



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

October 22, 2007

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Shelby
Charter Number: 6776

106 South Lafayette Street
Shelby, NC 28150

Office of the Comptroller of the Currency

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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, and should not 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.

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Overall CRA Rating

Institution’s CRA Rating: This institution is rated **Satisfactory**.

The following table indicates the performance level of **The First National Bank of Shelby (FNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	The First National Bank of Shelby Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			

* The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

The major factors that support this rating include:

- FNB demonstrated an excellent level of lending, good distribution among borrowers of different income levels, and good distribution among geographies of different income levels. The bank’s level of community development lending had a neutral impact on the lending test conclusion.
- FNB’s level of community development and regional investments is adequate based on the limited investment opportunities in the assessment areas.
- FNB’s delivery systems are reasonably accessible to geographies and individuals of different income levels in its assessment areas. The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals and geographies.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Census Tract (CT): A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community Development: Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Reinvestment Act (CRA): the statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into 'male householder' (a family with a male householder and no wife present) or 'female householder' (a family with a female householder and no husband present).

Full Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn). Beginning in 2004, the reports also include additional data on loan pricing, the lien status of the collateral, any requests for preapproval and loans for manufactured housing.

Home Mortgage Loans: Such loans include home purchase, home improvement and refinancings, as defined in the HMDA regulation. These include loans for multifamily (five or more families) dwellings, manufactured housing and one-to-four family dwellings other than manufactured housing.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent, in the case of a geography.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the MA/assessment area.

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Area (MA): Any metropolitan statistical area or metropolitan division, as defined by the Office of Management and Budget and any other area designated as such by the appropriate federal financial supervisory agency.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 percent and less than 120 percent, in the case of a geography

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other Products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multi-state metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multi-state metropolitan area, the institution will receive a rating for the multi-state metropolitan area.

Small Loan(s) to Business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans.

Small Loan(s) to Farm(s): A loan included in 'loans to small farms' as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, or are classified as loans to finance agricultural production and other loans to farmers.

Tier One Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income: Individual income that is at least 120 percent of the area median income, or a median family income that is at least 120 percent, in the case of a geography.

Description of Institution

First National Bank of Shelby (FNB) is an independently owned intrastate institution headquartered in Shelby, North Carolina. The bank operates twelve banking offices and seventeen automatic teller machines (ATM) throughout Cleveland, Gaston, and Rutherford counties in North Carolina. Of the twelve banking offices, eight are located in the Cleveland County non-Metropolitan Statistical Area (non-MSA), three are in Gaston County, and one is located in the Rutherford County non-MSA. Gaston County is part of the Charlotte-Gastonia-Concord MSA. FNB operates eleven drive-through facilities and twelve deposit-taking ATMs throughout the three assessment areas. FNB also operates five stand-alone cash dispensing ATMs in Cleveland and Rutherford County.

FNB's primary service area is Cleveland County. This service area represents eighty-one percent of the bank's \$572 million in deposits and seventy percent of its lending activity, as of June 30, 2006. Whereas, the Charlotte-Gastonia-Concord MSA assessment area represents seventeen percent of the bank's deposit base and twenty-four percent of its lending activity. The Rutherford County assessment area represents two percent of the bank's deposit base and six percent of its lending activity.

During this evaluation period, FNB opened three branches, closed one branch, and opened a Mortgage Lending Center. In April 2005, FNB opened a temporary banking office and a mortgage lending center in Rutherford County, a moderate-income (9608.00) and middle-income census tract (9605.00), respectively. In addition, the bank opened its East Gaston office in a middle-income tract (0323.01) in Gaston County on April 4, 2005. In July 2006, the bank closed its temporary banking office, described above, and opened its permanent office in Forest City, a middle-income census tract (9609.00), approximately one mile away.

As of June 30, 2006, FNB had total assets of \$838 million and Tier One Capital of \$98 million. The major categories of the bank's \$475 million loan portfolio were as follows: forty-eight percent commercial and industrial, including non-farm non-residential real estate; eleven percent construction/land development; twenty-five percent 1-4 family residential real estate; nine percent consumer and seven percent other. Agricultural loans represent one percent of total loans. As illustrated by the loan mix, FNB is primarily a commercial lender and to a lesser extent, a home mortgage lender. Small farm lending is not a significant product for the bank. The percent of the bank's total assets represented by net loans is fifty-five percent. FNB's Total Risk Based Capital to Risk Weighted Assets is 18.24 percent; Tier One Risk Based Capital to Risk Weighted Assets is 17.17 percent; and Tier One Leverage Capital equals 11.83 percent.

FNB provides trust and brokerage services. Insurance services are provided through FNB Insurance Agency, a licensed insurance agency, and subsidiary of FNB. FNB acquired the insurance company during the second quarter of 1999 because of the acquisition of First Carolina Savings and Loan. During the evaluation period, FNB Insurance Agency sold its property and casualty division and retained the life, annuity, health, and disability services. This is a service that is not activity marketed. These entities have no impact on the bank's CRA performance. FNB does not have any other affiliates or subsidiaries.

FNB offers a full range of traditional banking products and services. The bank also offers an array of business account services, business lending, and business deposit accounts. Consumer and mortgage loans are also offered through various loan programs. Additional services include Internet Banking, banking by phone, and life insurance.

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its assessment area. The bank's rating at its preceding CRA examination, dated November 15, 2004, was "Satisfactory".

Scope of the Evaluation

Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. The evaluation under the Lending Test covers the bank's performance from January 1, 2003 through December 31, 2006, excluding Community Development loans. We reviewed residential mortgage loans subject to filing under the Home Mortgage Disclosure Act (HMDA), as well as small loans to businesses. Both small loans to farms and multi-family lending are not a significant lending activity of the bank and were not evaluated during the evaluation period. The evaluation period for Community Development loans, the Investment Test, and the Service Test is October 1, 2004 to October 22, 2007.

Data Integrity

Prior to this examination, the bank's publicly filed information on HMDA loans and small loans to businesses and farms were tested for accuracy. The test included an evaluation of the bank's processes to ensure that the data was reliable. We found that the bank's data was reliable, with the primary exception of home purchase and refinance loans reported in 2004. We required the bank to correct this portion of the data. The bank's corrected data was used during this evaluation. This evaluation is based on accurate data.

Community development loans, investments, and services submitted by bank management were verified to ensure that they met the regulatory definition for community development. Some items submitted by the bank for consideration were excluded from this evaluation because they did not meet the definition or purpose of community development.

Selection of Areas for Full-Scope Review

The Cleveland County non-MSA (Cleveland County) assessment area was selected for a full-scope review. The majority of the bank's lending activity, branches and deposit base is in this assessment area. This assessment area represents eighty-one percent of the bank's deposit base and seventy percent of its lending activity. In addition, sixty-seven percent of the bank's branches are in Cleveland County.

The Charlotte-Gastonia-Concord MSA (Gaston County) and Rutherford County non-MSA (Rutherford County) assessment areas were selected for limited scope reviews. The bank has a limited presence in these assessment areas in terms of deposit base, lending activity, and branches. Gaston County represents seventeen percent of the bank's deposit base and twenty-four percent of its lending activity. Rutherford County represents two percent of the bank's deposit base and six percent of its lending activity. In addition, twenty-five and eight percent of the bank's branches are in Gaston and Rutherford County, respectively. Refer to the table in Appendix A "Scope of Examination" for more information.

Ratings

The bank's overall rating is primarily based on the area that received a full-scope review. In evaluating the bank's lending performance, more weight was placed on small loans to businesses than on HMDA. In terms of individual HMDA products, home improvement loans received the least weight. We did not consider the bank's performance in lending for HMDA products in 2003 in Gaston County given the volume of originations was not large enough to conduct a meaningful analysis. We did not consider the bank's performance in lending for home improvement loans in Gaston or Rutherford County from 2004 to 2006 given the minimal volume of originations as well. This weighting is reflective of the bank's volume of various lending products during the evaluation period.

Other

We contacted one community organization within Cleveland County to obtain information about the bank's performance under the CRA. The organization contacted is a community development corporation that supports affordable housing and financial counseling. Financing for affordable housing was identified as the primary credit need for Cleveland County. Additional identified community development needs included financial literacy, financial support of community development organizations, and products for low- and moderate-income individuals. The organization was complimentary of local bank involvement.

Our review determined that the opportunities to make community development loans and to provide community development services in the assessment area are somewhat limited. Local economies are generally stable with unemployment rates above the North Carolina average.

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.

Conclusions with Respect to Performance Tests

LENDING TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in Cleveland County is good. Performance in the limited scope assessment areas did not negatively impact the bank's overall performance under the lending test.

Lending Activity

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity. For all table references throughout this CRA Public Evaluation, two sets of tables are included in Appendix C for the evaluation periods of 2003 and 2004-2006.

Cleveland County

Lending activity in Cleveland County is excellent. In Cleveland County, as of June 30, 2006, FNB ranked first in deposits in with a 39.62 percent market share. Among all institutions, FNB had the first, second, and first market ranks for the number and dollar of home purchase, home improvement and home refinance loans, respectively. In addition, among local deposit taking institutions, the bank had the first, second, and first market ranks for the aforementioned home mortgage products, respectively.

Regarding small business loans, FNB had the third market rank for the number and dollar of small business loans among all institutions. In addition, the bank had the first market rank for the number and dollar of small business loans among local deposit taking institutions, respectively.

Gaston County

Lending activity in Gaston County is adequate. In Gaston County, as of June 30, 2006, FNB ranked eighth in deposits in with a 4.67 percent market share. Among all institutions, FNB had the fifty-fifth, twenty-eighth, and twenty-ninth market ranks for the number and dollar of home purchase, home improvement and home refinance loans, respectively. In addition, among local deposit taking institutions, the bank had the eighth, sixth, and fifth market ranks for the aforementioned home mortgage products, respectively.

Regarding small business loans, FNB had the fourteenth market rank for the number and dollar of small business loans among all institutions. In addition, the bank had the fourth market rank for the number and dollar of small business loans among local deposit taking institutions, respectively.

Rutherford County

Lending activity in Rutherford County is excellent. In Rutherford County, as of June 30, 2006, FNB ranked seventh in deposits in with a 1.49 percent market share. Among all institutions, FNB had the sixth, eighth, and eighth market ranks for the number and dollar of home purchase, home improvement and home refinance loans, respectively. In addition, among local deposit taking institutions, the bank had the fourth, fifth, and fifth market ranks for the aforementioned home mortgage products, respectively.

Regarding small business loans, FNB had the twelfth market rank for the number and dollar of small business loans among all institutions. In addition, the bank had the sixth market rank for the number and fifth market rank for the dollar of small business loans among local deposit taking institutions, respectively.

Distribution of Loans by Income Level of the Geography***Home Mortgage Loans***

Refer to Tables 2, 3, and 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

There are no low-income census tracts in Cleveland County. An analysis of the bank's distribution of loans by income level of the geography was performed for the moderate-income census tract within the assessment area during the evaluation period.

Cleveland County – 2003

Home purchase geographic distribution in Cleveland County is excellent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. In addition, the market share of loans in the moderate-income geography exceeds the bank's overall market share within the assessment area.

Home improvement geographic distribution in Cleveland County is excellent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. In addition, the market share of loans in the moderate-income geography exceeds the bank's overall market share within the assessment area.

Home refinance geographic distribution in Cleveland County is excellent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. In addition, the market share of loans in the moderate-income geography exceeds the bank's overall market share within the assessment area.

Cleveland County – 2004, 2005, 2006

Home purchase geographic distribution in Cleveland County is excellent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. In addition, the market share of loans in the moderate-income geography exceeds the bank's overall market share within the non-MSA.

Home improvement geographic distribution in Cleveland County is excellent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. The bank's market share of loans in the moderate-income geography exceeds the bank's overall market share within the non-MSA.

Home refinance geographic distribution in Cleveland County is excellent. This analysis took into account the higher-than-normal poverty level in the moderate-income census tract in the assessment area. The percentage of households living below the poverty level is 25.46 percent. It also took into account the low number of owner-occupied units in the moderate-income geography, 2.02 percent. The percent of loans originated in the moderate-income geography exceeds the percent of owner-occupied units in the same geography. In addition, the market share of loans in the moderate-income geography is near to the percent of owner-occupied units in the same geography.

Multifamily Loans

Multifamily loans were not included for purposes of this evaluation. FNB made an insignificant number of multifamily loans in the assessment area during the evaluation period. The volume of originations is not large enough to conduct a meaningful analysis. The data presented in Table 5 in Appendix C is for informational purposes only.

Small Loans to Businesses

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses.

Cleveland County – 2003

The overall geographic distribution of small loans to businesses in Cleveland County is adequate. The distribution of small loans to businesses in the moderate-income geography is well below the percent of businesses in the same geography. The bank's market share of loans in the moderate-income geography is near to the bank's overall market share of small loans to businesses in the assessment area.

Cleveland County – 2004, 2005, 2006

The overall geographic distribution of small loans to businesses in Cleveland County is adequate. The distribution of small loans to businesses in the moderate-income geography is significantly below the percent of businesses in the same geography. The bank's market share of loans in the moderate-income geography exceeds the bank's overall market share of small loans to businesses in the non-MSA.

Small Loans to Farms

Refer to Table 7 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

FNB's small farm lending performance was not analyzed as the volume of loans was not significant. Small farm loans represent less than two percent in number and two percent in volume of the bank's lending activity. The data is presented in the table for informational purposes only.

Lending Gap Analysis

We evaluated FNB's lending distribution in its assessment areas to determine if any unexplained conspicuous gaps existed. We reviewed lending reports detailing the volume of HMDA and small loans to businesses in low- and moderate-income geographies. No unexplained conspicuous gaps were identified. This performance had a neutral effect on the bank's overall geographic distribution analysis.

Inside/Outside Ratio

This analysis was performed on the entire bank rather than the assessment area. A majority of the bank's loan originations are originated within its assessment areas. At the assessment area level, ninety-two percent of the number of all loans and eighty-eight percent of all dollars originated during the assessment period were within the bank's assessment areas. By loan product, in number terms, ninety-two percent of all home loans and ninety-two of all small loans to businesses and farms were originated within the bank's assessment areas. In dollar terms, eighty-eight percent of all home loans and eighty-seven percent of small loans to businesses and farms were originated within the bank's assessment areas. This performance was positively factored into the overall analysis of the geographic distribution of lending by income level of the geography.

Distribution of Loans by Income Level of the Borrower

Home Mortgage Loans

Refer to Tables 8, 9, and 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

Cleveland County – 2003

Home purchase borrower loan distribution in Cleveland County is good. This analysis took into account, for all three HMDA products, the higher-than-normal poverty level in the assessment area. The portion of loans to low-income borrowers is below the percent of low-income families in the assessment area. The portion of loans to moderate-income borrowers is below the portion of moderate-income families in the assessment area. In addition, the market share of loans to low- and moderate-income borrowers exceeds and is well below the bank's overall market share of home purchase loans in the assessment area, respectively.

Home improvement borrower loan distribution in Cleveland County is excellent. The portion of loans to both low- and moderate-income borrowers exceeds the percent of low- and moderate-income families in the assessment area. In addition, the market share of loans to low- and moderate-income borrowers exceeds the bank's overall market share of home improvement loans in the assessment area.

Home refinance borrower loan distribution in Cleveland County is good. The portion of loans to low-income borrowers is below the percent of low-income families in the assessment area. The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families in the assessment area. For market share, the percent of home refinance loans to low- and moderate-income borrowers exceeds the bank's overall market share of this type of loan in the assessment area.

Cleveland County – 2004, 2005, 2006

Home purchase borrower loan distribution in Cleveland County is good. This analysis took into account, for all three HMDA products, the higher-than-normal poverty level in the assessment area. The portion of loans to low-income borrowers is below the percent of low-income families in the assessment area. The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families in the assessment area. In addition, the market share of loans to low- and moderate-income borrowers exceeds and is near to the bank's overall market share of home purchase loans in the assessment area, respectively.

Home improvement borrower loan distribution in Cleveland County is excellent. The portion of loans to low-income borrowers exceeds the percent of low-income families in the assessment area. The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families in the assessment area. In addition, the market share of loans to low- and moderate-income borrowers exceeds the bank's overall market share of home improvement loans in the assessment area, respectively.

Home refinance borrower loan distribution in Cleveland County is good. The portion of loans to low-income borrowers is below the percent of low-income families in the assessment area. The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families in the assessment area. For market share, the percent of home refinance loans to low- and moderate-income borrowers exceeds and is below the bank's overall market share of this type of loan in the assessment area, respectively.

Small Loans to Businesses

Refer to Table 11 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses.

Cleveland County – 2003

The borrower distribution of small loans to businesses in Cleveland County is good. The percentage of small loans to businesses is below the percentage of small businesses in the assessment area. The bank's market share of small loans to businesses exceeds its overall business loan market share. The bank also makes a significant majority of these loans in smaller amounts of \$250 thousand or less.

Cleveland County – 2004, 2005, 2006

The borrower distribution of small loans to businesses in Cleveland County is good. The percentage of small loans to businesses is below the percentage of small businesses in the assessment area. The bank's market share of small loans to businesses exceeds its overall business loan market share. The bank also makes a significant majority of these loans in smaller amounts of \$250 thousand or less.

Small Loans to Farms

Refer to Table 12 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms.

FNB's small farm lending performance was not analyzed as the volume of loans was not significant. Small farm loans represent less than two percent in number and two percent in volume of the bank's lending activity. The data is presented in the table for informational purposes only.

Community Development Lending

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's level of community development lending. This table includes all community development loans, including multifamily loans that also qualify as community development loans. It does not include community development loans outside of the bank's assessment area.

During the assessment period, the bank originated three community development loans totaling \$825 thousand in Cleveland County. These loans consisted primarily of working capital loans (account receivable financing) for organizations that support affordable in-home nursing care, children's group home, and a school for the disabled. FNB also participated in 28 regional community development loans totaling \$560 thousand offered through the Community Investment Corporation of North Carolina. These loans consisted of construction loans for affordable housing throughout North Carolina that met a need of the greater regional area but not the bank's assessment area. This had a neutral impact on the lending test rating.

Product Innovation and Flexibility

FNB did not use any innovative or flexible products during this evaluation period. This had a neutral impact on the bank's lending test rating.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited scope reviews, the bank's performance under the lending test in Gaston County is not inconsistent with the bank's overall "High Satisfactory" performance under the lending test. In Rutherford County, the bank's performance is weaker than the bank's overall performance under the lending test. The weaker performance resulted from a less than favorable distribution of refinance and small business loans among geographies and borrowers of different income levels. It also resulted from a less than favorable distribution of home purchase loans among borrowers of different income levels.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the investment test is rated "Low Satisfactory". Based on the full-scope review, the bank's performance in Cleveland County is adequate. Performance in the limited scope assessment areas did not negatively impact the bank's overall performance under the investment test.

Refer to Table 14 in Appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Cleveland County

FNB made an adequate level of investments under the investment test in Cleveland County. During the evaluation period, the bank made twenty-one qualified community development investments, including grants and donations, totaling \$1.7 million. A significant investment included \$1 million invested with the Senior Housing Crime Prevention Foundation to support two nursing homes in the AA. These nursing homes primarily serve low- to moderate-income persons. The majority of the remaining investments were grants to organizations supporting affordable housing, community services, job creation, educational opportunities for low- and moderate-income individuals, and revitalization objectives in the assessment area. The investments are not considered innovative or complex in nature, but are responsive to identified needs in the community.

Our analysis of Cleveland County took into account a statewide regional investment. The statewide regional investment supports affordable housing development throughout the North Carolina region, which includes the bank's assessment area.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance in Gaston and Rutherford Counties is weaker than the overall performance under the investment test. The weaker performance is due to a lower level of community development investments in the assessment areas.

Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in Cleveland County is adequate. FNB's delivery systems are accessible to geographies and individuals of different income levels throughout the full-scope assessment areas. FNB's record of opening and closing branches did not have an

adverse effect on the delivery of retail banking services to low- and moderate –income persons and geographies. Performance in the limited scope assessment areas did not negatively impact the bank’s overall performance under the lending test.

Retail Banking Services

Refer to Table 15 in Appendix C for the facts and data used to evaluate the distribution of the bank’s branch delivery system and branch openings and closings.

Service delivery systems are accessible to geographies and individuals of different income levels. There is one moderate-income census tract and no low-income census tracts in Cleveland County. FNB has eight full service branches and two stand alone drive-through branches in Cleveland County. The bank has no branches in the moderate-income geographies in the assessment area. However, performance is mitigated due to a low percentage, 3.54 percent of the population that lives in the moderate-income geography in Cleveland County. The majority of the bank’s branches are located in middle-income geographies, with one stand-alone ATM located in a moderate-income geography.

In addition to branches, the bank has twelve ATMs within the assessment area. Nine of the ATMs are full-service and are attached to the aforementioned branches, the remaining ATMs are cash dispensing. The bank also has additional alternative delivery systems. The bank has Internet banking available 24 hours a day and telephone banking. All ATMs and telephone banking is available in Spanish.

The bank’s record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly to low- and moderate-income individuals. During the evaluation period, two branches were opened and one closed. FNB opened a temporary branch in a moderate-income census tract that was closed and relocated one mile away to its permanent location in Rutherford Count, a middle-income census tract. The bank also opened a branch in Gaston County in a middle-income tract during the evaluation period. In addition, hours and services do vary from branch to branch, but not in a way that inconveniences people living in Cleveland County. FNB’s banking hours are consistent across all of is branches within the county; however, additional access in the form of extended hours is provided at seven drive-through facilities.

Community Development Services

FNB has provided an adequate level of community development services in the Cleveland County Assessment Area. This assessment is based on limited community development opportunities, the number of employees participating, and the number of organizations benefiting. Thirty employees provided services to twenty-one community development organizations. Services include teaching financial literacy at local high schools in conjunction with “Get Smart About Credit Day”, which includes schools with low- and moderate-income students. FNB Officers and staff serve as Board members, Treasurer, Instructors for organizations that provide affordable housing or community development services to low- and moderate-income individuals, and community member on various community development organizations.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on the limited-scope review, the bank's performance under the Service Test in Gaston County is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test. This analysis took into consideration the time-span of operations in Rutherford County, as FNB entered this assessment area in 2005.

Refer to Table 15 in Appendix C for the facts and data that support these conclusions.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

Time Period Reviewed	Lending Test (excludes CD Loans): (01/01/03 to 12/31/06) Investment and Service Tests and CD Loans: (10/01/04 to 10/22/07)	
Financial Institution	Products Reviewed	
First National Bank of Shelby (FNB) Shelby, North Carolina	Residential mortgage loans Loans to businesses Community Development Loans and Investments	
Affiliate(s)	Affiliate Relationship	Products Reviewed
First National Bank Insurance Agency (FNBIA)	Subsidiary of Bank	None
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
Cleveland County non-MSA	Full-Scope	
Charlotte-Gastonia-Concord MSA #16740	Limited-Scope	Gaston County
Rutherford County non-MSA	Limited-Scope	

Appendix B: Market Profiles for Full-Scope Areas

Cleveland County non-Metropolitan Statistical Area (2004-2006)

Demographic Information for Full-Scope Area: Cleveland County Nonmetropolitan Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0.00	6.25	93.75	0.00	0.00
Population by Geography	96,287	0.00	3.54	96.46	0.00	0.00
Owner-Occupied Housing by Geography	27,003	0.00	2.02	97.98	0.00	0.00
Businesses by Geography	5,375	0.00	4.63	95.37	0.00	0.00
Farms by Geography	194	0.00	1.03	98.97	0.00	0.00
Family Distribution by Income Level	27,176	19.18	16.92	23.24	40.66	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,810	0.00	5.52	94.48	0.00	0.00
Median Family Income = \$40,566 HUD Adjusted Median Family Income for 2006 = \$47,100 Households Below the Poverty Level = 13%			Median Housing Value = \$78,392 Unemployment Rate = 2.65% (2000 US Census)			

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 2000 U.S. Census, and 2006 HUD updated MFI.

FNB has ten branches and twelve ATMs in this assessment area. FNB's branches include two stand-alone drive-through facilities and four of the ATMs that are not attached to a branch. The Cleveland non-MSA assessment area consists entirely of Cleveland County. The bank's assessment area does not arbitrarily exclude any geography, particularly low- or moderate-income, and complies with the technical requirements of the CRA regulation.

As of December 2006, deposits in the assessment area totaled \$464 million or approximately eighty-one percent of the institutions deposits. FNB is the largest deposit holder in the assessment area with a market share of approximately forty percent. The only other financial institution with more than ten percent market share is Branch Banking & Trust Company with approximately seventeen percent. Other competition includes Home Trust Bank and Wachovia Bank, who each have approximately an eight percent market share. Competition in this assessment area is moderate. There are twelve financial institutions with thirty-one banking offices in the area. Major competitors include large regional and national institutions.

Cleveland County has a reasonably diversified economy. Industry sectors with the greatest concentrations in employment include government, health care, educational services, retail trade, and manufacturing. The largest employers in Cleveland County include Cleveland Regional Medical Center, PPG Industries Fiberglass Products, Wal-Mart Associates Inc.,

Cleveland County Schools, and Gardner-Webb University. The Bureau of Labor Statistics reported the December 2006 unemployment rate for Cleveland County was 6.4 percent. In addition, fifteen of the sixteen census tracts in Cleveland County are considered distressed. FNB's primary business focus is small business lending.

During this examination, we contacted an organization for the purpose of determining a community profile, identifying opportunities for participation by local financial institutions, and determining the performance of local financial institutions. As a result our community contacts, it was noted that investment opportunities were limited. Financing for affordable housing was identified as the primary credit need for Cleveland County. Additional identified community development needs included financial literacy, financial support of community development organizations, and products for low- and moderate-income individuals. The organization was complimentary of local bank involvement.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to appendix A: Scope of the Examination). For purposes of reviewing the lending test tables, the following are applicable: (1) purchased loans are treated as originations/purchases and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MA/assessment area; (2) Partially geocoded loans (loans where no census tract is provided) cannot be broken down by income geographies and, therefore, are only reflected in the Total Loans in Core Tables 2 through 7 and part of Table 13; and (3) Partially geocoded loans are included in the Total Loans and % Bank Loans Column in Core Tables 8 through 12 and part of Table 13. Tables without data are not included in this PE. [Note: Do not renumber the tables.]

The following is a listing and brief description of the tables:

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As ___12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage

distribution of multifamily housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.

- Table 6. Geographic Distribution of Small Loans to Businesses** - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small business data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 7. Geographic Distribution of Small Loans to Farms** - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout those geographies. The table also presents market share information based on the most recent aggregate market data available. Because small farm data are not available for geographic areas smaller than counties, it may be necessary to use geographic areas larger than the bank's assessment area.
- Table 8. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 9. Borrower Distribution of Home Improvement Loans** - See Table 8.
- Table 10. Borrower Distribution of Refinance Loans** - See Table 8.
- Table 11. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500,000) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and

purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.

Table 13. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of households within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage of households by income level in each MA/assessment area.

Table 14. Qualified Investments - Presents the number and dollar amount of qualified investments made by the bank in each MA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior-period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

A bank may receive positive consideration for qualified investments in statewide/regional entities or made outside of the bank's assessment area. See Interagency Q&As __.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such investments. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle-, and upper-income geographies to the percentage of the population within each geography in each MA/AA. The table also presents data on branch openings and closings in each MA/AA.

Table 1. Lending Volume

LENDING VOLUME		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003				
MA/Assessment Area (2006):	% of Rated Area Loans (#) in MA/AA	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
2003 Cleveland County	84.10	185	13,860	495	46,610	13	1,122	3	825	696	62,417	90.80
Limited Review:												
2003 Gaston County	15.90	41	2,739	89	10,993	1	25	0	0	131	13,757	9.20

* Loan Data as of December 31, 2003. Rated area refers to either state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2003 to October 22, 2007.

*** Deposit Data as of June 30, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
2003 Cleveland County	93	81.58	0.00	0.00	2.02	5.38	97.98	94.62	0.00	0.00	8.36	0.00	20.83	8.03	0.00	
Limited Review:																
2003 Gaston County	21	18.42	0.64	4.76	33.11	52.38	59.07	42.86	7.18	0.00	0.49	6.67	0.98	0.32	0.00	

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans						
Full Review:																
2003 Cleveland County	26	92.86	0.00	0.00	2.02	15.38	97.98	84.62	0.00	0.00	17.16	0.00	36.36	15.45	0.00	
Limited Review:																
2003 Gaston County	2	7.14	0.64	0.00	33.11	50.00	59.07	50.00	7.18	0.00	0.59	0.00	1.20	0.45	0.00	

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

¹ Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography										
	#	% of Total**	% Owner Occ***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp						
Full Review:																					
2003 Cleveland County	64	79.01	0.00	0.00	2.02	3.13	97.98	96.88	0.00	0.00	1.98	0.00	3.45	1.95	0.00						
Limited Review:																					
2003 Gaston County	17	20.99	0.64	0.00	33.11	58.82	59.07	41.18	7.18	0.00	0.17	0.00	0.44	0.11	0.00						

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

² Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY JANUARY 1, 2003 TO DECEMBER 31, 2003		Geography: NORTH CAROLINA										Evaluation Period:				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full Review:																
2003 Cleveland County	2	66.67	0.00	0.00	10.87	0.00	89.13	100.00	0.00	0.00	33.33	0.00	0.00	33.33	0.00	
Limited Review:																
2003 Gaston County	1	33.33	1.92	0.00	29.25	0.00	66.14	100.00	2.69	0.00	9.09	0.00	0.00	25.00	0.00	

* Based on 2003 Peer Mortgage Data (Eastern)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES												Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003				
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography									
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp			
Full Review:																				
2003 Cleveland County	495	84.76	0.00	0.00	5.85	3.43	94.15	96.57	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
Limited Review:																				
2003 Gaston County	89	15.24	0.79	0.00	43.02	46.07	51.02	42.70	5.17	11.24	0.00	0.00	0.00	0.00	0.00					

* Based on 2003 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2003).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
2003 Cleveland County	13	92.86	0.00	0.00	1.99	0.00	98.01	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Limited Review:															
2003 Gaston County	1	7.14	1.39	0.00	29.63	100.00	60.19	0.00	8.80	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2003 Peer Small Business Data: US.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet 2003.

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
2003 Cleveland County	93	81.58	19.18	10.47	16.92	13.95	23.24	11.63	40.66	63.95	8.66	11.69	5.36	3.92	12.59	
Limited Review:																
2003 Gaston County	21	18.42	25.00	10.00	22.27	10.00	24.35	15.00	28.37	65.00	0.57	0.33	0.17	0.32	1.59	

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 7% of loans originated and purchased by Bank.

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003					Market Share				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
2003 Cleveland County	26	92.86	19.18	23.08	16.92	26.92	23.24	30.77	40.66	19.23	15.66	24.00	18.92	17.39	8.62	
Limited Review:																
2003 Gaston County	2	7.14	25.00	0.00	22.27	50.00	24.35	50.00	28.37	0.00	0.63	0.00	1.12	1.03	0.00	

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 0.0% of loans originated and purchased by Bank.

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	Overall	Low	Mod	Mid	Upp
Full Review:															
2003 Cleveland County	64	79.01	19.18	8.62	16.92	22.41	23.24	27.59	40.66	41.38	1.91	3.16	2.23	1.98	1.62
Limited Review:															
2003 Gaston County	17	20.99	25.00	18.75	22.27	37.50	24.35	31.25	28.37	12.50	0.20	0.32	0.29	0.21	0.07

* Based on 2003 Peer Mortgage Data: Eastern Region.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 8.6% of loans originated and purchased by Bank.

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
2003 Cleveland County	495	84.76	68.51	54.95	74.34	15.56	10.10	0.00	0.00
Limited Review:									
2003 Gaston County	89	15.24	66.17	76.40	62.92	19.10	17.98	0.00	0.00

* Based on 2003 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 3.08% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS					Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2003 TO DECEMBER 31, 2003	
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
Full Review:									
2003 Cleveland County	13	92.86	85.07	84.62	76.92	7.69	15.38	0.00	0.00
Limited Review:									
2003 Gaston County	1	7.14	92.13	100.00	100.00	0.00	0.00	0.00	0.00

* Based on 2003 Peer Small Business Data: US.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2003).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 7.14% of small loans to farms originated and purchased by Bank.

Table 1. Lending Volume

LENDING VOLUME		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2006				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
2004-2006 Cleveland Cour	73.48	995	101,841	1,316	109,956	22	4,410	3	825	2,336	217,032	81.01
Limited Review:												
2004-2006 Gaston County	17.51	235	28,251	320	26,362	1	70	0	0	556	54,683	17.15
2004-2006 Rutherford Cou	9.01	141	15,433	145	11,563	0	0	0	0	286	26,996	1.84
Regional Community Development Loans	0	0	0	0	0	0	0	28	506	28	506	0.00

* Loan Data as of December 31, 2006. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is from January 01, 2003 to October 22, 2007.

*** Deposit Data as of June 30, 2006. Rated area refers to either the state, multi-state MA, or institution, as appropriate.

Table 2. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE		Geography: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2006					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans						
Full Review:																
2004-2006 Cleveland County	466	76.52	0.00	0.00	2.02	3.43	97.98	96.57	0.00	0.00	8.18	0.00	12.24	8.06	0.00	
Limited Review:																
2004-2006 Gaston County	79	12.97	0.64	1.27	33.11	49.37	59.07	43.04	7.18	6.33	0.43	0.00	0.56	0.38	0.34	
2004-2006 Rutherford County	64	10.51	0.00	0.00	10.33	14.06	89.67	85.94	0.00	0.00	3.32	0.00	5.23	3.07	0.00	

* Based on 2006 Peer Mortgage Data: Eastern Region.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 3. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2004 TO DECEMBER 31, 2006					Market Share (%) by Geography				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans	% Owner Occ***	% BANK Loans						
Full Review:																
2004-2006 Cleveland County	48	75.00	0.00	0.00	2.02	10.42	97.98	89.58	0.00	0.00	6.12	0.00	20.00	5.38	0.00	
Limited Review:																
2004-2006 Gaston County	7	10.94	0.64	0.00	33.11	28.57	59.07	57.14	7.18	14.29	0.64	0.00	0.68	0.72	0.00	
2004-2006 Rutherford County	9	14.06	0.00	0.00	10.33	0.00	89.67	100.00	0.00	0.00	3.03	0.00	0.00	3.27	0.00	

* Based on 2006 Peer Mortgage Data: Eastern Region.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE												Geography: NORTH CAROLINA					Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography										
	#	% of Total**	% Owner Occ... Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp						
Full Review:																					
2004-2006 Cleveland County	475	69.85	0.00	0.00	2.02	2.32	97.98	97.68	0.00	0.00	7.17	0.00	5.88	7.19	0.00						
Limited Review:																					
2004-2006 Gaston County	143	21.03	0.64	0.70	33.11	49.65	59.07	46.15	7.18	3.50	0.85	0.00	1.65	0.52	0.25						
2004-2006 Rutherford County	62	9.12	0.00	0.00	10.33	6.45	89.67	93.55	0.00	0.00	2.52	0.00	0.00	2.79	0.00						

* Based on 2006 Peer Mortgage Data: Eastern Region.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

**** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY JANUARY 1, 2004 TO DECEMBER 31, 2006		Geography: NORTH CAROLINA										Evaluation Period:				
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography					
	#	% of Total**	% of MF Units***	% BANK Loans****	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Overall	Low	Mod	Mid	Upp	
Full Review:																
2004-2006 Cleveland County	6	33.33	0.00	0.00	10.87	0.00	89.13	100.00	0.00	0.00	50.00	0.00	0.00	50.00	0.00	
Limited Review:																
2004-2006 Gaston County	6	33.33	1.92	16.67	29.25	66.67	66.14	16.67	2.69	0.00	0.00	0.00	0.00	0.00	0.00	
2004-2006 Rutherford County	6	33.33	0.00	0.00	39.27	0.00	60.73	100.00	0.00	0.00	42.86	0.00	0.00	50.00	0.00	

* Based on 2006 Peer Mortgage Data (Eastern)

** Multi-family loans originated and purchased in the MA/AA as a percentage of all multi-family loans originated and purchased in the rated area.

*** Percentage of Multi Family Units is the number of multi family units in a particular geography divided by the number of multifamily housing units in the area based on 2000 Census information.

**** Multifamily loan distribution includes Home Purchases, Home Improvement and Refinances.

Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES			Geography: NORTH CAROLINA						Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Overall	Low	Mod	Mid	Upp
Full Review:															
2004-2006 Cleveland County	1,316	73.89	0.00	0.00	4.63	2.28	95.37	97.72	0.00	0.00	12.75	0.00	13.75	13.06	0.00
Limited Review:															
2004-2006 Gaston County	320	17.97	0.82	0.00	41.39	32.50	52.07	61.56	5.72	5.94	1.79	0.00	1.73	2.04	1.12
2004-2006 Rutherford County	145	8.14	0.00	0.00	22.77	11.03	77.23	88.97	0.00	0.00	3.15	0.00	2.78	3.30	0.00

* Based on 2006 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2006).

Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006					Market Share (%) by Geography				
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans	% of Farms***	% BANK Loans						
Full Review:																
2004-2006 Cleveland County	18	94.74	0.00	0.00	1.03	0.00	98.97	100.00	0.00	0.00	8.00	0.00	0.00	8.00	0.00	
Limited Review:																
2004-2006 Gaston County	1	5.26	0.77	0.00	28.96	100.00	61.39	0.00	8.88	0.00	0.00	0.00	0.00	0.00	0.00	
2004-2006 Rutherford County	0	0.00	0.00	0.00	9.78	0.00	90.22	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	

* Based on 2006 Peer Small Business Data: US and PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2006).

Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006					Market Share				
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
2004-2006 Cleveland County	466	76.52	19.18	8.26	16.92	18.58	23.24	23.62	40.66	49.54	9.10	12.00	7.24	8.11	10.26	
Limited Review:																
2004-2006 Gaston County	79	12.97	25.00	20.29	22.27	21.74	24.35	27.54	28.37	30.43	0.45	0.50	0.19	0.79	0.39	
2004-2006 Rutherford County	64	10.51	21.16	7.94	20.35	22.22	22.62	20.63	35.87	49.21	3.80	2.60	4.52	3.56	3.81	

* Based on 2006 Peer Mortgage Data: Eastern Region.

** As a percentage of loans with borrower income information available. No information was available for 6.7% of loans originated and purchased by bank.

*** Percentage of Families based on the 2000 Census information.

**** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006					Market Share				
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****						
Full Review:																
2004-2006 Cleveland County	48	75.00	19.18	25.53	16.92	27.66	23.24	17.02	40.66	29.79	6.49	8.33	8.89	2.00	7.69	
Limited Review:																
2004-2006 Gaston County	7	10.94	25.00	0.00	22.27	42.86	24.35	42.86	28.37	14.29	0.66	0.00	0.83	0.85	0.76	
2004-2006 Rutherford County	9	14.06	21.16	14.29	20.35	14.29	22.62	28.57	35.87	42.86	1.91	0.00	0.00	2.63	3.17	

* Based on 2006 Peer Mortgage Data: Eastern Region.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 4.7% of loans originated and purchased by Bank.

* Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006					Market Share				
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Overall	Low	Mod	Mid	Upp	
	#	% of Total**	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****	% Families***	% BANK****						
Full Review:																
2004-2006 Cleveland County	475	69.85	19.18	11.04	16.92	18.54	23.24	20.09	40.66	50.33	8.00	14.75	6.23	6.28	8.65	
Limited Review:																
2004-2006 Gaston County	143	21.03	25.00	19.49	22.27	22.03	24.35	30.51	28.37	27.97	0.98	1.18	1.07	1.18	0.63	
2004-2006 Rutherford County	62	9.12	21.16	11.48	20.35	14.75	22.62	29.51	35.87	44.26	2.94	5.06	2.69	3.00	2.62	

* Based on 2006 Peer Mortgage Data: Eastern Region.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Families is based on the 2000 Census information.

**** As a percentage of loans with borrower income information available. No information was available for 7.1% of loans originated and purchased by Bank.

***** Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: NORTH CAROLINA			Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006				
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Market Share*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev \$1 Million or Less
Full Review:									
2004-2006 Cleveland County	1,316	73.89	68.11	55.09	78.88	13.30	7.83	12.75	16.40
Limited Review:									
2004-2006 Gaston County	320	17.97	68.50	58.44	76.56	17.50	5.94	1.79	2.40
2004-2006 Rutherford County	145	8.14	69.08	73.79	78.62	13.79	7.59	3.15	5.00

* Based on 2006 Peer Small Business Data: US and PR.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2006).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 6.23% of small loans to businesses originated and purchased by the Bank.

Table 12. Borrower Distribution of Small Loans to Farms

Borrower Distribution: SMALL LOANS TO FARMS		Geography: NORTH CAROLINA			Evaluation Period: JANUARY 01, 2004 TO DECEMBER 31, 2006				
MA/Assessment Area:	Total Small Loans to Farms		Farms With Revenues of \$1 million or less		Loans by Original Amount Regardless of Farm Size			Market Share	
	#	% of Total**	% of Farms***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$500,000	All	Rev \$1 Million or Less
Full Review:									
2004-2006 Cleveland County	18	94.74	90.21	77.78	66.67	11.11	22.22	8.00	6.67
Limited Review:									
2004-2006 Gaston County	1	5.26	93.05	100.00	100.00	0.00	0.00	0.00	0.00
2004-2006 Rutherford County	0	0.00	95.65	0.00	0.00	0.00	0.00	0.00	0.00

* Based on 2006 Peer Small Business Data: US and PR.

** Small loans to farms originated and purchased in the MA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

*** Farms with revenues of \$1 million or less as a percentage of all farms (Source D&B - 2006).

**** Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 5.26% of small loans to farms originated and purchased by Bank.

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NORTH CAROLINA				Evaluation Period: JANUARY 01, 2003 TO October 22, 2007			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
Cleveland	0	0	20	1,218	21	1,718	76.59	2	55
Limited Review:									
Gaston	0	0	2	14	2	14	0.80	1	2
Rutherford	0	0	2	11	2	11	0.63	2	7
Regional Investment	0	0	1	500	1	500	28.69	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Table 15. Distribution of Branch Delivery System and Branch Openings/Closings

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS JANUARY 1, 2003 TO DECEMBER 31, 2006								Geography: NORTH CAROLINA				Evaluation Period:					
MA/Assessment Area:	Deposits	Branches						Branch Openings/Closings				Population					
	% of Rated Area Deposits in AA	# of BANK Branches	% of Rated Area Branches in AA	Location of Branches by Income of Geographies (%)				# of Branch Openings	# of Branch Closings	Net change in Location of Branches (+ or -)				% of Population within Each Geography			
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp
Full Review:																	
2004-2006 Cleveland County	81.01	10	71.43	0.00	10.00	90.00	0.00	0	0	0	0	0	0	0.00	3.54	96.46	0.00
Limited Review:																	
2004-2006 Gaston County	17.15	3	21.43	0.00	33.33	66.67	0.00	1	0	0	0	+1	0	1.45	36.37	56.15	6.02
2004-2006 Rutherford County	1.84	1	7.14	0.00	0.00	100.00	0.00	2	1	0	-1	+1	0	0.00	13.29	86.71	0.00