

PUBLIC DISCLOSURE
September 24, 2001
COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Commonwealth Bank
650526
9310 Midlothian Turnpike
Richmond, Virginia 23235

Federal Reserve Bank of Richmond
P. O. Box 27622
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.

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The bank's loan-to-deposit ratio appears more than reasonable given its financial capacity and demand for credit in the area. A substantial majority of loans reviewed during the examination were provided to businesses within the assessment area. Although the institution's distribution of lending by income level of geography is considered low, the bank's level of lending to businesses with revenues less than \$1 million appears highly responsive to area credit needs. Additionally, the institution has not received any complaints involving CRA since the previous examination.

DESCRIPTION OF INSTITUTION

The Commonwealth Bank operates four branches located in Chesterfield County (1), Henrico County (2), and the City of Richmond (1), Virginia. During 1998, the Richmond branch was opened, and in 1999, the second office in Henrico County was opened. As of June 30, 2001, The Commonwealth Bank had total assets of approximately \$85 million, of which 70.3% were loans. Various loan products are available through the institution, including credit for business development and consumer purposes. The loan portfolio as of June 30, 2001, included the following: 70.5% real estate secured (consumer and business), 26.3% commercial, and 3.2% consumer. Based on the institution's loan volume during a recent 12-month period ending June 1, 2001, business loans were identified as a primary credit product offered by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

Located within the Richmond-Petersburg Metropolitan Statistical Area (MSA), The Commonwealth Bank's assessment area includes the City of Richmond and Chesterfield and Henrico Counties, Virginia. The area consists of 188 census tracts, of which 175 are populated. Of the populated geographies, 18 are low-income, 40 are moderate-income, 74 are middle-income, and 43 are upper-income. According to 1990 census data, the assessment area has a population of 630,211 and a median housing value of \$80,704. The owner occupancy rate for the market is 58.2%, which is slightly lower than both the MSA and the Commonwealth of Virginia levels of 60.7% and 60.9%, respectively. The 2001 median family income for the Richmond-Petersburg MSA is \$61,800. In the assessment area, 7.6% of families are considered below the poverty level, while in Virginia and the MSA, 7.7% and 7.4%, respectively, of families are living below the poverty level.

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. The table also displays the distribution of owner-occupied housing units and commercial entities by income level of census tract. Poverty rates by income level of tract are also provided.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	18.9%	17.5%	24.2%	39.4%	100%
Percentage of Population Residing in Census Tracts by Income Level	7.2%	20.1%	42.2%	30.5%	100%
Percentage of Owner- Occupied Housing Units by Income Level of Census Tract	3.5%	14.3%	45.2%	37%	100%
Percentage of Businesses Located in Census Tracts by Income Level*	7.5%	17%	46%	29.5%	100%
Percentage of Families Below Poverty by Income Level of Census Tract	43.1%	13.6%	4.1%	1.5%	

* Figures reflect Dun & Bradstreet (D&B) Gross Annual Revenue Report as of June 1999.

The Richmond market is well diversified with a mixture of manufacturing, service, and government employment opportunities. Some of the major industries include metal fabrication, tobacco processing, pharmaceuticals, food products, chemicals, insurance, and banking. As of June 2001, the unemployment rate for the Commonwealth of Virginia was 3.1%, while the rates in Chesterfield County, Henrico County, and the City of Richmond were 2.3%, 3.1%, and 4.8%, respectively.

Recently, representatives from a local economic development office and a housing organization were contacted to assist in evaluating the bank's CRA performance. According to both individuals, local financial institutions appear to be meeting the credit needs of the area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of Virginia and of similar asset size to The Commonwealth Bank ranged from 66.2% to 84.6% for the 16-quarter period ending June 30, 2001. The bank's average loan-to-deposit ratio for the same 16-quarter period is 83.9%. Since September 30, 1997, assets, loans, and deposits have increased by 239.5%, 253.8%, and 238%, respectively. The dramatic increases in assets, loans, and deposits can be primarily attributed to the opening of two branches since the previous compliance examination. The bank's loan-to-deposit ratio is more than reasonable given its favorable comparison with institutions of similar asset size.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within its assessment area, a sample of 99 business loans was reviewed. The sample was selected from 141 business loans extended during the previous 12-month period ending June 1, 2001. The resulting 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
Number of Loans	90	9	99
Percentage of Loans	90.9%	9.1%	100%
Amount of Loans (000's)	\$9,482	\$1,764	\$11,246
Percentage of Amount	84.3%	15.7%	100%

As illustrated in the preceding table, a substantial majority of both the number (90.9%) and the dollar amount (84.3%) of loans sampled were extended to businesses located within the bank's assessment area. This level of lending is highly responsive to area credit needs.

LENDING TO BUSINESSES OF DIFFERENT SIZES

The following chart illustrates the distribution of the 90 business loans extended within the assessment area by size of the business. D&B business information is used as a proxy to evaluate the bank's business lending.

Distribution of Loans by Size of Business

	Revenues ≤ \$1 Million	Revenues > \$1 Million	Total
Total Number of Loans	88	2	90
Percentage of Total Loans	97.8%	2.2%	100%
Total Amount of Loans (000's)	\$9,342	\$140	\$9,482
Percentage of Total Amount	98.5%	1.5%	100%

As illustrated in the preceding table, 97.8% of commercial loans were provided to businesses with revenues of \$1 million or less. D&B business data reveals that 85.9% of businesses within the assessment area have revenues of less than \$1 million. When compared with this data, the bank's level of lending is considered highly responsive to area credit needs.

GEOGRAPHIC DISTRIBUTION OF LOANS

The following chart shows the distribution of the 90 sampled business loans extended within the assessment area by income level of census tract. D&B business information is used as a proxy for demand when evaluating the bank's penetration into census tracts of different income levels. In addition, 1999 market aggregate information is used for comparative purposes.

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	5	36	48	90
Percentage of Total Loans	1.1%	5.6%	40%	53.3%	100%
Total Amount of Loans (000's)	\$64	\$370	\$3,788	\$5,260	\$9,482
Percentage of Total Amount	0.7%	3.9%	39.9%	55.5%	100%

As shown on the previous page, one business loan (1.1%) was extended within low-income census tracts and five loans (5.6%) were extended within moderate-income census tracts. D&B data reveals that 7.5% and 17% of area businesses are located within low- and moderate-income census tracts, respectively. Under the CRA, certain banks are required to collect and report data on small business lending. Although The Commonwealth Bank is not required and does not report small business lending, the aggregate small business lending data were reviewed for comparative purposes. The 1999 aggregate lending data, which includes all reporting institutions that originated small business loans within the bank's assessment area, indicates that 7.7% of business loans were extended within low-income census tracts and 16.3% were extended within moderate-income census tracts. When compared with the D&B business data and 1999 aggregate lending data, the bank's level of lending is low and does not meet the expectations of a satisfactory performance.

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. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.