

PUBLIC DISCLOSURE

October 14, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commerce Bank of Virginia

05512349

P. O. Box 29569

Richmond, Virginia 23242

Federal Reserve Bank of Richmond

P. O. Box 27622

Richmond, Virginia 23261

NOTE: 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each Federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of Commerce Bank of Virginia, Richmond, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of October 14, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

INSTITUTION'S CRA RATING: This institution is rated Satisfactory.

The bank's loan-to-deposit ratio appears reasonable in relation to demand for credit in the assessment area. A majority of loans sampled during the examination were provided to residents of the assessment area, and a significant portion were to low- and moderate-income borrowers. Furthermore, the geographic distribution of loans within the assessment area appears reasonable given local demographics and branch locations.

DESCRIPTION OF INSTITUTION

Headquartered in Richmond, Virginia, Commerce Bank of Virginia operates five offices serving Hanover, Goochland, and Henrico Counties, and the City of Richmond, Virginia. As of June 30, 1997, the bank reported assets of \$81 million. A majority (61%) of these assets consist of loans. The composition of the loan portfolio is as follows: 69% real estate (consumer and business), 10% consumer, and 21% commercial. The bank offers a broad range of credit and deposit services which are generally available at each branch. Credit services include residential mortgages for home purchase, home improvement, and home construction purposes, and loans for various consumer and small business needs. Based on the number of loans extended during the previous 12 months, consumer loans were identified as the bank's primary credit product. No one type of consumer loan made up a majority of the loans sampled. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The assessment area incorporates all of Goochland and Hanover Counties, as well as the following census tracts in Henrico County and the City of Richmond:

<u>Henrico</u>	<u>Richmond</u>
2001 01	204
2001 12	205
2001 14	202 + 206
2001 15	402
2001 16	412
	601

According to the 1990 census, the assessment area has a population of 123,357 and is included within the Richmond-Petersburg Metropolitan Statistical Area (MSA). This market contains 34 census tracts, all of which are populated. Of these geographies, five are low-income, six are moderate-income, eleven are middle-income, and twelve are upper-income. However, two low-income census tracts contain no families or households. The 1996 median-family income for the MSA is \$49,300.

The following table provides assessment area demographics by income level of families and the percentage of population living in census tracts of varying income levels. As illustrated by this chart, a majority of families within the market (70%) are middle- and upper-income, and 80% of the population resides in middle- and upper-income census tracts.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	15%	15%	24%	46%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	8%	12%	32%	48%	100%

The local economy is stable and includes a diverse mixture of manufacturing, service, and Government employment opportunities. Some of the major industries in the market include metal fabrication, tobacco processing, pharmaceuticals, food products, chemicals, insurance, and banking. The current unemployment rates for Goochland, Hanover, Henrico Counties, and the City of Richmond are 2.6%, 2.7%, 3.2%, and 5.3%, respectively. These rates compare favorably to the current jobless rate for the Commonwealth of Virginia of 4.1%.

Community contacts were recently made to further assist in evaluating the bank's CRA performance. According to the contacts, assistance in purchasing affordable housing would further promote growth in the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The institution is responsive to area loan demand. During the five-quarter period ending June 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to Commerce Bank of Virginia ranged from 70% to 73%. The bank's average loan-to-deposit ratio for the previous five quarters is 68% and meets standards for satisfactory performance given the institution's financial capacity, size, and current local economic conditions.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, a sample of 95 of the 180 consumer loans extended during the previous 12 months was reviewed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	63	32	95
Percentage of Total Loans	66%	34%	100%
Total Amount of Loans (000's)	\$590	\$322	\$912
Percentage of Total Amount	65%	35%	100%

As illustrated in the table above, a majority of the number and dollar amounts of the sampled loans have been provided to residents of the assessment area indicating responsiveness to local credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES

The following chart illustrates the distribution of the sampled consumer loans originated within the assessment area by income level of the borrower.

Distribution of Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	16	16	20	11	63
Percentage of Total Loans	25%	25%	32%	18%	100%
Total Amount of Loans (000's)	\$100	\$140	\$166	\$184	\$590
Percentage of Total Loans	17%	24%	28%	31%	100%

The volume of lending to low- and moderate-income residents (50%) exceeds the proportion of low-income (15%) and moderate-income (15%) families within the market. Furthermore, 41% of the dollar amounts of loans extended were to low- and moderate-income borrowers. This level of lending is considered highly responsive to the credit needs of borrowers in the assessment area.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of loan files also included an analysis of lending among various geographies within the assessment area. The following table depicts the distribution of the sampled consumer loans within the assessment area according to the income level of the geography.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	1	12	30	20	63
Percentage of Total Loans	1%	19%	48%	32%	100%
Total Amount of Loans (000's)	\$8	\$74	\$257	\$251	\$590
Percentage of Total Loans	1%	12%	44%	43%	100%

As depicted in the table, 20% of the sampled loans were made in low- and moderate-income geographies. Likewise, 20% of the population resides in these areas. Considering the proportion of population in geographies of varying income levels, the distribution of the sampled loans appears reasonable.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending and credit activities.