

PUBLIC DISCLOSURE

January 28, 2008

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Bank of Currituck

684325

250 Caratoke Highway

Moyock, North Carolina 27958

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.

TABLE OF CONTENTS

Institution Rating

Institution's CRA Rating..... 1
Summary of Major Factors Supporting Rating..... 1

Institution

Description of Institution..... 1
Scope of Examination..... 2
Conclusions With Respect to Performance Tests..... 2

Full Review Assessment Area Conclusions

Currituck County Assessment Area..... 4

Limited Review Assessment Area Conclusions

Camden County Assessment Area..... 7
Dare County Assessment Area..... 8

CRA Appendices

CRA Appendix A: Scope of Examination..... 9

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given the bank's capacity, location, and demand for credit in the assessment areas.
- A substantial majority of the institution's Home Mortgage Disclosure Act (HMDA) and sampled consumer unsecured loans were originated within the bank's assessment areas.
- Lending to borrowers of different income levels varies from reasonable to excellent and is considered excellent overall.
- The bank's geographic distribution performance varies from reasonable to excellent and is considered excellent overall.
- The bank recently extended a community development loan and holds a qualified investment.
- There have been no complaints regarding the bank's CRA performance since the previous evaluation.

DESCRIPTION OF INSTITUTION

The Bank of Currituck (TBOC) is headquartered in Moyock, North Carolina, and operates six full-service branches in Moyock, Camden, and Dare Counties, North Carolina. As of December 31, 2007, TBOC had \$170 million in assets, of which 72.3% were loans and 20.1% were securities. Various deposit and loan products are available through the institution including loans for residential mortgage, consumer, and business purposes. The loan portfolio, as of December 31, 2007, was comprised of 49.4% commercial real estate, 42.7% one- to four-family residential real estate secured, 5.5% commercial and agriculture, 2.1% consumer, and .3% other loans. The institution's previous CRA rating, dated January 27, 2003, was Outstanding.

TBOC serves three contiguous assessment areas, which are detailed in the following table. The table includes the distribution of branch offices, along with deposit and loan volume. The deposit volume includes all bank deposits and is current as of June 30, 2007, while the loan volume consists of all the HMDA and sampled consumer unsecured loans considered in the evaluation.

Assessment Area	County/City	Census Tracts Included	Branches	Deposit Volume (\$000s)		Loan Volume (\$000s)	
Currituck County	Currituck	All	3	\$92,500	74.7%	\$9,011	71.1%
Dare County	Dare	All	2	\$8,006	6.5%	\$2,781	22%
Camden County	Camden	All	1	\$23,305	18.8%	\$875	6.9%
Totals			6	\$123,811	100%	\$12,667	100%

SCOPE OF EXAMINATION

The institution was evaluated using the interagency examination procedures developed by the Federal Financial Institutions Examination Council (FFIEC). TBOC is required to report certain information regarding its home mortgage lending in accordance with the HMDA. Accordingly, TBOC's 131 HMDA loan originations reported during calendar year 2006 were considered in the evaluation. Also, based on the institution's recent historical loan volume, consumer unsecured loans were identified as a primary credit product and were also considered in the evaluation. The analysis includes a sample of 121 unsecured consumer loans selected from a universe of 301 such loans extended during 2007.

Because of its relative size determined by concentration of lending activity, number of branch locations, and market population, the Currituck County assessment area was reviewed using full review evaluation procedures. The Camden County and Dare County assessment areas were evaluated using the limited review evaluation procedures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Loan-To-Deposit Ratio

As of December 31, 2007, the bank's loan-to-deposit ratio equaled 93.9% and averaged 89.1% for the 20-quarter period ending December 31, 2007. During the 19-quarter period ending September 30, 2007, the average of quarterly loan-to-deposit ratios for all banks headquartered in metropolitan areas of North Carolina and of similar asset size to TBOC ranged from 81.9% to 89.5%. Since March 31, 2003, bank assets, loans, and deposits have increased by 40.8%, 51.2%, and 38%, respectively. Overall, the bank's loan-to-deposit ratio is reasonable when considering the bank's size, financial condition, and local credit needs.

Since the previous evaluation, TBOC funded a qualified community development loan totaling \$828,750. The loan was extended to support the construction of an affordable housing project in Coinjock, North Carolina, which is located in the Currituck County assessment area.

Lending In Assessment Area

To evaluate the institution's lending performance within its assessment areas, 131 HMDA loans that were originated during 2006 and a sample of 121 consumer unsecured loans from 2007 were reviewed. The lending distribution is represented in the following table for the assessment areas.

Comparison of Credit Extended Inside and Outside of Assessment Areas

	Inside Assessment Areas	Outside Assessment Areas	Total
Total Number of Loans	225	27	252
Percentage of Total Loans	89.3%	10.7%	100%
Total Amount of Loans (000's)	\$12,667	\$1,990	\$14,657
Percentage of Total Amount	86.4%	13.6%	100%

As illustrated in the preceding chart, a substantial majority of the number (89.3%) and dollar amount (86.4%) of loans were provided to borrowers located in the bank's assessment areas. Overall, the institution's level of lending within the assessment areas is considered highly responsive to community credit needs.

Lending To Borrowers of Different Incomes

The bank's performance within the Currituck County assessment area is excellent for both residential mortgage (HMDA) and consumer unsecured lending. The bank's performance within the Camden County and Dare County assessment areas are each considered reasonable. When considering the bank's overall performance, greater weight was placed on the performance within the Currituck County market because a majority (71.1%) of the bank's dollar volume of lending was extended within this market. Overall, the bank's level of lending to low- and moderate-income borrowers within the bank's assessment areas is considered excellent.

Geographic Distribution of Loans

None of the bank's assessment areas contain low- or moderate-income census tracts. Both the Currituck County and Dare County assessment areas contain a mixture of middle- and upper-income census tracts, while the Camden County assessment area contains only one middle-income census tract. The bank's performance in Currituck County assessment area is considered excellent, while the performance in the Dare County assessment area is reasonable. Overall, the bank's geographic distribution performance is considered excellent. In reaching this conclusion, greater weight was placed on the bank's performance in the Currituck County market because of the concentration of lending activity there.

Investments and Services

The bank holds a qualified investment within the Currituck County assessment area. Additional information about this investment is provided within the Currituck County assessment area analysis section of this evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

CURRITUCK COUNTY ASSESSMENT AREA

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

DESCRIPTION OF CURRITUCK COUNTY ASSESSMENT AREA

This assessment area includes all of Currituck County, North Carolina, and is part of the Virginia Beach-Norfolk-Newport News, VA-NC Metropolitan Statistical Area (MSA). According to the 2000 census data, the area has a population of 18,190 and a median housing value of \$95,455. The owner-occupancy rate for the market equals 52.6%, which is lower than the rates for both the MSA (58.8%) and the state of North Carolina (61.6%). The percentage of families living below the poverty level in the assessment area (8.9%) is similar to the overall rate of the MSA (8.4%) and the state of North Carolina (9%). The 2007 median family income for the MSA equals \$64,100.

The following table provides demographic data for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The table also displays the distribution of owner-occupied housing units by income level of census tract, as well as business demographic information from Dun & Bradstreet (D&B). The D&B data are current as of 2007, while the remaining data are based on the 2000 census.

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0	0	0	0	0	1,085	20.7	
Moderate-income	0	0	0	0	0	0	976	18.7	
Middle-income	4	80	5,005	95.7	448	9	1,297	24.8	
Upper-income	1	20	224	4.3	17	7.6	1,871	35.8	
Total	5	100	5,229	100	465	8.9	5,229	100	
	Housing Units by Tract	Housing Types by Tract							
		Owner-occupied				Rental		Vacant	
	#	#	%	%	#	%	#	%	
Low-income	0	0	0	0	0	0	0	0	
Moderate-income	0	0	0	0	0	0	0	0	
Middle-income	7,651	5,380	95.7	70.3	1,212	15.8	1,059	13.8	
Upper-income	3,036	242	4.3	8	68	2.2	2,726	89.8	
Total	10,687	5,622	100	52.6	1,280	12	3,785	35.4	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million				Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%	
Low-income	0	0	0	0	0	0	0	0	
Moderate-income	0	0	0	0	0	0	0	0	
Middle-income	833	84.1	752	84.3	52	88.1	29	72.5	
Upper-income	158	15.9	140	15.7	7	11.9	11	27.5	
Total	991	100	892	100	59	100	40	100	
Percentage of Total Businesses:				90		6		4	

The assessment area is located in the northeastern portion of North Carolina. The major industries in the area are agriculture, commercial and sport fishing, and tourism. Currituck County encompasses the northern portion of the Outer Banks in North Carolina and is home to various vacation destinations and ocean-front attractions. Many local residents commute to Norfolk, Chesapeake, Newport News, and Virginia Beach, Virginia, for employment opportunities in government, finance, military, and manufacturing. The unemployment rate for Currituck County, as of December 2007, is 4.4%. This rate is lower than the statewide unemployment rate of 4.7%.

A local economic development official was contacted to assist in evaluating the bank's CRA performance. The contact indicated that local financial institutions are adequately serving the credit needs of the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Area demographic data and market aggregate information are used as proxies for demand when evaluating the bank's performance. Aggregate data used in this evaluation included all HMDA loans reported within the bank's assessment area during calendar year 2006. Demographic data are from the 2000 census.

When evaluating lending performance for specific loan types, primary consideration is given to the number (and corresponding percentage) of transactions. The institution's overall rating is based on the performance of each loan category and primary consideration is given to the dollar volume each category contributes to the overall activity considered in the evaluation.

LENDING TO BORROWERS OF DIFFERENT INCOMES

Overall, the bank's lending distribution to borrowers of different incomes is considered excellent when using area demographic and aggregate data as proxies for demand.

Distribution of HMDA Loans by Income Level of Borrower

Although the bank reported a total of 90 HMDA loans for this assessment area during 2006, income data was not reported for six of these transactions, and they are excluded from the following table.

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	12	30	22	20	84
Percentage of Total Loans	14.3%	35.7%	26.2%	23.8%	100%
Total Amount of Loans (000's)	\$229	\$1,628	\$2,015	\$3,226	\$7,098
Percentage of Total Amount	3.2%	22.9%	28.4%	45.4%	100%

Although the percentage of the bank's HMDA loans extended to low-income borrowers (14.3%) is less than the percentage of area low-income families (20.7%), it substantially exceeds the percentage of aggregate lending (4.2%). The bank's level of lending to moderate-income borrowers (35.7%) exceeds both the percentage of moderate-income families and the aggregate percentage of 18.7% and 12.4%, respectively. The bank's level of lending to low- and moderate-income borrowers within the market is excellent.

Distribution of Consumer Unsecured Loans by Income Level of Borrower

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	36	26	18	8	88
Percentage of Total Loans	40.9%	29.5%	20.5%	9.1%	100%
Total Amount of Loans (000's)	115	562	543	58	1,278
Percentage of Total Amount	9%	44%	42.5%	4.5%	100%

Based on the sample, the bank's level of consumer unsecured lending to low-income borrowers (40.9%) substantially exceeds the proportion of area low-income families (20.7%). Bank lending to moderate-income borrowers (29.5%) also exceeds the proportion of moderate-income families in the area (18.7%). The bank's performance is considered excellent.

GEOGRAPHIC DISTRIBUTION OF LOANS

As previously indicated, the assessment area does not contain any low- or moderate-income census tracts. Overall, the geographic distribution of lending in the assessment area is considered excellent when using area demographic and HMDA aggregate data as proxies for demand.

Distribution of HMDA Loans by Income Level of Geography

	Middle- Income	Upper- Income	Total
Total Number of Loans	88	2	90
Percentage of Total Loans	97.8%	2.2%	100%
Total Amount of Loans (000's)	\$7,573	\$160	\$7,733
Percentage of Total Amount	97.9%	2.1%	100%

TBOC's level of lending to residents of middle-income census tracts (97.8%) exceeds both the proportion of owner-occupied housing units in such tracts (95.7%) and the aggregate reporter level of lending (75.1%). The bank's performance is considered excellent.

Distribution of Consumer Unsecured Loans by Income Level of Geography

	Middle- Income	Upper- Income	Total
Total Number of Loans	86	2	88
Percentage of Total Loans	97.7%	2.3%	100%
Total Amount of Loans (000's)	\$1,248	\$30	\$1,278
Percentage of Total Amount	97.7%	2.3%	100%

The bank's level of lending to borrowers located in middle-income census tracts (97.7%) is slightly higher than the proportion of families living in such areas (95.7%) and is considered reasonable.

INVESTMENTS AND SERVICES

The bank holds a \$250,000 qualified investment with the Senior Housing Crime Prevention Foundation, Inc. The funds are being used by the foundation to support the Senior Crimestoppers program for low- and moderate-income seniors residing in a senior housing facility in Currituck County.

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 CAMDEN COUNTY ASSESSMENT AREA

The Camden County assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area is included in the **DESCRIPTION OF INSTITUTION** section of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE CAMDEN COUNTY ASSESSMENT AREA

The bank's level of lending to low- and moderate-income borrowers in the Camden County assessment area is considered excellent. Because this assessment area contains only one middle-income census tract, the geographic distribution performance is not evaluated.

Summary of Demographic and Aggregate Data		
	% Low-Income	% Moderate-Income
Area Families by Income Level	14.5%	15.1%
Aggregate HMDA Loans by Borrower Income	1.2%	7.9%

Performance Data for the Camden County Assessment Area

Based on the loan data considered in this evaluation, the bank extended 15 HMDA and 13 consumer loans within this market area. Such a limited lending volume limits to some extent the utility of the assessment of the bank's performance.

Loan Originations/Purchases				
	To Low-Income Borrowers		To Moderate-Income Borrowers	
	#	%	#	%
HMDA	3	21.4%	3	21.4%
Consumer Loans	5	38.5%	1	7.7%

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE DARE COUNTY ASSESSMENT AREA

The Dare County assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the assessment area is included in the **DESCRIPTION OF INSTITUTION** section of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE DARE COUNTY ASSESSMENT AREA

The bank's distribution performance by borrower income in the Dare County assessment area is considered reasonable overall, while the geographic distribution performance is also considered reasonable.

Summary of Demographic and Aggregate Data		
	% Low-Income	% Moderate-Income
Area Families by Income Level	11.4%	15.9%
Aggregate HMDA Loans by Borrower Income	.8%	4.6%

While there are no low- or moderate-income census tracts in the assessment area, there are three middle-income and three upper-income census tracts within the assessment area. Census data indicates that 52.8% of owner-occupied housing units are located in the middle-income census tracts and that 53.2% of market area families reside in these middle-income census tracts. According to aggregate HMDA data from calendar year 2006, 42.3% of all reported HMDA loans were made to residents of the middle-income census tracts.

Performance Data for Assessment Area Name

Based on the loan data considered in this evaluation, the bank extended 14 HMDA and five consumer loans within this market area. Such a limited lending volume limits to some extent the utility of the assessment of the bank's performance.

Loan Originations/Purchases						
	In Middle-Income Areas		To Low-Income Borrowers		To Moderate-Income Borrowers	
	#	%	#	%	#	%
HMDA	3	21.4%	0	0%	1	7.7%
Consumer Loans	1	20%	2	40%	1	20%

CRA APPENDIX A

SCOPE OF EXAMINATION

A full discussion of the scope of the examination is contained in the narrative section of this public evaluation.

Examination Type and Branch Offices Visited		
Assessment Area	Examination Type	Offices Visited
Currituck County	Full-Scope	250 Caratoke Hwy Moyock, North Carolina
Camden County	Limited	None
Dare County	Limited	None