordable housing. Proceeds of these bonds benefit the Commonwealth of Virginia, including the bank's assessment area.
- Seven investments in loan pools qualified as Small Business Investment Company (SBIC) by the Small Business Administration totaling approximately \$8.1 million. These SBIC-designated portfolios are comprised of long-term investments in small businesses nationwide, including the bank's assessment area.
- One equity investment totaling \$710,000 in Farragut Capital Partners, an SBIC-designated fund which facilitates investments in small businesses nationwide, including companies located within the bank's assessment area. The bank has committed a total of \$1 million into this fund.
- One investment in a Loudoun County Virginia Economic Development Authority bond totaling approximately \$500,000, which is used to fund certain types of facilities, including medical or research, housing for low-income or elderly persons, nonprofit institutions, office or administrative workspace, and parking facilities within Loudoun County, Virginia.

Since the previous evaluation, two bank employees have volunteered time and financial expertise to the Freemont Street Nursery, which provides free childcare to low- and moderate-income families in Winchester, Virginia. These two BCC employees serve on the board of directors for this organization.

Of the bank's 13 branches within the assessment area, one (7.7%) is located in a low-income census tract and three (23.1%) are located in moderate-income census tracts. Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment area. BCC also offers free and low-cost checking accounts, which can benefit low- and moderate-income customers.

When considering community development opportunities, BCC has demonstrated an adequate level of responsiveness to local community needs through its lending activities, investments facilitating community development, and community development services. Accordingly, the bank's overall performance under the Community Development Test is rated Satisfactory.

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.

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 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.