

PUBLIC DISCLOSURE

September 2, 1997

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Commonwealth Bank

05511987

900 North Parham Road

Richmond, Virginia 23229

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 Commonwealth Bank, Richmond, Virginia, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of September 2, 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 given its financial capacity and demand for credit in the area. A majority of loans sampled during the examination were extended within the assessment area, and a significant portion were to small businesses. The penetration of loans throughout the market meets the expectations for a satisfactory performance given the institution's size, branch locations, and area demographics.

The following table indicates the performance level of The Commonwealth Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>The Commonwealth Bank</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area		X	
Lending to Borrowers of Different Incomes and to Businesses of Different Sizes	X		
Geographic Distribution of Loans		X	
Response to Complaints	No complaints have been received since the prior examination.		

DESCRIPTION OF INSTITUTION

The Commonwealth Bank operates two branches located in Chesterfield and Henrico Counties, Virginia. As of June 30, 1997, the bank had total assets of \$23 million, of which 62% were loans. Management has focused lending efforts on meeting the needs of local businesses. However, various deposit and loan products are available through the institution, including those for real estate development, commercial, residential mortgage, and consumer purposes. The composition of the loan portfolio, as of June 30, 1997, is as follows: 49% real estate secured (consumer and business), 40% commercial, 9% consumer, and 2% other. Based on the number of loans recently extended, commercial loans were identified as the principal credit product offered. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area includes all of Chesterfield County, as well as the following census tracts in Henrico County:

- 2001.04 2001.12 2002.92
- 2001.05 2001.13 2003.01
- 2001.06 2001.14 2003.02
- 2001.07 2001.15 2003.03
- 2001.08 2001.16 2005.01
- 2001.09 2002.01 2005.02

According to the 1990 census, the assessment area has a population of 287,295 and is included within the Richmond-Petersburg Metropolitan Statistical Area (MSA). This market contains 70 census tracts, of which 69 are populated. Of the populated geographies, one is low-income, four are moderate-income, 36 are middle-income, and 28 are upper-income. The 1996 median-family income for the MSA is \$49,300.

The following table provides assessment area demographics by the 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 (75%) are middle- and upper-income, and 96% 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	10%	15%	24%	51%	100%
Percentage of Population Residing in Census Tracts by Income Level of Tract	1%	3%	47%	49%	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 Chesterfield and Henrico Counties are 2.8% and 2.9%, respectively. These rates compare favorably to the current jobless rate for the Commonwealth of Virginia of 4.3%.

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. For a six-quarter period ending March 1997, the average loan-to-deposit ratios for institutions headquartered in metropolitan areas of Virginia and of similar asset size to The Commonwealth Bank ranges from 68% to 72%. The bank's average loan-to-deposit ratio for the previous six quarters is 78% 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 101 of the 203 commercial 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	60	41	101
Percentage of Total Loans	59%	41%	100%
Total Amount of Loans (000's)	\$3,661	\$3,535	\$7,196
Percentage of Total Amount	51%	49%	100%

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

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

The following chart illustrates the distribution of the 60 business loans extended in the assessment area by size of the business.

Distribution of Loans by Size of Business

	Revenues ≤ \$1 Million	Revenues > \$1 Million	Total
Total Number of Loans	55	5	60
Percentage of Total Loans	92%	8%	100%
Total Amount of Loans (000's)	\$3,316	\$345	\$3,661
Percentage of Total Amount	91%	9%	100%

As illustrated above, 92% of the commercial loans in the local market were provided to small businesses. The bank also actively extends Small Business Administration (SBA) Government guaranteed loans, including loans for less than \$100,000, to qualified applicants. This level of lending to businesses with revenues of \$1 million or less demonstrates the bank's willingness to meet the credit needs of small businesses.

GEOGRAPHIC DISTRIBUTION OF LOANS

The review of the sampled loans also included an analysis of lending among census tracts within the institution's assessment area. The following chart illustrates the distribution of sampled loans according to the income level of the census tract.

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	0	1	32	27	60
Percentage of Total Loans	0%	2%	53%	45%	100%
Total Amount of Loans (000's)	\$0	\$75	\$1,252	\$2,334	\$3,661
Percentage of Total Loans	0%	2%	34%	64%	100%

As depicted in the table, 2% of the sampled loans were to businesses located in a moderate-income area. In the bank's assessment area, 1% of the tracts are low-income, 6% are moderate-income, 52% are middle-income, and 41% are upper-income. Only 4% of the population resides in low- and moderate-income census tracts. In addition, the low-income and two of the four moderate-income census tracts are located a significant distance from bank offices. The geographic distribution of loans is considered reasonable given the bank's resources, area demographics, and branch locations.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Equal Credit Opportunity Act's Regulation B and 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.