



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 20, 2009

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Commonwealth National Bank
Charter Number 16553

2214 St. Stephens Road
Mobile, AL 36617-0000

Office of the Comptroller of the Currency

BIRMINGHAM FIELD OFFICE
100 Concourse Parkway Suite 240
Birmingham, AL 35244-1870

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.

This institution is rated Satisfactory.

Commonwealth National Bank (Commonwealth) has a satisfactory record of meeting credit needs within the community, as supported by the following:

- The bank has a reasonable level of lending as represented by the loan-to-deposit ratio.
- A substantial majority of loans were made within the assessment area.
- The distribution of loans demonstrates a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The distribution of loans demonstrates a very good penetration among individuals and businesses in low-to-moderate income tracts.

DESCRIPTION OF INSTITUTION

Commonwealth is a \$71 million minority owned and operated community bank located in Mobile, Alabama. The Mobile metropolitan area is located in the southwest corner of Alabama, bordered by Mississippi to the west, Florida to the east, and Mobile Bay to the south. Mobile is the Port City for Alabama. The bank serves its community with the main office in Mobile and a full service branch in the Crichton area of Mobile. The bank also maintains a drive through only branch in Prichard that accepts deposits. ATMs are located at both the Mobile and Crichton office. All offices are located in the Mobile, Alabama metropolitan statistical area (MSA).

Primary competition comes from 38 national and state-chartered community banks and credit unions located in and near the bank's assessment area, including several branch facilities of regional and national-sized banks. The bank received a satisfactory rating at the previous CRA examination in June 2003. There are no legal or financial factors that impede the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area (AA) is designated as Mobile County, Alabama, which is located entirely within the Mobile, Alabama MSA. The AA meets the requirements of the regulation and does not arbitrarily exclude low- or moderate-income geographies. Further detail is provided below based on 2000 census data.

TABLE 1		
DEMOGRAPHIC/ECONOMIC CHARACTERISTICS OF AA		
MOBILE COUNTY		
Population		322,077
Number of Families		85,393
Number of Households		122,504
Geographies		
Number of Census Tracts (CT)		100
% Low-Income CTs		17
% Moderate-Income CTs		18
% Middle-Income CTs		42
% Upper-Income CTs		23
Median Family Income (MFI)		
2000 MFI for AA		\$40,388
2008 HUD-Adjusted MFI		\$47,900
Economic Indicators		
Unemployment Rate		3.6%
2008 Median Housing Value		\$62,261
% of Households Below Poverty Level		19.2

We also considered information from two community contacts made in the city of Mobile during the evaluation. The primary credit need in the community was identified as affordable housing. According to these contacts, local banks have been active in helping non-profit community development programs.

CONCLUSIONS ABOUT PERFORMANCE CRITERIA

Our conclusions are based on the bank's lending activity for 2006, 2007, and 2008. Based on the volumes in the table below, we identified residential real estate and commercial real estate as the primary types of lending. Our assessment was based on a review of all residential loans reported under the Home Mortgage Disclosure Act (HMDA) for 2006-2008. For commercial real estate loans made during this period, we used a random sample of loans. The following table reflects a detailed breakdown of the loan portfolio as of September 30, 2008.

Table 2		
Loan Category	\$ (000)	%
Residential Real Estate	\$10,729	36%
Commercial Real Estate	\$7,851	26%
Commercial	\$5,556	19%
Consumer	\$3,299	11%
Other	\$2,466	8%
Total	\$29,901	100.0%

Loan-To-Deposit Ratio

The loan-to-deposit ratio (LTD) is reasonable. The average quarterly loan-to-deposit ratio since the last CRA examination is 47 percent. While the ratio is below that of the two similarly situated banks, competition within the AA is significant. Mobile County has a large number of competing financial institutions including national and state community banks, branches of large regional banks, and local credit unions. Information on local financial institutions shows thirty-eight institutions or branches of larger institutions located in the Mobile area.

Table 3 Institution	Assets as of 9/30/08 (000s)	Average LTD Ratio (%)
Commonwealth National Bank	70,890	46.82
Community Bank, National Association	42,739	71.11
Bay Bank	79,132	86.78

Lending in Assessment Area

Commonwealth’s performance is excellent as a substantial majority of the loans reviewed fell within the AA. Overall, 92 percent of the number of loans, and 86 percent of the dollar amount of loans were made within the AA. A more detailed description is shown in the following table:

Table 4 - Lending in Mobile MSA								
Loan Type	Number of Loans				Dollars of Loans			
	Inside		Outside		Inside		Outside	
	#	%	#	%	\$	%	\$	%
Residential	137	91%	13	9%	3,790	80%	953	20%
Commercial	26	93%	2	7%	3,177	95%	184	5%
Totals	163	92%	15	8%	6,967	86%	1,137	14%

Source: data reported under HMDA, sample of commercial loans.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

Commonwealth’s residential lending to borrowers of different incomes is excellent. The bank’s percentage of loans to low-income borrowers significantly exceeds the percentage of low-income families in the AA. The bank achieved this high percentage despite the high poverty level (19 percent) within the AA. The bank’s percentage of loans to moderate-income borrowers is below the percentage of moderate-income families in the AA.

Table 5 - Borrower Distribution of Residential Real Estate Loans in Mobile MSA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% 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
Residential	25	97	15	0	20	0	40	3

Source: loan sample and data reported under HMDA; U.S. Census data.

Lending to businesses of different sizes is satisfactory. Our sample included 26 commercial/commercial real estate loans. The percentage of loans to businesses with less than \$1 million in revenue is proportionate to the percentage of small businesses in the AA.

Table 5A - Borrower Distribution of Loans to Businesses in Mobile MSA				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	63	5	32	100%
% of Bank Loans in AA by#	46	39	15	100%
% of Bank Loans in AA by\$	15	56	29	100%

Source: Loan sample; Dunn and Bradstreet data.

Geographic Distribution of Loans

The geographic distribution of residential real estate loans is excellent. The percentage of loans made in low-income geographies significantly exceeds the percentage of owner occupied units in the AA. The percentage of loans in moderate-income geographies also significantly exceeds the percentage of owner occupied units in these geographies.

Table 6 - Geographic Distribution of Residential Real Estate Loans in Mobile MSA								
Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of # of Lns	% of AA Owner Occupied Housing	% of # of Lns	% of AA Owner Occupied Housing	% of # of Lns	% of AA Owner Occupied Housing	% of # of Lns
Residential	6	26	13	30	47	36	34	8

Source: loan sample and data reported under HMDA; U.S. Census data.

The geographic distribution of business loans is excellent. The percentage of small business loans in low-income geographies exceeds the percentage of small business within those geographies. In addition, the percentage of small business loans in moderate-income geographies significantly exceeds the percentage of small businesses in those geographies.

Table 6A - Geographic Distribution of Loans to Businesses in Mobile MSA								
Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of # of Lns	% of AA Businesses	% of # of Lns	% of AA Businesses	% of # of Lns	% of AA Businesses	% of # of Lns
Businesses	10	12	11	27	48	46	31	15

Source: loan sample; U.S. Census data.

Responses to Complaints

Commonwealth did not receive any CRA related complaints during this evaluation period.

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.