



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks

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Washington, DC 20219

## **Public Disclosure**

November 05, 2001

# **Community Reinvestment Act Performance Evaluation**

**First National Bank of Shelby  
Charter Number: 6776**

**106 South Lafayette Street  
Shelby, NC 28150**

**Office of the Comptroller of the Currency**

**ADC - Carolinas Field Office  
6100 Fairview Road Suite 1154  
Charlotte, NC 28210**

**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 **First National Bank of Shelby** with respect to the Lending, Investment, and Service Tests:

Performance Levels	First National Bank of Shelby Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Low Satisfactory	X	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's lending activity is excellent in the Cleveland County non-MSA AA.
- A substantial majority of the loans originated or purchased by FNB were within their assessment areas (AAs).
- The overall distribution of loans by income level in the AA is adequate. The distribution of HMDA loans by borrower income level is good. The distribution of small loans to businesses by revenue size is adequate.
- Given the limited community development investment opportunities in the AA, FNB’s level of community development investments is adequate. The bank’s performance in the limited scope area had a positive impact on the overall investment test rating.
- FNB’s retail delivery systems are accessible to geographies and individuals of different income levels throughout the AA.
- The level of community development services provided in the Cleveland County AA is good based on the limited CD opportunities, number of employees participating and number of organizations benefiting.

## Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. 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.

**Block Numbering Area (BNA)** - Statistical subdivisions of counties in which census tracts have not been established. The U.S. Census Bureau has established BNAs in conjunction with state agencies.

**Census Tract (CT)** - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the U.S. Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten-year census and an average population of 4,000.

**Community Development (CD)** - Affordable 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.

**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.

**Full-Scope Review** - Performance under the lending, investment, and service tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

**Geography** - A census tract or a block numbering area delineated by the U.S. 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 applicants, the amount of loan requested, and the disposition of the application (e.g., approved, denied, withdrawn).

**Home Mortgage Loans** - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

**Limited-Scope 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, branch distribution).

**Low-Income** - Income levels that are less than 50 percent of the median family income.

**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 Statistical Area (MSA)** - Area defined by the director of the U.S. Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

**Middle-Income** - Income levels that are at least 80 percent and less than 120 percent of the MFI.

**Moderate-Income** - Income levels that are at least 50 percent and less than 80 percent of the MFI.

**Small Loans to Businesses** - Loans with original amounts of \$1 million or less that are: (1) secured by non-farm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

**Small Loans to Farms** - Loans with original amounts of \$500,000 or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

**Tier 1 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** - Income levels that are 120 percent or more of the MFI.

## Description of Institution

First National Bank of Shelby (FNB) is an independently owned intrastate institution headquartered in Shelby, NC. The bank operates 12 full-service banking offices throughout Cleveland and Gaston counties in NC. Of the 12 banking offices, 10 are located in Cleveland County and 2 are located in the Gaston County. The bank also operates 9 drive-through facilities and 11 deposit-taking ATMs throughout the two AAs. FNB's primary market is Cleveland County. This AA represents 91% of the bank's deposits and 90% of its lending activity. Whereas, the Charlotte-Gastonia MSA AA represents 9% of the bank's deposit base.

In December 1998, FNB purchased First Carolina Federal Savings Bank of Kings Mountain, NC. First Carolina was primarily a single-family residential loan originator. As a result of this acquisition, FNB entered into the Charlotte-Gastonia MSA and became subject to filings under the HMDA. Since First Carolina did not make commercial loans, there were no CRA loans of First Carolina's to include in this evaluation.

FNB offers a full range of banking products and services. As of June 30, 2001, FNB had assets of \$524 million. Loans totaled \$259 million and deposits totaled \$355 million. Loans represent 49% of total assets. The distribution of FNB's loan portfolio was as follows: 1-4 family residential properties (32%); commercial (includes commercial real estate) (55%); consumer loans (11%); other loans (2%) and farm loans (1%). As illustrated by their loan mix, FNB is primarily a commercial lender. Small farm lending is not a significant product for the bank. FNB's Tier 1 capital is \$66 million and their risked based capital to risk weighted assets equals 22%. FNB provides trust and brokerage services and the bank recently purchased an insurance company. These entities have no impact on the bank's CRA performance.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its AA. FNB's CRA performance was rated "Satisfactory" in the last public evaluation dated March 15, 1999.

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment and Service Tests. In evaluating the bank's lending performance, we reviewed their residential mortgage loans subject to filing under HMDA and small loans to businesses. With the exception of community development (CD) loans, the evaluation period for the Lending Test is January 1, 2000 through December 31, 2000. FNB's first year of reporting HMDA data was 2000. The CRA individual loan data files for 1999 was not available for use during this examination. Management's copy of the data file was corrupted and the bank was unable to locate another copy. For CD loans, the Investment Test and the Services Test, the evaluation period is April 1, 1999 through September 30, 2001.

### Data Integrity

As part of this CRA evaluation, we tested the accuracy of FNB's small loans to businesses and HMDA loan data. We found significant errors in both data files and required bank management to correct the information. At a subsequent review, we evaluated the bank's corrected data and found it to be reliable. This evaluation is based on accurate data.

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

### Selection of Areas for Full-Scope Review

FNB's primary market area is the Cleveland County non-MSA AA. This AA was selected for a full-scope review. The Cleveland County non-MSA AA represents 91% of the bank's deposit base and 90% of its lending activity. The Charlotte-Gaston MSA was selected for a limited-scope review. This AA represents 9% of the bank's deposit base and 10% of its lending activity. Refer to Appendix A for more information.

### Ratings

The bank's overall rating is based primarily on their performance in the Cleveland County non-MSA AA. In determining the conclusions for the Lending Test, small loans to businesses received the vast majority of the weight. FNB's lending strategy focuses primarily on small loans to businesses. During this evaluation period, 76% of the bank's CRA related loans were small loans to businesses.

Within the individual HMDA products, home purchase and home improvement loans received more weight than refinance loans. This weighting is reflective of FNB's loan volume by product type over the evaluation period. The volume of small loans to farms was not significant enough to perform a meaningful analysis.

## Other

Two community contacts were performed during this examination. The types of organizations contacted include a local organization to revitalize the downtown area and a county organization that promotes small business development. We also reviewed a community contact conducted by the OCC prior to this examination. The primary credit needs identified by these contacts are as follows: small business loans (micro-loans and operating capital) and affordable housing loans (1-4 family and multi-family).

In Cleveland County, the opportunity to make community development loans and investments is limited. We did not identify any specialized Small Business Investment Corporations (SBICs) or local Community Development Financial Institutions (CDFIs) in the bank's AA. We did identify one small business development center, a Community Development Corporation (CDC) and a non-profit housing organization that operate in the AA.

## Fair Lending Review

An analysis of two years public comments and consumer complaint information, small business and small farm lending data, and one year of HMDA data was performed according to the OCC's risk based fair lending approach. Based on its analysis of the information, the OCC decided that a comprehensive fair lending examination would not need to be conducted in connection with the CRA evaluation this year. The latest comprehensive fair lending exam was performed in 1998.

## **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 "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Cleveland County non-MSA AA is adequate.

#### **Lending Activity**

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's lending activity.

In the Cleveland County non-MSA AA approximately 76% of the number of loans originated or purchased during the evaluation period were small loans to businesses. Home Mortgage Loans comprised the vast majority (22%) of the remainder. Among Home Mortgage Loans, home purchase loans represent 44%, home improvement loans represent 36% and refinance loans represent 19%. The remaining 1% are loans for multifamily dwellings. The volume of small loans to farms was not material, representing 2% of FNB's loan originated or purchased during this evaluation period. Agricultural lending is not a primary business line of FNB.

FNB's lending activity is excellent in the Cleveland County non-MSA AA. FNB ranks first in deposit market share (33%). There are 9 banking institutions with offices throughout the AA. Based on 1999 CRA aggregate data, FNB is the largest originator and purchaser of small loans to businesses in the AA with a 38% market share. In 2000, FNB made 548 small loans to businesses versus the number 2 ranked institution that made 218 loans (14% market share).

No HMDA market share data was available. 2000 was the first year that FNB reported HMDA data. 1999 is the most recent HMDA aggregate data that's available.

#### **Distribution of Loans by Income Level of the Geography**

An analysis of the bank's distribution of loans by geography was not performed. Such an analysis would not be meaningful, as Cleveland County does not have any low- or moderate-income census tracts. The data is presented in the tables for informational purposes only.

#### **Lending Gap Analysis**

We evaluated the lending distribution in this AA to determine if any unexplained conspicuous gaps existed. We reviewed lending reports detailing the volume of HMDA and small loans to businesses in the AA. No unexplained conspicuous gaps were identified.

***Inside/Outside Ratio***

A substantial majority of the loans originated or purchased by FNB were within their AAs. Overall, 90% of FNB's loans are within their AAs. By loan product, 94% of small loans to businesses and 77% of HMDA loans were inside the AAs. This analysis was performed on the entire bank rather than by AA.

**Distribution of Loans by Income Level of the Borrower**

The overall distribution of loans by income level in the AA is adequate. The distribution of HMDA loans by borrower income level is good. The distribution of small loans to businesses by revenue size is adequate.

In evaluating the borrower distribution of home mortgage loans, we considered the number of families that live below the poverty level and the barriers that this may have on home ownership. Approximately 8% of the families in the AA live below the poverty level. According to 1990 Census data, 54% of the low-income families live below the poverty level, which makes it difficult for them to afford and maintain a home. This means that for a family of four, over half of low-income families earn less than \$17 thousand a year. Another factor that we considered in this analysis is the number of owner-occupied units in the bank's AA. Of the 34 thousand units in the AA, only 68% are owner-occupied.

***Home Mortgage Loans***

Refer to Tables 7, 8, and 9 in appendix C for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The overall distribution of HMDA loans by borrower income level is good.

The distribution of *home purchase loans* by borrower income level is good. The bank's percent of home purchase loans to low-income borrowers is near the percent of low-income families residing in the AA. The bank's percent of home purchase loans to moderate-income borrowers exceeds the distribution of moderate-income families residing in the AA. No market share information was available.

The distribution of *home improvement loans* by borrower income level is excellent. The bank's percent of home improvement loans to low-income borrowers exceeds the percent of low-income families residing in the AA. The bank's percent of home improvement loans to moderate-income borrowers exceeds the distribution of moderate-income families residing in the AA. No market share information was available.

The distribution of *refinance loans* by borrower income level is adequate. The bank's percent of refinance loans to low-income borrowers is lower than the percent of low-income families residing in the AA. Refer to the comment above for demographic information on economic barriers in the AA. The bank's percent of refinance loans to moderate-income borrowers exceeds the distribution of moderate-income families residing in the AA. No market share information was available.

***Small Loans to Businesses***

Refer to Table 10 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.

The distribution of small loans to businesses is adequate. FNB's percentage of small loans to small businesses (businesses with annual revenues \$1 million or less) is lower than the percentage of small businesses in the AA. However, it should be noted that 16% of the loans did not have the revenues reported. Their market share of small loans to small businesses is near their overall market share of small loans to all businesses. A high percentage of the bank's small loans to businesses are for amounts \$100 thousand or less.

### **Community Development Lending**

Refer to Table 1 in appendix C for the facts and data used to evaluate the bank's level of community development lending.

FNB did not originate any community development loans during this evaluation period. This had a neutral impact on the bank's lending test performance.

### **Product Innovation and Flexibility**

FNB does not offer innovative or flexible products specifically targeted to low- or moderate-income individuals.

### **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the lending test in the Charlotte-Gaston MSA is not inconsistent with the bank's overall "Low Satisfactory" performance under the lending test. Refer to Tables 1 through 11 in appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for Areas Receiving Full-Scope Reviews**

The bank's performance under the investment test is rated "Low Satisfactory". Based on full-scope reviews, the bank's performance in the Cleveland County non-MSA AA is adequate.

Refer to Table 12 in appendix C for the facts and data used to evaluate the bank's level of qualified investments.

Given the limited community development investment opportunities in the AA, FNB's level of community development investments is adequate. Also, FNB is unable to create CD opportunities because of its asset size and financial capacity. Refer to the Scope of the Evaluation section for information on the available CD opportunities in this AA.

During this evaluation period, FNB made \$86 thousand in qualified grants and donations to community development organizations. FNB's total qualified investments and grants represent one-tenth of 1% of the pro-rated Tier 1 Capital. All of the investments were made during this evaluation period. The investments were not considered innovative or complex in nature. While the impact of the investments was not available, they met identified needs in the community. The organizations benefiting from these grants and donations are involved in providing affordable housing and community services to low- and moderate-income individuals.

### **Conclusions for Area Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the investment test in the Charlotte-Gaston MSA is stronger than the bank's overall "Low Satisfactory" performance under the investment test. In the Charlotte-Gaston MSA, FNB's investments during this evaluation period represents 8% of the bank's pro-rated Tier I capital. This had a positive impact on the bank's overall investment test rating.

Refer to Table 12 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 the Cleveland County non-MSA AA is good.

### **Retail Banking Services**

Refer to Table 13 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.

FNB's retail delivery systems are accessible to geographies and individuals of different income levels throughout the full-scope AA. Cleveland County does not have any low- or moderate-income geographies. FNB operates 10 branches throughout this AA. The majority of the bank's branches are located in middle-income geographies. The majority of low- and moderate-income families live in these areas. Seventy percent (70%) of the bank's branches are in middle-income geographies compared to 68% of low- and moderate-income families that reside in these 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. During the evaluation period, FNB did not open or close any branches in the Cleveland County AA.

FNB's services do not vary in a way that would inconvenience its AA, particularly low- or moderate-income individuals. The bank offers a wide range of banking products and services throughout its AA. The products, services and business hours are reasonable and are the same in all banking locations throughout the AA.

## **Community Development Services**

The level of community development services provided in the Cleveland County AA is good. This assessment is based on the limited CD opportunities, the number of employees participating and the number of organizations benefiting. Refer to the Scope of the Evaluation section for additional information on the available CD opportunities in this AA.

Nine employees provided financial services to 8 community development organizations. The types of services provided are not innovative in nature, but are responsive to the needs of the community. Some examples of the types of financial services that were provided include: serving on the Board of Directors, finance committee, fundraising committee or as president or vice president for organizations that provide affordable housing or community development services to low- and moderate-income individuals.

## **Conclusions for Areas Receiving Limited-Scope Reviews**

Based on limited-scope reviews, the bank's performance under the Service Test in the Charlotte-Gaston MSA is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test.. Refer to Table 13 in appendix C for the facts and data that support these conclusions.

## Appendix A: Scope of Examination

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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 non-metropolitan 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”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): 1/1/00 to 12/31/00 Investment and Service Tests and CD Loans: 4/1/99 to 9/30/01	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Shelby Shelby, NC	HMDA, Small Business and CD Loans	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
None		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Cleveland County non-MSA Charlotte-Gaston MSA # 1520	Full-Scope Limited-Scope	

## Appendix B: Market Profiles for Full-Scope Areas

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#### Market Profiles for Areas Receiving Full-Scope Reviews

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**Cleveland County Non-metropolitan Area**

Demographic Information for Full-Scope Area: Cleveland County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	20	0.00	0.00	50.00	30.00	20.00
Population by Geography	84,714	0.00	0.00	63.11	36.89	0.00
Owner-Occupied Housing by Geography	23,322	0.00	0.00	61.52	38.48	0.00
Businesses by Geography	3,493	0.00	0.00	66.48	33.50	0.03
Farms by Geography	174	0.00	0.00	65.52	34.48	0.00
Family Distribution by Income Level	24,317	15.57	15.21	22.69	46.53	0.00
Distribution of Low- and Moderate-Income Families throughout AA Geographies	7,485	0.00	0.00	68.04	31.96	0.00
Median Family Income = \$27,206 HUD Adjusted Median Family Income for 2001 = \$40,100 Households Below the Poverty Level =13.30%		Median Housing Value = \$53,818 Unemployment Rate = 2.68%				

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 U.S. Census, and 2001 HUD updated MFI.

FNB's assessment area is entirely contained in the county of Cleveland. The AA meets the regulatory requirements of the regulation. The bank operates 10 branches and 9 deposit-taking ATMs within the AA. Of FNB's 10 branches, 7 are located in middle-income census tracts and 3 are located in upper-income census tracts.

The economy for Cleveland County is diversified. Over 40% of the work force in the county is involved in manufacturing. The county has a broad diversity of manufacturing firms with over 40 of them employing 100 or more persons. Truck cabs, compact discs, transmissions, aircraft parts, ceramic capacitor material, electric motors and production equipment are just a few of the items fabricated in the county. Retail trade, services, and governmental jobs are also large employment industries in the county.

The local economy is highly distressed and has one of the highest rates of unemployment in the state. As of September 30, 2001, the unemployment rate for Cleveland County was 11.7% compared to the state average of 5.2%. In 2000 and 2001, companies such as Freightliner, Eaton Corporation, Metrolina Plastics, KoSa, Firestone, and PPG laid off a total of 1,800 people in the county.

As of June 30, 2000, FNB was ranked number one in AA with the largest deposit market share (33%). There are 9 other financial institutions with branches in Cleveland County. Major competitors consist of branches of large multi-national banks and larger regional institutions. FNB is the only institution headquartered in Cleveland County. FNB does not have any similar situated institutions operating in its AA. All of the other institutions are substantially larger than FNB or are primarily residential real estate lenders. FNB's primary business focus is small loans to businesses.

Refer to the Scope of the Evaluation section of the Performance Evaluation for additional information on the identified credit needs and the community development lending, investment, and service opportunities in this AA.

## Appendix C: Tables of Performance Data

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### 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: 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 MSA/assessment area.

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 MSA/assessment area.
- 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 Refinance Loans** - See Table 2.
- Table 5. 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.
- Table 6. 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.
- Table 7. 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 MSA/assessment area. The table also presents market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.

- Table 9. Borrower Distribution of Refinance Loans** - See Table 7.
- Table 10. 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 11. 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 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/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.
- Table 13. 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 MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.
- Table 14. 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 MSA/assessment area.

**Table 1. Lending Volume**

LENDING VOLUME		State: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000						
MSA/Assessment Area:	% of Rated Area Loans (#) in MSA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MSA/AA ***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
Full-Review:												
Cleveland County non-MSA	89.98	165	5,961	548	31,827	14	428	0	0	727	38,216	91.11
Limited-Review:												
Charlotte-Gaston MSA	10.02	18	539	63	4,726	0	0	0	0	81	5,265	8.89

(\*) Rated area refers to either the state or multistate MSA rating area.

(\*\*) The evaluation period for Community Development Loans is April 1, 1999 to September 30, 2001.

(\*\*\*) Deposit data as of June 30, 2000. Rated area refers to either the state or multistate MSA rating area.

**Table 2. Geographic Distribution of Home Purchase Loans**

Geographic Distribution: HOME PURCHASE		State: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000									
MSA/Assessment Area:	Total Home Purchase 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	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	73	89.02	0.00	0.00	0.00	0.00	61.52	60.27	38.48	39.73	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	9	10.98	0.70	0.00	23.02	22.22	69.54	77.78	6.74	0.00	0.00	0.00	0.00	0.00	0.00

(\*) Home purchase loans originated and purchased in the MSA/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 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 3. Geographic Distribution of Home Improvement Loans**

Geographic Distribution: HOME IMPROVEMENT			State: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Improvement 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	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	59	90.77	0.00	0.00	0.00	0.00	61.52	71.19	38.48	28.81	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	6	9.23	0.70	0.00	23.02	16.67	69.54	83.33	6.74	0.00	0.00	0.00	0.00	0.00	0.00

(\*) Home improvement loans originated and purchased in the MSA/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 the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 4. Geographic Distribution of Home Mortgage Refinance Loans**

Geographic Distribution: HOME MORTGAGE REFINANCE			State: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home 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	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	32	91.43	0.00	0.00	0.00	0.00	61.52	71.88	38.48	28.13	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	3	8.57	0.70	0.00	23.02	33.33	69.54	66.67	6.74	0.00	0.00	0.00	0.00	0.00	0.00

(\*) Home mortgage refinance loans originated and purchased in the MSA/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 the number of owner-occupied housing units in the area based on 1990 Census information.

(\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 5. Geographic Distribution of Small Loans to Businesses**

Geographic Distribution: SMALL LOANS TO BUSINESSES			State: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Small Loans To Businesses		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:															
Cleveland County non-MSA	548	89.69	0.00	0.00	0.00	0.00	66.48	61.50	33.50	38.50	38.16	0.00	0.00	39.05	37.46
Limited-Review:															
Charlotte-Gaston MSA															

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

(\*\*) Source of Data-Dunn and Bradstreet.

(\*\*\*) Based on 1999 Aggregate Small Business Data only.

**Table 6. Geographic Distribution of Small Loans to Farms**

Geographic Distribution: SMALL LOANS TO FARMS		State: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Small Loans To Farms		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	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	14	100.00	0.00	0.00	0.00	0.00	65.52	50.00	34.48	50.00	80.00	0.00	0.00	80.00	80.00
Limited-Review:															
Charlotte-Gaston MSA	0	0.00	1.32	0.00	21.71	0.00	70.39	0.00	6.58	0.00	0.00	0.00	0.00	0.00	0.00

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

(\*\*) Source of Data-Dunn and Bradstreet.

(\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 7. Borrower Distribution of Home Purchase Loans**

Borrower Distribution: HOME PURCHASE		State: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	73	89.02	15.57	12.50	15.21	15.28	22.69	29.17	46.53	43.06	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	9	10.98	21.92	0.00	20.52	22.22	26.15	33.33	31.41	44.44	0.00	0.00	0.00	0.00	0.00

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

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 1.22% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 8. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT		State: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000								
MSA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	59	90.77	15.57	20.34	15.21	30.51	22.69	23.73	46.53	25.42	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	6	9.23	21.92	0.00	20.52	66.67	26.15	33.33	31.41	0.00	0.00	0.00	0.00	0.00	0.00

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

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 9. Borrower Distribution of Home Mortgage Refinance Loans**

Borrower Distribution: HOME MORTGAGE REFINANCE		State: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 200								
MSA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share (%) by Borrower Income****				
	#	% of Total*	% of Families**	% BANK Loans***	% of Families**	% BANK Loans**	% of Families**	% BANK Loans***	% of Families**	% BANK Loans***	Over all	Low	Mod	Mid	Upp
Full-Review:															
Cleveland County non-MSA	32	91.43	15.57	6.45	15.21	25.81	22.69	35.48	46.53	32.26	0.00	0.00	0.00	0.00	0.00
Limited-Review:															
Charlotte-Gaston MSA	3	8.57	21.92	33.33	20.52	0.00	26.15	66.67	31.41	0.00	0.00	0.00	0.00	0.00	0.00

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

(\*\*) Percentage of Families is based on 1990 Census information.

(\*\*\*) As a percentage of loans with borrower income information available. No information was available for 2.86% of loans originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate HMDA Data only.

**Table 10. Borrower Distribution of Small Loans to Businesses**

Borrower Distribution: SMALL LOANS TO BUSINESSES		State: NORTH CAROLINA 31, 2000		Evaluation Period: JANUARY 1, 2000 TO DECEMBER					
	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:									
Cleveland County non-MSA	548	89.69	87.66	31.57	87.23	7.48	5.29	38.16	33.03
Limited-Review:									
Charlotte-Gaston MSA	63	10.31	88.15	58.73	76.19	19.05	4.76	1.38	1.53

(\*) Small loans to businesses originated and purchased in the MSA/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.

(\*\*\*) 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 16.04% of small loans to businesses originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate Small Business Data only.

**Table 11. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		State: NORTH CAROLINA 2000		Evaluation Period: JANUARY 1, 2000 TO DECEMBER 31, 2000					
	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 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:									
Cleveland County non-MSA	14	100.00	91.95	57.14	92.86	7.14	0.00	80.00	73.68
Limited-Review:									
Charlotte-Gaston MSA	0	0.00	90.79	0.00	0.00	0.00	0.00	0.00	0.00

(\*) Small loans to farms originated and purchased in the MSA/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 businesses.

(\*\*\*) 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 42.86% of small loans to businesses originated and purchased by the bank.

(\*\*\*\*) Based on 1999 Aggregate Small Farm Data only.

**Table 12. Qualified Investments**

QUALIFIED INVESTMENTS		State: NORTH CAROLINA		Evaluation Period: APRIL 1, 1999 TO SEPTEMBER 30, 2001					
MA/Assessment Areas:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	% of Total \$'s	#	\$ (000's)
Full-Review:									
Cleveland County non-MSA	0	0	19	86	19	86	15.11	0	0
Limited-Review:									
Charlotte-Gaston MSA	0	0	5	483	5	483	84.89	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 bank's financial reporting system.

**Table 13. Distribution of Branch Delivery System and Branch Openings/Closings**

DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS														State: NORTH CAROLINA		Evaluation Period: April 1, 1999 TO September 30, 2001			
MSA/Assessment Area:	Deposits	Branches						Branch Openings/Closings						Population					
	% of Rated Area Deposits in MSA/AA	# of BANK Branches	% of Rated Area Branches in MSA/AA	Location of Branches by Income of Geographies				# of Branch Closings	# of Branch Openings	Net Change in Location of Branches (+ or -)				% of the Population within Each Geography					
				Low	Mod	Mid	Upp			Low	Mod	Mid	Upp	Low	Mod	Mid	Upp		
Full-Review:																			
Cleveland County non-MSA	91.11	10	83%	0.00	0.00	70.00	30.00	0	0	0	0	0	0	N/A	N/A	63.11	36.89		
Limited-Review:																			
Charlotte-Gaston MSA	8.89	2	17%	0.00	0.00	100.00	0.00	0	2	0	0	+2	0	1.71	25.71	66.80	5.78		