

PUBLIC DISCLOSURE

December 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**The Community Bank
Certificate Number: 26919**

**616 South Key Street
Pilot Mountain, North Carolina 27041**

**Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1500
1201 W. Peachtree St., N.E.
Atlanta, GA 30309-3415**

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.

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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 **The Community Bank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **December 9, 1998**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Outstanding.

A review of the bank's Community Reinvestment Act (CRA) performance reflects an exceptional practice of providing for the credit needs of the community. The bank extends credit throughout its community to individuals of all income levels. In addition, the bank's average loan-to-deposit ratio is reasonable, and the bank extends a substantial majority of its loans within the assessment area. Also, the bank has made qualified investments and provided community development services.

DESCRIPTION OF INSTITUTION

The Community Bank is a state-chartered bank headquartered in Pilot Mountain, North Carolina. The bank serves all of Stokes and Surry Counties and portions of Rockingham, Forsyth, and Iredell Counties through its main office and seven branches. The bank and its branches are located in middle-income census tracts. The Community Bank offers a wide variety of loan products from consumer and home loans to commercial loans. The bank also offers a First Time Home Buyers Lending Program that features lower closing costs and down payment requirements. As of September 30, 1998, the institution's total assets were approximately \$161 Million.

The institution provides for the credit needs of its community in a manner consistent with its size, financial capacity, location, resources, and local economic conditions. No financial or legal impediments hinder the bank's performance under the Community Reinvestment Act. According to the September 30, 1998 Consolidated Report of Condition and Income, the bank's loan portfolio was approximately \$108 Million, or 67 percent of total assets. A breakdown of the loan portfolio by loan type is presented in the table below.

LOAN TYPE	AMOUNT (000)	PERCENT
1-4 Family Residential	\$50,630	46.8%
Commercial	\$39,253	36.3%
Consumer	\$11,254	10.0%
Agricultural	\$3,676	3.3%
Construction	\$2,392	2.2%
Multi-Family Properties	\$1,562	1.1%
Other	\$33	0.3%

As reflected in the table above, the largest portion of the bank's loans, by dollar volume, are loans secured by 1-4 family residential properties. As a result, the bank's 1997 Home Mortgage Disclosure Act Loan Register (HMDA LAR) was reviewed. The examiners selected 296 loans totaling approximately \$11,480,000 from the HMDA LAR for sampling.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Stokes County, Surry County, and portions of Iredell, Forsyth, and Rockingham Counties. Stokes and Forsyth Counties are located within the Greensboro/Winston-Salem/High Point, NC Metropolitan Statistical Area (MSA). Surry, Iredell, and Rockingham Counties are not located within an MSA. A demographic, housing, and economic profile of the MSA and NON-MSA portions of the bank's assessment area are presented below.

MSA

Demographics (1990 census data)

- Population: 49,558
- Family Income Distribution: 18% low-, 19% moderate-, 28% middle-, and 35% upper-income

Housing (1990 census data)

- Occupancy: 76% owner, 18% renter, 6% vacant
- Housing Stock: 75% 1-4 units, 3% 5 or more units, 21% mobile homes, other 1%
- Median Age: 20 years
- Median Housing value: \$65,613

Economy

- 2nd Quarter, 1998 Unemployment Rate: 2.6% (U.S. Bureau of Labor Statistics)
- 1997 Median Family Income for Greensboro/Winston-Salem/High Point, NC MSA: \$43,500 (Estimated by HUD)

NON-MSA

Demographics (1990 census data)

- Population: 96,794
- Family Income Distribution: 17% low-, 17% moderate-, 24% middle-, and 42% upper-income

Housing (1990 census data)

- Occupancy: 72% owner, 21% renter, 7% vacant
- Housing Stock: 76% 1-4 units, 3% 5 or more units, 21% mobile homes
- Median Age: 35 years
- Median Housing value: \$49,157

Economy

- 2nd Quarter, 1998 Unemployment Rate: Iredell County 2.5%; Rockingham County 5.3%; Surry County 3.5% (U.S. Bureau of Labor Statistics)
- 1997 Median Family Income for NON-MSA, NC: \$35,000 (Estimated by HUD)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is reasonable. The bank's average loan-to-deposit ratio based on the last 11 quarters is approximately 75 percent. As of September 30, 1998, the bank's loan-to-deposit ratio was approximately 72 percent. The bank's loan-to-deposit ratio was compared to the banks listed in the table below as each is similar in structure and product offerings.

June 30, 1998	Randolph Bank & Trust Company	Southern Community Bank & Trust	Wilkes National Bank
Total Assets	\$142,014	\$128,535	\$97,331
Loan-to-Deposit Ratio	90%	93%	81%

Lending in the Assessment Area

The bank has originated a substantial majority of its loans within its assessment area. The following table illustrates the bank's record of lending within its assessment area.

Location	Mortgage Loans			
	#	%	\$	%
Inside	263	89%	9,611	84%
Outside	33	11%	1,869	16%
Totals	296	100%	11,480	100%

Lending to Borrowers of Different Incomes

The distribution of the bank's loans reflects an adequate distribution among borrowers of different incomes. The tables below summarize the distribution of the bank's home mortgage loans by income category of the borrower as well as that of all HMDA reporters. Loans originated outside the assessment area are not included. Since approximately 78 percent of the bank's HMDA loans, by number, were originated in the NON-MSA portion of the bank's assessment area, more emphasis was placed on the bank's lending in this area.

MSA Portion of Assessment Area

Income Category	% of Families	The Community Bank				All HMDA Reporters			
		#	%	\$(000)	%	#	%	\$(000)	%
Low-Income	18%	12	21%	126	7%	228	11%	7,032	6%
Moderate-Income	19%	19	33%	431	25%	452	23%	22,505	17%
Middle-Income	28%	19	33%	474	27%	608	30%	38,520	30%
Upper-Income	35%	7	12%	698	40%	484	24%	41,624	32%
Not Available	N/A	1	1%	16	1%	236	12%	18,924	15%
Totals	100%	58	100%	1,745	100%	2,008	100%	128,605	100%

As the above table reflects, the bank's level of lending to low- and moderate-income borrowers, by number, is considerably higher than that of all HMDA reporters in the bank's assessment area.

NON-MSA Portion of Assessment Area

Income Category	% of Families	The Community Bank				All HMDA Lenders			
		#	%	\$(000)	%	#	%	\$(000)	%
Low-Income	17%	22	11%	469	6%	186	8%	4,746	4%
Moderate-Income	17%	36	18%	762	10%	467	20%	16,862	13%
Middle-Income	24%	51	25%	1,703	22%	596	26%	28,877	23%
Upper-Income	42%	92	45%	4,486	57%	840	37%	61,059	49%
Not Available	N/A	4	1%	446	5%	202	9%	13,163	11%
Totals	100%	205	100%	7,866	100%	2,291	100%	124,707	100%

Although the bank’s percentage of loans, by number, to low-income borrowers in the NON-MSA portions of the bank’s assessment area may appear low when compared to the percentage of low-income families in the assessment area, the bank still surpassed the level of lending for all HMDA reporters. Also, the income levels of eight percent of the families located in the NON-MSA assessment area are below the poverty level. These families would generally be unable to qualify for a home mortgage loan. The bank’s percentage of loans made to moderate-income borrowers, by number, is slightly below that of all HMDA reporters.

Geographic Distribution of Loans

The geographic distribution of the bank’s mortgage loans reflects a reasonable distribution throughout the assessment area. The tables below reflect the bank’s lending in the various income tract geographies. It also details the lending activity of all HMDA reporters. As reflected in the tables below, the bank’s lending in the various income tracts is similar to makeup of the population. There are no low-income census tracts within the MSA portion of the assessment area and no low- or moderate-income census tracts within the NON-MSA portion of the bank’s assessment area. Loans originated outside the bank’s assessment area are not included in the tables.

MSA Portion of Assessment Area

Census Tract Income Category	% of Pop.	The Community Bank				All HMDA Lenders			
		#	%	\$(000)	%	#	%	\$(000)	%
Moderate-Income	7%	7	12%	93	5%	98	5%	4,842	4%
Middle-Income	86%	51	88%	1,652	95%	1,700	85%	107,170	83%
Upper-Income	7%	0	0%	0	0%	210	10%	16,593	13%
Totals	100%	58	100%	1,745	100%	2,008	100%	128,605	100%

NON-MSA Portion of Assessment Area

Census Tract Income Category	% of Pop.	The Community Bank				All HMDA Lenders			
		#	%	\$(000)	%	#	%	\$(000)	%
Middle-Income	92%	201	98%	7,703	98%	2,044	89%	109,418	88%
Upper-Income	8%	4	2%	163	2%	247	11%	15,289	12%
Totals	100%	205	100%	7,866	100%	2,291	100%	124,707	100%

Response to Complaints

The bank has not received any complaints regarding its performance under the Community Reinvestment Act.

Investments and Services

The bank requested its qualified investments and community development services be reviewed. Members of bank management serve on the boards of various community organizations that benefit low- and moderate-income families and areas. Detailed below are examples.

A bank officer serves on the Board of the Microlending Enterprise of the Yadkin Valley Economic Development District. This officer chairs the committee which underwrites loan applications for small new businesses.

A bank executive officer serves on the Board of the Small Business and Technology Development Center in Winston Salem. This organization has the key function of encouraging and coordinating funding for small business loans in northwest North Carolina.

A bank officer serves on the Board and Finance Committee of the Childrens Center of Surry, Inc., a non-profit organization that provides temporary housing for abused and neglected children. A great majority of these children are from low- and moderate-income families. Also, the bank donated two computers to this organization valued at approximately \$3,800. Two of the bank's executive officers also provide this organization technical advice.

A bank officer serves as the Treasurer and Business Technical Advisor of the Surry County Early Childhood Partnership. This organization provides day care facilities for children of low-income families.

A member of the Board of Directors serves as a Board Member and past President of Habitat for Humanity of Surry County. Another bank officer also serves as a Board Member and Secretary. The bank also donated money to this organization during 1997 and 1998.

The bank provides counseling to applicants of its First Time Home Buyers Lending Program who are unable to qualify due to delinquent credit and/or the lack of an acceptable down payment.

The bank provides free government check cashing to non-bank customers and also offers low cost checking and savings accounts.

Compliance With Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted. Technical violations of Equal Credit Opportunity were noted regarding the bank's loan application form. Bank management agreed to revise its loan application.