

PUBLIC DISCLOSURE

September 14, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Mecklenburg
5370298
2000 Randolph Street
Charlotte, North Carolina 28207

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

<p>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.</p>
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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

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 CRA performance of the Bank of Mecklenburg, Charlotte, North Carolina, prepared by The Federal Reserve Bank of Richmond, the institution's supervisory agency, as of September 14, 1998. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A of 12 CFR Part 228.

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

The bank's loan-to-deposit ratio is considered reasonable given its financial capacity and demand for credit in the area. A substantial majority of loans analyzed were to residents of the assessment area. The institution's level of lending to businesses with revenues of \$1 million or less and to low- and moderate-income borrowers is considered satisfactory. Additionally, the distribution of lending by income level of census tracts is considered adequate given the bank's resources, branch locations, and demographics of the local community.

DESCRIPTION OF INSTITUTION

The Bank of Mecklenburg is headquartered and operates three full-service branches in Charlotte, North Carolina. The institution is a subsidiary of Triangle Bancorp, Incorporated, a multi-bank holding company, located in Raleigh, North Carolina. As of June 30, 1998, the bank's assets totaled \$231 million, of which 61% were loans. While various credit products including residential mortgage, home improvement, and

consumer loans are offered, the institution is primarily a commercial bank focusing on small business credit. The loan portfolio as of June 30, 1998, was comprised of 67% real estate secured (consumer and business), 27% commercial, 5% consumer, and 1% other. Based on the number and dollar amounts of loans extended since the previous examination, small business loans were identified as the principal credit product offered by the bank. Residential real estate loans as defined by the Home Mortgage Disclosure Act (HMDA) were also included in the analysis. The institution's previous CRA rating, assigned by the Federal Deposit Insurance Corporation, was satisfactory.

DESCRIPTION OF ASSESMENT AREA

The bank's assessment area includes all of Mecklenburg County, North Carolina, and is comprised of 110 populated census tracts. Of these tracts, 12 are low-income, 22 are moderate-income, 41 are middle-income, and 35 are upper-income. One of the low-income geographies within this market is unpopulated. Mecklenburg County is included in the Charlotte-Gastonia-Rock Hill Metropolitan Statistical Area (MSA).

According to 1990 census data, the assessment area has a population of 511,433 and a median housing value of \$86,348. The assessment area owner-occupancy rate of 55% is lower than the MSA's rate of 62%. The 1998 median family income for the MSA is \$49,600. The poverty rate for families within both the assessment area and MSA is 7.2%.

The following table provides demographic information for the assessment area by the income level of families and the percentage of population living in census tracts of varying income levels. The percentage of owner-occupied units for the various geographies is also provided.

Demographics for Assessment Area

	Low-Income	Moderate-Income	Middle-Income	Upper-Income	Total
Percentage of Area Families by Income Level	16%	15%	23%	46%	100%
Percentage of Population Residing in Census Tracts by Income Level	6%	14%	42%	38%	100%
Percentage of Owner-Occupied Units	2%	9%	42%	47%	100%

The bank's assessment area is located in the central southern portion of the state and borders South Carolina. The assessment area is also part of the North Carolina Research Triangle, an area which includes a concentration of high-tech industries located between the Cities of Raleigh, Durham, and Charlotte. Residents of Mecklenburg County benefit from a healthy and diverse local economy. The Mecklenburg County unemployment rate of 2.4% (June 1998) compares favorably to the rate for the MSA (2.8%) and the state (3.4%). The largest local employers are First Union Corporation (banking), Charlotte-Mecklenburg School System, NationsBank Corporation, Duke Power Company, BellSouth Telecommunications, IBM, and Electronic Data Systems Corporation.

A community contact was made to further assist in evaluating the bank's CRA performance. According to the contact, there is a need for additional sources of small business funding including debt financing and grants in the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

LOAN-TO-DEPOSIT RATIO

The quarterly average loan-to-deposit ratio for all banks headquartered in metropolitan areas of North Carolina and of similar asset size to the Bank of Mecklenburg ranged from 80% to 83% for the four-quarter period ending June 1998. The bank's average loan-to-deposit ratio for a four-quarter period also ending in June 1998 is 72% and is considered reasonable given the institution's size, branch locations, and financial capacity. Since September 1997, the institution has experienced loan growth of 2% and deposit growth of 1%.

LENDING IN ASSESSMENT AREA

To determine the institution's volume of lending within the assessment area, all small business loans (144) extended from January 1, 1998, through August 20, 1998, and all HMDA loans (29) originated from January 1, 1997, through August 1998 were reviewed. The lending distribution is represented in the following table.

Comparison of Credit Extended Inside and Outside of Assessment Area

	Inside Assessment Area	Outside Assessment Area	Total
Total Number of Loans	152	21	173
Percentage of Total Loans	88%	12%	100%
Total Amount of Loans (000's)	\$19,189	\$5,530	\$24,719
Percentage of Total Amount	78%	22%	100%

As illustrated above, a substantial majority of the number and dollar amounts of the loans were provided to residents of the assessment area. The level of lending in the assessment area is considered good given the institution's branch locations and market strategy.

LENDING TO BORROWERS OF DIFFERENT INCOMES AND TO BUSINESSES OF DIFFERENT SIZES

The following table represents the distribution of loans to businesses of different sizes by loan amount. The table includes 128 of the 129 business loans extended within the assessment area for which revenues were provided. These loans were originated during the first eight months of 1998.

Distribution of Loans by Size of Business

	\$0 - \$100,000		>\$100,000 - \$250,000		> \$250,000		Total	
Total Revenues ≤ \$1 Million	54	43%	10	8%	11	9%	75	59%
Total Revenues > \$1 Million	34	26%	13	10%	6	4%	53	41%
Total	88	69%	23	18%	17	13%	128	100%

As illustrated in the preceding table, 59% (75/128) of the business loans in the assessment area were provided to entities with revenues of \$1 million or less. This level of lending compares favorably to the 1997 aggregate small business/farm data, in which 54% of all reportable small business loans within the bank's assessment area were to businesses with revenues of \$1 million or less. Additionally, 43% (54/128) of the business loans were to borrowers with

revenues not exceeding \$1 million and for amounts of \$100,000 or less. This level of lending demonstrates the bank's willingness to meet the credit needs of local businesses.

Additionally, all HMDA loans originated during the 20-month period ending August 1998 were analyzed. Of the 21 loans made within the assessment area with incomes reported, 5% (1/21) were to low-income borrowers and 19% (4/21) were to moderate-income borrowers. These distribution statistics are analogous to the 1997 aggregate HMDA data, in which 6% of all reportable loans by all subject financial institutions were to low-income borrowers and 19% were to moderate-income borrowers.

Overall, the distribution of lending to businesses of different sizes and borrowers of different income levels is considered reasonable.

GEOGRAPHIC DISTRIBUTION OF LOANS

The following table represents the geographic distribution of the 129 small business loans extended in the bank's assessment area.

Distribution of Loans in Assessment Area by Income Level of Census Tract

	Low- Income	Moderate- Income	Middle- Income	Upper- Income	Total
Total Number of Loans	11	8	55	55	129
Percentage of Total Loans	8%	6%	43%	43%	100%
Total Amount of Loans (000's)	\$2,641	\$672	\$6,966	\$6,706	\$16,985
Percentage of Total Amount	16%	4%	41%	39%	100%

According to 1997 small business/farm aggregate data, of all such loans reported by subject financial institutions in Mecklenburg County, 11% were extended to businesses located in low-income census tracts, 13% in moderate-income tracts, 38% in middle-income tracts, and 38% in upper-income tracts. The bank's level of lending in low- and moderate-income geographies (8% and 6%, respectively) is somewhat low relative to the aggregate data.

A geographic distribution analysis of HMDA loans was also conducted. Of the 23 loans extended within the assessment area since January 1997, none were made in low-income census tracts and only one (4%) was to a resident of a moderate-income tract. During 1997, of all HMDA reportable loans in Mecklenburg County by all financial institutions required to report data, 2% were to residents of low-income census tracts and 6% were to residents of moderate-income tracts. The percentages of owner-occupied units within these tracts are 2% and 10%, respectively. Although residential real estate loans do not constitute a major product line for the bank, this level of lending is also considered somewhat low.

While the geographic distribution of small business and HMDA loans is somewhat low, the overall level of distribution is considered adequate.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS AND REGULATIONS

No credit practices inconsistent with the substantive provisions of the fair housing and fair lending laws and regulations were identified. Technical violations of the Home Mortgage Disclosure Act's Regulation C were noted. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.