

PUBLIC DISCLOSURE

September 10, 2001

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

First Commonwealth Bank

864127

303 West Main Street

Wise, Virginia 24293

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 is somewhat low but is considered adequate in relation to demand for credit in the area. A substantial majority of loans reviewed during the examination were provided to residents in the bank's assessment area. Lending to borrowers of different income levels is considered highly responsive to area credit needs. The distribution of lending by income level of block numbering areas (BNAs) is considered reasonable given the bank's resources, branch locations, and area demographics. The institution has not received any complaints pertaining to its CRA performance since the previous examination.

DESCRIPTION OF INSTITUTION

First Commonwealth Bank is headquartered in Wise County, Virginia, and operates one branch office in the City of Norton. As of June 30, 2001, the bank reported total assets of \$57.8 million, of which 57.9% were loans. The institution offers a variety of credit and deposit products including loans for consumer, residential mortgage, and business purposes. The loan portfolio as of June 30, 2001, was comprised of 40.2% real estate secured (including consumer and business), 33.5% commercial, 25% consumer, and 1.3% other. Based on the institution's loan volume during the preceding year and current market strategy, motor vehicle and consumer unsecured loans were identified as the primary credit products extended by the bank. The institution's previous CRA rating was satisfactory.

DESCRIPTION OF THE BANK'S ASSESSMENT AREA

The bank's assessment area includes the City of Norton, Wise County, and block numbering area (BNA) 9903 in Dickenson County, Virginia. This assessment area consists of 23 BNAs, of which nine are unpopulated. Of the populated geographies, eight are moderate-income, five are middle-income, and one is upper-income. There are no populated low-income geographies. According to the 1990 census data, the assessment area has a population of 49,918 and a median housing value of \$44,073. The owner-occupancy rate for the market is 68.8%, which is slightly higher than the state nonmetropolitan level of 65.1%. In the assessment area, 19.6% of families are considered below the poverty level, while in nonmetropolitan areas of Virginia 11.5% are below the poverty level. The 2001 median family income for nonmetropolitan areas of the Commonwealth is \$40,800.

The following table provides demographic data for the assessment area by the income level of families and the percentage of population living in BNAs of varying income levels. The table also displays the distribution of owner-occupied housing units and area poverty rates by income level of BNA.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Percentage of Area Families by Income Level	30.3%	20%	19.3%	30.4%	100%
Percentage of Population Residing in BNAs by Income Level	N/A	57.7%	33.2%	9.1%	100%
Percentage of Owner- Occupied Units by Income Level of BNA	N/A	57.7%	33.4%	8.9%	100%
Percentage of Families Below Poverty Level by Income Level of BNA	N/A	22.1%	18.1%	9.2%	N/A

The local area is primarily rural. The economy has traditionally relied on the coal industry for employment opportunities. However, county officials have continued efforts to reduce local dependence on this industry because of declining employment opportunities. Two State prisons, one Federal prison, two local colleges, and several manufacturing firms and retail businesses provide other employment opportunities in the area. As of July 2001, unemployment rates are 4.2% for Wise County, 15.3% for Dickenson County, and 4.0% for the City of Norton. The jobless rate for Virginia is 2.9%.

A local government official was contacted to assist in evaluating the bank's CRA performance. The individual indicated that local financial institutions are adequately meeting the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

During the 17-quarter period ending June 30, 2001, the bank's loan-to-deposit ratio averaged 55.9% and currently (June 30, 2001) equals 64.8%. The quarterly average loan-to-deposit ratio for all banks headquartered in nonmetropolitan areas of Virginia and of similar asset size to First Commonwealth Bank ranged from 62.3% to 73.6% for the same 17-quarter period. The statewide nonmetropolitan area ratio, however, may not constitute a sound benchmark for comparative purposes, as it

includes banks from various localities across the state rather than only those in close proximity to First Commonwealth Bank. Many of these banks have branches in more urban areas of the state and likely benefit from stronger area loan demand. The bank's local community is also subject to a relatively high level (19.6%) of impoverished families. This concentration of families below the poverty level may serve to effectively reduce loan demand in the local market. Overall, the bank's loan-to-deposit ratio is considered adequate.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within its assessment area, a sample of 78 motor vehicle and 86 consumer unsecured loans were reviewed. The samples were selected from 126 motor vehicle loans and 130 unsecured loans made during the previous six months. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Motor Vehicle		Unsecured		Total	
	Inside	Outside	Inside	Outside	Inside	Outside
Number of Loans	77	1	79	7	156	8
Percentage of Loans	98.7%	1.3%	91.9%	8.1%	95.1%	4.9%
Amount of Loans (000's)	\$597	\$18	\$194	\$33	\$791	\$51
Percentage of Amount	97.1%	2.9%	85.5%	14.5%	93.9%	6.1%

As illustrated above, a substantial majority of the number (95.1%) and dollar amounts (93.9%) of the loans were provided to borrowers located in the institution's assessment area. The proportion of loans extended by the bank in its assessment area is considered highly responsive to community credit needs.

LENDING TO BORROWERS OF DIFFERENT INCOMES

To evaluate the bank's level of lending to borrowers of varying income levels, the 77 motor vehicle and the 79 consumer unsecured loans extended within the bank's assessment area were analyzed.

Distribution of Motor Vehicle Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	25	22	11	19	77
Percentage of Total Loans	32.4%	28.6%	14.3%	24.7%	100%
Total Amount of Loans (000's)	\$122	\$158	\$65	\$252	\$597
Percentage of Total Amount	20.4%	26.5%	10.9%	42.2%	100%

The institution's level of motor vehicle lending to low- (32.4%) and moderate-income borrowers (28.6%) is considered more than reasonable when compared to the percentage of such families (30.3% low-income and 20% moderate-income) located within the assessment area.

Distribution of Unsecured Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	45	18	7	9	79
Percentage of Total Loans	56.9%	22.8%	8.9%	11.4%	100%
Total Amount of Loans (000's)	\$86	\$47	\$21	\$40	\$194
Percentage of Total Amount	44.3%	24.3%	10.8%	20.6%	100%

Of the 79 consumer unsecured loans reviewed, 56.9% and 22.8% were extended to low- and moderate-income borrowers, respectively. Again, this level of lending is substantially higher than the percentage of such families (30.3% low-income and 20% moderate-income) located within the assessment area.

Overall, the institution's lending distribution to borrowers of different incomes is considered highly responsive when using area demographics as a proxy for loan demand.

GEOGRAPHIC DISTRIBUTION OF LOANS

The geographic distribution of motor vehicle and consumer unsecured loans within the assessment areas is reflected in the following tables. Area demographic data was used as an estimate for demand when evaluating the institution's penetration into geographies of different income levels. As previously noted, there are no low-income areas within the assessment area.

Distribution of Motor Vehicle Loans in Assessment Area by Income Level of BNAs

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	42	13	22	77
Percentage of Total Loans	54.5%	16.9%	28.6%	100%
Total Amount of Loans (000's)	\$326	\$79	\$192	\$597
Percentage of Total Amount	54.6%	13.2%	32.2%	100%

Distribution of Consumer Unsecured Loans in Assessment Area by Income Level of BNAs

	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	43	24	12	79
Percentage of Total Loans	54.4%	30.4%	15.2%	100%
Total Amount of Loans (000's)	\$90	\$67	\$37	\$194
Percentage of Total Amount	46.4%	34.5%	19.1%	100%

Of the sampled loans, 54.5% and 54.4% of the motor vehicle and consumer unsecured loans were extended in moderate-income BNAs, respectively. This level of lending is comparable to the percentage of the assessment area population residing in such areas (57.7%).

Overall, the institution's geographic distribution of lending is considered reasonable when using area demographics as a proxy for demand.

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.