



COMMONWEALTH BANKSHARES, INC.

FOR IMMEDIATE RELEASE

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Commonwealth Bankshares, Inc., Norfolk, VA, Announces Record Earnings for the Year Ended December 31, 2007

2007 GROWTH RATES

(in thousands)

	Year Ended <u>December 31, 2007</u>	Year Ended <u>December 31, 2006</u>	Increase Over Year Ended <u>December 31, 2006</u>	<u>Growth Rate</u>
Assets	\$ 843,138	\$ 715,205	\$ 127,933	17.9%
Loans	786,987	669,541	117,446	17.5%
Deposits	572,296	487,175	85,121	17.5%
Net Income	11,167	10,092	1,075	10.7%

Norfolk, Va. – (February 4, 2008) – (Prime Newswire) Commonwealth Bankshares, Inc. (NASDAQ: CWBS) today reported record earnings of \$11.2 million for the year ended December 31, 2007, an increase of \$1.1 million or 10.7% over the comparable period in 2006. For the quarter ended December 31, 2007, the Company earned \$2.7 million compared to \$2.8 million reported in the fourth quarter of 2006. On a per share basis, diluted earnings were \$1.60 for the year ended December 31, 2007 compared to \$1.70 for the same period in 2006. For the quarter ended December 31, 2007, diluted earnings per share was \$0.39 as compared to \$0.42 for the fourth quarter in 2006. All share and per share amounts have been restated for all periods presented to reflect the eleven-for-ten stock split distributed on June 30, 2006 to shareholders of record on June 19, 2006 and the eleven-for-ten stock split distributed on December 29, 2006 to shareholders of record on December 18, 2006. Earnings per share comparisons were affected by a greater number of shares outstanding in the 2007 periods as a result of the 1.2 million shares of common stock issued in October 2006 from the completion of a \$27.5 million private placement of the Company’s common stock.

Edward J. Woodard, Jr., CLBB, Chairman of the Board, President and Chief Executive Officer, commented, “Throughout my forty-seven year banking career, I have never been more proud and excited to be part of such a dynamic and growing company as Bank of the Commonwealth. 2007 was an exceptional year for us, both in earnings and asset growth. We achieved these results while investing in the future with the addition of six new branch facilities in 2007. Over the past several years, we have assembled a strong management team, lending team, branch personnel and support staff. In addition, we increased our capital base; maintained consistently strong core financial performance and sound asset quality, which collectively, has provided the foundation upon which to grow. We are investing in the future as we constantly seek opportunities to grow and expand our network into great markets. During the year, we continued the expansion of our footprint by opening six full service financial centers. In February 2007, we moved to our permanent branch in the Ocean View section of Norfolk, Virginia, at 1901 E. Ocean View Avenue, as well as our second branch in Portsmouth, Virginia at 1020 London Boulevard. In March 2007, we opened our first branch in North Carolina on Caratoke Highway in

Powells Point. In May 2007, we opened our third branch in Chesapeake, Virginia at 2600 Taylor Road, across from Chesapeake Square Mall. In July 2007, we opened our second branch in North Carolina in the St. Waves Plaza Shopping Center in Waves, North Carolina and our fourth branch in Chesapeake, Virginia at 1304 Greenbrier Parkway. In November 2007, we opened our fifth office in Virginia Beach at 5460 Wesleyan Drive. To report a 10.7% increase in earnings, while incurring increased costs as a result of the investments we are making through our expansion into key markets, is a testament to the strength of our foundation. We have concentrated our efforts on building a franchise and infrastructure that can deliver long-term profitability. As we grow, we continuously look to expand our traditional nonbanking services and to search for new avenues of revenue. 2008 is going to be an interesting year with the current interest rate environment and the slowing real estate market, however, we believe we are well positioned to continue to execute on a strategy we believe will enhance the long-term growth of the company and value for our shareholders.”

The Company’s record earnings resulted in favorable profitability ratios. Profitability as measured by the Company’s return on average assets (ROA) was 1.44% for the year ended December 31, 2007 compared to 1.57% for the comparable period in 2006. Return on average equity (ROE) was 10.33% for the year ended December 31, 2007 as compared to 13.72% for the year ended December 31, 2006. For the quarter ended December 31, 2007, ROA was 1.31% and ROE was 9.62%. Year to date average assets increased \$130.7 million or 20.3% from December 31, 2006 to December 31, 2007. Year to date average equity increased \$34.5 million or 47.0% as of December 31, 2007 compared to the same period in 2006, as a result of the additional capital raised in October 2006. In addition, the Company’s efficiency ratio was only slightly affected by the new branch additions mentioned above. For the twelve months and three months ended December 31, 2007, our efficiency ratio was 51.96% and 53.77% compared to 48.16% and 47.24%, respectively, during the same period in 2006.

The record earnings were driven by the \$117.5 million or 17.5% increase in the Bank’s loan portfolio from December 31, 2006 to December 31, 2007. Total loans at December 31, 2007 reached a record \$787.0 million. Our strong loan demand generated record increases in interest income. Interest and dividend income increased \$9.2 million or 17.3% to \$62.1 million for the year ended December 31, 2007. For the quarter ended December 31, 2007, interest and dividend income increased 10.6% to \$16.1 million up from the \$14.6 million reported in the fourth quarter of 2006.

Interest expense of \$28.2 million for the year ended December 31, 2007 represented a \$5.4 million increase from the comparable period in 2006. For the fourth quarter of 2007, interest expense was \$7.5 million, an increase of \$1.2 million over the fourth quarter of 2006. The increase was primarily attributable to the substantial increase in the Company’s average interest bearing liabilities as a result of the \$85.1 million increase in total deposits as of December 31, 2007 as compared to 2006, along with the 20 basis point increase in overall rates paid on our interest bearing liabilities as a result of the interest rate environment and competition for deposits in our local market due to the large number of credit unions.

Net interest margin, which is calculated by expressing net interest income as a percentage of average interest earning assets, is an indicator of effectiveness in generating income from earning assets. The Company’s net interest margin (tax equivalent basis) was a healthy 4.57% for the year ended December 31, 2007 as compared to 4.86% during the same period in 2006, well above our peer group average. For the quarter ended December 31, 2007, the net interest margin was 4.36% compared to 4.87% for the fourth quarter in 2006. The slight compression of our margins can be attributed to the Federal Reserve lowering the Federal Funds rate 100 basis points in the last four months of 2007, along with the continued pressure on deposit pricing and the pricing of some deposit products which lag the decrease in the prime rate, which has an immediate affect on variable loans.

Commonwealth Bankshares exceeded its goal for asset growth. Total assets at December 31, 2007 reached a new high of \$843.1 million, up 17.9% or \$127.9 million from \$715.2 million at December 31, 2006.

Despite the rapid growth in the Company's loan portfolio, our asset quality remains sound. Net charge-offs for the year ended December 31, 2007 were \$365.6 thousand, or 0.047% of year to date average loans. Non-performing assets were \$5.7 million or 0.67% of total assets at December 31, 2007 compared to \$2.2 million or 0.31% of total assets at December 31, 2006. Non-performing assets at December 31, 2007 consisted of thirty-three (33) loans which totaled \$5.0 million and two (2) OREO properties totaling \$717.0 thousand. \$4.4 million or 76.5% of the total consists of sixteen (16) loans which are secured by real estate and management does not anticipate any material losses associated with these credits. The remaining \$616.0 thousand in non-performing loans represents seventeen (17) loans, with the majority making monthly payments and in most cases are secured with workout arrangements currently in place.

About Commonwealth Bankshares

Commonwealth Bankshares, Inc. is the parent of Bank of the Commonwealth which opened its first office in Norfolk, Virginia, in 1971, creating a community bank that was attuned to local issues and could respond to the needs of local citizens and businesses. Over the last three decades, the Company's growth has mirrored that of the communities it serves. Today, Bank of the Commonwealth has seventeen bank branches strategically located throughout the Hampton Roads and Northeastern North Carolina regions and an extensive ATM network for added convenience. The Company continues to grow and develop new services, such as Online Banking and a Corporate Cash Management program and at the same time, maintain the longstanding commitment to personal service. Our slogan conveys our true corporate philosophy: "When you bank with us, you bank with your neighbors." Bank of the Commonwealth offers insurance services through its subsidiary BOC Insurance Agencies of Hampton Roads, Inc., title services through its subsidiary Executive Title Center, mortgage funding services through its subsidiary Bank of the Commonwealth Mortgage and investment related services through its subsidiary, Commonwealth Financial Advisors, LLC.* Additional information about the company, its products and services, can be found on the Web at www.bankofthecommonwealth.com.

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