



PUBLIC DISCLOSURE

September 16, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Clarke

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

P.O. Box 391
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 more than 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.
- The bank's geographic distribution performance 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

Bank of Clarke (BOC) was evaluated using the interagency examination procedures for an intermediate small bank developed by the Federal Financial Institutions Examination Council (FFIEC). While BOC has crossed the large bank threshold based on asset size as of December 31st of the prior two calendar years, it has not yet reported CRA data. Consistent with the lack of reported data, BOC was evaluated using the Intermediate Small Bank CRA Examination Procedures.

BOC is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, the bank's reported 2022 and 2023 HMDA loans (568 loans) were considered in the evaluation. In addition, small business lending was identified as a significant product line and the universe of 203 small business loans originated during 2022 was included in the analysis.

Qualified community development loans and services provided since the previous evaluation (May 16, 2022) were also considered in this evaluation. Additionally, all qualified investments held as of the evaluation date, regardless of when purchased, were considered. To determine the 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

BOC is headquartered in Berryville, Virginia and operates 14 full-service branch locations, 14 automated teller machines (12 full-service and two cash-only), and two loan production offices (LPOs) within northern and northwestern Virginia. 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 a Satisfactory rating at its previous CRA evaluation dated May 16, 2022. No known legal impediments exist that would constrain the bank from meeting the credit needs of its assessment area.

As of June 30, 2024, bank assets totaled approximately \$1.8 billion, of which 80.3% were net loans and 7.2% were securities. Deposits totaled approximately \$1.5 billion as of the same time period. Various deposit and loan products are available through the institution, including residential mortgage, business, and consumer purpose loans.

Composition of Loan Portfolio

Loan Type	6/30/2024	
	\$(000s)	%
Secured by 1-4 Family dwellings	371,960	25.6
Multifamily	38,372	2.6
Construction and Development	67,574	4.7
Commercial & Industrial/ NonFarm NonResidential	816,690	56.2
Consumer Loans and Credit Cards	131,167	9.0
Agricultural Loans/ Farmland	14,128	1.0
All Other	12,116	0.8
Total	1,452,007	100.0

As seen in the table above, 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, the volume of such lending is relatively limited in comparison to commercial and residential mortgage.

DESCRIPTION OF WASHINGTON-BALTIMORE-ARLINGTON, VA ASSESSMENT AREA

BOC operates 14 full-service branches and one LPO within its single CRA assessment area in northern and northwestern Virginia. The bank's remaining LPO is located outside of the assessment area. The assessment area is located within the Washington-Baltimore-Arlington, DC-MD-VA-WV CSA and encompasses portions of both the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA and Winchester, VA-WV MSA.

Since the previous evaluation, BOC expanded its assessment area to include six additional cities and counties due to a branch opening in Fauquier County (April 2022) and recent lending patterns primarily surrounding its Fairfax, VA LPO. With the expansion, the bank is serving a larger portion of the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA to include portions of northern Virginia closer to Washington, DC. The bank operates branch offices entirely in the Commonwealth of Virginia. The following table reflects the composition of the bank's assessment area.

Assessment Area Name	County	Census Tracts Included
Washington-Baltimore-Arlington, VA	Clarke	All
	Fairfax	All
	Fauquier	All
	Frederick	All
	Loudoun	All
	Prince William	All
	Fairfax City	All
	Manassas City	All
	Manassas Park City	All
	Winchester City	All

As of June 30, 2023, BOC ranked 11th out of 49 financial institutions in local deposit market share with 1.1% of local deposits according to data compiled by the Federal Deposit Insurance Corporation (excluding credit union deposits).

According to 2020 American Community Survey (ACS) data, the assessment area has a population of 2,344,903 and a median housing value of \$489,510. The owner-occupancy rate for the assessment area equals 68.3%, which exceeds the rates for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (59.1%), the Winchester, VA-WV MSA (60.9%), and the Commonwealth of VA statewide rate (60%). Within the assessment area, 3.8% of families are considered below the poverty level, which is lower than the rates for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA (5.2%), the Winchester, VA-WV MSA (5.8%), and the rate for the commonwealth (6.8%). The 2022 and 2023 FFIEC estimated median family income for the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA equaled \$139,700 and \$150,100, respectively. The 2022 and 2023 FFIEC estimated median family income for the Winchester, VA-WV MSA equaled \$96,400 and \$99,900, respectively. The following tables provide relevant demographic data for the assessment area during 2022 and 2023.

2022 Washington-Baltimore-Arlington, VA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	18	3.6	16,568	2.9	2,510	15.1	98,808	17.4
Moderate	78	15.4	86,286	15.2	6,746	7.8	89,062	15.7
Middle	195	38.5	210,911	37.2	7,925	3.8	115,930	20.4
Upper	208	41.1	252,142	44.5	4,324	1.7	263,114	46.4
Unknown	7	1.4	1,007	0.2	122	12.1	0	0.0
Total AA	506	100.0	566,914	100.0	21,627	3.8	566,914	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	27,247	8,732	1.6	32.0	16,691	61.3	1,824	6.7
Moderate	135,505	70,628	12.8	52.1	57,288	42.3	7,589	5.6
Middle	320,111	204,437	37.0	63.9	100,520	31.4	15,154	4.7
Upper	325,340	268,764	48.6	82.6	46,296	14.2	10,280	3.2
Unknown	1,618	241	0.0	14.9	1,263	78.1	114	7.0
Total AA	809,821	552,802	100.0	68.3	222,058	27.4	34,961	4.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	2,910	2.2	2,698	2.2	188	2.0	24	2.3
Moderate	18,688	14.1	17,125	14.0	1,425	15.2	138	13.3
Middle	49,449	37.2	45,039	36.8	4,061	43.4	349	33.6
Upper	61,035	46.0	56,951	46.5	3,564	38.1	520	50.0
Unknown	688	0.5	571	0.5	109	1.2	8	0.8
Total AA	132,770	100.0	122,384	100.0	9,347	100.0	1,039	100.0
Percentage of Total Businesses:				92.2		7.0		0.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	5	0.4	4	0.3	1	8.3	0	0.0
Moderate	98	8.4	96	8.4	2	16.7	0	0.0
Middle	530	45.6	523	45.6	5	41.7	2	50.0
Upper	529	45.5	523	45.6	4	33.3	2	50.0
Unknown	1	0.1	1	0.1	0	0.0	0	0.0
Total AA	1,163	100.0	1,147	100.0	12	100.0	4	100.0
Percentage of Total Farms:				98.6		1.0		0.3
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey								
Note: Percentages may not total 100.0 percent due to rounding.								

2023 Washington-Baltimore-Arlington, VA AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	18	3.6	16,568	2.9	2,510	15.1	98,808	17.4
Moderate	78	15.4	86,286	15.2	6,746	7.8	89,062	15.7
Middle	195	38.5	210,911	37.2	7,925	3.8	115,930	20.4
Upper	208	41.1	252,142	44.5	4,324	1.7	263,114	46.4
Unknown	7	1.4	1,007	0.2	122	12.1	0	0.0
Total AA	506	100.0	566,914	100.0	21,627	3.8	566,914	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	27,247	8,732	1.6	32.0	16,691	61.3	1,824	6.7
Moderate	135,505	70,628	12.8	52.1	57,288	42.3	7,589	5.6
Middle	320,111	204,437	37.0	63.9	100,520	31.4	15,154	4.7
Upper	325,340	268,764	48.6	82.6	46,296	14.2	10,280	3.2
Unknown	1,618	241	0.0	14.9	1,263	78.1	114	7.0
Total AA	809,821	552,802	100.0	68.3	222,058	27.4	34,961	4.3
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	2,893	2.2	2,689	2.2	180	1.9	24	2.4
Moderate	18,613	14.0	17,066	13.9	1,410	15.2	137	13.7
Middle	49,478	37.1	45,147	36.7	4,002	43.2	329	32.8
Upper	61,529	46.2	57,454	46.7	3,571	38.5	504	50.3
Unknown	683	0.5	566	0.5	109	1.2	8	0.8
Total AA	133,196	100.0	122,922	100.0	9,272	100.0	1,002	100.0
Percentage of Total Businesses:				92.3		7.0		0.8
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
			#	%	#	%	#	%
Low	5	0.4	4	0.3	1	7.1	0	0.0
Moderate	98	8.4	96	8.4	2	14.3	0	0.0
Middle	526	45.3	518	45.3	6	42.9	2	50.0
Upper	531	45.7	524	45.8	5	35.7	2	50.0
Unknown	1	0.1	1	0.1	0	0.0	0	0.0
Total AA	1,161	100.0	1,143	100.0	14	100.0	4	100.0
Percentage of Total Farms:				98.4		1.2		0.3
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

The bank's market area offers a variety of employment opportunities. In addition to the federal, state, and local government entities, major employers include those within healthcare, professional and technical services, retail, and food services. The area's largest private employers include United Airlines, Inc., Raytheon, Shenandoah University, and Valley Health Systems. Average annual unemployment rates from 2018-2022 for the assessment area are depicted in the following table.

Washington-Baltimore-Arlington, VA Unemployment Rates					
Area	2018	2019	2020	2021	2022
Washington-Baltimore-Arlington, VA	2.6%	2.4%	6.0%	3.5%	2.5%
Clarke County, VA	2.9%	2.4%	4.8%	3.1%	2.5%
Fairfax County, VA	2.5%	2.3%	6.0%	3.5%	2.5%
Fauquier County, VA	2.6%	2.4%	4.9%	3.0%	2.6%
Frederick County, VA	2.6%	2.4%	4.8%	2.9%	2.4%
Loudoun County, VA	2.5%	2.3%	5.5%	3.1%	2.4%
Prince William County, VA	2.8%	2.5%	6.7%	3.9%	2.7%
Fairfax city, VA	2.3%	2.1%	6.0%	3.4%	2.4%
Manassas City, VA	2.7%	2.5%	6.8%	3.9%	2.6%
Manassas Park City, VA	2.7%	2.5%	6.9%	3.8%	2.5%
Winchester City, VA	3.0%	2.8%	6.2%	3.5%	2.7%
Winchester, VA-WV MSA	2.9%	2.7%	5.2%	3.1%	2.5%
Virginia	3.0%	2.8%	6.5%	3.9%	2.9%
<i>Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics</i>					

Average annual unemployment rates for the Washington-Baltimore-Arlington, VA assessment area have been consistently below the rate for the Commonwealth of Virginia. After the peak of the coronavirus (COVID-19) pandemic in 2020, unemployment rates declined across the assessment area and the Commonwealth during 2021 and 2022.

A member of the community knowledgeable of local economic conditions was contacted during the evaluation to discuss community credit needs. The contact stated that the local area has a need for workforce training and business education and financing in lower income areas of the community. The contact indicated that local banks have generally been responsive to local community needs and offer products that have favorable and affordable terms.

Overall, based on the discussion with the community member and reviews of the performance evaluations of other local financial institutions, community development opportunities are readily available across the assessment area. The Washington-Baltimore-Arlington, DC-MD-VA-WV CSA is a competitive market, and the bank faces no constraints in obtaining community development opportunities.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

HMDA loan data reported for 2022 and 2023, as well as the universe of small business loans originated during 2022, were analyzed during this evaluation. When evaluating the bank's HMDA and small business lending performance, ACS demographic data from 2020 and Dun and Bradstreet (D&B) business demographic data from 2022 were used as a proxy for demand. Additionally, aggregate loan data was also used as a proxy for demand for each year of HMDA and small business loan data evaluated. Aggregate data includes all activity reported by lenders subject to reporting HMDA and CRA data, respectively, within the bank's assessment area.

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.

When assessing each loan product for geographic and borrower distribution performance, primary consideration is given to the number and corresponding percentage of loans. When combining the performance of multiple loan products to form a conclusion, the performance of each product is generally weighted by the dollar volume of loans originated and the relative strength of performance. During 2022, BOC originated \$46.7 million in HMDA purchase and refinance lending and \$38.5 million in small business lending. Accordingly, HMDA lending generally carried greater weight than small business lending.

Overall, the bank is rated “Satisfactory” for both the Lending Test and the Community Development Test. The Lending Test rating considered the bank’s loan-to-deposit ratio, the proportion of lending within its assessment area, and geographic and borrower distribution performance. The Community Development Test considered the level of qualified community development loans, investments, donations, and services provided during the evaluation period. 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 June 30, 2024, equaled 96.5% and averaged 96.8% during the nine-quarter period ending June 30, 2024. By comparison, the quarterly average loan-to-deposit ratios for ten similarly situated financial institutions operating in the assessment area ranged from 27.4% to 102.3% during the same time period. Since June 30, 2022, the bank’s assets, net loans, and deposits have grown by 27.6%, 29.3%, and 19.9%, respectively. BOC’s loan-to-deposit ratio is considered more than reasonable given the bank’s size, financial condition, and assessment area credit needs.

Lending In Assessment Area

To analyze the bank’s volume of lending within the Washington-Baltimore-Arlington, VA assessment area, the geographic location of its 2022 and 2023 HMDA loans, as well as its 2022 small business loans, was considered. The lending distribution inside and outside the bank’s assessment area is depicted in the table below.

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

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	202	54.3	117,754	74.0	170	45.7	41,400	26.0
Home Improvement	24	80.0	2,823	65.8	6	20.0	1,465	34.2
Refinancing	90	80.4	23,711	83.5	22	19.6	4,696	16.5
Multi-Family Housing	3	16.7	2,434	15.4	15	83.3	13,408	84.6
Loan Purpose Not Applicable	0	0.0	0	0.0	0	0.0	0	0.0
Other Purpose Closed/Exempt	32	88.9	3,879	84.5	4	11.1	709	15.5
Other Purpose LOC	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA related	351	61.8	150,601	70.9	217	38.2	61,678	29.1
Small Business	134	66.0	38,476	63.0	69	34.0	22,590	37.0
TOTAL LOANS	485	62.9	189,077	69.2	286	37.1	84,268	30.8

As shown in the above table, a majority of the bank’s total lending by number (62.9%) and dollar volume (69.2%) was located inside the assessment area. Overall, the institution’s level of lending within the assessment area is considered responsive to community credit needs.

Geographic Distribution of Loans

BOC’s geographic distribution of loans reflects reasonable penetration throughout the assessment area. The distribution of both HMDA and small business lending is considered reasonable overall. An analysis of the dispersion of loans revealed no notable gaps that impacted the overall conclusion.

HMDA Lending

The geographic distribution of HMDA lending is considered reasonable overall. The performance for home purchase and refinance loans are both considered reasonable. While the bank originated home improvement and multifamily loans during the evaluation period, no further analysis was conducted for these categories given the small volume of such loans.

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Washington-Baltimore-Arlington, VA													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	# %	# %	\$(000)	\$ %	\$ %	#	# %	# %	\$(000)	\$ %	\$ %	
Home Purchase Loans													
Low	0	0.0	2.2	0	0.0	16	3	2.3	2.6	10B	12	19	16
Moderate	6	8.7	13.4	1,535	5.0	9.4	11	8.3	14.1	4,793	5.5	10.3	12.8
Middle	38	55.1	39.2	13,259	42.8	34.1	60	45.1	39.5	31,061	35.8	34.9	37.0
Upper	25	36.2	45.1	16,186	52.2	54.9	59	44.4	43.4	49,907	57.5	52.6	48.6
Unknown	0	0.0	0.1	0	0.0	0.1	0	0.0	0.4	0	0.0	0.3	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	69	100.0	100.0	30,980	100.0	100.0	133	100.0	100.0	86,774	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	1.7	0	0.0	11	0	0.0	1.2	0	0.0	0.9	1.6
Moderate	8	11.5	12.3	1,641	10.5	8.8	4	11.4	12.5	539	6.7	9.8	12.8
Middle	31	56.4	37.6	7,419	47.3	32.6	19	54.3	37.4	3,674	45.9	33.2	37.0
Upper	16	29.1	48.4	6,640	42.3	57.5	12	34.3	48.8	3,798	47.4	56.0	48.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	55	100.0	100.0	15,700	100.0	100.0	35	100.0	100.0	8,011	100.0	100.0	100.0
Home Improvement Loans													
Low	1	6.7	0.7	200	10.1	0.5	0	0.0	1.1	0	0.0	1.0	1.6
Moderate	1	6.7	8.1	20	10	6.0	1	11.1	8.6	40	4.8	5.6	12.8
Middle	5	33.3	30.6	599	30.1	25.5	6	66.7	33.3	522	62.6	27.4	37.0
Upper	8	53.3	60.6	1,170	58.8	68.1	2	22.2	56.9	272	32.6	66.0	48.6
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.1	0	0.0	0.0	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	15	100.0	100.0	1,989	100.0	100.0	9	100.0	100.0	834	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	7.7	0	0.0	17.3	0	0.0	0.0	0	0.0	0.0	8.2
Moderate	1	50.0	21.2	1,031	53.4	9.6	0	0.0	13.3	0	0.0	0.4	27.0
Middle	1	50.0	40.4	900	46.6	41.1	1	100.0	63.3	503	100.0	66.3	47.1
Upper	0	0.0	28.8	0	0.0	26.0	0	0.0	20.0	0	0.0	32.5	17.0
Unknown	0	0.0	1.9	0	0.0	6.0	0	0.0	3.3	0	0.0	0.8	0.7
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	2	100.0	100.0	1,931	100.0	100.0	1	100.0	100.0	503	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	1	0.7	1.8	200	0.4	1.9	3	1.5	2.1	10B	10	1.7	1.6
Moderate	17	11.2	12.3	4,352	8.3	9.1	16	8.0	12.9	5,372	5.5	9.7	12.8
Middle	81	53.3	37.6	23,108	44.3	33.5	101	50.8	38.4	37,173	37.8	35.4	37.0
Upper	53	34.9	48.2	24,521	47.0	55.3	79	39.7	46.3	54,862	55.7	53.0	48.6
Unknown	0	0.0	0.1	0	0.0	0.2	0	0.0	0.3	0	0.0	0.3	0.0
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	152	100.0	100.0	52,181	100.0	100.0	199	100.0	100.0	98,420	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Home Purchase

The geographic distribution of home purchase lending is considered reasonable during 2023 and poor during 2022. On a combined basis, performance is considered reasonable overall based on the relative dollar volumes of lending and strength of performance each year.

During 2023, BOC's lending in low-income census tracts (2.3%) approximates the aggregate lending level (2.6%) and exceeds the percentage of owner-occupied units (1.6%) in such tracts. The bank's lending in moderate-income tracts (8.3%) lagged the aggregate lending level (14.1%) and the percentage of owner-occupied units (12.8%) in such tracts. BOC's performance in 2023 is considered reasonable.

During 2022, the bank's lending in low-income tracts (0%) lagged the aggregate lending level (2.2%) and the percentage of owner-occupied housing units (1.6%) in such tracts. In moderate-income tracts, bank lending (8.7%) also lagged the aggregate lending level (13.4%) and the percentage of owner-occupied housing units (12.8%) in such tracts. BOC's performance in 2022 is considered poor.

Refinance

The geographic distribution of refinance lending is considered reasonable during 2023 and 2022.

BOC reported no refinance loans in low-income census tracts (0%) during 2023, which slightly lagged both the aggregate lending level (1.2%) and the percentage of owner-occupied units (1.6%) in such tracts. BOC's refinance lending in moderate-income tracts (11.4%) also slightly lagged the aggregate lending level (12.5%) and the percentage of owner-occupied units (12.8%) in such tracts. The bank's performance is considered reasonable, and its performance during 2022 was similar.

Small Business Lending

The geographic distribution of small business lending is considered reasonable.

Distribution of 2022 Small Business Lending By Income Level of Geography							
Assessment Area: Washington-Baltimore-Arlington, VA							
Geographic Income Level	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
Low	1	0.7	2.3	49	0.1	2.4	2.2
Moderate	13	9.7	13.7	4,777	12.4	12.7	14.1
Middle	60	44.8	37.7	14,352	37.3	40.0	37.2
Upper	59	44.0	45.7	19,048	49.5	44.2	46.0
Unknown	1	0.7	0.4	250	0.6	0.6	0.5
Tract-Unk	0	0.0	0.2	0	0.0	0.1	
Total	134	100.0	100.0	38,476	100.0	100.0	100.0
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

During 2022, BOC's lending to businesses in low-income census tracts (0.7%) lagged the aggregate lending level (2.3%) and the percentage of area businesses in low-income tracts (2.2%). The bank's level of lending in moderate-income tracts (9.7%) lagged both the aggregate lending level (13.7%) and the percentage of area businesses in such tracts (14.1%). On a combined basis, the bank's level of lending in low- and moderate-income census tracts is considered reasonable.

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

BOC's borrower distribution performance is considered reasonable overall for both HMDA and small business lending.

HMDA Lending

The borrower distribution performance of HMDA lending is considered reasonable overall. The performance for home purchase lending is considered reasonable, while performance for refinance lending is considered excellent. The overall conclusion is driven by the bank's home purchase lending performance given a greater dollar volume of lending.

Given the relatively small number of home improvement loans originated and reported by the bank during 2022 and 2023, performance of the bank's home improvement loans was not evaluated.

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level Assessment Area: Washington-Baltimore-Arlington, VA													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	#	%	%	\$(000)	%	%	
Home Purchase Loans													
Low	7	10.1	5.6	1,253	4.0	2.6	7	5.3	4.7	1,667	19	2.1	17.4
Moderate	10	14.5	18.7	2,638	8.5	12.8	22	16.5	17.4	8,846	10.2	11.7	15.7
Middle	6	8.7	22.8	1,534	5.0	20.6	22	16.5	22.8	10,683	12.3	20.4	20.4
Upper	34	49.3	36.7	21,544	69.5	47.8	74	55.6	34.7	62,140	71.6	45.6	46.4
Unknown	12	17.4	16.3	4,011	12.9	16.3	8	6.0	20.4	3,438	4.0	20.3	0.0
Total	69	100.0	100.0	30,980	100.0	100.0	133	100.0	100.0	86,774	100.0	100.0	100.0
Refinance Loans													
Low	7	12.7	10.1	896	5.7	5.7	3	8.6	8.9	196	2.4	5.2	17.4
Moderate	20	36.4	19.0	4,428	28.2	14.2	11	31.4	18.6	1,464	18.3	13.3	15.7
Middle	3	5.5	23.3	390	2.5	21.5	8	22.9	24.3	1,667	20.8	20.7	20.4
Upper	18	32.7	33.8	7,223	46.0	43.0	13	37.1	37.5	4,684	58.5	44.4	46.4
Unknown	7	12.7	13.7	2,763	17.6	15.6	0	0.0	10.7	0	0.0	16.4	0.0
Total	55	100.0	100.0	15,700	100.0	100.0	35	100.0	100.0	8,011	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	4.4	0	0.0	2.7	2	22.2	5.1	65	7.8	2.7	17.4
Moderate	3	20.0	14.0	499	25.1	9.7	2	22.2	16.2	62	7.4	10.7	15.7
Middle	5	33.3	25.8	385	19.4	20.9	2	22.2	27.2	310	37.2	21.6	20.4
Upper	7	46.7	52.8	1,105	55.6	62.5	2	22.2	47.9	175	21.0	61.1	46.4
Unknown	0	0.0	3.1	0	0.0	4.2	1	11.1	3.6	222	26.6	3.9	0.0
Total	15	100.0	100.0	1,989	100.0	100.0	9	100.0	100.0	834	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	16	10.7	6.6	2,291	4.6	3.3	13	6.6	5.5	1,998	2.0	2.5	17.4
Moderate	36	24.0	18.0	8,133	16.2	12.8	39	19.7	17.3	10,597	10.8	11.8	15.7
Middle	16	10.7	23.3	2,484	4.9	20.7	40	20.2	23.8	13,476	13.8	20.5	20.4
Upper	63	42.0	38.0	30,568	60.8	47.4	97	49.0	37.0	68,186	69.6	46.2	46.4
Unknown	19	12.7	14.2	6,774	13.5	15.8	9	4.5	16.3	3,660	3.7	19.1	0.0
Total	150	100.0	100.0	50,250	100.0	100.0	198	100.0	100.0	97,917	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding. Multifamily loans are not included in the borrower distribution analysis.													

Home Purchase

The bank's home purchase lending performance is considered reasonable overall during 2023 and 2022. During 2023, BOC's level of lending to low-income borrowers (5.3%) exceeded the aggregate lending level (4.7%), but lagged the percentage of area low-income families (17.4%). BOC's home purchase lending to moderate-income borrowers (16.5%) slightly lagged the aggregate lending level (17.4%), but exceeded the percentage of area moderate-income families (15.7%). The bank's home purchase lending performance during 2023 is considered reasonable, and its performance during 2022 is similar.

Refinance

The bank's refinance lending performance is considered excellent overall during 2023 and 2022.

While the bank's level of refinance lending to low-income borrowers (8.6%) approximated the aggregate lending level (8.9%) and lagged the percentage of area low-income families (17.4%) in 2023, its refinance lending to moderate-income borrowers (31.4%) significantly exceeded both the aggregate level of lending (18.6%) and the percentage of area moderate-income families (15.7%). This level of performance is considered excellent, and BOC's performance during 2022 is similar.

Small Business Lending

The bank's small business lending performance is considered reasonable.

Distribution of 2022 Small Business Lending By Revenue Size of Businesses							
Assessment Area: Washington-Baltimore-Arlington, VA							
	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
By Revenue							
\$1 Million or Less	65	48.5	53.3	13,364	34.7	34.6	92.2
Over \$1 Million	69	51.5		25,112	65.3		7.0
Revenue Unknown	0	0.0		0	0.0		0.8
Total	134	100.0		38,476	100.0		100.0
By Loan Size							
\$100,000 or Less	51	38.1	95.5	2,228	5.8	46.6	
\$100,001 - \$250,000	30	22.4	2.4	4,934	12.8	13.8	
\$250,001 - \$1 Million	53	39.6	2.1	31,313	81.4	39.6	
Total	134	100.0	100.0	38,476	100.0	100.0	
By Loan Size and Revenues \$1 Million or Less							
\$100,000 or Less	33	50.8		1,305	9.8		
\$100,001 - \$250,000	14	21.5		2,461	18.4		
\$250,001 - \$1 Million	18	27.7		9,598	71.8		
Total	65	100.0		13,364	100.0		
Source: 2022 FFIEC Census Data 2022 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

The bank's level of lending to businesses with annual revenues of \$1 million or less during 2022 (48.5%) slightly lagged the aggregate lending level (53.3%) and lagged the percentage of area businesses having revenues of \$1 million or less (92.2%). The remaining percentage of small business loans reported by the aggregate lenders either had revenue exceeding \$1 million per year or revenues were unknown. With respect to the distribution by loan amount, 38.1% of the bank's small business loans during 2022 were in amounts of \$100,000 or less, compared to 95.5% of such lending by the aggregate reporters. Overall, based primarily on lending distribution by revenue, the bank's performance is considered reasonable.

Community Development Loans, Investments, and Services

BOC has demonstrated adequate responsiveness to local credit needs and community development opportunities through its qualified lending, investment, and service activities. The bank's overall Community Development Test is rated Satisfactory.

Based on information submitted by the bank, discussions with bank staff, and the review of performance evaluations for similarly situated peer institutions within the assessment area, community development opportunities are readily available. The bank faces no constraints in providing community development activities, such as community development loans, investments and services.

During the evaluation period, BOC supported local community development initiatives by originating six qualified loans totaling approximately \$2.2 million to local organizations within the Washington-Baltimore-Arlington, VA assessment area, including the following:

- One loan totaling approximately \$1.5 million to an affordable housing developer to finance a property that will be fully occupied by occupants using the D.C. Housing Voucher Program.
- One loan totaling \$590,000 to a non-profit agency that provides emergency housing to renovate a property into a community building that will provide workforce training to help occupants become self-sufficient.
- Four loans totaling \$165,000 under the bank's Special Purpose Credit Program (SPCP). In 2021, in conjunction with several other local financial institutions, BOC developed and implemented a small business credit program under the SPCP provisions of Regulation B in response to unmet credit needs in part among low- and moderate-income communities. Through this 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 criteria, including annual revenues of \$1 million or less for business, or \$500,000 for farms.

The bank holds 11 qualified community development investments totaling approximately \$7.4 million and has made 37 qualified donations totaling \$68,471 that facilitate economic development, affordable housing, and community services for low- and moderate-income area residents, including the following:

- One equity investment totaling \$1 million in a Small Business Investment Company (SBIC) fund that facilitates investments in small businesses within the bank's assessment area and nationwide.
- One investment totaling \$500,000 in a local economic development authority bond used to finance medical and research facilities, low-income housing, and non-profit organizations within the bank's assessment area.
- Four investments totaling approximately \$3.4 million to the Small Business Administration's Small Business Investment Company (SBIC) loan pool. The SBA uses the loan pool funds to finance small businesses across the commonwealth of Virginia, including the bank's assessment area.
- Five investments totaling approximately \$2.5 million in the Virginia Housing Development Authority (VHDA) to help Virginians attain quality affordable housing, including in the bank's assessment area.
- Three donations totaling \$11,160 to a local organization that provides temporary housing, meals, and counseling services to homeless individuals in the Northern Shenandoah Valley.

Two employees provided qualified services during the evaluation period by volunteering time and financial expertise to three local organizations. One employee is the founder and chairman of a foundation that supports students suffering from food insecurities. Another employee aids in facilitating fundraising events and allocation of funding resources for an organization that provides shelter, resources, and assistance to individuals impacted by poverty and homelessness. In addition, the same employee provides similar assistance to a local clinic that provides health care services to individuals who have no health insurance and meet income requirements based on the federal poverty level.

Of the bank's 14 branch locations, one (7.1%) is located in a low-income census tract and three (21.4%) are in moderate-income census tracts. The bank effectively delivers banking services to the entire assessment area.

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.

CRA APPENDIX A

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.