

PUBLIC DISCLOSURE

September 8, 2003

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Albemarle First Bank

2751977

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Federal Reserve Bank of Richmond

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Richmond, Virginia 23261

NOTE: This document is an evaluation of this 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. 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.

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to demand for credit in the assessment area.
- A substantial majority of loans reviewed during the evaluation were provided to residents and businesses in the bank's assessment area.
- Lending to borrowers of different income levels and to businesses with revenues less than \$1 million is considered reasonable using various proxies for demand.
- The distribution of lending by income level of geography is considered reasonable given the bank's branch locations, aggregate data, and area demographics.
- There have been no complaints regarding the bank's CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

Albemarle First Bank is headquartered in Charlottesville, Virginia, and operates three full service branch offices. Two branches are located in the City of Charlottesville and one is located in Ruckersville, Virginia. Since the previous evaluation, dated September 7, 1999, the bank has opened two new branches. The Charlottesville branch opened December 2001 and the Ruckersville office opened April 2002. As of June 30, 2003, the bank had assets of \$98.7 million, of which 72.7% were loans. Various deposit and loan products are available through the institution, including loans for commercial, consumer, residential mortgage, and agriculture purposes. The loan portfolio, as of June 30, 2003, was comprised of 36% one- to four-family real estate secured, 36.1% commercial real estate and farm, 21.9% commercial and agriculture, and 6% consumer. Based on the institution's loan volume during the preceding year and its current market strategy, business and consumer loans were identified as primary credit products of the bank. The institution's previous CRA rating was Satisfactory.

DESCRIPTION OF ASSESSMENT AREA

The institution's assessment area encompasses all of Albemarle and Greene County, and the City of Charlottesville, Virginia. Both counties and the City of Charlottesville are included within the Charlottesville Metropolitan Statistical Area (MSA). This assessment area includes 41 census tracts, of which one is low-income, six are moderate-income, 16 are middle-income, and eight are upper-income. The remaining ten tracts reported a median family income of zero and contain a population of only 86. For analytical purposes, these tracts are considered low-income.

According to the 1990 census data, the assessment area has a population of 118,678 and a median housing value of \$106,667. The owner-occupancy rate for the market is 54%, which is slightly lower than the MSA and state level of 55.7% and 60.9%, respectively. Within the assessment area, 6.8% of families are considered living below poverty level. This is comparable to the MSA poverty rate of 6.7% and slightly lower than 7.7% for the Commonwealth of Virginia. The 2002 median family income for the Charlottesville MSA is \$63,600.

The following table provides demographics for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units, businesses, and families below the poverty rate by income level of census tract.

Assessment Area Demographics

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18.8%	18%	23.9%	39.3%	100%
Percentage of Population Residing in Geographies by Income Level of Geography	3.8%	18.2%	53.1%	24.9%	100%
Percentage of Owner-Occupied Housing Units by Income Level of Geography	0.9%	8.7%	58.8%	31.6%	100%
Percentage of Businesses in Geographies by Income Level of Geography	2.7%	23.4%	47.4%	26.5%	100%
Percentage of Families Below Poverty Rate by Income Level of Geography	32.6%	16.4%	6.2%	2.0%	N/A

Employment opportunities are diverse and include manufacturing, government, retail/wholesale trade, and services industries. Major employers for the area include University of Virginia, Martha Jefferson Hospital, Lexus, and Pepsi Cola Bottling Company. In addition, tourism plays a key role in the local economy with Monticello, home of Thomas Jefferson, attracting many people to the area. As of July 2003, the unemployment rates are 2.9%, 5.3%, and 3.3% for Albemarle County, Greene County, and the City of Charlottesville, respectively. Albemarle County consistently maintains one of the lowest unemployment rates in Virginia. The jobless rate for the Commonwealth of Virginia is 4.1%.

A local government official was contacted to assist in evaluating the bank's CRA performance. According to the individual, financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

During the 16-quarter period ending June 30, 2003, the bank's average loan-to-deposit ratio equaled 82.4%. The quarterly average loan-to-deposit ratios for all banks headquartered in metropolitan areas of Virginia and of similar asset size to Albemarle First Bank ranged from 70.6% to 84.6% for the same 16-quarter period. From September 30, 1999, to June 30, 2003, bank assets, loans, and deposits have increased by 398.2%, 605.9%, and 511.3%, respectively. This increase can largely be attributed to the opening of two branches since the previous evaluation. The bank's loan-to-deposit ratio is considered reasonable given the institution's size, financial capacity, and assessment area credit needs.

LENDING IN ASSESSMENT AREA

To determine the institution’s volume of lending within its assessment area, samples of 100 consumer loans and 99 small business loans were reviewed. The samples were selected from approximately 162 consumer loans and 173 business loans originated within a 12-month period. The bank’s lending distribution is represented in the following table for the assessment area.

Comparison of Credit Extended Inside and Outside of Assessment Area

Loan Category	IN				OUT			
	#	%	\$ (000's)	%	#	%	\$ (000's)	%
Consumer	80	80%	\$1,462	85.1%	20	20%	\$255	14.9%
Small Business	84	84.8%	\$11,312	77.6%	15	15.2%	\$3,270	22.4%
Total	164	82.4%	\$12,774	78.4%	35	17.6%	\$3,525	21.6%

As illustrated in the preceding chart, a substantial majority of the number and dollar amount of loans were provided to borrowers located in the institution’s assessment area. The institution’s level of lending within its assessment area is considered highly responsive to community credit needs.

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

To evaluate the bank’s level of lending to borrowers of varying income levels and to businesses of different sizes, the 80 sampled consumer loans and 84 sampled small business loans extended within the bank’s assessment area were analyzed.

Area demographics, 2001 aggregate data, and Dun & Bradstreet (D&B) information are used as proxies for demand. Aggregate small business lending data includes all reporting institutions that originated such loans within the bank’s assessment area during 2001, as required by CRA. Albemarle First Bank is not required to collect or report any small business loan data; therefore, its activity is not included in the aggregate data.

Distribution of Consumer Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	37	23	12	8	80
Percentage of Total Loans	46.3%	28.7%	15%	10%	100%
Total Amount of Loans (000's)	\$282	\$207	\$150	\$823	\$1,462
Percentage of Total Amount	19.3%	14.2%	10.3%	56.2%	100%

The institution’s level of lending to low- and moderate-income borrowers (46.3% and 28.7%, respectively) is considered excellent when compared to the percentage of such families (18.8% low-income and 18% moderate-income) located within the assessment area.

Distribution of Loans by Size of Business

	Revenues \leq \$ 1 Million	Revenues $>$ \$ 1 Million	Total
Total Number of Loans	58	26	84
Percentage of Total Loans	69%	31%	100%
Total Amount of Loans (000's)	\$7,673	\$3,639	\$11,312
Percentage of Total Amount	67.8%	32.2%	100%

Based on recent D&B demographic data, 92.2% of businesses within the assessment area that reported revenue data have annual revenues of \$1 million or less. According to 2001 aggregate small business data, 52.6% of all reported small business loans within the assessment area were to businesses with revenues of \$1 million or less. The remaining loans were extended to businesses either having annual revenues in excess of \$1 million or the revenues were not known. As indicated in the table, 69% of the bank's loans were to businesses with revenues of \$1 million or less. This level of small business lending is reasonable.

Overall, the institution's lending distribution to borrowers of different income and to businesses of different sizes is considered reasonable when using area demographics, aggregate data, and business data as proxies for loan demand.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of consumer and small business loans within the assessment area is reflected in the following tables. Area demographics, aggregate data, and business information were used as estimates for demand when evaluating the institution's penetration into geographies of different income levels.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	0	7	45	28	80
Percentage of Total Loans	0%	8.8%	56.2%	35%	100%
Total Amount of Loans (000's)	0	\$693	\$462	\$307	\$1,462
Percentage of Total Amount	0%	47.4%	31.6%	21%	100%

As indicated in the preceding chart, none of the sampled consumer loans were extended in low-income census tracts. Area demographics indicate that only 3.8% of the area's population reside in such tracts. However, 32.6% of the families residing in low-income areas are below the poverty rate. Additionally, the one low-income census tract that reported a median family income is located in an area that is not easily accessible to any of the three branch locations. A river, a mountainside, and two major highways separate residents in this tract from any bank office. All of these factors may effectively reduce the demand for loans from residents in such areas.

The volume of consumer loans extended in moderate-income tracts (8.8%) is lower than the proportion of population residing in moderate-income areas (18.3%). Effective credit demand is likely limited by the 16.4% of families in moderate-income tracts below the poverty rate. Additionally, 24% of the residents in moderate-income census tracts are university students living in dormitories. Due to the large student population within these geographies, as well as a relatively high poverty rate, the

pool of qualified applicants for credit is likely reduced.

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

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	2	6	55	21	84
Percentage of Total Loans	2.4%	7.1%	65.5%	25%	100%
Total Amount of Loans (000's)	\$111	\$547	\$6,582	\$4,072	\$11,312
Percentage of Total Amount	1%	4.8%	58.2%	36%	100%

D&B data indicates that 2.7% and 23.4% of all area businesses are located in low- and moderate-income census tracts, respectively. Of all lenders reporting small business lending in the assessment area for 2001, 1.7% of loans were to businesses in low-income census tracts and 16.3% were to businesses in moderate-income tracts. The level of lending in low-income census tracts (2.4%) is reasonable given the various proxies, however, the level of lending in moderate-income census tracts (7.1%) is low when compared to D&B business information and aggregate data.

The institution's overall level of lending in geographies of different income levels is considered reasonable when using various proxies to estimate loan demand.

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 activities.