



PUBLIC DISCLOSURE

January 28, 2019

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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Bank of Clarke County

753324

2 East Main Street

Berryville, Virginia 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: OUTSTANDING.

The Lending Test is rated: OUTSTANDING.

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.
- Lending to borrowers of different sizes is excellent when considering the various proxies for demand.
- The geographic distribution of loans reflects an excellent dispersion throughout the assessment area.
- The institution has not received any complaints regarding its Community Reinvestment Act (CRA) performance since the previous evaluation.
- The bank's responsiveness to community development needs of its assessment area through community development loans, qualified investments, and services is considered reasonable.

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 2016 and 2017 HMDA loan originations (432 loans) were considered in the evaluation. In addition, small business lending was identified as a significant product line and was also considered in the evaluation. The analysis includes all small business loans that were originated by the bank during 2017 (168 loans).

Qualified community development loans and services provided since the previous evaluation (November 30, 2015) 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. A member of the community was contacted to discern local economic conditions, affordable housing needs, local credit needs, 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 November 30, 2015. No known legal impediments exist that would constrain the bank from meeting the credit needs of its assessment area.

As of September 30, 2018, bank assets totaled \$778.6 million, of which 75.9% were net loans and 18% were securities. Deposits totaled \$694.7 million during this same 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 September 30, 2018, is depicted in the following table.

Composition of Loan Portfolio

Loan Type	9/30/2018	
	\$ (000s)	%
Secured by 1-4 Family dwellings	221,847	37.2
Multifamily	7,482	1.3
Construction and Development	53,490	9.0
Commercial & Industrial/ NonFarm NonResidential	288,752	48.5
Consumer Loans and Credit Cards	8,790	1.5
Agricultural Loans/ Farmland	7,838	1.3
All Other	7,686	1.3
Total	595,885	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 increased 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 all 13 branches in the Washington-Baltimore-Arlington, VA assessment area, which is 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 city served by BCC are contiguous and 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
	Loudon County	All
	City of Winchester	All

As of June 30, 2018, BCC ranked 6th out of 28 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation and held 7.4% of the assessment area's deposits (excluding credit union deposits).

According to 2010 American Community Survey (ACS) data, the assessment area has a population of 430,853 and a median housing value of \$428,469. The owner-occupancy rate for the assessment area (71%) is greater than the owner-occupancy rates for the Commonwealth of Virginia (61.8%), the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (59.6%), and the Winchester, VA-WV MSA (61.6%). The percentage of families living below the poverty level in the assessment area (3.2%) is lower than the rates in the Commonwealth (7.2%), the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (5.2%), and the Winchester, VA-WV MSA (7.3%). The 2016 HUD estimated median family incomes for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the Winchester, VA-WV MSA equaled \$105,700 and \$73,800, respectively. The following table includes pertinent demographic data for the assessment area based on 2010 ACS and 2016 Dun & Bradstreet (D&B) data.

Assessment Area Demographics

Washington-Baltimore-Arlington, VA (Based on 2010 ACS Data and 2016 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	1.2	778	0.8	123	15.8	12,113	11.9
Moderate	9	10.3	9,873	9.7	985	10.0	14,572	14.3
Middle	27	31.0	30,438	29.9	945	3.1	22,032	21.7
Upper	49	56.3	60,677	59.6	1,165	1.9	53,049	52.1
NA	1	1.2	0	0.0	0	0.0		
Total	87	100.0	101,766	100.0	3,218	3.2	101,766	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	628	0.6	1,738	1.2	172	9.9	19,456	13.9
Moderate	9,384	8.6	16,245	11.6	2,180	13.4	18,914	13.5
Middle	33,012	30.3	44,100	31.6	2,184	5.0	24,727	17.7
Upper	65,861	60.5	77,561	55.6	2,305	3.0	76,547	54.9
NA	0	0.0	0	0.0	0	0.0		
Total	108,885	100.0	139,644	100.0	6,841	4.9	139,644	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	590	2.5	524	2.4	59	3.1	7	3.5
Moderate	2,858	11.9	2,470	11.3	360	18.8	28	14.1
Middle	6,450	26.8	5,824	26.5	585	30.6	41	20.6
Upper	13,998	58.1	13,028	59.3	851	44.6	119	59.8
NA	169	0.7	109	0.5	56	2.9	4	2.0
Total	24,065	100.0	21,955	100.0	1,911	100.0	199	100.0
Percentage of Total Businesses:				91.2		7.9		0.9

*NA-Tracts without household or family income as applicable

Following the most recent update to the ACS data, the income level designation of certain census tracts within the assessment area changed from 2016 to 2017. According to 2015 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 (57.6%). The percentage of families living below the poverty level in the assessment area (3.5%) remains 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 2017 HUD estimated median family incomes for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and the Winchester, VA-WV MSA equaled \$107,600 and \$68,100, respectively. The following table includes pertinent demographic data for the assessment area based on 2015 ACS and 2017 D&B data.

Assessment Area Demographics

Washington-Baltimore-Arlington, VA (Based on 2015 ACS Data and 2017 D&B Information)								
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	17,249	14.5
Moderate	9	10.3	10,044	8.4	883	8.8	16,473	13.8
Middle	30	34.5	37,258	31.2	1,997	5.4	24,221	20.3
Upper	46	53.0	70,741	59.3	1,224	1.7	61,421	51.4
NA	1	1.1	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	23,851	15.0
Moderate	7,898	6.6	15,392	9.7	1,568	10.2	21,500	13.5
Middle	37,886	31.7	54,441	34.2	3,869	7.1	27,421	17.2
Upper	73,159	61.3	87,224	54.9	2,637	3.0	86,249	54.3
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	547	2.5	475	2.4	65	3.4	7	3.8
Moderate	2,053	9.4	1,702	8.7	333	17.3	18	9.7
Middle	6,373	29.3	5,692	28.9	633	32.8	48	25.8
Upper	12,664	58.1	11,711	59.5	844	43.8	109	58.6
NA	149	0.7	93	0.5	52	2.7	4	2.1
Total	21,786	100.0	19,673	100.0	1,927	100.0	186	100.0
Percentage of Total Businesses:				90.3		8.8		0.9

*NA-Tracts without household or family income as applicable

The bank's market area contains diversified local economies with a variety of industries. In addition to the federal government, state, and local government entities, major employers include those within the retail, aerospace, defense, healthcare, and banking industries resulting in a healthy demand for banking products and services. Recent and historical unemployment rates since the previous evaluation are included in the following table.

Geographic Area	January 2015	January 2016	January 2017	January 2018	December 2018
Clarke County, VA	4.7%	3.7%	3.8%	3.3%	2.4%
Frederick County, VA	4.7%	3.8%	3.7%	3.2%	2.2%
Loudoun County, VA	4%	3.3%	3.4%	2.9%	2.1%
City of Winchester, VA	5.2%	4.2%	4.4%	3.4%	2.6%
Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	5%	4.1%	4.1%	3.7%	2.9%
Winchester, VA-WV MSA	5.1%	4.1%	4%	3.4%	2.5%
Commonwealth of Virginia	5.2%	4.3%	4.4%	3.7%	2.6%

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 and related MSAs. Rates in all areas have declined during the review period, which suggests improving economic conditions.

An individual knowledgeable of local market conditions was contacted during the evaluation to discuss area economic conditions and community credit needs. The contact described the economic conditions of the community as improving. She cited the increased number of new businesses opened in the community over the past few years. The contact elaborated and described that while the number of new business openings have increased, the demand for small business loans in smaller dollar amounts (less than \$50,000) by existing businesses in the community has also increased. Despite the growing demand for small dollar amount loans, the contact stated that the general credit needs of the community are currently met by local financial institutions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Reported residential mortgage data from 2016 and 2017, as well as small business data from 2017, were fully analyzed and considered in this 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. The most recent update occurred in 2017. As such, when evaluating the bank's performance, relevant area demographic data from both the 2010 and 2015 ACS is used as a proxy for credit demand. D&B business demographic data from 2017 is also considered when evaluating the bank's performance.

Aggregate HMDA data from 2016 and 2017 used as a proxy for the bank's HMDA lending includes all activity reported by lenders subject to reporting HMDA data that originated such loans within the bank's assessment area. 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 nonetheless serves as a meaningful proxy for demand.

To evaluate the geographic and borrower lending distributions for a specific loan category within the assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated. To arrive at an overall conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area. During 2017, BCC originated \$25.7 million in HMDA loans and \$13.4 million in small business loans

inside the assessment area. Accordingly, in instances where bank performance varied by product, HMDA lending received greater weight when determining overall performance. While HMDA data from 2016 and 2017 calendar years and small business data from 2017 were fully analyzed and considered in the evaluation, bank and aggregate data from only 2017 are presented in the assessment area tables. In instances where 2016 HMDA performance varies significantly from the performance in 2017, such variance and the corresponding impact on the overall performance is discussed.

Within BCC's assessment area, a high level of small business lending activity has been reported by specialized lenders who often originate small business loans in the form of credit cards. Such loans tend to be much smaller in size than traditional small business bank loans, and a substantial majority of these loans do not have reported revenue data. The presence of these specialized 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 measure performance, BCC's lending is compared to a group of traditional small business lenders exclusive of credit card/specialty lenders.

Overall, the bank's lending test performance is rated Outstanding. 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 September 30, 2018, equaled 85% and averaged 85.9% for the 12-quarter period ending September 30, 2018. In comparison, the quarterly average loan-to-deposit ratios of a peer group operating in the assessment area ranged from 74.1% to 99% during the same 12-quarter period. Since September 30, 2015, bank assets, net loans, and deposits have grown by 22.6%, 22.3%, and 31.5%, respectively. The bank'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 2016 and 2017, as well as, small business loans in 2017 were considered. The lending distribution inside and outside of 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	96	82.8	21,446	85.0	20	17.2	3,797	15.0
Home Improvement	141	84.9	5,563	83.6	25	15.1	1,090	16.4
Refinancing	114	78.1	23,558	81.6	32	21.9	5,302	18.4
Multi-Family Housing	3	75.0	937	86.0	1	25.0	152	14.0
Total HMDA related	354	81.9	51,504	83.3	78	18.1	10,341	16.7
Small Business	131	78.0	13,438	72.8	37	22.0	5,024	27.2
TOTAL LOANS	485	80.8	64,942	80.9	115	19.2	15,365	19.1

As previously discussed, two calendar years of HMDA lending and one year of small business lending were analyzed and considered in this 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 HMDA and small business lending revealed excellent penetration among individuals of different incomes and business of different sizes.

Distribution of HMDA Loans by Income Level of Borrower

Washington-Baltimore-Arlington, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	14	9.6	426	2.2	1,036	5.0	178,298	2.2
Moderate	42	28.8	3,523	18.1	3,225	15.5	829,517	10.2
Middle	33	22.6	3,052	15.7	5,643	27.1	1,950,142	24.0
Upper	57	39.0	12,445	64.0	10,934	52.4	5,151,905	63.6
Total	146	100.0	19,446	100.0	20,838	100.0	8,109,862	100.0
Unknown	30		6,244		3,787		1,680,374	

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

The bank's overall HMDA borrower distribution in 2017 is considered excellent. Although BCC's lending to low-income borrowers (9.6%) lagged the percentage of low-income families within the assessment area (14.5%), it exceeded the aggregate level of lending (5%) to such borrowers. BCC's lending to moderate-income borrowers (28.8%) exceeded both the percentage of moderate-income families within the assessment area (13.8%) and the aggregate level of lending (15.5%) to such borrowers. BCC's 2016 HMDA lending was similar and also considered excellent.

Distribution of Lending by Loan Amount and Size of Business

Washington-Baltimore-Arlington, VA (2017)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	89	67.9	7,278	54.2	7,297	55.1	177,170	38.0
Over \$1 Million	42	32.1	6,161	45.8	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
<i>by Loan Size</i>								
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	99	75.6	4,488	33.4	12,451	93.9	181,482	38.9
\$100,001-\$250,000	24	18.3	4,059	30.2	387	2.9	67,914	14.6
\$250,001-\$1 Million	8	6.1	4,891	36.4	417	3.2	216,904	46.5
Total	131	100.0	13,438	100.0	13,255	100.0	466,300	100.0

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

D&B data from 2017 indicates 90.3% of all local businesses generate annual revenues of \$1 million or less. According to aggregate small business data, 55.1% of reported loans were made to businesses with annual revenues of \$1 million or less. The remaining portion of aggregate business lending in the assessment area was made to businesses either with annual revenues exceeding \$1 million or to businesses with unknown annual revenues. As part of performance context, the aggregate lending data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55.9% of reported small business loans were made to businesses having revenues of \$1 million or less. BCC's lending to businesses within the assessment area generating annual revenues of \$1 million or less equaled 67.9%. This level lending to small businesses is considered excellent.

Geographic Distribution of Loans

BCC's geographic distribution performance is considered excellent for both HMDA and small business lending.

Distribution of HMDA Loans by Income Level of Census Tract

Washington-Baltimore-Arlington, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(41) Home Purchase				(16,082)			
Low	0	0.0	0	0.0	85	0.5	17,306	0.3
Moderate	8	19.5	1,120	12.6	890	5.5	254,002	3.9
Middle	19	46.3	4,168	46.9	4,126	25.7	1,262,511	19.4
Upper	14	34.1	3,594	40.5	10,980	68.3	4,974,240	76.4
	(64) Refinance				(7,516)			
Low	0	0.0	0	0.0	19	0.3	3,482	0.1
Moderate	4	6.3	650	4.7	433	5.8	98,722	3.4
Middle	35	54.7	5,948	42.6	2,133	28.4	576,491	19.7
Upper	25	39.1	7,363	52.7	4,931	65.6	2,249,828	76.8
	(69) Home Improvement				(1,011)			
Low	0	0.0	0	0.0	4	0.4	459	0.4
Moderate	5	7.2	206	8.6	45	4.5	4,268	3.3
Middle	51	73.9	1,438	60.0	319	31.6	32,207	24.8
Upper	13	18.8	753	31.4	643	63.6	93,037	71.6
	(2) Multi-Family				(16)			
Low	0	0.0	0	0.0	1	6.3	14,323	6.4
Moderate	1	50.0	275	61.1	9	56.3	120,173	53.9
Middle	1	50.0	175	38.9	4	25.0	57,780	25.9
Upper	0	0.0	0	0.0	2	12.5	30,795	13.8
	HMDA Totals							
Low	0	0.0	0	0.0	109	0.4	35,570	0.4
Moderate	18	10.2	2,251	8.8	1,377	5.6	477,165	4.9
Middle	106	60.2	11,729	45.7	6,582	26.7	1,928,989	19.7
Upper	52	29.6	11,710	45.5	16,556	67.3	7,347,900	75.0
NA*	0	0.0	0	0.0	1	0.0	612	0.0
Total	176	100.0	25,690	100.0	24,625	100.0	9,790,236	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 2017 was concentrated in home improvement loans followed closely by refinance mortgage loans. Conversely, aggregate HMDA lending during 2017 was concentrated in home purchase mortgage loans followed by refinance mortgage loans. Multifamily 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 both home improvement and purchase lending are considered excellent, while the performance for refinance mortgage loans is reasonable.

The bank's HMDA geographic distribution in 2017 is considered excellent, driven primarily by its lending penetration into moderate-income census tracts. While BCC's lack of mortgage lending in low-income census tracts (0%) lagged the level of owner-occupied housing units located in low-income census tracts (.4%) and the aggregate level of lending (.4%) in such tracts, there is minimal demand in the one low-income census tract as evidenced by the aggregate and demographic figures. However, BCC's mortgage lending in moderate-income census tracts (10.2%) substantially exceeded both the level of owner-occupied housing units located in moderate-income census tracts (6.6%) and the aggregate level of lending (5.6%) in such tracts. BCC's 2017 performance is considered excellent, and its 2016 performance level is similar.

Distribution of Small Business Loans by Income Level of Census Tract

Washington-Baltimore-Arlington, VA (2017)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	1	0.8	150	1.1	311	2.4	18,578	4.0
Moderate	17	13.0	1,149	8.5	1,235	9.4	55,994	12.1
Middle	65	49.6	6,497	48.3	3,531	26.9	130,603	28.2
Upper	48	36.6	5,643	42.1	7,976	60.9	251,586	54.3
NA*	0	0.0	0	0.0	54	0.4	6,697	1.4
Total	131	100.0	13,439	100.0	13,107	100.0	463,458	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 2017 is considered excellent. D&B data from 2017 indicates 2.5% and 9.4% 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 (.8%) lagged the percentage of businesses located in low-income census tracts and aggregate lending to businesses (2.4%) located in such tracts. Conversely, its lending to businesses located in moderate-income census tracts (13%) exceeded the percentage of businesses located in moderate-income census tracts and aggregate lending to businesses (9.4%) 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 by originating two community development loans totaling approximately \$1.4 million to local organizations which provide services to low- and moderate-income individuals in the assessment area. The bank also holds various qualified community development investments totaling approximately \$15.8 million through a combination of mortgage-backed securities, Virginia Housing Development Authority rental housing bonds, and Small Business Administration (SBA) bonds. The underlying mortgage loans used to secure the mortgage-backed securities were made to low- and moderate-income borrowers in the bank's assessment area, and the rental housing bonds promote affordable housing across the Commonwealth. The SBA bonds support small business growth and economic development across the region. Additionally, the bank made qualified community development donations totaling approximately \$13,500 during the review period.

Since the previous evaluation, BCC and its employees have volunteered time and financial expertise to the following organizations which provide community development services targeted to low- and moderate-income residents or that promote economic development:

- Re-entry Probation and Parole Program - A loan officer serves as the financial education instructor for this program which provides financial literacy to low- and moderate-income people.
- EVERFI - Partnering with local financial institutions, the organization provides financial literacy education at public schools in which a majority of the students are low- or moderate-income. Two bank employees served as financial education instructors for this program.
- Freemont Street Nursery - Provides free child care to low- and moderate-income families in Winchester, Virginia. Two bank employees serve on the board of directors for the organization.

- AIDS Response Effort - A bank employee serves on the board of directors for this organization that provides services specifically targeted to low- and moderate-income individuals.
- Winchester Church of God Impact Group - A bank employee served as a financial education instructor for the Impact Group which is comprised of low- and moderate-income individuals.

When considering community development opportunities, BCC has demonstrated a reasonable 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.

ASSESSMENT AREA DELINEATION

A review of the bank's assessment area found that its delineation complies with the requirements of Regulation BB. The assessment area delineation included all of the bank's branches and deposit taking automated teller machines. While the bank's assessment area delineation includes less than an entire MSA, the delineated area contained whole geographies, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

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.