

PUBLIC DISCLOSURE

January 31, 2000

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Alamance National Bank
Charter #23544
1128 South Main Street
Graham, North Carolina 27253**

**Office of the Comptroller of the Currency
Southeastern District, Atlanta Georgia
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

NOTE: This evaluation is not, nor should it 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.

GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **Alamance National Bank** prepared by **The Office of the Comptroller of the Currency**, as of September 30, 1999. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

- C The institution exhibits a reasonable average loan-to-deposit ratio.
- C The institution's record of lending to borrowers within its assessment area is satisfactory.
- C The distribution of loans by income and geography reflects adequate penetration.
- C No violations of the substantive provisions of the antidiscrimination laws and regulations were identified.
- C No CRA related complaints have been received.

DESCRIPTION OF INSTITUTION

Alamance National Bank is a one branch institution located in Graham, North Carolina. The bank opened for business on September 14, 1998 and this is the first evaluation of CRA performance.

The bank's office is located within a middle-income census tract. The institution is not part of a bank holding company.

As of September 30, 1999 average assets were \$17.1 million, with total deposits of \$12.8 million. Net loans at \$12.7 million represents 65% of total assets, and are originated primarily for 1-4 family residential and real estate lending purposes. The loan portfolio is comprised primarily of:

71%	Secured by real estate, construction, and home equity-both commercial & consumer
18%	Commercial and industrial loans
9%	Consumer loans

There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF ASSESSMENT AREA

Alamance National Bank has defined its assessment area as Alamance County, North Carolina. The assessment area contains 22 adjacent census tracts. The county is located within the Greensboro Metropolitan Statistical Area (MSA #3120). Lending to borrowers of different incomes was evaluated on the basis of the 1999 statewide updated MSA median family income of \$49,300. The bank's assessment area meets the legal requirements of the regulation and does not arbitrarily exclude any low or moderate income areas.

Based on 1990 census figures, the census tracts breakdown is as follows:

	<u>Income</u>		<u>Households</u>	
	<u>number</u>	<u>percent</u>	<u>number</u>	<u>percent</u>
Low	0	0%	0	0%
Moderate	5	23%	8,386	20%
Middle	15	68%	29,989	70%
Upper	2	9%	4,423	10%

The bank's assessment area is diversified, with major commerce related to the manufacturing, service and retail sales industries. The Graham area is approximately 30 miles from the Raleigh-Durham-Chapel Hill area. This area is considered the Research Triangle of North Carolina and is one of the fastest growing research and high tech development centers in the country. Alamance county also benefits from the close proximity of three major universities: Duke, North Carolina State, and the University of North Carolina at

Chapel Hill.

Population of Alamance County was 125,500 as of 1998, with a labor force 65,600. The labor market is good with unemployment at 2.8% as of September 1999. Manufacturing is stable, and continues to be the largest industry in the county with 21,071 employees as of 1997. Continued gains in the labor force are seen in retail trade and service industries for the period of 1990-1997.

Competition in the institution's assessment area is extensive and includes several regional and community banks, credit unions, and finance companies. The bank's main competitors in the assessment area are the local community banks. The larger regional institutions also compete for deposit and loan customers in the bank's service area.

Two community contacts were made in conjunction with this examination. The individuals represented a local government office and a business development entity. These contacts indicated a need within the community for housing to meet the continued growth of the area. Lending to small businesses for start-up related expenses was also identified as an opportunity for local financial institutions by one of the individuals interviewed. Both contacts stated that public perception of local financial institutions is good and there is a strong consumer desire for locally owned community banks. The interviewees stated that all local banks were very proactive in support of the communities served.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

C The bank's average loan-to-deposit ratio is reasonable.

The average loan-to-deposit (LTD) ratio since the bank opened in 1998 is 72% and meets the standards for satisfactory performance. This performance compares favorably to the average for all peer banks which have an average loan-to-deposit ratio of 75%. Banks with average assets under \$250 million are considered peer banks for comparative purposes.

The loan-to-deposit is ratio calculated based on a quarterly average. This is significantly affected by the September 1998 LTD ratio of only 8%. The September 1998 LTD ratio is very low due to the bank opened only approximately two weeks prior to the end of the third quarter of 1998. If this quarter is removed from the calculation, the loan-to-deposit ratio would average 83% for the four quarter period ended September 30, 1999.

Lending in the Assessment Area

C A majority of the bank's lending is within its defined assessment area.

Consumer Lending

We performed a review of the bank's lending patterns using a sample of home mortgage and improvement loans originated from January 1, 1999 to September 30, 1999. These are the primary consumer loan products. Our review of mortgage and home improvement loans indicated 96% of the number of loans, and 95% of total loan dollars are originated to borrowers within the assessment area.

Commercial Lending

A majority of the bank's commercial lending is extended within its assessment area based on a sample of thirty business loans originated since the bank's opening in September 1998. Our findings indicated 83% of the number of loans, and 81% of the dollar amount of loans, were originated to businesses located within the bank's assessment area.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

C Lending to borrowers of various income levels and business revenue sizes was reasonable and showed good penetration.

Home Purchase and Improvement Loans

To assess lending to borrowers of different incomes, a sample of 21 consumer mortgage and home improvement loans originated in the last twelve months was reviewed. A summary of findings is provided in the following chart:

<i>Household Income Levels</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>number</i>	<i>percentage</i>	<i>amount</i>	<i>percentage</i>
<i>Low</i>	<i>18%</i>	<i>6</i>	<i>28%</i>	<i>\$169</i>	<i>14%</i>
<i>Moderate</i>	<i>22%</i>	<i>2</i>	<i>10%</i>	<i>46</i>	<i>4%</i>
<i>Middle</i>	<i>26%</i>	<i>5</i>	<i>24%</i>	<i>370</i>	<i>30%</i>
<i>Upper</i>	<i>33%</i>	<i>8</i>	<i>38%</i>	<i>665</i>	<i>52%</i>

This loan distribution is reasonable compared to the composition of the assessment area. The number of loans originated is proportional to the demographics of the assessment area. Larger loan amounts accounts for the higher percentage of loan dollars originated to upper income households. The 1999 HUD Updated MSA Median Family Income level of \$49,300 was used to determine income levels.

Business Lending

C Lending to businesses of various sizes was found to be reasonable.

To evaluate the bank's distribution of lending to various businesses in its assessment area, we reviewed a random sample of commercial loans originated since the bank opened. A sample of 30 commercial loans totaling \$6.1 million were reviewed. Loans in the amounts from \$5,000 to \$1,070,000 were made to businesses of different sizes for various purposes. Demographic data shows that the bank's assessment area has 3,271 businesses with annual revenues of less than \$1 million. This represents 72% of all businesses in the assessment area. The majority of the bank's commercial loans are to small businesses with less than \$1 million in revenues. It was determined that 76% of the number and 48% of the dollar amount of loans originated were to small businesses with annual revenues less than \$1 million. In addition, small business loans of \$200,000 or less make up a substantial portion of the bank's commercial portfolio. Out of 23 loan originations to small businesses, 15 of these loans were originated at or below \$100,000 which represents 50% of the small business originations based on the loans sampled. Of note, the bank has a minimal amount of farm lending and does not actively seek agricultural loans. As such, this product was not evaluated for this period.

Geographic Distribution of Loans

C Distribution of credit throughout the various census tracts within the bank's assessment area was found to be reasonable

It was determined that loans are originated to borrowers throughout all 22 census tracts in the assessment area.

Home Mortgage Lending

The geographic distribution of mortgage loans within the bank's assessment area reflects reasonable penetration. We noted no conspicuous, unexplained gaps in the bank's lending patterns. We based our findings on a sample of 23 mortgage and home improvement loans originated in the assessment area from January 1999 to September 1999. The results of this sample are illustrated in the following table:

<i>Census Tract Income Levels</i>	<i>Assessment Area Composition</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>number</i>	<i>percentage</i>	<i>amount(\$000)</i>	<i>percentage</i>
<i>Low</i>	<i>0%</i>	<i>0</i>	<i>0%</i>	<i>0</i>	<i>0%</i>
<i>Moderate</i>	<i>23%</i>	<i>5</i>	<i>22%</i>	<i>321</i>	<i>18%</i>

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<i>Middle</i>	68%	14	61%	1,119	64%
<i>Upper</i>	9%	4	17%	407	23%

Small Business Loan Originations

Distribution of small business credits within the bank's assessment area is satisfactory. To assess the bank's geographic distribution of commercial lending within its assessment area, we reviewed a random sample of small business loans originated during 1998 and 1999. As previously mentioned, demographic data shows that the bank's assessment area has 3,271 businesses with annual revenues of less than \$1 million. This represents 72% of all businesses in the assessment area. It was determined that 76% of commercial loans originated by the bank are to small businesses. There are no low income tracts within the assessment area. The following table demonstrates the bank's satisfactory penetration throughout their assessment area.

<i>Census Tract Income Levels</i>	<i>Small Business Location in Assessment Area</i>	<i>Number of Loans</i>		<i>Loan Dollars</i>	
		<i>number</i>	<i>percentage</i>	<i>amount(\$000)</i>	<i>percentage</i>
<i>Low</i>	0%	0	0%	0	0%
<i>Moderate</i>	23%	6	21%	1,054	17%
<i>Middle</i>	67%	22	79%	5,079	83%
<i>Upper</i>	10%	0	0%	0	0%

Review of Complaints

The bank has received no CRA complaints.

Other

Our fair lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations. During our examination, we tested a sample of automobile loans to determine if similarly situated applicants received credit on substantially the same terms. Terms of loans made to individual females were compared to those of individual males. This testing disclosed no evidence of disparate treatment on a prohibited basis.

