



# *To Our Shareholders* *Planning for the Future...*

Dear Fellow Bay Banks Shareholder:

We begin this letter with a sense of pride over our Company's accomplishments during the last year. It is remarkable to think about the amount of change that has taken place in order to enhance services for our customers, to help the communities we serve and to position our Company to become the premier community bank serving Central and Eastern Virginia.

## **2017 Financial Highlights**

- We ended the year approaching \$1 billion in assets, and excluding non-recurring items, we were profitable.
- We achieved organic loan growth of 29.9%.
- We completed a successful capital raise of \$35 million and we are now one of the most strongly capitalized banks in Virginia.
- The Bank's historically strong asset quality demonstrated further improvement last year. Non-performing assets as a percentage of total assets declined from 1.6% as of year-end 2016 to 1.1% as of year-end 2017.

## **Recent Highlights**

- The merger between Bank of Lancaster and VCB was finalized in April, and the core processing systems were converted prior to year-end.
- Following the merger and the opening of a new loan production office in Virginia Beach in February 2018, the Company is strategically positioned in markets with strong potential growth opportunities. Richmond, Hampton Roads and the legacy Northern Neck and Tri-Cities regions have combined market deposits of \$67 billion.
- Changes in commercial leadership in the Richmond Market and the opening of the Virginia Beach loan production office are fueling the Company's strong organic loan growth.
- A Treasury Management team was formed providing the necessary infrastructure to substantially improve commercial depositors' experience.
- A top Virginia wealth advisor joined our Company as President & Chief Executive Officer of VCB Financial Group, our trust and wealth management group, which prompted more than a 20% increase in trust assets under management to date.

## **Leadership**

- During the 1<sup>st</sup> Quarter of 2018, the Company made several key leadership changes that were necessary as the Company approached \$1 billion in assets operating in three regions with 18 current locations and 3 additional locations opening in 2018. The additions represent sizable advances in financial leadership, including the succession of a Chief Financial Officer, and the addition of a Chief Administration Officer, Chief Retail Banking Officer and three experienced CPAs, each with larger public company bank experience.



**In Summary:**

Clearly, 2017 was a year of significant change. The Company's many accomplishments have positioned us for growth and profitability in 2018 and beyond. The Company assembled an extraordinary management team to take the Company to the next level with the hiring of key market executives and succession of financial and operational leadership.

Throughout this period of change, our Company has been steadfast in our dedication to our customers and the communities we serve. We would like to express our gratitude to everyone involved that has made our Company successful. The future is bright for our customers, communities, shareholders, and employees.

Thank you, as always, for your continued support and patronage. We hope you will join us for our Annual Shareholders' Meeting on Monday, June 11, 2018. The meeting will be held at 5:00 p.m. at The Commonwealth Club located at 401 W. Franklin Street in Richmond.

C. Frank Scott, III  
Chairman of the Board

Randal R. Greene  
President & Chief Executive Officer

