



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 24, 2012

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

1st Commonwealth Bank of Virginia
Charter Number 718086

2500 Wilson Boulevard, Suite 100
Arlington, VA 22201

Office of the Comptroller of the Currency

Washington, DC Field Office
395 E Street, SW
Washington, DC 20024

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.

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

The major factors supporting the institution's rating include:

- The bank's average loan-to-deposit ratio is reasonable, and meets the standards for satisfactory performance;
- A majority of the bank's loans were originated within the bank's assessment area;
- The bank's record of lending to borrowers of different income levels reflects reasonable penetration; and
- The geographic distribution of loans reflects excellent dispersion of low- and moderate- income census tracts within the assessment area.

SCOPE OF EXAMINATION

This Small Bank Community Reinvestment Act (CRA) Examination assesses the bank's performance under the lending test. The lending test evaluates the bank's record of meeting the credit needs of the assessment area through its lending activities.

The evaluation period for the lending test is June 1, 2009 through September 30, 2011. The primary loan product for this institution is HMDA- reportable mortgage loans. The bank collected and provided information on all HMDA-reportable mortgage loans originated and purchased during the review period. We tested the accuracy of the mortgage loan data, which we found to be accurate. Therefore, we used all of the mortgage loan data for the lending test.

DESCRIPTION OF INSTITUTION

1st Commonwealth Bank of Virginia is a \$52 million community bank headquartered in Arlington, Virginia. 1st Commonwealth is a de novo bank that began operations in March 2009, and made its first loan in June 2009. Members of the community own the bank. It does not have a holding company structure or any operating subsidiaries. This is the bank's first evaluation under the Community Reinvestment Act.

The bank is a full service community bank offering traditional loan and deposit services. Retail services include checking, saving, and certificates of deposit accounts. Its commercial services include business checking and savings, money market accounts, remote deposit capture, and commercial mortgages. 1st Commonwealth offers customers internet banking services, such as online bill pay and account transfers. The bank's only branch and headquarters offices are located at 2500 Wilson Boulevard, Arlington, VA. The branch office operates during normal business hours and one automated teller machine (ATM) available after regular business hours.

As of September 30, 2011, 1st Commonwealth reported net loans of \$44.9 million, total

deposits of \$42.9 million, and Tier One Capital of \$4.2 million. Net loans represent 86 percent of total assets. The chart below details the bank's loan portfolio composition.

Loan Portfolio Summary by Loan Product September 30, 2011	
Loan Category	% of Total Loans and Leases
Residential Real Estate	84.51%
Commercial Loans	6.74%
Non Residential Property	7.81%
Other Loans	0.94%

There are no legal or financial impediments to the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA(S)

1st Commonwealth has identified parts of the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA # 47894 as their assessment area (AA). Specifically, the AA includes Arlington and Fairfax counties and includes the cities of Alexandria, Fairfax, and Falls Church. The information in the table below provides the demographic data of the AA:

1st Commonwealth ASSESSMENT AREA 2000 CENSUS DEMOGRAPHIC INFORMATION							
244 CENSUS TRACTS							
	TRACT/BLOCK NUMBER AREA (BNA) INCOME LEVEL						
		TOTAL	LOW	MODERATE	MIDDLE	UPPER	NA*
CENSUS TRACTS/BNAs	#	244	3	33	76	131	1
POPULATION	#	1,319,360	14,420	188,042	435,713	681,185	0
BY LOCATION	%	100.00%	1.23%	13.52%	31.15%	53.69%	0.41%
% OWNER OCCUPIED		60.57%	9.59%	29.49%	54.58%	75.59%	0%
% RENTER OCCUPIED		36.48%	88.07%	66.38%	42.21%	21.99%	0%
% VACANT		2.95%	2.34%	4.13%	3.21%	2.42%	0%
MEDIAN HOUSING VALUE		\$219,366	\$131,182	\$133,797	\$178,110	\$276,771	0
MEDIAN AGE OF HOUSING		27	35	30	30	26	0
% OF FAMILIES BELOW POVERTY LEVEL		3.53%					

(*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2010 HUD updated MFI

The bank's assessment area is located just outside of the nation's capital, thus has attracted a highly skilled labor force. The area is home to a mix of residential and commercial properties and interests. The major industries in the area include Government, Professional and Business Services, Education and Health Services, and Retail Trade. Top employers for the area are the Federal Government, Lockheed Martin, Booz Allen Hamilton, Inova Health Services, public school systems, and county government.

The AA consists of 244 census tracts. Of the 244 census tracts, three (1.23 percent)

are low-income geographies, 33 (13.52 percent) are moderate-income geographies, 76 (31.15 percent) are middle-income geographies, and 131 (53.69 percent) are upper-income geographies. The bank's current AA meets the requirements of the regulation and does not arbitrarily exclude any low-or-moderate-income areas.

The 2000 U.S. Census Data reported the total population of the AA to be 1.319 million. Within the AA, there are 512,206 households and 328,938 families. The 2000 Median Income for this AA was \$91,249 and the 2010 HUD Updated Median Family Income is \$101,700. Approximately 13.98 percent of families are low-income, 14.04 percent are moderate-income, 20.12 percent are middle-income, and 51.86 percent are upper-income. Approximately 3.53 percent of families are below the poverty level.

According to the 2000 U.S. Census Data, there are 527,017 housing units, of which, 60.57 percent are owner-occupied, 36.48 percent are rental-occupied, and 2.95 percent are vacant housing units. Approximately 9.59 percent of housing located in low-income geographies is owner occupied, 29.49 percent in moderate-income geographies, 54.58 percent in middle-income geographies, and 75.59 percent in upper-income geographies. The median housing cost is \$219,366.

1st Commonwealth faces strong competition from local community banks and branches of larger regional and national banks in its assessment area. Based on 2009 Peer Mortgage Data top competitors in the AA include: Wells Fargo Bank with 12.09 percent market share, Bank of America with 9.86 percent market share, Suntrust Mortgage Inc. with 6.36 percent market share, Citibank with 4.97 percent market share, and Wells Fargo Funding with 4.91 percent market share. These five competitors originated 38.19 percent of the AA's total mortgages throughout the year. According to the June 30, 2011 FDIC Summary of Deposit Market Share Report, 1st Commonwealth has a 0.03 percent deposit market share in the Washington-Arlington-Alexandria, DC-MD-VA-WV MSA. Top competitors holding a large percentage of the market's total deposits include E*Trade Bank with 18.11 percent, Capital One with 13.19 percent, Wells Fargo with 11.82 percent Bank of America with 11.29 percent, and Suntrust Bank with 9.06 percent deposit market share.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

The bank's performance under the lending test is "Satisfactory". The loan-to-deposit ratio is reasonable. A majority of the bank's HMDA reportable loans were originated within the AA. The record of lending to borrowers of different incomes reflects reasonable penetration. The geographic distribution of loans reflects excellent dispersion of Low- and Moderate- Income (LMI) census tracts within the AA.

Loan-to-Deposit Ratio

1st Commonwealth's loan to deposit ratio (LTD) is reasonable and meets the standards for satisfactory performance. The bank's quarterly average net LTD since the bank's inception in 2009 is 61.39 percent. The LTD ratio has progressively improved since the bank's inception, with a low LTD of 5.57 percent migrating to a high

of 104.57 percent in the September 2011 quarter. This evidences the fact that it is more challenging for a de novo bank to produce loans than it is to generate deposits.

The bank has a reasonable LTD ratio, in comparison to a peer group containing 13 similarly situated stock institutions with total assets between \$50 and \$100 million. The peer quarterly average LTD was 92.22 percent, with a quarterly low of 83.91percent and high of 103.40 percent. Based on this assessment, the bank’s LTD ratio meets the standards for satisfactory performance.

Lending in Assessment Area

1st Commonwealth’s lending in the AA is satisfactory. The following table sets forth the percentage of 1st Commonwealth’s HMDA-reportable lending inside and outside its assessment area for the period beginning April 1, 2009 through September 30, 2011:

Table 1 - Lending in the Assessment Area										
Loan Type	Number of Loans					Dollars of Loans (000)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Mortgage Loans	391	56.5%	301	43.5%	692	\$146,349	61%	\$93,648	39%	\$239,997
Totals	391	56.5%	301	43.5%	692	\$146,349	61%	\$93,648	39%	\$239,997

Source: Data reported under HMDA.

1st Commonwealth made a majority of consumer loans originated throughout the ten-month review period within their AA, and meets the standard for satisfactory performance. Throughout the review period, ending September 31, 2011, the bank originated 56.50 percent of loans, by number, within the AA. Additionally, the bank originated 60.98 percent of the dollar volume of loans within the AA. The bank faced strong competition for loans within the AA, to aid in meeting the needs of the community that they serve the bank has purchased loans within their AA, during the review period.

Lending to Borrowers of Different Incomes

The distribution of loans to borrowers in low- and moderate-income levels is satisfactory. The following table illustrates the borrower distribution of the bank’s lending within the assessment area during the review period:

Table 2 - Borrower Distribution of Residential Real Estate Loans in AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Mortgage Loans	13.98	5.88	14.04	16.11	20.12	20.46	51.86	56.01

Source: Data reported under HMDA; U.S. Census data

1st Commonwealth’s record of lending to low-income borrowers does not meet the standards for satisfactory performance. The percentage of loans made to low-income borrowers, 5.88 percent, is below the percentage of families in the low-income range of 13.98 percent. However, the maximum annual income for a low-income family and household is \$51 thousand and \$39 thousand, respectively. Income at either of these levels is generally not sufficient to qualify for traditional residential loans, based on current market values in the AA. The bank’s record of lending to moderate-income borrowers exceeds the standards for satisfactory performance as the level of the bank’s lending exceeded the percentage of moderate-income families in the assessment area

Geographic Distribution of Loans

The geographic distribution of the bank’s lending activities is strong. The following table illustrates the geographic distribution of the bank’s lending within the assessment area during the review period:

Table 3 - Geographic Distribution of Residential Real Estate Loans in the AA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Mortgage Loans	0.18	0.77	7.47	8.18	30.88	26.60	61.47	64.45

Source: Data reported under HMDA and U.S. Census data.

1st Commonwealth’s geographic distribution of mortgage loans exceeds the standards for satisfactory performance. Mortgage lending in both low- and moderate-income census tracts exceed assessment area demographics.

Responses to Complaints

No complaints concerning 1st Commonwealth’s performance in meeting the credit needs of the assessment area have been received since the bank opened in 2009.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.