



Dear Fellow Bay Banks Shareholder:

We are writing to update you on your investment in our Company.

2018 was a very successful year for Virginia Commonwealth Bank, Bay Banks of Virginia's (BAYK) subsidiary bank.

We achieved a significant milestone by reaching \$1 billion of assets by the end of 2018. For the year ended December 31, 2018, the Company reported net income of \$3.9 million, or \$0.30 per diluted share, and a return on average assets ("ROAA") of 0.39% compared to a net loss of \$1.3 million, or (\$0.14) per diluted share, and a ROAA of (0.17%) for the year of 2017. The 2018 and 2017 periods include merger-related expenses of \$363 thousand and \$2.0 million, respectively. While this is a marked improvement year-over-year, we want to assure you that both management and your Board are not satisfied with these results. We have much more work to do to achieve acceptable returns and reach our profitability goal of a ROAA in the range of 1.00% - 1.25% by 2021.



Our work in 2018 made important improvements Company-wide and laid the critical groundwork to help us continue to grow.

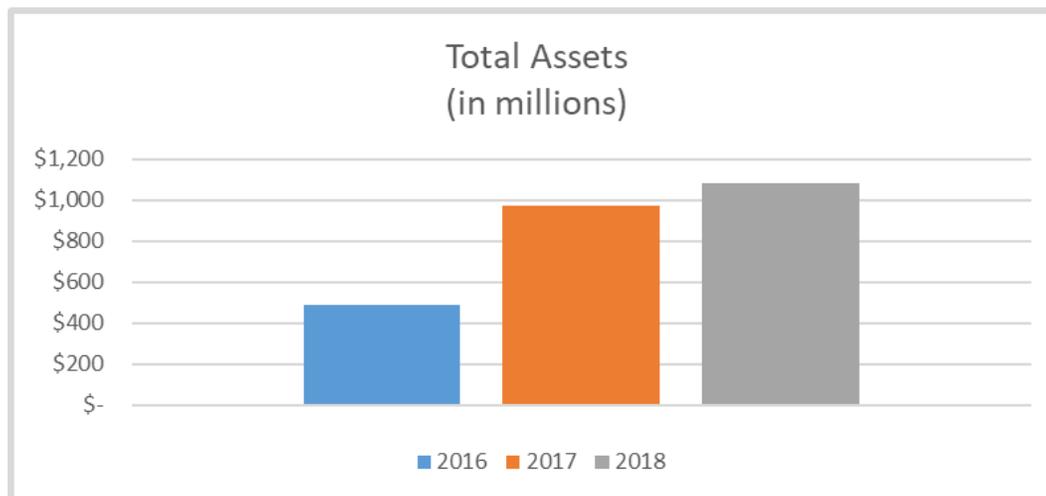
Our team is now closely aligned by our newly developed three-year Strategic Plan, which charts the Company on a path of achieving increasing profitability through 2021. Growth and improved return on investment for you through a well-developed plan is what we are solely focused on in 2019 and beyond.

As part of our strategy, we expanded into the Hampton Roads market in 2018 by opening a full-service retail branch and assembling a strong commercial lending team in Virginia Beach. The greater Richmond area continues to be a strong market for us and together with Hampton Roads offer significant business opportunities, which enabled us to achieve over 17% of net loan growth in 2018.

We also set an important goal to improve our loan mix. Currently we have just over one-half in commercial loans. Our focus is to raise that number to approximately two-thirds by 2021. Through growth in this area, we will expand our relationships and bring greater profitability to shareholders.

Our rapidly growing balance sheet, as illustrated in the graphic below, provides us the opportunity to leverage our back-office and charts a path to increased earnings. However, our deposit growth, which has not kept pace with loan growth, could potentially slow the attainment of some of our goals. Our team is laser focused on generating no or low-cost deposits, which will positively impact our earnings.

We also believe in keeping costs low and continually reviewing our expenses. In September 2018, we announced \$2.0 million of cost saving initiatives which we have fully executed.



In 2018, we focused on integrating the cultures from the merger and we combined multiple banking cultures into “One Bank, One Team”. We strengthened our executive management by investing in a first-class team that has significant experience in growing organizations both organically and through strategic acquisitions.

Two new executives in particular bring tremendous value to our Company. Our Chief Financial Officer, Judy Gavant, joined us in the spring of 2018. Judy has extensive experience in accounting, taxation, finance, and mergers and acquisitions. Her leadership has enhanced our financial reporting and strengthened the internal control structure in all areas of our Company. Bill Callaghan also joined Virginia Commonwealth Bank as Chief Administrative Officer in March 2018. Bill has over 35 years of experience within the financial services industry. He oversees the day-to-day administrative operations of the bank, which includes deposits, loans, mortgages, human resources, compliance and technology.

VCB Financial Group, the Company’s wealth management and trust and estate administration subsidiary, also expanded into the Richmond and Virginia Beach markets. In 2018, we completed VCB Financial Group’s conversion by substantially enhancing its product mix and its position for future growth. Mark W. Herndon, an experienced director and a successful entrepreneur and restaurateur in the Richmond area, was appointed to VCB Financial Group’s Board of Directors and Mark brings expertise in operating successful service businesses and has proven to be a resource for referrals.

As you know, our Company’s Board of Directors is a committed group of community leaders dedicated to the success of our Company. In October 2018, Vance H. Spilman, a Richmond native, was elected to the Board. Vance is currently the CEO of an international company, and his career has spanned the retail, real estate, financial and multi-unit franchising industries on a national level. Vance’s election was timely, in that it coincided with our 2019-2021 strategic planning process and enabled him to participate in helping shape the Company’s vision for the next three years.

Our commitment to contribute to the success of the communities we serve is a top priority. In 2018, we supported over 120 charitable, civic and community organizations in our service areas. Our support ranges from financial contributions or sponsorships, to our employees giving time by working at events or serving on various non-profit committees or boards.

We would like to express our gratitude to you and everyone involved that has made our Company successful. The future is bright for our customers, communities, shareholders and employees. Your bank is sound and well capitalized! As bankers and shareholders, we certainly welcome your deposits and your referrals of friends, neighbors and business associates.

Thank you, as always, for your investment and continued support. We hope you will join us for our Annual Shareholders' Meeting on Monday, May 20<sup>th</sup> at 10:00 a.m. The meeting will be held at The Commonwealth Club located at 401 W. Franklin Street in Richmond.

Best regards,



C. Frank Scott, III  
Chairman of the Board



Randal R. Greene  
President & Chief Executive Officer

**ONE TEAM. ONE BANK.**

