

Atlantic Bay Mortgage Group (Virginia Beach, VA) and Virginia Community Bankshares, Inc. (OTC Pink: VCBS; Louisa, VA) announce strategic combination

Deal Value: Not Disclosed

Sandler O'Neill acted as financial advisor and rendered a fairness opinion to Virginia Community Bankshares in this transaction. This transaction represents Sandler O'Neill's 132nd bank or thrift transaction nationwide since January 1, 2015, representing \$42 billion in aggregate transaction value. Sandler O'Neill has served as financial advisor on more bank and thrift transactions and for a greater aggregate transaction value than any other investment bank during that time period.¹

Since January 1, 2015, Sandler O'Neill has advised on 45 bank or thrift transactions in the Southeast region for an aggregate transaction value of \$13.7 billion, more than any other investment bank during that time period.¹

Virginia Beach and Louisa, VA. (July 25, 2017) - Atlantic Bay Mortgage Group, L.L.C. ("Atlantic Bay") and Virginia Community Bank ("VCB") announced today a definitive agreement for a strategic combination through the merger of Atlantic Bay's holding company with VCB in an all stock transaction. As part of the transaction, VCB will eliminate its holding company and the resulting bank will operate under the name "Atlantic Bay Bank," while Atlantic Bay Mortgage Group will retain its brand. The holders of VCBS common stock will exchange their shares in the holding company for shares in the new bank on a 1 for 1 exchange ratio. The transaction has been unanimously approved by the Board of Directors of VCB and the sole manager and members of Atlantic Bay, and is expected to close in the fourth quarter of 2017. The parties expect to complete a \$20 million offering of common stock of VCB at the time of closing.

Under the terms of the agreement, Atlantic Bay's Chief Executive Officer, Brian Holland, will become Chairman of the Board of the bank, and Stan Holland, Chief Operating Officer of Atlantic Bay will be a member of the bank's Board of Directors. Preston Moore, the Chief Executive Officer of VCB, will remain Chief Executive Officer of the bank and will be a member of its Board of Directors. Thomas Crowder, the Chief Financial Officer of VCB, will remain Chief Financial Officer of the bank.

Atlantic Bay was founded in 1996 by Brian Holland and the company has grown from one employee to over 900 and over 120 locations. VCB was established in 1976 and has seven locations in Central Virginia.

Under the terms of the agreement, Atlantic Bay will receive merger consideration consisting of 100 percent stock in VCB that will give Atlantic Bay's current members approximately 60% ownership of the bank, excluding the impact of any adjustments resulting from the planned common stock offering.

"Partnering with a bank is the next step in Atlantic Bay's evolution. We will be able to continue to provide the best service to all of Atlantic Bay's and VCB's customers, enhance benefits for all of our employees and strengthen the mortgage company," said Brian Holland, Chief Executive Officer of Atlantic Bay. "We are excited to join with a well-established and highly-respected community bank where we can share our approach to lending, customer service and fun company culture."

"Under the partnership with Atlantic Bay, the bank will maintain exceptional customer service and be able to leverage Atlantic Bay's growth potential," said Preston Moore, Chief Executive Officer of VCB. "This transaction enhances our capabilities, creates value for our shareholders, allows us to retain all of our employees and will be accretive to earnings."

Company Overview

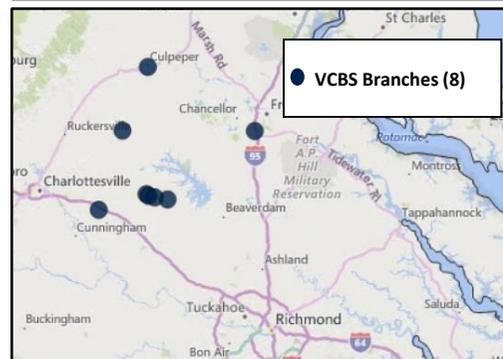
(Dollars in Thousands)

	VCBS		Atlantic Bay
Total Assets	\$238,429	Employees	900+
Total Net Loans	\$166,644	Locations	120+
Total Deposits	\$209,095	States of Operation	9
Total Equity	\$24,558		
TCE / TA	10.30%		

(1) Excludes terminated transactions and self-advisory roles

Note: Financial data as of March 31, 2017; Source: SNL Financial, Company press release

VCBS Branch Locations



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