

PUBLIC DISCLOSURE

May 2, 2016

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Four Oaks Bank & Trust Company

292524

6144 US Highway 301 South
Four Oaks, North Carolina 27524

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

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, 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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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the bank's size, financial condition, and credit needs of the bank's assessment areas.
- A substantial majority of the institution's small business and Home Mortgage Disclosure Act (HMDA) loans were originated within the bank's assessment areas.
- The bank's HMDA borrower distribution performance is considered excellent during each year reviewed, while the small business performance is considered reasonable during each year reviewed. The overall borrower distribution performance is considered reasonable.
- The bank's geographic distribution performance is considered excellent during each year reviewed for both HMDA and small business lending, and is considered excellent overall.
- The bank's community development performance demonstrates an excellent level of responsiveness to the community development needs of its assessment areas.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Four Oaks Bank & Trust Company (FOBTC) was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, residential mortgage loans reported by the institution in accordance with the HMDA during calendar years 2014 and 2015 were reviewed. Additionally, small business lending is a primary product line and was considered in the evaluation. All small business loans and all small business loans secured by residential real estate originated by the bank during 2014 and 2015 were also included in the analysis.

Qualified community development loans and services are considered for activities since the previous evaluation (May 6, 2013). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

Based on the FFIEC's evaluation procedures, ratings are assigned to the institution and are based only on the performance in the assessment areas subject to the full-scope review. Because of the relative size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the Raleigh, NC assessment area. The Harnett-Sampson, NC

nonmetropolitan (NonMSA) assessment area was subject to the limited review procedures provided for by the FFIEC. For the limited review assessment area, a determination was made as to whether the performance was consistent with the institution’s overall assigned ratings. Appendix B includes information detailing the lending volume, branch locations, and deposit volume by assessment area.

DESCRIPTION OF INSTITUTION

FOBTC is headquartered in Four Oaks, North Carolina, and operates 13 full-service branches in eastern North Carolina and three loan production offices (LPO) in Southern Pines, Raleigh, and Apex, North Carolina. The bank is a wholly-owned subsidiary of Four Oaks Fincorp, Inc., also headquartered in Four Oaks, North Carolina. The bank received a satisfactory rating at its previous CRA evaluation dated May 6, 2013. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2016, FOBTC had total assets of \$720.3 million, of which 64.9% were net loans and 18.4% were securities. As of the same time period, deposits totaled \$563.9 million. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (using gross loans) as of March 31, 2016, is depicted in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2016	
	\$(000s)	%
Secured by 1-4 Family dwellings	131,993	27.7
Multifamily	23,950	5.0
Construction and Development	91,314	19.1
Commercial & Industrial/ NonFarm NonResidential	201,174	42.1
Consumer Loans and Credit Cards	8,376	1.8
Agricultural Loans/ Farmland	16,318	3.4
All Other	4,190	0.9
Total	477,315	100.0

As indicated in the preceding table, the bank is an active residential mortgage and commercial/small business lender. The bank also offers other loans, such as consumer and farm loans; however, the volume of such lending is relatively small in comparison to the residential mortgage and business lending.

As previously detailed, the bank operates in two assessment areas in eastern North Carolina. While the assessment areas are adjacent to each other, one is located in a metropolitan statistical area (MSA) and the other, a nonmetropolitan area. The bank includes only whole counties, and the following table reflects the composition of the bank’s two assessment areas.

Assessment Area Composition	
Assessment Area Name	County
Raleigh, NC	Johnston
	Wake
Harnett-Sampson, NC Non-MSA	Duplin
	Harnett
	Moore
	Sampson

Since the previous evaluation, FOBTC relocated one branch office within the Harnett-Sampson, NC NonMSA assessment area. In addition, the bank opened two LPOs within Wake County. No other branch or LPO activity occurred since the previous evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

When evaluating the bank's performance, relevant area demographic data from the 2010 census are used as proxies for demand. Aggregate HMDA and small business loan data from 2014 is also considered when evaluating the bank's performance. Aggregate HMDA and small business lending data from 2015 cannot be considered in this evaluation because the data is not currently available. Dun & Bradstreet (D&B) business demographic data from 2014 and 2015 are also considered when evaluating the bank's performance.

While HMDA and small business data from calendar years 2014 and 2015 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2014 are presented in the assessment area analysis tables. In instances where the 2015 performance varies significantly from the performance noted during 2014, such variance and the corresponding impact on the overall performance are discussed.

When evaluating the borrower and geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then weighted by the dollar volume of such loans in the assessment area. As a result, small business lending is given greater weight when evaluating lending distribution performance.

Overall, the bank's lending test performance is rated Satisfactory. This rating considers the bank's loan-to-deposit ratio, level of lending in its assessment areas, borrower distribution performance, and geographic distribution performance. It also reflects greater weight accorded performance in the Raleigh, NC assessment area because of the larger volume of lending activity in that assessment area.

The review of the bank's community development activities is rated Outstanding. This conclusion is based on the number and amount of community development loans, the amount of qualified investments, the extent to which the bank provides community development services, and its responsiveness to identified community development lending, investment, and service needs.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

The bank's current loan-to-deposit ratio equals 82.9% and averaged 75.2% for the 12-quarter period ending March 31, 2016. In comparison, the quarterly average loan-to-deposit ratios for a group of banks that operate in FOBTC's assessment areas and are of similar asset size, ranged from 34.8% to 88.2% during the 11-quarter period ending December 31, 2015. Since March 31, 2013, bank assets, loans, and deposits decreased by 13.9%, 4.7%, and 14.9%, respectively. Despite the decrease in net loans outstanding, the bank's loan-to-deposit ratio is considered reasonable given the institution's size, financial condition, market conditions, and local credit needs.

Lending in Assessment Areas

To determine the institution's volume of lending within its assessment areas, the geographic location of the bank's residential mortgage, small business, and small business secured by residential real estate loans originated during 2014 and 2015 were considered. The lending distribution inside and outside of the bank's assessment areas is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area(s)

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	171	76.0	19,925	80.3	54	24.0	4,880	19.7
Home Improvement	45	83.3	929	66.2	9	16.7	474	33.8
Refinancing	58	78.4	11,143	83.7	16	21.6	2,169	16.3
Multi-Family Housing	5	100.0	3,248	100.0	0	0.0	0	0.0
Total HMDA related	279	77.9	35,245	82.4	79	22.1	7,523	17.6
Small Business	912	92.2	96,150	90.6	77	7.8	9,944	9.4
Small Bus - Secured by Real Estate	136	82.9	14,566	89.2	28	17.1	1,768	10.8
TOTAL LOANS	1,327	87.8	145,961	88.4	184	12.2	19,235	11.6

As indicated in the previous table, a substantial majority of the number (87.8%) and dollar amounts (88.4%) of loans have been provided to residents and businesses in the bank’s assessment areas. The institution’s level of lending within its assessment areas is considered highly responsive to community credit needs.

For analytical purposes, the small business loans secured by residential real estate are combined with the small business loans throughout the remainder of this evaluation.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

Within the bank’s assessment area, a high level of small business lending activity has been reported by specialized lenders who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

While FOBTC routinely extends residential real estate secured loans, a significant portion of its HMDA reportable loans are for business purposes (i.e. for the purchase, refinancing, or improvement of rental property) and to business entities. Often borrower income data is not reported when FOBTC extends these loans. As such, a majority of its HMDA loans do not contain borrower income data and cannot be included in the borrower distribution analysis.

The bank’s HMDA lending performance is considered excellent during each year within the full-scope assessment area. The small business lending borrower distribution performance is consistently reasonable across both years within the assessment area subject to full-scope review and is considered reasonable overall.

Geographic Distribution of Loans

Geographic distribution performance for each year and product type analyzed is considered excellent within the full-scope assessment area. Consequently, the bank’s overall geographic distribution performance is considered excellent.

Community Development Loans, Investments, and Services

FOBTC supports community development initiatives and organizations that benefit its local markets and larger regional areas by making qualified investments and community development loans, as well as, offering financial expertise and other support to local organizations that provide community development services. Given the structure of its balance sheet and funding strategies, the bank may face moderate constraints regarding its community development lending and investment activities. The bank faces no constraints, however, in providing community development services.

Qualified community development activities that benefit multiple assessment areas or the larger North Carolina regional areas include the following:

- Three bonds issued by the Government National Mortgage Association (Ginnie Mae) totaling \$6.2 million. These bonds are a pool of mortgage loans extended to low- and moderate-income borrowers located in the bank's Raleigh, NC and Harnett-Sampson, NC Non-MSA assessment areas.
- Participation in two loan pools through the Community Investment Corporation of the Carolinas (CICC) within Transylvania and Forsyth counties, North Carolina. The CICC is a consortium of banks that offer loans to support multifamily affordable housing solutions throughout North Carolina. Established as a wholly-owned subsidiary of the North Carolina Bankers Association, CICC provides permanent debt financing for nonprofit and for-profit developers building affordable housing communities using federal and state low-income housing tax credits.
- Johnston-Lee-Harnett Coalition for Community Action – a bank employee serves on the board of directors and finance committee of this organization that provides social services targeted to low- and moderate- income residents of the bank's Raleigh-Cary, NC MSA and Harnett, NC NonMSA assessment areas.
- The bank offers free and low-cost checking accounts, which can benefit area low- and moderate-income residents and small businesses. These products are available in each of the bank's assessment areas.

Details of other community development activities are discussed in the assessment areas where the activities took place. The bank's overall performance under the community development test is rated Outstanding.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

METROPOLITAN AREAS

*(For metropolitan areas with some or all assessment areas
reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE RALEIGH, NC ASSESSMENT
AREA**

The Raleigh, NC assessment area includes all of Johnston and Wake counties. The bank operates ten full-service branches within this market and two LPOs. As of June 2015, FOBTC ranked tenth of 32 institutions in deposit market share having 1.9% of the assessment area's available Federal Deposit Insurance Corporation (FDIC) insured deposits (credit union deposits are not included). According to 2014 aggregate data, the institution ranked 57th of 500 reporters in mortgage lending with a less than 1% market share and ranked 13th of 106 reporters in small business loans with a 1.9% market share. Both market share rankings consider originated and purchased loans. According to 2010 census data, the assessment area has a population of 1,069,871 and a median housing value of \$203,553. The owner-occupancy rate of the assessment area equals 61.5%, which slightly exceeds the rate for North Carolina (58.4%), but is similar to the rate for the entire Raleigh, NC MSA (61.9%). In the assessment area, 7.5% of families are considered below the poverty level, which is similar to the level for the entire MSA (7.7%), but much less than the state (11.4%). The 2014 and 2015 median family income for the MSA equaled \$75,800 and \$78,800, respectively. The following table includes pertinent demographic data regarding the bank's assessment area.

Assessment Area Demographics

Raleigh, NC (Based on 2010 ACS Data and 2014 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	15	7.1	12,090	4.7	3,421	28.3	55,045	21.4
Moderate	46	21.7	59,904	23.3	7,668	12.8	42,923	16.7
Middle	72	34.0	98,592	38.3	5,829	5.9	51,575	20.0
Upper	76	35.8	86,648	33.7	2,240	2.6	107,705	41.9
NA	3	1.4	14	0.0	0	0.0		
Total	212	100.0	257,248	100.0	19,158	7.4	257,248	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	6,393	2.5	22,313	5.8	5,794	26.0	85,249	22.2
Moderate	57,113	22.1	96,475	25.1	13,755	14.3	65,965	17.2
Middle	102,752	39.7	143,262	37.3	10,888	7.6	69,644	18.1
Upper	92,466	35.7	122,469	31.8	5,889	4.8	163,721	42.5
NA	14	0.0	60	0.0	19	31.7		
Total	258,738	100.0	384,579	100.0	36,345	9.5	384,579	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	2,427	4.5	2,116	4.4	205	6.0	106	5.5
Moderate	11,527	21.5	10,136	21.0	930	27.2	461	23.7
Middle	18,676	34.9	16,952	35.2	1,087	31.8	637	32.8
Upper	20,868	39.0	18,947	39.3	1,185	34.6	736	37.8
NA	54	0.1	37	0.1	14	0.4	3	0.2
Total	53,552	100.0	48,188	100.0	3,421	100.0	1,943	100.0
Percentage of Total Businesses:				90.0		6.4		3.6

*NA-Tracts without household or family income as applicable

The assessment area's economy is dependent upon health care, local government, and manufacturing for jobs. Major employers include: the state of North Carolina, public school systems, IBM Corporation, Grifols Therapeutics Inc., and Johnston Memorial Hospital Authority. The table below provides annual unemployment rates since the previous evaluation.

Geographic Area	Mar-14	Mar-15	Mar-16
Johnston County	6%	5%	4.9%
Wake County	5.1%	4.5%	4.5%
Raleigh, NC MSA	5.3%	4.6%	4.6%
State of North Carolina	6.7%	5.6%	5.4%

As reflected in the preceding table, unemployment rates trended downward since the previous evaluation and reflect lower county rates when compared to the overall state rate. An official from an affordable housing organization was recently contacted to discuss local economic conditions and community credit needs. The contact characterized the local economy as stable, but indicated that there is an ongoing need for additional affordable housing in the market area. The contact also stated that the area would benefit from more financial literacy programs and credit workshops. While noting such opportunities, the contact indicated that area financial institutions are reasonably serving the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE RALEIGH, NC ASSESSMENT AREA:

The institution's overall lending performance within this assessment area is considered reasonable. This conclusion is based on an evaluation of the bank's geographic and borrower distributions of lending while taking into account its market strategy, area demographic data, and aggregate CRA small business and HMDA loan data. Based on the loan data, FOBTC originated a larger volume of small business loans than residential mortgage loans within the assessment area during the evaluation period. Accordingly, the bank's small business lending performance was given more weight when considering the bank's overall performance within this assessment area.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The borrower distribution for HMDA lending for each year reviewed is considered excellent, while the distribution for small business lending for each year reviewed is considered reasonable. Overall, the bank's distribution by borrower income or revenue is considered reasonable and takes into account the large dollar volume of small business lending.

Distribution of HMDA Loans by Income Level of Borrower

Raleigh, NC (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	9	21.4	180	6.4	3,044	8.9	324,048	4.5
Moderate	13	31.0	957	34.3	6,951	20.4	1,023,110	14.1
Middle	12	28.6	1,092	39.1	8,077	23.7	1,545,528	21.2
Upper	8	19.0	563	20.2	15,960	47.0	4,382,146	60.2
Total	42	100.0	2,792	100.0	34,032	100.0	7,274,832	100.0
Unknown	88		11,929		7,928		1,998,330	

Percentages (%) are calculated on all loans where incomes are known

Demographic data from the 2010 census indicate that within the assessment area, 21.4% and 16.7% of families are low- and moderate-income, respectively. The bank's lending to low-income borrowers (21.4%) mirrors the percentage of such families in the market and substantially exceeds the aggregate lending level (8.9%). FOBTC's lending to moderate-income borrowers (31%) substantially exceeds both the demographic figure as well as the aggregate lending level (20.4%). This level of lending is considered excellent, and its performance during 2015 is similar.

Distribution of Lending by Loan Amount and Size of Business

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Raleigh, NC (2014)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	223	54.3	20,350	48.9	11,216	48.5	379,316	36.9
Over \$1 Million	100	24.3	15,425	37.1	NA	NA	NA	NA
<i>Unknown</i>	88	21.4	5,800	14.0	NA	NA	NA	NA
<i>by Loan Size</i>								
\$100,000 or less	289	70.3	9,280	22.3	21,206	91.7	326,536	31.8
\$100,001-\$250,000	80	19.5	13,381	32.2	904	3.9	161,061	15.7
\$250,001-\$1 Million	42	10.2	18,914	45.5	1,021	4.4	539,968	52.5
Total	411	100.0	41,575	100.0	23,131	100.0	1,027,565	100.0

* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data indicate that 90% of all local businesses have revenues that do not exceed \$1 million per year. According to aggregate small business data from 2014, 48.5% of loans were to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or had unknown revenues. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 52.4% were made to businesses with annual revenues of \$1 million or less. During 2014, 54.3% of the bank's loans were to businesses with annual revenues of \$1 million or less. This level of lending is considered reasonable, and 2015 lending is similar.

Geographic Distribution of Loans

Overall, the geographic loan distribution within this assessment area for both HMDA and small business performance is considered excellent.

Distribution of HMDA Loans by Income Level of Census Tract

Raleigh, NC (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(71) Home Purchase				(27,335)			
Low	4	5.6	539	8.2	432	1.6	61,830	1.0
Moderate	36	50.7	2,775	42.2	4,568	16.7	683,960	11.2
Middle	30	42.3	3,196	48.6	13,156	48.1	2,678,282	43.9
Upper	1	1.4	69	1.0	9,179	33.6	2,682,487	43.9
	(40) Refinance				(13,364)			
Low	7	17.5	2,988	39.2	271	2.0	38,204	1.5
Moderate	16	40.0	2,340	30.7	2,548	19.1	335,316	12.9
Middle	15	37.5	1,938	25.4	5,714	42.8	1,001,329	38.4
Upper	2	5.0	365	4.7	4,831	36.1	1,231,891	47.2
	(19) Home Improvement				(1,207)			
Low	0	0.0	0	0.0	34	2.8	2,882	2.4
Moderate	13	68.4	373	73.0	246	20.4	18,140	14.8
Middle	6	31.6	138	27.0	493	40.8	42,398	34.7
Upper	0	0.0	0	0.0	434	36.0	58,779	48.1
	(0) Multi-Family				(52)			
Low	0	0.0	0	0.0	5	9.6	11,891	2.7
Moderate	0	0.0	0	0.0	17	32.7	97,304	22.3
Middle	0	0.0	0	0.0	13	25.0	64,867	14.8
Upper	0	0.0	0	0.0	17	32.7	263,199	60.2
	HMDA Totals							
Low	11	8.5	3,527	24.0	742	1.8	114,807	1.2
Moderate	65	50.0	5,488	37.3	7,379	17.6	1,134,720	12.2
Middle	51	39.2	5,272	35.8	19,376	46.2	3,786,876	40.8
Upper	3	2.3	434	2.9	14,461	34.4	4,236,356	45.8
NA*	0	0.0	0	0.0	2	0.0	403	0.0
Total	130	100.0	14,721	100.0	41,960	100.0	9,273,162	100.0

NA*-Tracts without household or family income as applicable

During 2014, home purchase lending was FOBTC's, as well as the aggregate reporter's, leading HMDA product by number of loans followed by refinance and home improvement lending, respectively. Multifamily lending was not a factor in the analysis due to limited lending. Considering both demographic and aggregate proxies for demand, the bank's performance in low- and moderate-income tracts for home purchase, refinance, and home improvement loans is excellent.

On a combined basis, the bank's level of lending in low-income census tracts (8.5%) exceeds both the percentage of owner-occupied housing units located in such tracts (2.5%) and the aggregate level of lending (1.8%). FOBTC's level of lending in moderate-income areas (50%) substantially exceeds the percentage of owner-occupied housing units located in such tracts (22.1%) and the aggregate level of lending in such tracts (17.6%). Overall, the bank's 2014 performance lending level is considered excellent and 2015 lending is substantially similar.

Distribution of Small Business Loans by Income Level of Census Tract

(Bank lending includes both Small Business and Small Business secured by Real Estate)

Raleigh, NC (2014)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	19	4.6	1,925	4.6	838	3.7	44,795	4.4
Moderate	171	41.6	16,152	38.9	4,270	18.7	209,242	20.5
Middle	198	48.2	21,438	51.6	8,192	36.0	350,215	34.4
Upper	23	5.6	2,060	4.9	9,461	41.5	411,713	40.4
NA*	0	0.0	0	0.0	24	0.1	3,441	0.3
Total	411	100.0	41,575	100.0	22785	100.0	1,019,406	100.0

*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

The bank’s level of small business lending in low-income census tracts (4.6%) is essentially equal to the percentage of area businesses located in low-income areas (4.5%), and it exceeds the aggregate lending level in such areas (3.7%). Similarly, its lending in moderate-income census tracts (41.6%) substantially exceeded both the percentage of businesses located in such areas (21.5%) as well as the aggregate lending level (18.7%). FOBTC’s overall small business lending geographic distribution performance is considered excellent in 2014. The bank’s performance during 2015 is substantially similar.

Community Development Loans, Investments, and Services

Overall discussions with the individuals knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are reasonably available within the bank’s assessment area when considering the bank’s strategy, size, competition, and other relevant factors. Additionally, the institution faces no significant constraints relative to its size and business strategy in participating in community development services.

Within this assessment area, FOBTC supports community development initiatives and organizations that benefit its local markets by making qualified investments, community development loans, as well as offering financial expertise and other support to local organizations that provide community development services.

In addition to the previously detailed community development activities benefitting multiple assessment areas, including this one, community development investment and loan activities specifically benefitting this assessment area include the following:

- In addition to the three Ginnie Mae affordable housing bonds totaling \$6.2 million mentioned previously in the institutional section of this evaluation, FOBTC also holds five additional bonds totaling \$8.5 million. These bonds are a pool of mortgage loans extended to low- and moderate-income borrowers located in this assessment area.
- FOBTC participates in four loans located in Wake County totaling \$150,000 through the CICC. As previously mentioned, the CICC provides long-term financing for the development of low- and moderate-income multi-family housing properties.
- The bank made \$35,261 in charitable donations to organizations supporting community development services within the assessment area; this total includes approximately \$5,000 for the planning, financing, and building of four wheel chair house ramps that benefit low-income residents of the local community whom otherwise do not have the funds to support such housing necessities.

The bank and its employees also participated in an excellent level of support to various local organizations whose operations directly benefit low- and moderate-income residents and support small business development. Bank personnel utilized financial and/or banking expertise in serving as board or committee members for the following organizations or programs which supported local economic development efforts:

- Benson Chamber of Commerce Economic Development Committee
- Town of Benson Loan Committee
- Fuquay-Varina Downtown Revitalization Economic Development Restructuring Committee
- Smithfield Chamber of Commerce Economic Development Committee

Bank employees also used financial expertise by serving as board members or in program leadership positions for the following organizations which provide social services which primarily serve low- and moderate-income residents:

- Johnston County Meals on Wheels
- Johnston County Boys and Girls Club
- East Wake Education Foundation
- Johnston County Community Foundation
- Johnston County Salvation Army Advisory Board
- Johnston Community Senior Services
- Four Oaks Bank Ramp Builders Project

The bank's overall performance under the community development test within the assessment area is rated Outstanding.

NONMETROPOLITAN STATEWIDE AREA

(If none of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE AREA

The assessment area noted in the table below was reviewed using the limited review examination procedures. Information detailing the composition of the markets, including selected demographic data, is included in **APPENDIX A** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN STATEWIDE NONMETROPOLITAN ASSESSMENT AREA

Facts and data reviewed for each assessment area, including performance and demographic information, can be found in **APPENDIX A** of this evaluation. A conclusion regarding performance, which did not impact the institution’s overall rating, is included in the following table. The conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's overall rating. In the case where the performance was considered below, the performance was at least adequate for the assessment area.

Assessment Area	Lending Test	Community Development Test
Harnett-Sampson, NC Non-MSA	Consistent	Below

CRA APPENDIX A

LIMITED REVIEW TABLES

Performance Test Data for Harnett-Sampson, NC Non-MSA

FOBTC operates three branch offices within the assessment area which includes all of Duplin, Harnett, Moore, and Sampson counties.

Limited Review Lending Table

Harnett-Sampson, NC Non-MSA (2014)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(9)				(2)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	2.5	4.8	0	0.0	2.3	4.8
Middle	6	66.7	44.6	63.2	2	100.0	58.7	63.2
Upper	3	33.3	52.9	32.0	0	0.0	39.0	32.0
	Refinance				Multi-Family			
<i>Geographic</i>	(2)				(0)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	50.0	2.6	4.8	0	0.0	0.0	4.8
Middle	0	0.0	51.7	63.2	0	0.0	75.0	63.2
Upper	1	50.0	45.8	32.0	0	0.0	25.0	32.0
	HMDA Totals				Consumer			
<i>Geographic</i>	(13)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	1	7.7	2.5	4.8	NA	NA	NA	NA
Middle	8	61.5	47.6	63.2	NA	NA	NA	NA
Upper	4	30.8	49.9	32.0	NA	NA	NA	NA
<i>Borrower</i>	(3)				(NA)			
Low	0	0.0	3.4	18.9	NA	NA	NA	NA
Moderate	1	33.3	12.7	16.8	NA	NA	NA	NA
Middle	0	0.0	24.8	18.8	NA	NA	NA	NA
Upper	2	66.7	59.1	45.5	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(54)				(NA)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	2	3.7	3.8	4.5	NA	NA	NA	NA
Middle	36	66.7	61.7	63.9	NA	NA	NA	NA
Upper	16	29.6	34.5	31.6	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	37	68.5	47.0	91.3	NA	NA	NA	NA

Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known

Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known

NA represents no activity in the income category

There are no low-income census tracts within the assessment area.

Community Development Loans, Investments, and Services

In addition to the community development endeavors mentioned previously in the institutional section of this evaluation, community development services have been noted for an employee who provides financial expertise to the Harnett County Business Education Partnership.

CRA APPENDIX B

LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table includes the distribution of FOBTC's branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2015, while the loan volume includes all reported HMDA, small business, and small business secured by real estate loans considered in the evaluation.

Assessment Area	Loan Volume				Full-Service Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Raleigh, NC	1,166	87.9%	\$127,161	87.1%	10	76.9%	\$471,309	86.1%
Harnett-Sampson, NC Non-MSA	161	12.1%	\$18,800	12.9%	3	23.1%	\$75,780	13.9%
TOTAL	1,327	100%	\$145,961	100%	13	100%	\$547,089	100%

CRA APPENDIX C

GLOSSARY

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 metropolitan area/assessment area.

Census tract: 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 statistical 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: All Agencies have adopted the following language. 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.

Loans, investments, and services that-

- (i) Support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008 (HERA), Public Law 110-289, 122 Stat. 2654, as amended, and are conducted in designated target areas identified in plans approved by the United States Department of Housing and Urban Development in accordance with the Neighborhood Stabilization Program (NSP);
- (ii) Are provided no later than two years after the last date funds appropriated for the NSP are required to be spent by grantees; and
- (iii) Benefit low-, moderate-, and middle-income individuals and geographies in the bank's assessment area(s) or areas outside the bank's assessment area(s) provided the bank has adequately addressed the community development needs of its assessment area(s).

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-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (for example, 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 metropolitan area/assessment area.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 multistate 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 multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

Upper-income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent, in the case of a geography.