



**LARGE BANK**

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Comptroller of the Currency  
Administrator of National Banks  
Washington, DC 20219

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## **Public Disclosure**

**November 15, 2004**

# **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 (Charlotte)  
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 (FNB)** with respect to the Lending, Investment, and Service Tests:

Performance Levels	(Name of Depository Institution) Performance Tests		
	Lending Test*	Investment Test	Service Test
Outstanding	X		
High Satisfactory			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's lending levels reflect an excellent responsiveness to meeting the credit needs of the assessment area (AA). FNB's level of community development lending has positively impacted the Lending Test rating.
- FNB's geographic distribution of loans by income level of the geography is excellent. Their distribution of loans by income level of the borrower is good.
- Based on the limited investment opportunities in the AA and the bank's limited ability to create investments, FNB's level of community development and regional investments is adequate.
- FNB's delivery systems are accessible to geographies and individuals of different income levels in its AA. The level of community development services provided is good.

## 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.

**Block Numbering Area (BNA):** A statistical subdivision of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. A BNA does not cross county lines.

**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.

**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 household 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 or a block numbering area 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 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).

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

**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 Statistical Area (MSA):** Area defined by the Director of the United States 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:** 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. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial 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 more than 120 percent of the area median income, or a median family income that is more than 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, NC that began in 1903. FNB operates 12 full-service banking offices throughout Cleveland and Gaston counties in North Carolina. Of the 12 banking offices, 10 are located in the Cleveland County non-MSA and 2 are located in Gaston County. Gaston County is part of the Charlotte-Rock Hill-Gastonia MSA. FNB operates 11 drive-through facilities and 10 deposit-taking automatic teller machines (ATM) throughout the two assessment areas. FNB also operates two stand-alone cash dispensing ATMs in Cleveland County. FNB's primary market is Cleveland County. The Cleveland County AA represents 90% of the bank's deposits and 86% of its lending activity. Whereas, the Charlotte-Gastonia MSA AA represents 10% of the bank's deposit base.

FNB offers a full range of banking products and services. As of September 30, 2004, FNB had assets of \$733 million and Tier One Capital of approximately \$86 million. Total risk based capital to risk weighted assets is 19.56%; Tier one risk based capital to risk weighted assets is 18.50%; and Tier One Leverage Capital equals 12.12%. Loans totaled \$372 million and deposits totaled \$499 million. Loans represent 51% of total assets. The distribution of FNB's loan portfolio was as follows: commercial (includes commercial real estate) (61.29%); 1-4 family residential properties (27.92%); consumer loans (7.95%); farm and agricultural loans (0.55%); and other loans (2.29%). As illustrated by their loan mix, FNB is primarily a commercial lender. Small farm lending is not a significant product for the bank.

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. These entities have no impact on the bank's CRA performance. FNB does not have any other affiliates or subsidiaries.

There are no legal, financial or other factors impeding the bank's ability to help meet the credit needs in its assessment area. FNB's CRA performance was rated "Satisfactory" in the last public evaluation dated November 5, 2001.

## 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, small loans to businesses and farms. We also reviewed FNB's consumer loans, specifically vehicle and unsecured lending.

With the exception of community development (CD) and consumer loans, the evaluation period for the Lending Test is January 1, 2001 through December 31, 2002. For CD loans, the Investment Test and the Services Test, the evaluation period is October 1, 2001 to September 30, 2004. For consumer loans, the evaluation period is June 30, 2002 to December 30, 2002.

### Data Integrity

Prior to this examination, the public information filed by FNB on home mortgage and small loans to businesses and farms was tested for accuracy. The test included an evaluation of the bank's processes to ensure that the data is reliable. We found no significant errors in the reported data. In addition, we found other information provided for consideration to also be reliable.

As part of this evaluation, we tested the community development loan, investment, and service information submitted by FNB management to ensure that the regulatory definition was met. As a result, we excluded from the evaluation any information submitted for consideration that did not meet the community development definition or purpose.

### 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 given its majority presence in this AA. The Cleveland County non-MSA AA represents 90% of the bank's deposit base and 86% of its lending activity. In addition, the majority of the bank's branches are in this AA. The Charlotte-Rock Hill-Gastonia MSA was selected for a limited-scope review given the bank's limited presence in this AA. This AA represents 10% of the bank's deposit base and 14% of its lending activity. For additional information regarding the makeup of the assessment areas (AAs), please refer to Appendix B-2.

### Ratings

The bank's overall rating is based primarily on the area that received a full-scope review (Cleveland County non-MSA). The full-scope AA was weighted in proportion to the share of deposits held in the various assessment areas. Since the vast majority of the operations, assets and deposits of the bank are contained in the Cleveland County non-MSA, the rating was significantly influenced by the performance of the bank in this AA. In addition, since the bank originated a very small volume of loans to farms during this assessment period, it received the least weight of the bank's lending products.



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, 90% of the bank's CRA related loans were small loans to businesses. Within the individual HMDA products, home purchase and refinance loans received more weight than home improvement loans. This weighting is reflective of FNB's loan volume by product type over the evaluation period.

## **Other**

We contacted three community organizations within Cleveland County to obtain information about the bank's performance under the CRA. The type of organizations contacted includes a housing authority, social services agency, and a community development corporation. In addition, these contacts also assisted us in obtaining information for use in our community profile. We also obtained information from other regulatory sources to aid us in our evaluation. Some of this information is included in the market profile section found in Appendix B.

The primary credit needs identified by these contacts are as follows: affordable housing, small business lending, financial education, community outreach regarding banking services, and products available for low- and moderate-income individuals. In addition, these contacts also mentioned a need for economic development and a designated contact person at banks to answer questions for low- and moderate-income individuals.

## **Fair Lending Review**

We found no evidence of illegal discrimination or other illegal credit practices.

## 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 "Outstanding". Based on a full-scope review, the bank's performance in the Cleveland County non-MSA AA is excellent.

#### Lending Activity

Refer to Table 1 Lending Volume in Appendix C for the facts and data used to evaluate the bank's lending activity

Overall, lending levels reflect an excellent responsiveness to meeting credit needs of the AA.

FNB's lending activity in the Cleveland County non-MSA is excellent. In the Cleveland County non-MSA AA, FNB has a deposit market share of 34.04%, which ranks first among deposit taking institutions. FNB has the third, first and thirteenth market ranks for the number of home purchase, home improvement and home refinance loans respectively. In terms of dollars, the bank has the eleventh, third and fourteenth market ranks for home purchase, home improvement, and home refinance loans respectively. In addition, the bank has the first market rank for the number of small business loans and the first market rank for dollars.

The bank's market rank for home refinance loans was significantly understated in that the bank closed numerous loans in another institution's name since the bank did not make the credit decision. Had the bank closed these loans in its own name, they would have ranked first in the market. In addition, the bank's ranking for home purchase loans was also understated in a like manner but to a lesser extent.

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

##### *Home Mortgage Loans*

Refer to Tables 2, 3, 4, and 5 in Appendix C for the facts and data on the bank's home mortgage loan originations and purchases. This table is provided for information purposes only.

An analysis of the bank's distribution of loans by income level of the geography was not performed. Such an analysis would not be meaningful, since there are no low- or moderate-income census tracts within the assessment area during the evaluation period.

### ***Small Loans to Businesses***

Refer to Table 6 in Appendix C for facts and data on the bank's origination/purchase of small loans to businesses. This table is provided for information purposes only.

An analysis of the bank's distribution of loans by income level of the geography was not performed. Such an analysis would not be meaningful, since there are no low- or moderate-income census tracts within the assessment area during the evaluation period.

### ***Small Loans to Farms***

Refer to Table 7 in Appendix C for facts and data on the bank's origination/purchase of small loans to farms. This table is provided for information purposes only.

An analysis of the bank's distribution of loans by income level of the geography was not performed. Such an analysis would not be meaningful, since there are no low- or moderate-income census tracts within the assessment area during the evaluation period.

### ***Consumer Loans***

Refer to Table 13 in Appendix C for facts and data on the bank's origination/purchase of small loans to farms. This table is provided for information purposes only.

An analysis of the bank's distribution of loans by income level of the geography was not performed. Such an analysis would not be meaningful, since there are no low- or moderate-income census tracts within the assessment area during the evaluation period.

### **Lending Gap Analysis**

We did not perform a lending gap analysis for this assessment area, since there are no low- or moderate- income geographies within Cleveland County non-MSA.

### **Inside/Outside Ratio**

A substantial majority of the loans originated by FNB is within their AAs. Overall, 93% of FNB's loans are within their AAs. By loan product, 95% of small loans to businesses, 89% of HMDA loans were inside the AAs, and 92% of consumer 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**

Overall, the distribution of loans by income level of the borrower is good. The distribution of home mortgage and consumer loans is excellent. The distribution of small loans to businesses (including farms) and consumer loans is good.

***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.

*Home purchase* loan borrower distribution is excellent. The portion of loans originated to low-income borrowers is near the percent of low-income families within the non-MSA. The slightly higher than normal poverty level of 13% in the assessment area influenced our evaluation.

The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families within the non-MSA. In addition, the market share of loans to low-income families exceeds the overall market share for home purchase loans within the non-MSA. However, the bank’s market share for moderate-income families falls below the overall market share of home purchase loans within the non-MSA.

*Home improvement* loan borrower distribution is excellent. The portion of loans originated to low- and moderate-income borrowers exceeds the percent of low- and moderate-income families within the non-MSA. In addition, the market share of loans originated to both low- and moderate-income families exceeds the overall market share for home improvement loans within the non-MSA.

*Home refinance* loan borrower distribution is excellent. The portion of loans originated to low-income borrowers is near the percent of low-income families within the non-MSA. The portion of loans to moderate-income borrowers exceeds the percent of moderate-income families within the non-MSA AA. In addition, the market share of loans to low- and moderate-income families exceeds the overall market share for home refinance loans within the non-MSA AA.

***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.

The borrower distribution of small loans to businesses is good in the Cleveland County non-MSA. FNB’s percentage of small loans to small businesses (businesses with annual revenues of \$1 million or less) is below the percentage of small businesses in the non-MSA AA. A high majority of the bank’s business loans is for amounts of \$100 thousand or less. FNB’s market share of small loans to businesses exceeds its overall business loan market share.

***Small Loans to Farms***

Refer to Table 12 in the 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 borrower distribution of small loans to farms is good in the Cleveland County non-MSA. FNB’s percentage of small loans to small farms (farms with annual revenues \$1 million or less) is below the percentage of small farms in the AA; however, a high majority of the bank’s farm loans is for amounts of \$100,000 or less. FNB’s market share of small loans to farms is near the overall market share percentage for small loans to farms.

### **Consumer Loans**

Refer to Table 13 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's consumer loan originations and purchases.

The borrower distribution of consumer loans is excellent. The portion of loans originated to low-income borrowers is very near the percent of low-income households within the non-MSA AA. The portion of loans to moderate-income borrowers exceeds the percent of low-income households within the non-MSA AA.

### **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 CD loans, including multifamily loans that also qualify as CD loans.

During the assessment period, the bank originated 72 qualified community development loans totaling almost \$6.9 million. These loans consisted primarily of construction loans for affordable manufactured and modular housing that met an identified need in the community and had a positive impact on the bank's lending test performance.

### **Product Innovation and Flexibility**

FNB developed an affordable home improvement assistance product that requires no minimal loan amount. FNB offers this product with zero origination fees with an amortization up to ten years secured by a borrower's home. A one-time rebate of 10% of the first year's interest is offered with this product, provided all payments have been made on time without extensions. As of this examination, the bank had not had a positive response to this product.

### **Conclusions for the Area Receiving Limited-Scope Review**

Based on the limited-scope reviews, the bank's performance under the lending test in the Charlotte-Rock Hill-Gastonia MSA is not inconsistent with the bank's overall "Outstanding" performance under the lending test. Refer to Tables 1 through 13 in Appendix C for the facts and data that support these conclusions.

## **INVESTMENT TEST**

### **Conclusions for the Area Receiving Full-Scope Review**

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

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

Based on the limited opportunities in the AA and the bank's limited ability to create investments, FNB's level of investments in the non-MSA AA is reasonable. Refer to the Scope of the Evaluation section for additional information on the available CD opportunities in this AA.

During the evaluation period, FNB made 22 qualified community development investments totaling \$163 thousand. This represents 0.21% of allocated Tier One capital. Significant investments were to the Life Enrichment Center of Cleveland County, Inc. and Habitat for Humanity. The non-profit Life Enrichment Center provides cost-effective, quality day services for adults with physical and mental disabilities, including Alzheimer's, mental retardation and frailties associated with aging.

During the evaluation period, FNB made one regional investment in a mortgage-back security totaling \$277 thousand. This represents 0.32% of Tier One Capital. The investment is in home mortgage loans comprised of low- and moderate-income borrowers, of which, a majority are within the bank's AA.

These investments were not considered innovative in nature but were responsive to identified needs in the community.

### **Conclusions for the Area Receiving Limited-Scope Review**

Based on the limited-scope review, the bank's performance under the investment test in the Charlotte-Rock Hill-Gastonia non-MSA AA is not inconsistent with the bank's overall "Low Satisfactory" performance under the investment test. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## **SERVICE TEST**

### **Conclusions for the Area Receiving Full-Scope Review**

The bank's performance under the Service Test is rated "High Satisfactory". Based on the full-scope review, the bank's performance in the Cleveland County non-MSA AA is good.

### **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.

FNB's retail delivery systems are accessible to geographies and individuals of different income levels throughout the full-scope AA. FNB operates 10 branches throughout this AA. The majority of the bank's branches are located in middle-income geographies, with one stand alone ATM located in a moderate-income geography.

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 the same in all banking locations throughout the AA, with the exception of three branches in the Cleveland County AA which open earlier.

### **Community Development Services**

The level of community development services provided in the Cleveland County AA is good. This assessment is based on 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 available CD opportunities in this AA.

Twenty-one employees provided CD services to sixteen CD organizations. The types of services are not innovative in nature, but are responsive to the needs of the community. Some examples of the types of financial services provided include: serving on the Board of Directors, finance committee, treasurer and instructors for organizations that provide affordable housing or CD services to low-and moderate-income individuals.

### **Conclusions for the Area Receiving Limited-Scope Review**

Based on the limited-scope review, the bank's performance under the Service Test in the Charlotte-Rock Hill-Gastonia MSA is not inconsistent with the bank's overall "High Satisfactory" performance under the Service Test. 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 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): (01/01/01 to 12/31/02) Investment and Service Tests and CD Loans: (10/01/01 to 09/30/04)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Shelby (FNB) Shelby, North Carolina	HMDA, Small Business, Small Farm, Consumer Loans, Community Development Loans and Investments	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
First National Bank Insurance Agency (FNBIA)	Subsidiary of Bank	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-Gastonia-Rock Hill 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

Cleveland County Non-metropolitan Statistical Area .....	B-2
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**Cleveland County Non-metropolitan Statistical 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	87,714	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	4,215	0.00	0.00	65.58	34.42	0.00
Farms by Geography	199	0.00	0.00	59.30	40.70	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	15.21	15.21	68.04	31.96	0.00
Median Family Income HUD Adjusted Median Family Income for 2002 Households Below the Poverty Level	= \$27,206 = \$43,700 = 13.00%	Median Housing Value Unemployment Rate (1990 US Census)			= \$53,879 = 2.74%	

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 1990 US Census, and 2002 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, 8 deposit-taking ATMs, and 2 cash dispensing only 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.

As of June 30, 2002, deposits in the AA totaled \$337 million or 89% of total franchise deposits. First National Bank of Shelby (FNB) is the largest deposit holder in the AA with a market share of 34.04%. Competition in the AA is moderate. The bank’s primary competitors in the market are Branch Banking and Trust Company (BB&T), First Charter Bank (FCB), Hometown Bank (HTB), and Wachovia Bank (WB). BB&T is the second largest deposit holder in the AA with a 19.38% market share. FCB is the third largest deposit holder in the AA with a 12.28% market share while HTB is the fourth largest deposit holder in the AA with a 10.68% market share.

The economy for Cleveland County is diversified. Industry sectors with the greatest concentrations in employment include education & health services, transportation & utilities, and manufacturing. Major employers include the Cleveland Regional Medical Center State, PPG Industries Fiberglass Products, and Wal-Mart Associates Inc. As of June 30, 2002, the unemployment rate for Cleveland County was 5.31%. FNB’s primary business focus is small business lending.

Information was obtained from community contacts conducted during the examination. The following needs of low- and moderate-income individuals or areas were identified during these community contacts: affordable housing, small business lending, financial education, and

community outreach regarding banking services and products available for low- and moderate-income individuals. In addition, these contacts mentioned a need for economic development and a designated contact person at banks to answer questions for low- and moderate-income individuals.

## 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 MA/assessment area. Tables without data are not included in this PE.

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. Refer to Interagency Q&As \_\_.12(i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. When such loans exist, insert a line item with the appropriate caption, such as “Statewide/Regional” or “Out of Assessment Area,” in the MA/Assessment Area column and record the corresponding numbers and amounts in the “Community Development Loans” column.
- 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. When such investments exist, insert a line item with the appropriate caption, such as "Statewide/Regional" or "Out of Assessment Area," in the MA/Assessment Area column and record the corresponding numbers and amounts in the "Qualified Investments" column.

**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, 2001 TO DECEMBER 31, 2002				
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA <sup>*</sup>	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans <sup>**</sup>		Total Reported Loans		% of Rated Area Deposits in MA/AA <sup>***</sup>
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
<b>Full Review:</b>												
Cleveland County non-MSA	85.67	260	14,674	1,288	103,404	42	2,077	72	6,886	1,662	127,041	89.89
<b>Limited Review:</b>												
Charlotte-Rock Hill-Gastonia MSA	14.33	42	4,514	149	17,295	0	0	87	9,078	278	30,887	10.11

<sup>\*</sup> Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is from October 1, 2001 to September 30, 2004.

<sup>\*\*\*</sup> Deposit Data as of June 30, 2002. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

## Table 1. Other Products

LENDING VOLUME		Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002		
MA/Assessment Area:	% of Rated Area Loans (#) in MA/AA*	Total Optional Loans**		Unsecured Consumer Loans**		Vehicles**		% of Rated Area Deposits in AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	
<b>Full Review:</b>								
Cleveland County Non-MSA	89.49	690	7,045	335	1,780	355	5,265	89.89
<b>Limited Review:</b>								
Charlotte-Rock Hill-Gastonia MSA	10.51	81	998	31	192	50	806	10.11

\* Loan Data as of December 31, 2002. Rated area refers to either state or multi-state MA rating area.

\*\* The evaluation period for Optional Product Lines(s) [Consumer Loans and Vehicles] is from July 1, 2002 to December 31, 2002.

\*\*\* Deposit Data as of June 30, 2002. 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, 2001 TO DECEMBER 31, 2002									
MA/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	Overall	Low	Mod	Mid	Upp	
<b>Full Review:</b>																
Cleveland County non-MSA	113	88.28	0.00	0.00	0.00	0.00	61.52	61.16	38.48	38.83	5.62	0.00	0.00	5.52	5.80	
<b>Limited Review:</b>																
Charlotte-Rock Hill-Gastonia MSA	15	11.72	0.70	0.00	23.02	13.33	69.54	86.67	6.74	0.00	0.24	0.00	0.13	0.30	0.00	

\* Based on 2002 Peer Mortgage Data: East 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 1990 Census information.

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

Geographic Distribution: HOME IMPROVEMENT												Geography: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2001 TO MONTH DECEMBER 31, 2002				
MA/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	Overall	Low	Mod	Mid	Upp						
<b>Full Review:</b>																					
Cleveland County non-MSA	58	95.08	0.00	0.00	0.00	0.00	61.52	60.34	38.48	39.66	18.49	0.00	0.00	19.28	17.46						
<b>Limited Review:</b>																					
Charlotte-Rock Hill-Gastonia MSA	3	4.92	0.70	0.00	23.02	0.00	69.54	100.00	6.74	0.00	0.00	0.00	0.00	0.00	0.00						

\* Based on 2002 Peer Mortgage Data: EAST 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 1990 Census information.

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

Geographic Distribution: HOME MORTGAGE REFINANCE		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2001 TO MONTH DECEMBER 31, 2002					
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
<b>Full Review:</b>															
Cleveland County non-MSA	83	79.81	0.00	0.00	0.00	0.00	61.52	63.52	38.48	36.48	1.85	0.00	0.00	0.00	0.00
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	21	20.19	0.70	0.00	23.02	9.52	69.54	76.19	6.74	14.29	0.19	0.00	0.09	0.18	0.44

\* Based on 2002 Peer Mortgage Data: East 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 1990 Census information.

## Table 5. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: NORTH CAROLINA					Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002									
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	
<b>Full Review:</b>																
Cleveland County non-MSA	6	66.67	0.00	0.00	0.00	0.00	78.42	50.00	21.58	50.00	0.00	0.00	0.00	0.00	0.00	
<b>Limited Review:</b>																
Charlotte-Rock Hill-Gastonia MSA	3	33.33	1.40	0.00	28.14	0.00	62.18	100.00	8.28	0.00	0.00	0.00	0.00	0.00	0.00	

\* Based on 2002 Peer Mortgage Data: East Region.

\*\* Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

\*\*\* Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

## Table 6. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002							
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
<b>Full Review:</b>															
Cleveland County non-MSA	1,288	89.63	0.00	0.00	0.00	0.00	65.58	52.80	34.42	47.20	24.39	0.00	0.00	23.24	29.67
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	149	10.37	0.64	0.00	33.21	22.15	59.73	67.79	6.41	10.07	1.87	0.00	1.50	2.40	1.23

\* Based on 2002 Peer Small Business Data: US.

\*\* 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 2002).

## Table 7. Geographic Distribution of Small Loans to Farms

Geographic Distribution: SMALL LOANS TO FARMS		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography <sup>*</sup>				
	#	% of Total <sup>**</sup>	% of Farms <sup>***</sup>	% BANK Loans	% of Farms <sup>***</sup>	% BANK Loans	% of Farms <sup>***</sup>	% BANK Loans	% of Farms <sup>***</sup>	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County non-MSA	42	100.00	0.00	0.00	0.00	0.00	59.30	24.13	40.70	78.57	61.54	0.00	0.00	50.00	50.00
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	0	0.00	1.44	0.00	17.79	0.00	74.04	0.00	6.73	0.00	0.00	0.00	0.00	0.00	0.00

<sup>\*</sup> Based on 2002 Peer Small Business Data: US and PR.

<sup>\*\*</sup> 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.

<sup>\*\*\*</sup> Source Data - Dun and Bradstreet (2002).

## Table 8. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002					
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County non-MSA	109	89.34	15.57	12.84	15.21	16.51	22.69	13.76	46.53	56.88	5.62	15.00	3.57	3.30	7.95
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	13	10.66	21.92	38.46	20.52	38.46	26.15	15.38	31.41	7.69	0.24	0.60	0.30	0.12	0.00

\* Based on 2002 Peer Mortgage Data: East Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 5.5% of loans originated and purchased by Bank.

\*\*\* Percentage of Families is based on the 1990 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.

## Table 9. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Market Share				
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County non-MSA	58	95.08	15.57	18.96	15.21	27.58	22.69	34.48	46.53	18.98	18.49	31.25	34.78	25.00	11.36
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	3	4.92	21.92	0.00	20.52	100.00	26.15	0.00	31.41	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2002 Peer Mortgage Data: East Region.

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

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

\*\*\*\* 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.



## Table 10. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE			Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002								
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 Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Over all	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County non-MSA	80	80.00	15.57	11.25	15.21	25.00	22.69	25.00	46.53	38.75	1.85	4.14	2.78	1.23	1.83
<b>Limited Review:</b>															
Charlotte-Rock Hill-Gastonia MSA	20	20.00	21.92	10.00	20.52	30.00	26.15	25.00	31.41	35.00	0.19	0.11	0.31	0.33	0.25

\* Based on 2002 Peer Mortgage Data: East Region.

\*\* As a percentage of loans with borrower income information available. No information was available for 8.5% of loans originated and purchased by Bank.

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

\*\*\*\* 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.

## Table 11. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES		Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
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
<b>Full Review:</b>									
Cleveland County non-MSA	1,288	89.63	81.04	40.30	79.66	12.34	8.00	24.39	31.34
<b>Limited Review:</b>									
Charlotte-Rock Hill-Gastonia MSA	149	10.37	80.56	79.19	63.76	22.82	13.42	1.87	4.80

\* Based on 2002 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 - 2002).

\*\*\*\* 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 8.42% of small loans to businesses originated and purchased by the Bank.

**Table12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS		Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2001 TO DECEMBER 31, 2002				
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
<b>Full Review:</b>									
Cleveland County non-MSA	42	100.00	92.46	30.95	88.10	7.14	4.76	61.54	54.55
<b>Limited Review:</b>									
Charlotte-Rock Hill-Gastonia MSA	0	0.00	93.75	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2002 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 - 2002).

\*\*\*\* 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 57.14% of small loans to farms originated and purchased by Bank.

**Table 13. Geographic and Borrower Distribution of Consumer Loans (Institution's Option)**

Geographic and Borrower Distribution: CONSUMER LOANS																		Geography: NORTH CAROLINA																		Evaluation Period: JUNE 30, 2002 TO DECEMBER 31, 2002																	
MA/Assessment Area:	Geographic Distribution										Borrower Distribution																																										
	Total Consumer Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers																																				
	#	% of Total*	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans	% of Hhlds**	% of BANK Loans																																			
<b>Full Review:</b>																																																					
Cleveland County Non-MSA	690	89.49	NA	NA	NA	NA	63.68	NA	36.32	NA	20.50	20.00	13.40	25.80	17.70	27.97	48.40	25.22																																			
<b>Limited Review:</b>																																																					
Charlotte-Rock Hill-Gastonia MSA	81	10.51	1.59	0.00	26.08	13.58	66.70	85.19	5.63	1.23	25.50	43.21	18.50	25.93	22.50	13.58	33.50	16.05																																			

\* Consumer loans originated and purchased in the MA/AA as a percentage of all consumer loans originated and purchased in the rated area.

\*\* Percentage of Households is based on the 1990 Census Information.

### Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: NORTH CAROLINA				Evaluation Period: OCTOBER 1, 2001 TO SEPTEMBER 30, 2004			
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
<b>Full Review:</b>									
Cleveland County non-MSA	0	0	22	163	22	163	35.82	0	0
<b>Limited Review:</b>									
Charlotte-Rock Hill-Gastonia MSA	0	0	8	15	8	15	3.30	0	0
<b>Regional Investment</b>	0	0	1	277	1	277	60.35	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				Geography: NORTH CAROLINA				Evaluation Period: OCTOBER 1, 2001 TO SEPTEMBER 30, 2004									
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
<b>Full Review:</b>																	
Cleveland County non-MSA	89.89	10	83.33	0.00	0.00	70.00	30.00	0	0	0	0	0	0	0.00	0.00	63.11	36.89
<b>Limited Review:</b>																	
Charlotte-Rock Hill-Gastonia MSA	10.11	2	16.66	0.00	0.00	100.00	0.00	0	0	0	0	0	0	1.71	25.71	66.80	5.78