

PUBLIC DISCLOSURE

February 3, 1999

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**MountainBank
Certificate Number: 34438**

**201 Wren Drive
Hendersonville, North Carolina 28792**

**Federal Deposit Insurance Corporation
One Atlantic Center, Suite 1500
1201 W. Peachtree St., N.E.
Atlanta, Georgia 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 **MountainBank** prepared by the Federal Deposit Insurance Corporation, the institution's supervisory agency, as of **February 3, 1999**. 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 Satisfactory.

A review of the bank's Community Reinvestment Act (CRA) performance reflects an adequate practice of providing for the credit needs of the community. The bank extends credit to businesses of different sizes in its assessment area. In addition, the bank's average loan-to-deposit ratio is more than reasonable, and the bank extends a substantial majority of its loans within the assessment area. The geographic distribution of loans was not reviewed, as there are no low- or moderate-income block numbering areas located within the assessment area.

DESCRIPTION OF INSTITUTION

MountainBank is a state-chartered bank headquartered in Hendersonville, North Carolina. The bank opened for business on June 26, 1997 and serves all of Henderson County through its main office and one branch. All offices are located in middle-income block numbering areas. MountainBank offers a wide variety of loan products from consumer and home loans to commercial loans. As of September 30, 1998, the institution's total assets were approximately \$56 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 \$40 million and represented 72 percent of total assets. A breakdown of the loan portfolio by loan type is presented in the table below.

LOAN TYPE	AMOUNT (000)	PERCENT
Commercial	\$21,669	54.1%
1-4 Family Residential	\$8,498	21.2%
Construction	\$5,532	13.8%
Consumer	\$3,700	9.3%
Agriculture & Farmland	\$627	1.6%

Since the largest portion of the bank's loans, by dollar volume, were commercial loans, the bank's commercial loans originated within the last six months were reviewed. This sample of 32 loans totaling approximately \$1,833,000 was selected from a universe of 106 loans totaling approximately \$8,083,000.

DESCRIPTION OF ASSESSMENT AREA

The bank's assessment area includes all of Henderson County, which is not located within a Metropolitan Statistical Area (MSA). The assessment area is comprised of fifteen middle-income block numbering areas and five upper-income block numbering areas. A demographic, housing, and economic profile of the assessment area is presented below.

Demographics (1990 census data)

- Population: 69,285
- Family Income Distribution: 14% low-, 15% moderate-, 24% middle-, and 47% upper-income

Housing (1990 census data)

- Occupancy: 64% owner, 20% renter, 16% vacant
- Housing Stock: 76% 1-4 units, 4% 5 or more units, 19% mobile homes, 1% other
- Median Age: 22 years
- Median Housing Value: \$78,570

Economy

- 3rd Quarter, 1998 Unemployment Rate: Henderson County 2.7% (U.S. Bureau of Labor Statistics)
- 1998 Median Family Income for Non-MSA, NC: \$36,100 (Estimated by HUD)

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

The bank's loan-to-deposit ratio is more than reasonable. The bank's average loan-to-deposit ratio based on the last 6 quarters is approximately 111 percent. As of September 30, 1998, the bank's loan-to-deposit ratio was approximately 84 percent. The loan-to-deposit ratios of the banks listed in the table below were compared to MountainBank's loan-to-deposit ratio in order to determine the reasonableness of MountainBank's loan-to-deposit ratio. The banks listed in the table have similar product offerings and asset sizes.

September 30, 1998	Avery County Bank	Piedmont Bank	High Street Banking Company
Total Assets \$(000)	\$57,113	\$52,641	\$46,048
Loan-to-Deposit Ratio	47%	109%	84%

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	Commercial Loans			
	#	%	\$(000)	%
Inside	30	94%	1,808	99%
Outside	2	6%	25	1%
Totals	32	100%	1,833	100%

Lending to Businesses of Different Sizes

The distribution of borrowers reflects a reasonable penetration among businesses of different sizes. The following table depicts the distribution of the sampled commercial loans made within the assessment area.

Gross Revenue	Number	Percent	Dollar Amount \$(000)	Percent
Less than \$100,000	6	20	266	15
\$100,000 to \$250,000	6	20	274	15
\$250,001 to \$500,000	5	17	324	18
\$500,001 to \$1,000,000	3	10	17	1
Over \$1,000,000	6	20	307	17
Not Available	4	13	620	34
Totals	30	100	1,808	100

As the above table demonstrates, the bank's level of lending to small businesses with revenues of \$1 million or less represents 67 percent of the loans reviewed, by number.

Geographic Distribution of Loans

The geographic distribution of loans was not reviewed, as there are no low- or moderate-income block numbering areas located within the assessment area.

Response to Complaints

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

Compliance With Anti-Discrimination Laws

No violations of the substantive provisions of the anti-discrimination laws and regulations were noted.