



**LARGE BANK**

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## **PUBLIC DISCLOSURE**

September 19, 2011

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First National Bank of Shelby  
Charter Number: 6776

106 South Lafayette Street  
Shelby, North Carolina 28150

Office of the Comptroller of the Currency

Carolinas Field Office  
212 South Tryon Street, Suite 700  
Charlotte, North Carolina 28281

**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.

## Table of Contents

<b>OVERALL CRA RATING .....</b>	<b>2</b>
<b>DEFINITIONS AND COMMON ABBREVIATIONS .....</b>	<b>4</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>8</b>
<b>SCOPE OF THE EVALUATION.....</b>	<b>9</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>11</b>
<b>CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS.....</b>	<b>12</b>
LENDING TEST .....	12
INVESTMENT TEST .....	17
SERVICE TEST .....	18
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>1</b>
<b>APPENDIX B: MARKET PROFILES FOR FULL-SCOPE AREAS .....</b>	<b>1</b>
<b>APPENDIX C: TABLES OF PERFORMANCE DATA .....</b>	<b>1</b>

## 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		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 reflects good responsiveness to assessment area (AA) credit needs. The bank's record of small loans to businesses and home mortgage lending was good relative to the bank's deposit and loan market share.
- A substantial majority FNB's small loans to businesses and home mortgage loans were in the combined AAs.
- The bank had a good geographic distribution of loans throughout the AA.
- The bank's distribution of loans to borrowers of different income levels and businesses of different sizes was good compared to area demographics and market share.
- The bank originated an adequate level of community development loans.
- The bank's level of qualified investments was good in relationship to the bank's resources and community development opportunities.
- The bank's use of innovative and complex investments is limited.
- FNB's banking services are reasonably accessible to all portions of the AA.
- Branch openings and closings did not adversely affect accessibility of the bank's banking services within the AAs.

- Retail banking services and business hours do not vary in ways that inconvenience portions of the AAs.
- Bank personnel provide a high level of community development services in relationship to community development opportunities in the AA.

## Definitions and Common Abbreviations

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



## Description of Institution

First National Bank of Shelby (FNB) is an independently owned intrastate institution headquartered in Shelby, North Carolina. The bank operates 15 banking offices throughout Cleveland, Gaston, Rutherford, and Lincoln Counties in North Carolina. Of the fifteen banking offices, nine branch offices are located in the Cleveland County, a non-Metropolitan Statistical Area (non-MSA), three branch offices are in Gaston County (part of the Charlotte-Gastonia-Concord MSA), two branch offices are located in the Rutherford County non-MSA, and one branch office is in Lincoln County non-MSA.

FNB's primary service area is Cleveland County. This service area represents 71 percent of the bank's \$713 million in deposits as of June 30, 2010. In addition, approximately 63 percent of the bank's lending activity is within Cleveland County. Whereas, the Charlotte-Gastonia-Concord MSA AA (Gaston County) represents 20 percent of the bank's deposit base and 20 percent of its lending activity. The Rutherford County AA represents 7 percent of the bank's deposit base and 13 percent of its lending activity. Lincoln County contains approximately 2 percent of the bank's total deposits and approximately 5 percent of total lending activity.

As of June 30, 2011, FNB had total assets of \$949 million and Tier One Capital of \$96 million. The major categories of the bank's \$541 million loan portfolio were as follows: 47 percent commercial and industrial, including non-farm non-residential real estate; 13 percent construction/land development; 28 percent 1-4 family residential real estate; 3 percent consumer and nine percent other. Agricultural loans represent 1 percent of total loans. As illustrated by the loan mix, FNB is primarily a commercial lender and to a lesser extent, a home mortgage lender. Small farm lending is not a significant product for the bank.

FNB provides trust and brokerage services. Insurance services are provided through FNB Insurance Agency, a licensed insurance agency, and subsidiary of FNB. These entities have no impact on the bank's CRA performance. FNB does not have any other affiliates or subsidiaries.

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

There are no legal, financial, or other factors impeding the bank's ability to help meet the credit needs of its AAs. The bank's rating at its preceding CRA examination, dated October 22, 2007, was "Satisfactory".

## Scope of the Evaluation

### Evaluation Period/Products Evaluated

This Performance Evaluation assesses the bank's performance under the Lending, Investment, and Service Tests. The evaluation period for the lending test for home mortgages reported under the Home Mortgage Disclosure Act (HMDA) and for small loans to business is from January 1, 2007 through December 31, 2010. Small loans to farms and multi-family lender were not evaluated because they are not a significant lending activity of the bank. The evaluation period for community development loans, investments, and service tests covers activities from October 22, 2007 through September 19, 2011.

### Data Integrity

Prior to this examination, FNB's publicly filed information on HMDA loans and small loans to businesses and farms were tested for accuracy. The bank's processes, procedures, and internal controls for HMDA and CRA data collection, verification, and reporting are satisfactory. No systemic reporting errors or problems were identified. This current CRA examination was based on accurate data.

### Selection of Areas for Full-Scope Review

The Cleveland County non-MSA (Cleveland County) AA was selected for a full-scope review. The majority of the bank's lending activity, branches and deposit base are concentrated in this AA.

The Charlotte-Gastonia-Concord MSA (Gaston County), Rutherford County non-MSA (Rutherford County), and Lincoln County non-MSA AAs were selected for limited scope reviews. The bank has a limited presence in these AAs in terms of deposit base, lending activity, and branch offices.

Refer to the table in Appendix A "Scope of Examination" for more information.

### Ratings

The bank's overall rating is based primarily on the full-scope review of the Cleveland County AA. Because the majority of the bank's activities are within the Cleveland County AA, the most weight was placed on the bank's performance in this AA.

The Cleveland County AA consists primarily of middle-income level tracts. There is only one moderate-income tract and one upper-income tract. There are no low-income geographies in the AA. Therefore, more weight was placed on the distribution of loans by income level of the borrower than on the distribution of loans by income level of the geography.

## Other

We contacted one community organization within Cleveland County to obtain information about the bank's performance under the CRA. This community development corporation works to promote affordable housing as well as provide financial education and counseling to LMI individuals. According to this contact, the high unemployment rate in Cleveland County is creating financial difficulty for many LMI families, with many families facing foreclosure.

## **Fair Lending or Other Illegal Credit Practices Review**

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## Conclusions with Respect to Performance Tests

### LENDING TEST

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

The bank's performance under the lending test is rated "High Satisfactory". Based on full-scope reviews, the bank's performance in the AA is adequate.

#### Lending Activity

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

Overall lending activity reflects adequate responsiveness to AA credit needs. As FNB is a predominately a commercial lender, the majority of the bank's lending is centered in small loans to businesses. During the evaluation period, small loans to businesses represented 57 percent of the bank's lending in this AA. The bank originated a small number (42 loans) of small loans to farms during the evaluation period.

Small business lending is good relative to the bank's resources and local competition. According to the most recent FDIC deposit data, FNB had a total market share of 42.86 percent and ranked first among 13 other financial institutions taking deposits in the AA. With respect to 2009 peer market data (the most recent available), FNB's market share of small loans to businesses was 10.90 percent and the bank ranked of second out of 27 loan reporters. Considering FNB's size and resources, the bank's market share reflects a high level of responsiveness to community credit needs.

Overall home mortgage lending is adequate in relationship to bank's operations and resources. During the evaluation period, approximately 40 percent of the bank's lending in the AA was in home mortgage products. Based upon 2009 Aggregate HMDA data, FNB ranked second out of 147 lenders with a market share of 10.78 percent. JPMorgan Chase ranked first in overall HMDA loans, with 11 percent total market share.

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

Overall, the geographic distribution of home mortgage loans is good, compared to area demographics and market share data. The geographic distribution of small loans to businesses was good. There were no unexplained conspicuous gaps in the bank's lending patterns throughout its AA.

Home refinance loans represent approximately 64 percent of all home mortgage loans and therefore they received the most weight. While home improvement loans were included in the analysis, meaningful analysis was not possible due to the small number of loans originated in the AA. The volume of multi-family loans in the AA during the evaluation period was too limited to render a meaningful analysis

## **Home Mortgage Loans**

Refer to Tables 2, 3, 4 and 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

## **Home Purchase Loans**

The geographic distribution of home purchase loans was good. Of the total home mortgage loans, home purchase represented approximately 23 percent of the total home mortgage loans. The bank's percentage of home purchase loans in the moderate-income geography was slightly below the percentage of owner occupied housing units in the moderate-income census tract in the AA. The market share of home purchase loans in the moderate-income geography exceeded the bank's overall market share of home purchase loans in the AA.

## ***Home Improvement Loans***

The geographic distribution of home improvement loans originated in the AA during the evaluation period was too limited to render a meaningful analysis. The percentage of loans in the moderate-income census tract exceeded the percentage of owner occupied housing units in moderate-income geography. The bank's market share of loans in the moderate-income geography was poor compared to its overall market share in the AA. Management attributed the bank's lower market share of home improvement loans in the moderate-income census tract to limited lending opportunities within this tract.

## ***Home Refinance Loans***

The geographic distribution of home refinance loans was good. The percentage of loans in the moderate-income census tract exceeded the percentage of owner occupied housing units in the moderate-income census tract. However, the bank's market share in the moderate-income geography was lower than the bank's overall market share in the AA.

## ***Multifamily Loans***

The volume of multi-family loans in the AA during the evaluation period was too limited to render a meaningful analysis. Therefore, the banks' lending performance for multi-family loans was not factored into the overall home mortgage geographic distribution rating. This data is presented in Table 5 for informational purposes only.

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

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

The overall geographic distribution of small loans to businesses in Cleveland County is adequate. Lending within the moderate-income census tract was lower than the percentage of businesses located in the moderate-income census tract. FNB's market of small loans to businesses was near to the bank's overall market share in the AA.

### ***Lending Gap Analysis***

We evaluated the lending distribution in this AA to determine if any unexplained conspicuous gaps existed. We used lending reports and maps to compare the geographies where loans were made to the geographies in the AA. We considered loan distributions, branch locations, competition, market conditions, and demographic information. No unexplained conspicuous gaps were identified. This performance had a positive impact on the overall geographic distribution analysis.

### ***Inside/Outside Ratio***

A substantial majority of the bank's loan were made in their AAs. Overall, 88 percent of the bank's loan originations were within their AA. By loan product, approximately 89 percent of both home mortgage loans and small loans to business were within the AAs. This performance has had a positive effect on the overall geographic distribution analysis. 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 borrower income is good. The distribution of home mortgage loans to borrowers of different income levels was adequate relative to area demographics and market loan share. Since the distribution of home refinance loans represented the majority of FNB's home mortgage loan activity, we placed greater weight on this type of lending activity. The distribution of small loans to businesses was good considering the bank's overall market share.

In evaluating the borrower distribution of home mortgage loans, we considered the inflated level of unemployment and number of families that live below the poverty level including the barriers that this may have on home ownership. Based on 2000 census data, approximately 10.2 percent of the families in the AA live below the poverty level. The AA's unemployment rate is high at 11.9 percent, which exceeds the North Carolina average. The combination of these factors put additional strain on the bank's ability to make home mortgage loans in the AA.

### ***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 Loans**

The distribution of home purchase loans to borrowers of different income levels is good. The percentage of loans to low-income borrowers was significantly below the percentage of low-income families in the AA. However, when factoring in the family poverty rate, the bank's level of lending to low-income borrowers is adequate. FNB's market share of loans to low-income borrowers exceeded their overall market share of home purchase loans in the AA.

Lending to moderate-income borrowers is excellent. The bank's percentage of loans exceeded the percentage of moderate-income families. FNB's market share of loans to moderate-income borrowers exceeded their overall market share of home purchase loans in the AA.

### ***Home Improvement Loans***

The distribution of home improvement loans to borrowers of different income levels is adequate. Lending to low-income borrowers exceeded the percentage of low-income families in the AA. The bank's market share of loans to low-income borrowers was poor compared to their overall market share of home improvement loans in the AA.

The distribution of loans to moderate-income borrowers was weak compared to the percentage of moderate-income families. When factoring the family poverty rate, the bank's distribution of loans to moderate-income borrowers was good. FNB's market share of loans to moderate-income families exceeded their overall market share of home improvement loans in the AA.

### ***Home Refinance Loans***

The distribution of home refinance lending to borrowers of different income levels is good. When factoring the family poverty rate, lending to low-income borrowers is poor compared to the percentage of low-income families in the AA. FNB's market share of loans to low-income borrowers was near to their overall market share of home refinance loans in the AA.

The bank's percentage of lending to moderate-income borrowers exceeded the percentage of moderate-income families. FNB's market share of loans to moderate-income borrowers was slightly below their overall market share of home refinance loans in the 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.

FNB's distribution of loans to small businesses is good considering performance context. During the review period, the bank originated 1,122 small loans to businesses. Approximately 50 percent of these loans were to businesses with revenues less than \$1 million. This percentage is below the percentage of businesses with revenues less than \$1 million. FNB's market share of loans to businesses with revenues less than \$1 million exceeded overall market share in the AA. The bank ranked second in small loans to businesses among 27 reporting lenders. GE Money Bank, a credit card lender, had the largest market share with 55.39 percent. During the evaluation period, the majority of the bank's small loans to businesses were for amounts less than \$100 thousand.



## 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. In addition, Table 5 includes geographic lending data on all multi-family loans, including those that also qualify as CD loans. Table 5 does not separately list CD loans, however.

The bank made an adequate level of community development loans in the AA. During the assessment period, FNB originated 15 community development loans totaling \$23.2 million in the AA. Of these total loans, \$16 million was granted to businesses that will help to create and expand jobs for LMI individuals. Included in this total are eight loans in the amount of \$1.9 million on multi-family properties and rental mobile home parks. These loans provided financing for approximately 132 affordable housing rental units for LMI individuals.

FNB continued its participation in the affordable housing program available through the Community Investment Corporation of the Carolinas. This affordable housing lending consortium provides permanent debt financing for affordable rental housing throughout North and South Carolina. FNB is a participant in 25 regional community development loans totaling \$463 thousand.

The bank's community development lending positively affected FNB's performance under the lending test.

## Product Innovation and Flexibility

FNB's makes limited use of innovative and/or flexible products during this evaluation period. This had a neutral impact on the bank's lending test rating.

During the review period, the bank participated in the North Carolina Capital Access Program (CAP) offered through the North Carolina Rural Development Center. This program expands business finance options for businesses across the state. From January 2007 through January 2008, FNB enrolled six loans totaling \$252,000 in this program.

FNB also offers Guaranteed Rural Housing Loans available through the United States Department of Agriculture. Under this program, 100 percent financing is available for qualified LMI borrowers. During the review period, the bank originated 235 loans totaling \$25.3 million. Although some of these loans were included in the bank's HMDA lending activity, the bank's participation in this program demonstrates commitment in meeting the credit needs of LMI individuals.

## Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the lending test in Gaston and Rutherford County AA is consistent with the bank's overall lending performance rating. In the Lincoln County AA, the bank's performance is weaker than the bank's overall lending performance. Weaker lending performance in the Lincoln County AA could be attributed to the bank's limited presence in the AA. Refer to Tables 1 through 13 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 in the Cleveland County AA is rated "Low Satisfactory."

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

FNB has an adequate level of qualified investments. The bank's qualified investments in the Cleveland AA totaled \$1.3 million and represented approximately 1.39 percent of the bank's Tier 1 Capital. Overall, qualified investments are responsive to community development needs and opportunities. Refer to the Market Profile section for details on needs and opportunities.

The majority of the bank's qualified investments is comprised of a \$1 million bond issued by the Senior Housing Crime Prevention Foundation. This nonprofit organization works to provide safe and secure living facilities for LMI senior citizens. The bank's bond supports two nursing homes in Cleveland County. During the first quarter of 2011, the bank renewed its commitment for another five years.

FNB also made financial grants approximately \$334 thousand to numerous community organizations involved in community development initiatives. This total includes \$167,000 given to two organizations involved in economic development efforts.

In addition, to these investments, FNB made a \$300,000 equity investment into Plexus Capital –Partners for Growth (Plexus). Plexus is a licensed small business investment company that provides access capital to middle market companies located throughout the mid-Atlantic and Southeast.

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

Based on limited-scope reviews, the bank's performance under the investment test in the Gaston County, Rutherford, and Lincoln County is not consistent with the bank's overall performance under the investment test. The qualified investments in Gaston and Rutherford County were limited relative to the bank resources within these areas. There were no qualified investments Lincoln County. The bank's small presence in this county and relative newness to Lincoln County may explain the low level of investment. The bank opened its branch office in Lincolnton in August 2008. Refer to Table 14 in Appendix C for the facts and data that support these conclusions.

## **SERVICE TEST**

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

The bank's performance under the Service Test is rated "High Satisfactory." Based on full-scope reviews, the bank's performance in the Cleveland County is adequate.

#### **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.

The bank's delivery systems are readily accessible throughout the AA. FNB operates nine full service branches and two free standing ATMs, the majority of which are located in middle-income geographies. Although, none of FNB's branch offices are in the moderate-income census tract, there is not a significant percentage of population living in the moderate-income census tract. However, one of the bank's two free standing ATMs is located in the moderate-income census tract. In addition, the bank offers internet banking and telephone banking services which supplement FNB's retail banking services.

FNB's record of opening and closing branch offices has not adversely affected the accessibility of banking services within the moderate-income area or for LMI individuals. During our evaluation period, the bank did not open any branch offices in the AA. In August 2010, the bank closed one branch in a middle-income census tract in Shelby, North Carolina.

FNB's retail banking services do not vary in a way that inconveniences the AA, particularly within the moderate-income geography or for LMI individuals. The bank's business hours are open for business Monday through Thursday from 9:00 a.m. to 5:00 p.m. with extended hours on Friday evenings until 6:00 p.m. The drive-up facilities are open for business Monday through Thursday from 8:30 a.m. to 5:00 p.m. with extended hours on Friday evenings until 6:00 p.m.

FNB's offers a wide range of personal deposit services and banking products at each branch office, including a free checking account product. In addition, the bank offers a number of banking services for small businesses, including a checking account with no minimum opening balance requirement and low maintenance fees.

#### **Community Development Services**

FNB provides an adequate level of level of community development services in relationship to the bank's resources and local community development opportunities. Refer to the demographic profile section of this evaluation for additional information on the available community development opportunities in this AA.

Bank personnel serve in leadership positions and provide technical expertise to numerous organizations that benefit LMI individuals and economic development initiatives. These organizations include but are not limited to the following: The Housing and Redevelopment Board of Shelby, Life Enrichment Center, The Salvation Army, The United Way, Habitat for Humanity, and Hospice of Cleveland County.

On an annual basis, bank employees conduct financial literacy training for school age and high school students in Cleveland County. Bank personnel conduct financial literacy training in approximately 13 schools, four of which serve predominately LMI students.

In April 2010, FNB sponsored a district training class for employees of the Community Development Partners for the North Carolina Western Region. This agency is the parent organization for the Cleveland County Community Development Corporation (CDC). The CDC provides financial counseling, credit counseling, and foreclosure prevention counseling for LMI individuals throughout Cleveland County.

The bank's level of community development services has a positive impact on the bank's overall Service Test rating.

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

Based on limited-scope reviews, the bank's performance under the Service Test in Gaston County AA is consistent with the bank's overall "High Satisfactory" performance under the Service Test. In the Rutherford County and Lincoln County AAs, the bank's performance is consistent with the bank's overall 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 nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test (excludes CD Loans): (01/01/2007 to 12/31/2010) Investment and Service Tests and CD Loans: (10/22/2007 to 09/19/2011)	
<b>Financial Institution</b>	<b>Products Reviewed</b>	
First National Bank of Shelby Shelby, North Carolina	HMDA, Small Business, Community Development Loans.	
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<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 Gaston County #16740 Rutherford County, Non MSA Lincoln County, Non-MSA	Full Scope Limited Scope Limited Scope Limited Scope	Gaston County

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

### Cleveland County

Demographic Information for Full-Scope Area: Cleveland County						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	16	0.00%	6.25%	93.75%	0.00%	0.00%
Population by Geography	96,287	0.00%	3.54%	96.46%	0.00%	0.00%
Owner-Occupied Housing by Geography	27,003	0.00%	2.02%	97.98%	0.00%	
Businesses by Geography	5,227	0.00%	4.37%	95.66%	0.00%	
Farms by Geography	210	0.00%	0.95%	99.05%	0.00%	
Family Distribution by Income Level	27,176	19.18%	16.92%	23.24%	40.86%	1
Distribution of Low- and Moderate-Income Families throughout AA Geographies	9,810	0.00%	5.52%	94.48%	0.00%	
Median Family Income = \$40,566			Median Housing Value = \$78,392			
HUD Adjusted Median Family Income for 2009 = \$49,900			Unemployment Rate = 11.9%			
Households Below the Poverty Level =13%						

(\*) The NA category consists of geographies that have not been assigned an income classification.  
 Source: 1990 U.S. Census, and 2009 HUD updated MFI.

FNB’s full scope AA consists of Cleveland County, non-metropolitan statistical area. There are a total 16 census tracts in Cleveland County, the majority of which are middle-income level census tracts. There is one moderate-income level census tract and no low-income level census tracts.

Within Cleveland County, FNB faces significant competition for deposits, loans, community development loans, and community development investments from numerous financial institutions. The bank’s largest competitors include BB&T and Fifth Third Bank, both large regional commercial banks. However, FNB has the largest market share of deposits, with 42 percent of the market share. As of June 30, 2010, BB&T was ranked second in deposit market share with 15 percent of total deposits.

Over the last several years, Cleveland County has had high employment rates. As of August 2011, Cleveland County’s unemployment rate was 11.9 percent. As a result of high unemployment rates, the middle-income census tracks Cleveland County were classified as economically distressed tracts. This unemployment stems from the downturn in economic conditions and lingering problems due to the closure of many textile-manufacturing plants.

In addition, for the last three years, Cleveland County has been classified as “Hardest Hit” county by the State of North Carolina because of the county’s “double digit” unemployment

rate. As a result of the county's high unemployment rate, the North Carolina Banking Commission initially selected a Cleveland County community development corporation to pilot the State of North Carolina's foreclosure prevention program.

The major employers in Cleveland County include the Cleveland County Board of Education, the Cleveland Regional Medical Center, Wal-Mart, Garner Webb University, and Cleveland County government.

## Appendix C: Tables of Performance Data

---

### Content of Standardized Tables

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

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

- Table 1. Lending Volume** - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MA/assessment area. Community development loans to statewide or regional entities or made outside the bank’s assessment area may receive positive CRA consideration. See Interagency Q&As \_\_.12 (i) - 5 and - 6 for guidance on when a bank may receive positive CRA consideration for such loans. Refer to the CRA section of the Compliance Policy intranet page for guidance on table placement.
- Table 1. Other Products** - Presents the number and dollar amount of any unreported category of loans originated and purchased by the bank over the evaluation period by MA/assessment area. Examples include consumer loans or other data that a bank may provide, at its option, concerning its lending performance. This is a two-page table that lists specific categories.
- Table 2. Geographic Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market share information based on the most recent aggregate market data available.
- Table 3. Geographic Distribution of Home Improvement Loans** - See Table 2.
- Table 4. Geographic Distribution of Home Mortgage Refinance Loans** - See Table 2.
- Table 5. Geographic Distribution of Multifamily Loans** - Compares the percentage distribution of the number of multifamily loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of multifamily housing units throughout those geographies. The table



also presents market share information based on the most recent aggregate market data available.

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

Market share information is presented based on the most recent aggregate market data available.

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

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

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

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

**Table 1. Lending Volume**

LENDING VOLUME		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31, 2010				
Assessment Area (2009):	% 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	62.56	774	93,513	1,122	93,231	42	4,863	14	22,031	1,952	213,638	70.66
<b>Limited Review:</b>												
Gaston County	19.52	320	40,096	274	37,055	1	150	14	12,286	609	89,587	20.39
Lincoln County	4.90	90	11,390	62	6,498	1	44	0	0	153	17,932	1.83
Rutherford County	13.01	218	27,341	179	12,410	7	2,124	2	490	406	42,365	7.12

<sup>\*</sup> Loan Data as of December 31, 2010. Rated area refers to either state or multi-state MA rating area.

<sup>\*\*</sup> The evaluation period for Community Development Loans is from October 22, 2007 to September 19, 2011.

<sup>\*\*\*</sup> Deposit Data as of June 30, 2010. 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 2010		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,							
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
<b>Full Review:</b>															
Cleveland County	348	54.46	0.00	0.00	2.02	1.72	97.98	98.28	0.00	0.00	14.43	0.00	23.81	14.20	0.00
<b>Limited Review:</b>															
Gaston County	142	22.22	0.64	1.41	33.11	37.32	59.07	49.30	7.18	11.97	2.37	0.00	3.70	2.01	0.67
Lincoln County	49	7.67	0.00	0.00	0.00	0.00	73.00	97.96	27.00	2.04	3.02	0.00	0.00	4.89	0.45
Rutherford County	100	15.65	0.00	0.00	10.33	11.00	89.67	89.00	0.00	0.00	4.02	0.00	4.55	3.95	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

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

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

Geographic Distribution: HOME IMPROVEMENT 31, 2010		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2007 TO DECEMBER					
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***	% 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	15	57.69	0.00	0.00	2.02	6.67	97.98	93.33	0.00	0.00	16.98	0.00	0.00	17.31	0.00
<b>Limited Review:</b>															
Gaston County	6	23.08	0.64	0.00	33.11	66.67	59.07	33.33	7.18	0.00	5.79	0.00	11.48	3.60	0.00
Lincoln County	2	7.69	0.00	0.00	0.00	0.00	73.00	100.00	27.00	0.00	0.00	0.00	0.00	0.00	0.00
Rutherford County	3	11.54	0.00	0.00	10.33	0.00	89.67	100.00	0.00	0.00	1.59	0.00	0.00	1.89	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

\*\* 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 units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

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

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

Geographic Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2010			Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2007 TO						
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	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	406	55.85	0.00	0.00	2.02	2.46	97.98	97.54	0.00	0.00	8.82	0.00	5.71	8.88	0.00
<b>Limited Review:</b>															
Gaston County	168	23.11	0.64	0.60	33.11	36.90	59.07	51.79	7.18	10.71	2.02	0.00	3.32	1.64	1.82
Lincoln County	39	5.36	0.00	0.00	0.00	0.00	73.00	87.18	27.00	12.82	1.32	0.00	0.00	2.25	0.48
Rutherford County	114	15.68	0.00	0.00	10.33	7.89	89.67	92.11	0.00	0.00	3.49	0.00	3.16	3.51	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

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

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

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

**Table 5. Geographic Distribution of Multifamily Loans**

Geographic Distribution: MULTIFAMILY 2010		Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,							
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	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	5	50.00	0.00	0.00	10.87	0.00	89.13	100.00	0.00	0.00	33.33	0.00	0.00	37.50	0.00
<b>Limited Review:</b>															
Gaston County	4	40.00	1.92	0.00	29.25	75.00	66.14	25.00	2.69	0.00	18.18	0.00	20.00	16.67	0.00
Lincoln County	0	0.00	0.00	0.00	0.00	0.00	78.61	0.00	21.39	0.00	0.00	0.00	0.00	0.00	0.00
Rutherford County	1	10.00	0.00	0.00	39.27	0.00	60.73	100.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

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

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

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

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

Geographic Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2010		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2007 TO					
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 Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	% of Business***	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	1,122	68.54	0.00	0.00	4.34	2.76	95.66	97.24	0.00	0.00	10.67	0.00	9.38	10.83	0.00
<b>Limited Review:</b>															
Gaston County	274	16.74	0.66	0.00	39.13	46.35	53.95	45.62	6.27	8.03	1.19	0.00	1.58	0.89	1.78
Lincoln County	62	3.79	0.00	0.00	0.00	0.00	57.32	83.87	42.68	16.13	1.08	0.00	0.00	1.59	0.37
Rutherford County	179	10.93	0.00	0.00	22.37	12.29	77.63	87.71	0.00	0.00	2.10	0.00	1.19	2.32	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

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

\*\*\* Source Data - Dun and Bradstreet (2010).



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

Geographic Distribution: SMALL LOANS TO FARMS 31, 2010			Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2007 TO DECEMBER				
Assessment Area:	Total Small Farm Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Market Share (%) by Geography*				
	#	% of Total**	% of Farms***	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	% of Farms** *	% BANK Loans	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	39	84.78	0.00	0.00	0.95	0.00	99.05	100.00	0.00	0.00	33.33	0.00	0.00	38.10	0.00
<b>Limited Review:</b>															
Gaston County	1	2.17	0.00	0.00	29.11	0.00	61.30	100.00	9.59	0.00	0.00	0.00	0.00	0.00	0.00
Lincoln County	1	2.17	0.00	0.00	0.00	0.00	68.07	100.00	31.93	0.00	0.00	0.00	0.00	0.00	0.00
Rutherford County	5	10.87	0.00	0.00	9.24	0.00	90.76	100.00	0.00	0.00	66.67	0.00	0.00	66.67	0.00

\* Based on 2009 Peer Small Business Data -- US and PR

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

\*\*\* Source Data - Dun and Bradstreet (2010).

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

Borrower Distribution: HOME PURCHASE 2010		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,					
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 <sup>1</sup>	% BANK Loans**	% Families***	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	348	54.46	19.18	7.57	16.92	26.18	23.24	20.19	40.66	46.06	17.99	18.64	18.24	16.34	18.68
<b>Limited Review:</b>															
Gaston County	142	22.22	25.00	21.55	22.27	22.41	24.35	15.52	28.37	40.52	2.03	2.20	1.72	1.23	3.15
Lincoln County	49	7.67	12.85	17.07	16.13	21.95	22.66	31.71	48.37	29.27	3.34	0.00	7.78	5.39	0.91
Rutherford County	100	15.65	21.16	14.58	20.35	26.04	22.62	28.13	35.87	31.25	4.67	12.12	2.80	8.13	2.62

\* Based on 2009 Peer Mortgage Data (USPR)

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

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

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 10.8% of loans originated and purchased by bank.

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

**Table 9. Borrower Distribution of Home Improvement Loans**

Borrower Distribution: HOME IMPROVEMENT 31, 2010		Geography: NORTH CAROLINA								Evaluation Period: JANUARY 1, 2007 TO DECEMBER					
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 <sup>2</sup>	% BANK Loans****	% Families**	% BANK Loans****	% Families**	% BANK Loans****	Overall	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	15	57.69	19.18	28.57	16.92	0.00	23.24	21.43	40.66	50.00	14.29	0.00	22.22	6.25	21.05
<b>Limited Review:</b>															
Gaston County	6	23.08	25.00	0.00	22.27	33.33	24.35	33.33	28.37	33.33	2.86	2.44	0.00	6.25	4.00
Lincoln County	2	7.69	12.85	0.00	16.13	0.00	22.66	0.00	48.37	100.00	0.00	0.00	0.00	0.00	0.00
Rutherford County	3	11.54	21.16	0.00	20.35	50.00	22.62	0.00	35.87	50.00	1.59	0.00	0.00	5.56	0.00

\* Based on 2009 Peer Mortgage Data (USPR)

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

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

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 7.7% of loans originated and purchased by bank.

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

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

Borrower Distribution: HOME MORTGAGE REFINANCE DECEMBER 31, 2010			Geography: NORTH CAROLINA						Evaluation Period: JANUARY 1, 2007 TO						
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 <sup>3</sup>	% BANK Loans****	% Families* **	% BANK Loans****	% Families* **	% BANK Loans*** *	Overa ll	Low	Mod	Mid	Upp
<b>Full Review:</b>															
Cleveland County	406	55.85	19.18	8.52	16.92	17.03	23.24	19.78	40.66	54.67	9.54	8.89	7.97	7.85	10.80
<b>Limited Review:</b>															
Gaston County	168	23.11	25.00	12.69	22.27	19.40	24.35	22.39	28.37	45.52	2.29	2.86	2.44	2.11	2.14
Lincoln County	39	5.36	12.85	3.13	16.13	21.88	22.66	28.13	48.37	46.88	1.49	0.00	2.39	2.58	1.13
Rutherford County	114	15.68	21.16	6.25	20.35	16.96	22.62	21.43	35.87	55.36	3.92	0.00	4.59	5.25	3.49

\* Based on 2009 Peer Mortgage Data (USPR)

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

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

\*\*\*\* As a percentage of loans with borrower income information available. No information was available for 11.7% of loans originated and purchased by bank.

<sup>3</sup> Data shown includes only One to Four-family and manufactured housing. (Property type of 1 or 2)

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

Borrower Distribution: SMALL LOANS TO BUSINESSES DECEMBER 31, 2010			Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2007 TO			
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	1,122	68.54	78.52	49.47	78.88	12.75	8.38	10.67	23.36
<b>Limited Review:</b>									
Gaston County	274	16.74	79.27	56.93	65.33	17.52	17.15	1.19	3.81
Lincoln County	62	3.79	82.83	69.35	70.97	20.97	8.06	1.08	4.47
Rutherford County	179	10.93	80.03	79.89	83.80	11.73	4.47	2.10	5.56

\* Based on 2009 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 - 2010).

\*\*\*\* Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 6.17% of small loans to businesses originated and purchased by the bank.

**Table 12. Borrower Distribution of Small Loans to Farms**

Borrower Distribution: SMALL LOANS TO FARMS 31, 2010		Geography: NORTH CAROLINA			Evaluation Period: JANUARY 1, 2007 TO DECEMBER				
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	39	84.78	96.19	89.74	79.49	12.82	7.69	33.33	43.75
<b>Limited Review:</b>									
Gaston County	1	2.17	96.58	100.00	0.00	100.00	0.00	0.00	0.00
Lincoln County	1	2.17	98.80	0.00	100.00	0.00	0.00	0.00	0.00
Rutherford County	5	10.87	97.48	100.00	20.00	60.00	20.00	66.67	66.67

\* Based on 2009 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 - 2010).

\*\*\*\* 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 6.52% of small loans to farms originated and purchased by the bank.

**Table 14. Qualified Investments**

QUALIFIED INVESTMENTS 2010		Geography: NORTH CAROLINA				Evaluation Period: JANUARY 1, 2007 TO DECEMBER 31,			
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	0	0	35	1,339	35	1,339	80.47	0	0
<b>Limited Review:</b>									
Gaston County	0	0	6	13	6	13	6.79	0	0
Lincoln County	0	0	0	0	0	0	.00	0	0
Rutherford County	0	0	4	6	4	6	.39	0	0
<b>Regional Investment</b>	0	0	1	300	1	300	18.09	0	0

\* 'Prior Period Investments' means investments made in a previous 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 1, 2007 TO DECEMBER 31, 2010								Geography: NORTH CAROLINA				Evaluation Period: JANUARY					
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	70.66	9	56.25	0.00	0.00	100.00	0.00	0	1	0	0	- 1	0	0.00	3.54	96.46	0.00
<b>Limited Review:</b>																	
Gaston County	20.39	4	25.00	0.00	25.00	75.00	0.00	0	0	0	0	0	0	1.45	36.37	56.15	6.02
Lincoln County	1.83	1	6.25	0.00	0.00	100.00	0.00	1	1	0	0	0	0	0.00	0.00	75.08	24.92
Rutherford County	7.12	2	12.50	0.00	0.00	100.00	0.00	0	1	0	0	- 1	0	0.00	13.29	86.71	0.00