

PUBLIC DISCLOSURE

March 9, 1998

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Wilkes National Bank
Charter #22328
1600 Curtis Bridge Road
Wilkesboro, North Carolina 28697**

**Office of the Comptroller of the Currency
Southeast District, Atlanta Georgia
Marquis One Tower, Suite 600
245 Peachtree Center Avenue, N.E.
Atlanta, Georgia 30303**

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 **Wilkes National Bank** prepared by **The Office of the Comptroller of the Currency**, as of December 31, 1997. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

The bank's performance was reviewed for the period of January 1, 1995 to December 31, 1997. The bank's average loan-to-deposit ratio exceeds the standards for satisfactory performance. A substantial majority of the banks' loans and lending activities are within the bank's assessment area. The institution originates loans to borrowers of all income levels within its assessment areas. The distribution of borrowers reflects reasonable penetration among individuals of different income levels, including low and moderate-income, and businesses of different sizes.

The following table indicates the performance level of Wilkes National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	WILKES NATIONAL BANK PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio	X		
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to Businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received.		

DESCRIPTION OF INSTITUTION

Wilkes National Bank, headquartered in Wilkesboro, North Carolina, serves the communities within Wilkes County and the town of Taylorsville in Alexander County, North Carolina. The bank has four full service offices. Offices are located in Wilkesboro, North Wilkesboro, Millers Creek and Taylorsville. The Miller's Creek office opened on February 12, 1996, and the Taylorsville office opened on August 15, 1997.

Average assets were \$83 million as of December 31, 1997 with net loans representing approximately 75% of assets. The loan portfolio is comprised of:

46%	Secured by real estate, construction, and home equity
36%	Commercial and industrial loans
18%	Consumer loans

There are no financial or legal impediments restricting the lending activities of the bank.

DESCRIPTION OF ASSESSMENT AREA

Wilkes National Bank has defined its assessment areas as Wilkes County and Alexander County, both in the State of North Carolina. The bank's assessment areas meet the legal requirements of the regulation and do not arbitrarily exclude any low or moderate-income areas.

Wilkes County contains 12 census tracts. Based on 1990 census information, these tracts are all considered middle income except census tract 9606 which is considered a moderate-income tract. The area continues to experience slow growth with Wilkes County population, as of 1990 at 59,393 up only slightly from population at 1980 of 58,657. As of 1990, Alexander County had a population of 27,544. All census tracts in Alexander County are middle income tracts.

Unemployment rates in Wilkes County and Alexander County as of June 1997 were 3.6% and 2.9% respectively. Major employers in Wilkes County include Tyson Foods, Lowes Companies, and Ithaca Industries. Major employers in Alexander County include Broyhill Furniture, Alexvale Furniture, and Hancock & Moore.

One governmental representative was contacted to obtain information on community credit needs. The contact identified affordable housing credit as a credit need within the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA:

Loan to Deposit Ratio

The average loan-to-deposit ratio from January 1, 1995 to December 31, 1997 is 79%. In addition, at December 31, 1997, the bank had a loan-to-deposit ratio of 83.50% compared to the ratio for North Carolina banks less than \$100 million in assets at 73%. In addition, the ratio exceeds that of two local independent banks.

Lending in the Assessment Area

The bank has a strong record of lending in its assessment areas. In order to assess the level of lending in the assessment areas, we sampled consumer loans originated during 1997 in both Wilkes and Alexander Counties. The following chart illustrates our findings:

Assessment Area	% of dollars of loans in Assessment Area	% of number of loans in Assessment Area
Wilkes County	96%	94%
Alexander County	88%	90%

As shown, a substantial majority of the originations were within the bank's assessment areas.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The institution has a reasonable record of lending to all borrowers including low and moderate-income borrowers. To assess lending to borrowers of different incomes, a sample of consumer loans was reviewed. This sample included installment loans originated during 1997. We used the 1997 HUD Median Family Income of \$35,000 for our analysis.

A summary of findings for lending in Wilkes County is provided in the following chart:

Consumer Loans Within Wilkes County By Income Level			
	% of Number of Loans	% Total Loan Dollars	Composition of Assessment Area
Low	45%	34%	21%
Moderate	31%	27%	19%
Middle and Upper	24%	39%	60%

As shown, the bank makes a greater percentage of its consumer loans to low and moderate-income borrowers than their composition of the assessment area.

The following chart depicts the levels of lending to borrowers of different income levels in Alexander County:

Consumer Loans Within Alexander County By Income Level			
	% of Number of Loans	% Total Loan Dollars	Composition of Assessment Area
Low	10%	3.9%	19%
Moderate	10%	20%	19%
Middle and Upper	80%	75.9%	62%

As shown, the bank originates a reasonable number of loans to individuals in relation to their proportion of the assessment area.

The bank makes available loans of various amounts to businesses of different sizes. A loan sample of 12 commercial loans was reviewed. Loans ranging from \$ 15,000 to \$ 600,000 were made to business of different sizes for various purposes. Businesses ranged in size up to \$5,349,000 in annual sales.

Geographic Distribution of Loans

The bank's origination of loans represents a reasonable penetration into all segments of the community. In order to assess the geographic distribution of loans, we tested a sample of loans originated during 1997 in Wilkes County. The sample demonstrated that the bank originates loans in a majority of its census tracts to borrowers of different income levels. In addition, loans were made in the one moderate-income census tract in Wilkes County.

Review of Complaints

The bank has received no CRA related complaints.

Other

Our fair lending review disclosed no violations of the substantive provisions of anti-discrimination laws and regulations.