

PUBLIC DISCLOSURE

January 12, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Community Bank

05512106

P. O. Box 2166

Petersburg, Virginia 23804

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 The Community Bank, Petersburg, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of January 12, 1998. 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 is considered more than reasonable given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were provided to residents of the assessment area. The institution's lending to low- and moderate-income borrowers and to businesses with revenues under \$1 million meets the standards for satisfactory performance. The distribution of lending by income level of census tracts exceeds the standards for satisfactory performance.

DESCRIPTION OF INSTITUTION:

The Community Bank operates two offices in the City of Petersburg, one office in the City of Colonial Heights, and one office in Chesterfield County, Virginia. As of September 30, 1997, the bank had total assets of \$93 million, of which 73% were loans.

Management has focused lending efforts on meeting the needs of local businesses. Various loan and deposit products are also available through the institution including loans for consumer, residential mortgage, home improvement, business, and agricultural purposes. The loan portfolio as of September 30, 1997, was comprised of the following: 46% secured by one- to four-family residential real estate, 41% other real estate secured, 7% consumer, and 6% commercial. Based on the number of loans extended during the previous 12 months, business loans were identified as the principal credit product offered by the bank. Residential purchase, refinance, and home improvement loans required to be reported under the Home Mortgage Disclosure Act (HMDA) were also considered in the evaluation. The institutions previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The Community Banks assessment area contains a total of 44 census tracts and includes the Cities of Petersburg and Colonial Heights, Virginia. Also encompassed in the assessment area is the lower portion of Chesterfield County, Virginia, which contains the following 26 census tracts:

- 1003.00
- 1004.03 through 1004.08
- 1005.02 through 1005.06
- 1005.91
- 1006.00
- 1007.01 through 1007.03
- 1008.04 through 1008.07
- 1008.11
- 1008.14 through 1008.17

Of the 43 populated geographies, five are low-income, six are moderate-income, 27 are middle-income, and five are upper-income. The banks assessment area is included in the Richmond-Petersburg Metropolitan Statistical Area (MSA) and has a population of 136,473 according to 1990 census data. The owner-occupancy rate for the assessment area is 63%, and the 1997 MSA median family income is \$50,500.

The following table provides assessment area demographics by the income level of families and the percentage of the population living in census tracts of various income levels. The percentage of owner-occupied housing units by income level of the census tract is also provided.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	21%	20%	25%	34%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	10%	14%	62%	14%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Tract	5%	11%	66%	18%	100%

Local economic conditions for the MSA are stable. However, the Petersburg City economy remains somewhat weaker than other portions of the MSA. Employment opportunities are provided by a diverse mixture of industries including metal fabrication, tobacco processing, pharmaceuticals, food products, chemicals, insurance, and banking. As of October 1997, the unemployment rates for the assessment area ranged from 2.6% in Chesterfield County to 7.2% in Petersburg. The jobless rate for the Commonwealth of Virginia during this time period was 3.5%.

A representative from a local community development corporation was contacted during the examination to further assist in evaluating the bank's CRA performance. The contact indicated that area financial institutions are actively involved in the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LOAN-TO-DEPOSIT RATIO

The institution is responsive to area loan demand. During the six-quarter period ending September 1997, the quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to The Community Bank ranged from 70% to 74%. The bank's average loan-to-deposit ratio for the previous six quarters is 86% and exceeds 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 64 business loans was reviewed. The sample was chosen from a universe of approximately 118 recently extended business loans. Also analyzed were the bank's 126 reported HMDA loans originated since the previous evaluation. The lending distribution is represented by the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	136	54	190
Percentage of Total Loans	72%	28%	100%
Total Amount of Loans (000's)	\$7,914	\$3,769	\$11,683
Percentage of Total Amount	68%	32%	100%

As illustrated above, a majority of the number and dollar amounts of the sampled loans were provided to residents of the assessment area.

The bank also conducts an internal geographic analysis of its lending activity. Bank data indicate that of the 1,240 total loans originated in 1997, 819 (66%) were extended within the assessment area. Furthermore 57% of the dollar volume of lending was provided to borrowers residing within the local community.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the 49 business loans extended within the assessment area to businesses of different sizes.

Distribution of Loans by Size of Business

	Revenues \leq \$1 Million	Revenues $>$ \$1 Million	Total
Total Number of Loans	39	10	49
Percentage of Total Loans	80%	20%	100%
Total Amount of Loans (000's)	\$2,460	\$1,107	\$3,567
Percentage of Total Amount	69%	31%	100%

The percentage of the total number (80%) and dollar amounts (69%) of loans provided to businesses with gross revenues of \$1 million or less demonstrates the bank's responsiveness to small business credit needs.

Furthermore, a review of the 87 HMDA loans extended within the assessment area was conducted to analyze borrower income characteristics. The following chart illustrates the distribution of HMDA loans by the income level of the borrower.

Distribution of Loans by Income Level of Borrower

HMDA Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	13	26	20	28	87
Percentage of Total Loans	15%	30%	23%	32%	100%
Total Amount of Loans (000's)	\$365	\$836	\$1,244	\$1,901	\$4,346
Percentage of Total Loans	8%	19%	29%	44%	100%

When compared to the distribution of assessment area families by income level, the percentage of HMDA loans extended to low- and moderate-income borrowers (45%) is slightly higher than the proportion (41%) of such families in the community. Collectively, the review of sampled loans suggests that the bank has been successful in lending to small businesses and borrowers of all income levels.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of the loan files also included an analysis of lending among the various census tracts within the banks assessment area. The following tables illustrate the geographic distribution of the sampled business and HMDA loans according to the income level of the census tract.

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

Business Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	5	8	30	6	49
Percentage of Total Loans	10%	17%	61%	12%	100%
Total Amount of Loans (000's)	\$438	\$156	\$2,501	\$472	\$3,567
Percentage of Total Loans	12%	5%	70%	13%	100%

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

HMDA Loans

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	16	25	42	4	87
Percentage of Total Loans	18%	29%	48%	5%	100%
Total Amount of Loans (000's)	\$670	\$1,006	\$2,495	\$175	\$4,346
Percentage of Total Loans	16%	23%	57%	4%	100%

Overall, 40% (54/136) of the sampled loans were extended in low- and moderate-income census tracts. This level of lending exceeds the percentage of the population residing in such areas (24%). Furthermore, the percentage of the total dollar amount of loans sampled in these tracts (29%) is also higher than the demographic proportion. The distribution of HMDA loans compares favorably to the percentage of owner-occupied units in low- and moderate-income tracts (16%).

As previously mentioned, the bank conducts an internal geographic analysis of its loan distribution. The results of this analysis are displayed in the chart below.

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

Total 1997 Loan Activity

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Total Number of Loans	87	199	450	83	819
Percentage of Total Loans	11%	24%	55%	10%	100%
Total Amount of Loans (000's)	\$4,010	\$8,028	\$23,785	\$5,767	\$41,590
Percentage of Total Loans	10%	19%	57%	14%	100%

As illustrated, the percentage of total 1997 loans extended to borrowers in low- and moderate-income census tracts also exceeds the proportion of the population residing within these tracts.

Overall, the geographic distribution of lending activity exceeds satisfactory performance standards and demonstrates the institutions willingness to meet the credit needs of all areas of its community.

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. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.