

PUBLIC DISCLOSURE

August 22, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**TrustAtlantic Bank
Certificate Number: 35163**

**4801 Glenwood Ave, Suite 500
Raleigh, North Carolina 27612**

**Federal Deposit Insurance Corporation
10 Tenth Street, NE, Suite 800
Atlanta, Georgia 30309**

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

I.	General Information.....	1
II.	Institution Rating	1
III.	Description of Institution	2
IV.	Description of Assessment Areas	4
V.	Conclusions with Respect to Performance	9
	a. Scope of the Evaluation	9
	b. Lending Test	10
	c. Community Development Test	19
VI.	Fair Lending or Other Illegal Credit Practices.....	21

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 **TrustAtlantic Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **August 22, 2013**. 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**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The bank's CRA performance was evaluated under the Intermediate Small Bank CRA Examination procedures, which includes a Lending Test Rating and a Community Development Test Rating. Both ratings are considered in the institution's overall CRA rating, and a bank must receive at least a satisfactory rating in both in order to receive a Satisfactory or better overall CRA rating.

The Lending Test is rated: Satisfactory.

The lending test is based on the following performance:

- A reasonable average net loan-to-deposit ratio.
- A majority of loans are originated within the assessment areas.
- An overall reasonable geographic distribution of loans within the assessment areas.
- A reasonable distribution of loans among borrowers of different income levels and businesses of different sizes.
- The institution has received no CRA-related complaints since the previous examination.

The Community Development Test is rated: Outstanding.

The bank's community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services.

DESCRIPTION OF INSTITUTION

TrustAtlantic Bank is a \$412 million state-chartered commercial bank headquartered in Raleigh, North Carolina. The bank is wholly-owned by TrustAtlantic Financial Corporation, a one-bank holding company, also headquartered in Raleigh, North Carolina.

TrustAtlantic Bank serves primarily the central and eastern portions of North Carolina in Wake and Pitt Counties through its main office and four branch locations. The bank relocated its main office in Raleigh prior to the last examination to its present location on Glenwood Avenue. In May 2013, the bank opened its fourth branch in an upper-income census tract in Raleigh. The bank has not closed any branch offices since the previous examination. Two branches are located in moderate-income census tracts, and two are located in upper-income census tracts. The main office in Raleigh is located in a middle-income census tract. Each branch is equipped with a drive-up automated teller machine (ATM). The bank also owns one off-site ATM located in an upper-income census tract in Raleigh. The following table provides information regarding office locations within the assessment areas.

Table 1 – TrustAtlantic Bank Offices				
Name of Office	Address	County	Date Opened	Census Tract
Wake County Assessment Area				
Raleigh Main Office	4801 Glenwood Avenue, Suite 100 Raleigh, NC 27612	Wake	3/20/2009	Middle
Raleigh Branch Office	6511 Falls of Neuse Road Raleigh, NC 27615	Wake	4/02/2008	Moderate
Raleigh Branch Office	3685 SW Cary Parkway Cary, NC 27513	Wake	8/04/2008	Upper
Raleigh Branch Office	1151 Falls River Avenue Raleigh, NC 27614	Wake	5/20/2013	Upper
Pitt County Assessment Area				
Greenville Branch Office	1310 W Arlington Blvd Greenville, NC 27834	Pitt	9/10/2007	Moderate

Source: Bank records.

TrustAtlantic Bank’s business focus is commercial lending to mid-sized businesses; however, it also offers a wide array of traditional banking products and services for consumer customers. Products and services include commercial loans, home mortgages, home equity lines of credit, consumer installment loans, basic checking accounts, savings accounts, certificates of deposits, and online banking.

TrustAtlantic Bank’s total assets have grown from \$356 million as of the last evaluation on May 4, 2010, to \$412 million as June 30, 2013. Table 2 presents the distribution of the loan portfolio by loan type as of the June 30, 2012 and June 30, 2013, Reports of Condition and Income (Call Report).

Table 2 – Loan Distribution as of June 30, 2012 and June 30, 2013				
Loan Type	6/30/2012 Dollar Amount (000s)	6/30/2012 Percent of Total Loans	6/30/2013 Dollar Amount (000s)	6/30/2013 Percent of Total Loans
Construction and Land Development	\$52,467	19.7%	\$53,855	18.3%
Secured by Farmland	\$1,818	.7%	\$2,364	.8%
1-4 Family Residential	\$55,692	21.0%	\$65,157	22.2%
Multi-Family (5 or more) Residential	\$13,944	5.2%	\$18,552	6.3%
Non-Farm Non Residential	\$111,451	41.9%	\$119,343	40.6%
Total Real Estate Loans	\$235,372	88.5%	\$259,271	88.2%
Commercial and Industrial	\$29,777	11.2%	\$34,520	11.8%
Agricultural	\$0	0.0%	\$0	0.0%
Consumer Loans	\$1,194	.5%	\$474	.2%
Obligations of States and Political Subdivisions	\$0	0.0%	\$0	0.0%
Other Loans	\$33	0.0%	\$56	0.0%
Unearned Income on Loans	-\$497	-0.2%	-\$544	-0.2%
Total Loans	\$265,879	100.0%	\$293,777	100.0%

Source: June 30, 2012 and June 30, 2013 Call Reports

Table 2 shows that while the dollar volume of total loans increased from 2012 by approximately 28 million, or 11 percent, the loan distribution among each loan type has remained fairly constant. Table 2 also shows that as of June 30, 2013, the loan portfolio was approximately \$294 million, which represents 71 percent of total assets. Commercial and residential lending represents 52 and 29 percent, respectively, of the loan portfolio. The bank has not originated a significant amount of farm, agricultural, or consumer loans, which account for less than 1 percent of the portfolio.

The bank received a satisfactory rating at its most recent CRA evaluation on May 4, 2010, where intermediate small bank CRA procedures were used. The current CRA examination reveals that the bank provides for the credit needs and economic development of the assessment areas in a manner consistent with its size, financial capacity, location, and local economic conditions. There are no financial or legal impediments to prevent the bank from meeting the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

TrustAtlantic Bank has two assessment areas: Wake County, which is part of the three-county Raleigh-Cary, North Carolina Metropolitan Statistical Area (MSA) and Pitt County, which encompasses the entire Greenville, North Carolina, MSA. The bank defined each assessment area in accordance with the technical requirements of the CRA regulation. These assessment areas, as designated by the bank, do not arbitrarily exclude any low- or moderate-income geographies. The following pages provide specific data on each assessment area.

Wake County Assessment Area

For the Wake County assessment area, the 2000 U.S. Census showed 105 census tracts comprising 7 low-income, 16 moderate-income, 54 middle-income, and 28 upper-income tracts. The 2000 U.S. Census also showed a total population of 627,846. Owner-occupied housing units in low- and moderate-income census tracts constituted 11 percent of housing units. Of the area's families, 34 percent reported low- or moderate-incomes, and 7 percent reported incomes below the poverty level. Given the demographics of the assessment area, the majority of the bank's lending opportunities were in the middle-income census tracts. The following table presents certain demographic data for this assessment area based on the 2000 U.S. Census.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	105	(7) 6.67	(16) 15.24	(54) 51.43	(28) 26.67	0.00
Population by Geography	627,846	5.32	12.84	52.30	29.54	0.00
Owner-Occupied Housing by Geography	159,456	1.01	9.98	54.98	34.03	0.00
Businesses by Geography**	109,871	1.59	8.74	56.99	32.69	0.00
Farms by Geography**	1,923	0.68	8.11	62.92	28.29	0.00
Family Distribution by Income Level	159,824	16.90	16.60	22.48	44.01	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	53,545	7.15	21.46	55.61	15.78	0.00
Median Family Income (MFI)*** HUD Adjusted Median Family Income for 2011***		\$61,439 \$78,800	Median Housing Value Families Below Poverty Level		\$164,466 7.4%	

The NA category consists of geographies that have not been assigned an income classification

*Except for marked data, all information is from the 2000 U.S. Census

**This data is provided by D&B

***This data is estimated by the Department of Housing and Urban Development

Since the 2000 U.S. Census, significant changes have occurred in the assessment area. According to the 2010 U.S. Census, the number of census tracts increased to 187 tracts, 13 of which are low-income, 31 moderate-income, 64 middle-income, 76 upper-income, and 3 which do not have an income designation. The population has increased to 900,993, or by 44 percent. Owner-occupied housing units in moderate-income census tracts increased considerably to 17 percent. The percentage of families reporting low- or moderate-incomes remained relatively unchanged with families below the poverty level increasing slightly to 9 percent. Additionally,

given the demographics of the assessment area, the lending distribution remains primarily within the middle- and upper-income census tracts with a good amount of opportunities in moderate-income tracts. The table below presents additional demographic data for the assessment area based on the 2010 U.S. Census.

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	187	(13) 6.95	(31) 16.58	(64) 34.22	(76) 40.64	(3) 1.60
Population by Geography	900,993	6.21	19.34	36.37	37.60	0.48
Owner-Occupied Housing by Geography	215,485	1.97	16.96	38.16	42.91	0.01
Businesses by Geography**	104,562	4.44	18.08	33.20	44.08	0.21
Farms by Geography**	1,950	1.79	14.51	44.62	39.03	0.05
Family Distribution by Income Level	213,822	19.53	15.78	19.61	45.08	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	75,503	9.88	29.32	39.21	21.59	0.00
Median Family Income (MFI) *** HUD Adjusted Median Family Income for 2012***		\$74,783 \$79,900	Median Housing Value Families Below Poverty Level		\$242,361 8.6%	

The NA category consists of geographies that have not been assigned an income classification

*Except for marked data, all information is from the 2010 U.S. Census

**This data is provided by D&B

***This data is estimated by the Department of Housing and Urban Development

Employment conditions have improved for Wake County as the assessment area experienced gains in the professional and business services and leisure and hospitality sectors. The largest job losses occurred in the government and financial services sectors. During 2011 and 2012, at least 155 businesses experienced layoffs or closures, including RCB Bank, Borders Bookstores, Blockbuster Video, Crate and Barrel, North Carolina State University, Wake County Schools, ConAgra Foods, and the Division of Motor Vehicles. The primary reasons for the layoffs and closures include bankruptcy, declining sales, relocation, budget cuts, and mergers.

Unemployment rates for the Wake County assessment area are stated in Table 5. The table reveals that Wake County's rate of unemployment is lower than the National and statewide rates.

Geographic Area	2011	2012
United States	8.9	8.1
North Carolina	10.3	9.5
Wake County	8.3	7.5

Source: Bureau of Labor Statistics

The population in Wake County has increased. Personal bankruptcy filings decreased; however, the foreclosure rate has increased. The rate of residential permits increased along with the housing affordability index which indicates falling home prices. The largest employment sectors in this assessment area are professional and business services, government, education and health services, retail, and leisure. The area's major employers include North Carolina State University, WakeMed Health & Hospitals, Rex Healthcare, Cisco Systems, SAS Institute, Wal-Mart Stores, Inc., First-Citizens Bank & Trust Company, and Verizon Communications.

The Median Family Incomes (MFIs) for the Wake County Assessment Area are presented in Table 6 and are based upon the MFI for the Raleigh-Cary, NC MSA. The HUD estimated MFI is used as a benchmark comparison figure to determine the income classification of borrowers in the Lending Test.

Table 6 – Income Level Definitions for Wake County Assessment Area		
Income Level	2011 \$78,800	2012 \$79,900
Low-Less than 50%	<\$39,400	<\$39,950
Moderate-50% to < 80%	\$39,400 to \$63,039	\$39,950 to \$63,919
Middle-80% to < 120%	\$63,040 to \$94,559	\$63,920 to \$95,879
Upper-120% and over	>=\$94,560	>=\$95,880

Source: HUD 2011 and 2012 Estimated Median Family Income

Competition

TrustAtlantic Bank's main office and three of its four branches are located in this assessment area. According to financial data submitted by banks, savings and loan institutions, and savings banks reflected in the June 30, 2012, Summary of Deposits, 32 financial institutions are operating within Wake County. TrustAtlantic Bank ranked 12th with a market share of only 1.2 percent. Competitors ranking ahead of TrustAtlantic Bank include Wells Fargo Bank, Branch Banking and Trust Company, Bank of America, First-Citizens Bank & Trust Company, and PNC Bank. These five institutions account for 80 percent of the deposit market share.

Pitt County Assessment Area

The 2000 U.S. Census shows that the Pitt County assessment area consisted of 22 census tracts comprising 1 low-income, 5 moderate-income, 10 middle-income, and 6 upper-income tracts. The 2000 U.S. Census also showed a total population of 133,798. Owner-occupied housing units in low- and moderate-income census tracts constitute 13 percent. Of the area's families, 39 percent reported low- or moderate-incomes, and 21 percent reported incomes below the poverty level. Given the demographics of the assessment area, the majority of the bank's lending opportunities are in the middle-income and upper-income census tracts. The following table presents certain demographic data for this assessment area based on the 2000 U.S. Census.

Table 7 - Demographic Information for the Pitt County Assessment Area * - 2000 U.S. Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	22	(1) 4.55	(5) 22.73	(10) 45.45	(6) 27.27	0.00
Population by Geography	133,798	3.88	14.63	45.65	35.84	0.00
Owner-Occupied Housing by Geography	30,539	1.72	11.53	47.25	39.50	0.00
Businesses by Geography**	14,372	1.47	15.10	39.69	43.74	0.00
Farms by Geography**	536	0.75	8.77	59.33	31.16	0.00
Family Distribution by Income Level	32,643	22.71	15.91	19.18	42.21	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	12,605	6.34	20.96	49.87	22.83	0.00
Median Family Income*** HUD Adjusted Median Family Income for 2011***		\$42,777 \$54,000	Median Housing Value Families Below Poverty Level		\$84,308 20.8%	

The NA category consists of geographies that have not been assigned an income classification

*Except for marked data, all information is from the 2000 U.S. Census

**This data is provided by D&B

***This data is estimated by the Department of Housing and Urban Development

The table below presents additional demographic data for the assessment area based on the 2010 U.S. Census.

Table 8 - Demographic Information for the Pitt County Assessment Area * - 2010 U.S. Census						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	32	(1) 3.13	(7) 21.88	(14) 43.75	(10) 31.25	0.00
Population by Geography	168,148	2.95	20.11	41.45	35.50	0.00
Owner-Occupied Housing by Geography	35,404	0.69	11.70	46.66	40.96	0.00
Businesses by Geography**	13,632	1.06	21.71	39.91	37.32	0.00
Farms by Geography**	530	0.38	8.49	60.94	30.19	0.00
Family Distribution by Income Level	37,234	23.78	15.55	17.96	42.71	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	14,644	1.75	28.74	45.27	24.24	0.00
Median Family Income*** HUD Adjusted Median Family Income for 2012***		\$52,519 \$54,700	Median Housing Value Families Below Poverty Level		\$127,981 22.3%	

The NA category consists of geographies that have not been assigned an income classification

*Except for marked data, all information is from the 2010 U.S. Census

**This data is provided by D&B

***This data is estimated by the Department of Housing and Urban Development

Moderate changes have occurred in the assessment area since the 2000 U.S. Census. According to the 2010 U.S. Census, the number of census tracts increased to 32 tracts consisting of 1 low-income, 7 moderate-income, 14 middle-income, and 10 upper-income. The population has increased to 168,148, or by 26 percent. The percentage of families reporting low- or moderate-incomes remained unchanged overall, and families below the poverty level increased slightly to

22 percent. Given the demographics of the assessment area, most of the bank’s lending opportunities remain in the middle- and upper-income census tracts.

Employment conditions have improved for Pitt County as the assessment area experienced gains in all major industry sectors. The manufacturing and professional and business services sectors showed the largest rates of growth. However, during 2011 and 2012, at least 20 businesses experienced layoffs or closures, including Hostess Brands, Inc., O’Charley’s, Sidus Financial, LLC, Bethel Family Medical Center, Home Depot, and The Gap. The primary reasons for the layoffs and closures include bankruptcy, expired leases, lack of funding, and budget cuts.

Unemployment rates for the Pitt County assessment area are stated in Table 9. The table shows that the unemployment rates for Pitt County are higher than the National rates and similar to the statewide rates.

Table 9 - Comparison of Unemployment Rates		
Geographic Area	2011	2012
United States	8.9	8.1
North Carolina	10.3	9.5
Pitt County	10.8	9.8

Source: Bureau of Labor Statistics

Personal bankruptcy and foreclosure filings have decreased. The number of residential building permits declined while the housing affordability index rose, indicating falling home prices. The largest employment sectors in this assessment area are government, education and health services, leisure, retail, and professional and business services. The area’s major employers include Vidant Medical Center, East Carolina University, Pitt Community College, Wal-Mart Stores, Inc., Wells Fargo, Bosch Braking Systems, and the Greenville Utilities Commission.

The MFIs for the Pitt County assessment area are based upon the Greenville, NC MSA MFIs and are presented in Table 10.

Table 10 – Income Level Definitions for the Pitt County Assessment Area		
Income Level	2011 \$54,000	2012 \$54,700
Low-Less than 50%	<\$27,000	<\$27,350
Moderate-50% to < 80%	\$27,000 to \$43,199	\$27,350 to \$43,759
Middle-80% to < 120%	\$43,200 to \$64,799	\$43,760 to \$65,639
Upper-120% and over	>=\$64,800	>=\$65,640

Source: HUD 2011 and 2012 Estimated Median Family Income

Competition

The bank only has one branch that operates in this assessment area. According to financial data submitted by banks, savings and loan institutions, and savings banks reflected in the June 30, 2012, Summary of Deposits, 14 financial institutions are operating within Pitt County. TrustAtlantic Bank ranked ninth in this market with a market share of 2.8 percent. Competitors ranking ahead of TrustAtlantic Bank include Wells Fargo Bank, Branch Banking and Trust Company, Bank of America, First-Citizens Bank & Trust Company, and Southern Bank and Trust Company. These five institutions account for 74 percent of the deposit market share. Overall, the environment is considered competitive.

Assessment Areas' Needs

A review of community contacts and other demographic and economic data reveals the assessment areas' credit needs include small business lending, home mortgages, commercial lending for retail projects, and affordable housing construction loans.

Community Contact

During the CRA evaluation, it is customary for examiners to contact various individuals and/or organizations within the institution's assessment areas to gain insight on local economic conditions and credit needs. A community contact with a representative of a small business center from the Wake County assessment area was conducted during the examination. The small business center provides small business owners with information they need for starting or expanding their small business. The contact indicated one of the greatest small business needs is a roadmap to resources. Many start-up businesses have good ideas for their company, but don't know where to get the necessary backing or resources. The contact also indicated that start-ups need more opportunities to partner with local universities on internship programs and that the city of Raleigh could use a "signature attraction" in order to attract additional businesses. Other recent contacts have indicated there are opportunities for financial institutions to lend to small business in the areas of accounts receivable financing, inventory investment and facilities. However, institutions remain hesitant regarding lending to small businesses given the persistent recessionary economy.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Scope of Evaluation

Examiners reviewed TrustAtlantic Bank's lending performance in its assessment areas using CRA procedures for intermediate small banks. The CRA regulation requires examiners to review a bank's lending performance with respect to home mortgage, small business, and small farm loans, if significant. The loan portfolio as of the June 30, 2013, Call Report consisted of 52 percent commercial purpose credits and 29 percent in 1-4 family residential loans. Therefore, the Lending Test was based on a review of home mortgage loans reported pursuant to the Home

Mortgage Disclosure Act (HMDA) and small business loans. Small farm loans were not evaluated as they constitute less than 1 percent of outstanding loans and are not a business focus for the bank.

Home mortgage loans are defined per the CRA regulation as a home improvement, home purchase, or home refinance loan as defined in the HMDA. In 2011, the bank reported a total of 40 HMDA loan originations totaling \$9,883,000. In 2012, the bank reported 65 HMDA loan originations totaling \$13,565,000. All HMDA loans originated in 2011 and 2012 were used in the evaluation of the bank's CRA performance.

Small business loans are defined per the CRA regulation as loans secured by non-farm, non-residential properties and commercial and industrial loans with original amounts of \$1 million or less. The bank originated a total of 190 commercial loans totaling \$45,602,000 in 2012. The universe of loans was used to analyze the bank's performance in the Lending Test.

Small business lending performance was assigned more weight in the overall rating assigned as such constitutes the greatest percentage of loan volume and is the bank's stated business focus. Additionally, the bank's performance in the Wake County assessment area carries more weight given the much larger loan volume and bank resources allocated to this area.

The Community Development Test was based on a review of qualified community development lending, investment, and service activities since the previous CRA evaluation on May 4, 2010. The investment test also included investments made prior to the review period and still outstanding.

The U.S. Census Bureau updates the Census demographic data used to prepare CRA Public Evaluations every 10 years. The Federal Financial Institutions Examination Council has determined that 2000 Census data will be used to evaluate a bank's CRA performance for all years 2011 and earlier, while data from the 2010 Census will be used to evaluate CRA performance in 2012 and prospectively. As the current evaluation period includes the 2011 and 2012 performance years, demographic data for both the 2000 and 2010 Census are presented in this evaluation.

LENDING TEST

Loan-to-Deposit Ratio

The average net loan-to-deposit ratio is reasonable given the bank's size, capacity to lend, and assessment areas' credit needs. TrustAtlantic Bank's average net loan-to-deposit ratio for all 13 quarters from June 30, 2010, to June 30, 2013, is 83.8 percent. During that time, the quarterly net loan-to-deposit ratio has shown a slight downward trend from a high of 87 percent in third quarter 2010 to a low of 79.3 percent in second quarter of 2013. TrustAtlantic Bank's performance was compared with loan-to-deposit information for three similarly-situated banks based upon asset size, loan portfolio composition, markets served, and branching networks. The

total assets and average net loan-to-deposit ratios for the bank and comparable institutions are shown in the following table.

Institution Name	Total Assets (in 000s)	Loan-to-Deposit Ratio*	Average Loan-to- Deposit Ratio**
Paragon Commercial, Raleigh, NC	\$1,006	96.1%	90.5%
North State Bank, Raleigh, NC	\$687	85.0%	92.0%
CapStone Bank, Raleigh, NC	\$375	103.9%	96.4%
TrustAtlantic Bank, Raleigh, NC	\$412	79.3%	83.8%

* Based on Reports of Condition as of June 30, 2013.

** Based on 13 quarters from June 30, 2010 to June 30, 2013.

Lending Inside the Assessment Areas

A majority of loans were originated within the assessment areas. As illustrated in Table 12, overall 82.1 percent of loans by number and 74.8% by dollar volume were originated within the assessment areas.

Loan Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total #	Inside		Outside		Total \$
	#	%	#	%		\$	%	\$	%	
2011 HMDA	31	77.5%	9	22.5%	40	\$6,378	64.5%	\$3,505	35.5%	\$9,883
2012 HMDA	55	84.6%	10	15.4%	65	\$8,647	63.7%	\$4,918	36.3%	\$13,565
HMDA Total	86	81.9%	19	18.1%	105	\$15,025	64.1%	\$8,423	35.9%	\$23,448
2012 Small Business	160	84.2%	30	15.8%	190	\$36,658	80.4%	\$8,944	19.6%	\$45,602
Total All Loan Types	246	82.1%	49	17.9%	295	\$51,683	74.8%	\$17,367	25.2%	\$69,050

Source: 2011 and 2012 HMDA Data and Bank Records.

Geographic Distribution of Lending

The overall geographic distribution of small business and home mortgage loans is overall reasonable. Presented on the following pages are analyses of the geographic distributions of small business and home mortgage loans for the two assessment areas reviewed. Only loans originated within the assessment areas were included in the analyses.

Wake County Assessment Area

Small Business Loans

The geographic distribution of small business loans reflects a marginally reasonable dispersion throughout the Wake County Assessment Area. TrustAtlantic Bank did originate 4.2 percent of loans in low-income census tracts, which nearly mirrors the demographic data. The bank originated 7.7 percent of loans in moderate-income areas, which is significantly below the demographics. However, these loans account for 13.2 percent of the dollar volume of loans reviewed in the assessment area which is more in line with demographics. Table 13 illustrates the distribution of small business by income category.

Census Tract Income Level		Low	Moderate	Middle	Upper	Total
Businesses (D&B 2012)	Percent	4.5%	18.1%	33.3%	44.1%	100.0%
2012	Number	6	11	38	88	143#
	Percent	4.2%	7.7%	26.6%	61.5%	100.0%
	Dollar (000s)	\$997	\$4,317	\$6,708	\$20,596	\$32,618#
	Percent	3.1%	13.2%	20.6%	63.1%	100.0%

Source: Bank Records. # 7 loans totaling \$1,904,000 could not be geocoded.

Home Mortgage Loans

Tables 14 and 15 show the distribution of home mortgage loans in 2011 and 2012 among various income census tracts in the Wake County Assessment Area and reflects an overall excellent penetration rate in low- and moderate-income areas. The bank originated 2 of 24 home mortgage loans in low-income census tracts or 8.3 percent, which significantly exceeds both the percentage of owner-occupied housing units of 1 percent and 2011 aggregate data of .8 percent. The bank originated 4 of 24 loans in moderate-income census tracts or 16.7 percent, which again significantly exceeds the percentage of owner-occupied housing units in moderate-income census tracts at 10 percent and is 3 times the volume of aggregate lenders.

The 2012 home mortgage performance, as shown in Table 15, continues to reflect excellent penetration in low-income census tracts at 4.4 percent, which exceeds demographic data of 2 percent and aggregate data of 1 percent. Lending to moderate-income census tracts declined to 6.5 percent and lags slightly behind the aggregate lending data of 8.0 percent and is significantly lower than demographics.

Table 14 – Distribution of 2011 Home Mortgage Loans by Income Category of the Census Tract for the Wake County Assessment Area							
Census Tract Income Level		Low	Moderate	Middle	Upper	Total	
Owner Occupied Housing Units*	Percent	1.0%	10.0%	55.0%	34.0%	100.0%	
2011 Aggregate Data		Percent	.8%	5.1%	54.1%	40.0%	100.0%
	2011	Number	2	4	13	5	24
		Percent	8.3%	16.7%	54.2%	20.8%	100.0%
		Dollar (000s)	\$440	\$683	\$3,093	\$928	\$5,144
		Percent	8.6%	13.3%	60.1%	18.0%	100.0%

Source: 2011 HMDA Data and 2011 Aggregate HMDA Data. *2000 U.S. Census Data

Table 15 – Distribution of 2012 Home Mortgage Loans by Income Category of the Census Tract for the Wake County Assessment Area							
Census Tract Income Level		Low	Moderate	Middle	Upper	Total	
Owner Occupied Housing Units*	Percent	2.0%	17.0%	38.1%	42.9%	100.0%	
2012 Aggregate Data		Percent	1.0%	8.0%	33.0%	58.0%	100.0%
	2012	Number	2	3	16	25	46
		Percent	4.4%	6.5%	34.8%	54.3%	100.0%
		Dollar (000s)	\$88	\$580	\$2,045	\$2,809	\$5,522
		Percent	1.6%	10.5%	37.0%	50.9%	100.0%

Source: 2012 HMDA Data and 2012 Aggregate HMDA Data. *2010 U.S. Census Data

Pitt County Assessment Area

Small Business Loans

Table 16 illustrates the distribution of small business loans by income category of the census tracts in the Pitt County assessment area. Lending in moderate-income areas accounts for 40 percent of the lending, which is almost double the demographics. Furthermore, the dollar volume of lending in moderate-income tracts is very high at 74.7 percent. While the bank did not originate any loans in low-income census tracts, only 1 percent of small businesses operate in the low-income census tracts of Pitt County. Overall, the bank's small business loan dispersion in Pitt County is considered excellent.

Table 16 – Distribution of Sampled Small Business Loans by Income Category of the Census Tract for the Pitt County Assessment Area						
Census Tract Income Level		Low	Moderate	Middle	Upper	Total
Businesses (D&B 2012)	Percent	1.0%	21.0%	43.7%	34.3%	100.0%
2012	Number	0	4	2	4	10
	Percent	0.0%	40.0%	20.0%	40.0%	100.0%
	Dollar (000s)	\$0	\$1,595	\$175	\$366	\$2,136
	Percent	0.0%	74.7%	8.2%	17.1%	100.0%

Source: Bank Records.

Home Mortgage Loans

Tables 17 and 18 show the distribution of home mortgage loans in 2011 and 2012 among various income census tracts of the Pitt County assessment area and is considered excellent. Table 17 shows excellent penetration to low- and moderate-income census tracts in 2011. The bank originated 1 of 7 home mortgage loans in a low-income census tract or 14.3 percent, which exceeds both the percentage of owner-occupied housing units of 1.7 percent and 2011 aggregate data of .3 percent. The bank also originated 1 of 7 loans in a moderate-income census tract or 14.37 percent, which again exceeds the percentage of owner-occupied housing units in moderate-income census tracts at 11.5 percent and aggregate data of 5.5 percent.

The 2012 home mortgage performance, as shown in Table 18, continues to reflect excellent penetration in moderate-income census tracts at 33.3 percent, which significantly exceeds demographic data of 11.9 percent and aggregate lending of 9.9 percent. The dollar volume of lending in moderate-income census tracts is even stronger at 87.8 percent. The bank did not originate any home mortgage loans in the low-income census tracts of Pitt County in 2012; however, only .6 percent of the owner-occupied housing is located in the low-income tracts and aggregate lending stands at only .5 percent.

Census Tract Income Level		Low	Moderate	Middle	Upper	Total	
Owner Occupied Housing Units*	Percent	1.7%	11.5%	47.3%	39.5%	100.0%	
2011 Aggregate Data		Percent	.3%	5.5%	40.4%	53.8%	100.0%
	2011	Number	1	1	4	1	7
		Percent	14.3%	14.3%	57.1%	14.3%	100.0%
		Dollar (000s)	\$75	\$465	\$653	\$41	\$1,234
		Percent	6.1%	37.7%	52.9%	3.3%	100.0%

Source: 2011 HMDA Data and 2011 Aggregate HMDA Data. *2000 U.S. Census Data

Census Tract Income Level		Low	Moderate	Middle	Upper	Total	
Owner Occupied Housing Units*	Percent	.6%	11.9%	51.5%	36.0%	100.0%	
2012 Aggregate Data		Percent	.5%	9.9%	32.8%	56.8%	100.0%
	2012	Number	0	3	0	6	9
		Percent	0.0%	33.3%	0.0%	66.7%	100.0%
		Dollar (000s)	\$0	\$2,745	\$0	\$380	\$3,125
		Percent	0.0%	87.8%	0.0%	12.2%	100.0%

Source: 2012 HMDA Data and 2012 Aggregate Data. *2010 U.S. Census Data

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The distribution of loans reflects an overall reasonable distribution among borrowers of different income levels and businesses of different sizes. Following are the analyses by assessment area for the distribution of the loans by income category of the borrower and by revenue category of the business. Only loans originated within the assessment areas are included in these analyses.

Wake County Assessment Area

Small Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration given the demographics of the assessment area. The bank's lending includes 55.3 percent of loans to small businesses as compared to the demographics at 72.4 percent. Table 19 illustrates the distribution of small business loans by gross annual revenues.

Gross Annual Revenues (000s)		<=\$1,000	>\$1,000	N/A*	Total
Businesses (D&B 2012)	Percent	72.4%	3.5%	24.1%	100.0%
2012	Number	83	67	0	150
	Percent	55.3%	44.7%	0.0%	100.0%
	Dollar (000s)	\$16,375	\$18,147	\$0	\$34,522
	Percent	47.4%	52.6%	0.0%	100.0%

Source: Bank Records. *Revenues not reported.

Home Mortgage Loans

Tables 20 and 21 show the distribution of home mortgage loans in 2011 and 2012 by borrower income level in the Wake County assessment area.

Table 20 shows poor penetration to low- and moderate-income borrowers in 2011. The bank did not originate any home mortgage loans to low-income borrowers in the Wake County assessment area and only 2 loans, or 8.3 percent, to moderate-income borrowers in 2011. The bank's lending performance to moderate-income borrowers is half of the aggregate lending data and demographic data.

The 2012 home mortgage performance, as shown in Table 21, continues to reflect a poor distribution of loans to low- and moderate-income borrowers. The bank only originated 1 loan (2.2 percent) in each segment, which significantly lags the percentage of low- and moderate-income borrowers of 19.5 and 15.8 percent, respectively. Performance is also well below aggregate lending data for moderate-income borrowers but comparable to aggregate lending for low-income borrowers. The dollar volume of lending shows similar poor distribution. Overall, the bank's home mortgage performance in the Wake County assessment area is considered poor.

Table 20 – Distribution of Home Mortgage Loans by Borrower Income Level for the Wake County Assessment Area								
Borrower Income Level		Low	Moderate	Middle	Upper	N/A	Total	
Total Assessment Area Families*	Percent	16.9%	16.6%	22.5%	44.0%	0.0%	100.0%	
2011 Aggregate Lending Data	Percent	7.5%	15.8%	19.9%	40.1%	16.7%	100.0%	
	2011	Number	0	2	6	4	12	24
		Percent	0.0%	8.3%	25.0%	16.7%	50.0%	100.0%
		Dollar (000s)	\$0	\$26	\$1,380	\$363	\$3,375	\$5,144
		Percent	0.0%	0.5%	26.8%	7.1%	65.6%	100.0%

Source: 2011 HMDA Data and 2011 Aggregate HMDA Data. *2000 U.S. Census Data

Table 21 – Distribution of Home Mortgage Loans by Borrower Income Level for the Wake County Assessment Area								
Borrower Income Level		Low	Moderate	Middle	Upper	N/A	Total	
Total Assessment Area Families*	Percent	19.5%	15.8%	19.6%	45.1%	0.0%	100.0%	
2012 Aggregate Lending Data	Percent	3.6%	10.5%	18.1%	50.9%	16.9%	100.0%	
	2012	Number	1	1	1	34	9	46
		Percent	2.2%	2.2%	2.2%	73.9%	19.5%	100.0%
		Dollar (000s)	\$51	\$95	\$165	\$3,582	\$1,629	\$5,522
		Percent	0.9%	1.7%	3.0%	64.9%	29.5%	100.0%

Source: 2012 HMDA Data and 2012 Aggregate Lending Data. *2010 U.S. Census Data

Pitt County Assessment Area

Small Business Loans

The distribution of loans to businesses of different sizes reflects reasonable penetration given the demographics of the assessment area. The bank originated 70 percent of loans to small businesses which is comparable to the demographics. Dollar volume of lending to small businesses is higher at 84.9 percent. Table 22 illustrates the distribution of small business loans by gross annual revenues.

Table 22 - Distribution of Small business Loans by Gross Annual Revenues of Business for the Pitt County Assessment Area					
Gross Annual Revenues (000s)		<=\$1,000	>\$1,000	N/A*	Total
Businesses (D&B 2012)	Percent	72.1%	3.1%	24.8%	100.0%
2012	Number	7	3	0	10
	Percent	70.0%	30.0%	0.0%	100.0%
	Dollar (000s)	\$1,813	\$323	\$0	\$2,136
	Percent	84.9%	15.1%	0.0%	100.0%

Source: Bank Records. *Revenues not reported.

Home Mortgage Loans

Tables 23 and 24 show the distribution of home mortgage loans in 2011 and 2012 by borrower income level in the Pitt County assessment area.

Table 23 shows reasonable penetration to low- and poor penetration to moderate-income borrowers in 2011. The bank originated 1 home mortgage loan (14.3 percent) to a low-income borrower in 2011. This performance compares favorably to 2011 aggregate data of 7.5 percent, but lags demographic data of 22.7 percent. TrustAtlantic Bank did not originate any home mortgage loans to moderate-income borrowers in 2011. However, it is also noted that only 4 of the loans made in Pitt County noted income data, making the analysis difficult.

The bank's 2012 home mortgage performance, as shown in Table 24, reflects a poor distribution as the bank did not originate any loans to low- or moderate-income borrowers in 2012 in the Pitt County Assessment Area. However, it is also noted that only 6 of the loans made in Pitt County noted income data, making the analysis difficult.

Table 23 – Distribution of Home Mortgage Loans by Borrower Income Level for the Pitt County Assessment Area								
Borrower Income Level		Low	Moderate	Middle	Upper	N/A	Total	
Total Assessment Area Families*	Percent	22.7%	15.9%	19.2%	42.2%	0.0%	100.0%	
2011 Aggregate Lending Data	Percent	7.5%	15.8%	19.9%	40.1%	16.7%	100.0%	
	2011	Number	1	0	1	2	3	7
		Percent	14.3%	0.0%	14.3%	28.6%	42.8%	100.0%
		Dollar (000s)	\$41	\$0	\$108	\$487	\$598	\$1,234
		Percent	3.3%	0.0%	8.7%	39.5%	48.5%	100.0%

Source: 2011 HMDA Data and 2011 Aggregate HMDA Data. *2000 U.S. Census Data

Table 24 – Distribution of Home Mortgage Loans by Borrower Income Level for the Pitt County Assessment Area								
Borrower Income Level		Low	Moderate	Middle	Upper	N/A	Total	
Total Assessment Area Families*	Percent	23.8%	15.8%	18.7%	41.7%	0.0%	100.0%	
2012 Aggregate Lending Data	Percent	2.0%	9.2%	14.6%	54.3%	19.9%	100.0%	
	2012	Number	0	0	1	5	3	9
		Percent	0.0%	0.0%	11.1%	55.6%	33.3%	100.0%
		Dollar (000s)	\$0	\$0	\$62	\$180	\$2,883	\$3,125
		Percent	0.0%	0.0%	2.0%	5.8%	92.2%	100.0%

Source: 2012 HMDA Data and 2012 Aggregate Data. *2010 U.S. Census Data

Response to Complaints

There have been no CRA-related complaints since the last evaluation.

Community Development Activities

The bank’s overall community development performance demonstrates excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities in the institution’s assessment areas. Community development activities were evaluated back to the last examination dated May 4, 2010.

The strength of the bank’s community development activities is in providing qualified community development loans and investments in the Wake County Assessment Area. The level of community development services is considered reasonable.

Community Development Lending

The bank funded a high level of community development loans since the last evaluation. Table 25 shows that the bank originated a total of 35 community development loans for \$17,038,000 in the assessment areas since the last evaluation. The bank’s dollar volume of community development lending has increased from the prior examination when the bank funded a total of 66 qualifying community development loans for \$14 million.

The dollar volume of community development lending from the present examination represents approximately 5.8 percent of net loans as of June 30, 2013. A review of the community development lending of two similarly-situated banks revealed community development lending of 0.3 percent and 3.5 percent. The loans were extended for affordable housing, economic development, services to low-and moderate-income individuals, and the revitalization and stabilization of distressed middle-income areas. All but three of the community development loans benefit the Wake County Assessment Area. The three community development loans in the Pitt County Assessment Area support affordable housing and economic development.

Table 25 – Community Development Lending					
Year	Affordable Housing	Economic Development	Revitalization & Stabilization	Services	Total
2010	\$0	\$1,050,000	\$0	\$0	\$1,050,000
2011	\$1,060,000	\$1,250,000	\$950,000	\$0	\$3,260,000
2012	\$3,645,000	\$1,368,000	\$0	\$2,500,000	\$7,513,000
2013 (YTD)	\$4,451,000	\$414,000	\$350,000	\$0	\$5,215,000
TOTAL	\$9,156,000	\$4,082,000	\$1,300,000	\$2,500,000	\$17,038,000

Source: Bank Records.

Community Development Investments

TrustAtlantic Bank provided a high level of qualifying CRA investments during the evaluation period. Table 26 shows the bank provided 80 qualifying community development investments for a total of \$27,771,000, which represents approximately 40 percent of the bank’s investment portfolio as of June 30, 2013. The dollar volume of qualifying investments has increased substantially from the prior examination where a total of \$14.4 million were made. All investments are new since the prior examination with the exception of the \$750,000 SBIC Fund investment. In addition, each investment is targeted to the bank’s Wake County Assessment Area, except the Small Business Administration (SBA) Bonds, Small Business Investment Corporation (SBIC) Funds, and the GNMA mortgage-backed security. The SBA Bond and SBIC Fund investments are nationwide in scope and only indirectly affect the bank’s Assessment Areas. The GNMA mortgage-backed security is secured by low-income housing in both the Wake and Pitt County Assessment Areas. Specific details on the investments follow:

SBA Bonds – These securities are issued once a month on a nationwide basis. The securities are comprised of loans to small businesses including those in the bank’s Assessment Areas. All loans are guaranteed by the SBA.

SBIC Fund – This fund provides equity capital for small business economic development. The fund is nationwide but more targeted to the southeast region of the US.

GNMA Mortgage-Backed Security – This security was purchased just after the last examination in September 2010 and is backed by affordable home loans in the Wake and Pitt County Assessment Areas.

FNMA Bond – This security is backed by an affordable multi-family development in the Wake County Assessment Area. The project was eligible for low-income housing tax credits and was targeted to tenants with income less than 60 percent of the median family income.

Table 26 - Qualified Community Development Investments										
Investment Description	2010		2011		2012		2013 (YTD)		Totals	
	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)	#	\$(000)
SBA Bonds	6	\$4,000	12	\$8,000	12	\$8,000	6	\$4,000	36	\$24,000
SBIC Fund	1	\$750			1	\$500	1	\$500	3	\$1,750
GNMA Mortgage-Backed Security	1	\$1,222							1	\$1,222
FNMA Bond							1	\$750	1	\$750

Grants and Donations	0	\$0	4	\$10	21	\$25	14	\$14	39	\$49
Grand Total	8	\$5,972	16	\$8,010	34	\$8,525	22	\$5,264	80	\$27,771

Source: Bank Records.

Community Development Services

The bank provided an adequate level of community development services over the evaluation period. Bank staff participates in roles which target low- and moderate-income residents and small businesses in the community. Officers and Board members lend financial expertise, promote economic development, and assist in the revitalization and stabilization of the community through participation in educational, health, housing, and social services.

Tables 27 and 28 lists the involvement of directors and employees of the bank in providing community development services that qualify for CRA credit in the Wake and Pitt County Assessment Areas respectively. A majority of these services were offered over the entire current evaluation period.

Service Description	Bank Sponsored Event, Program or Seminar	Technical Assistance or Director Involvement by Bank Employee	Bank Product or Service
Ten employees teach financial literacy classes for low- and moderate-income (LMI) school children on a regular basis. (2010 to present)		X	
Two employees work with a local business organization that supports small business economic development. Activities included fundraising, financial literacy, and services to LMI areas. (2010 to present)		X	
An employee serves on the Board of this non-profit organization that provides support services to LMI elderly residents (2010 to present)		X	
An employee serves on the Board of this non-profit school that is targeted toward LMI students (2010 to present)		X	
An employee serves on the Board of this non-profit foundation that provides grants and services to LMI families and neighborhoods. (2010 to present)		X	
An employee serves on the Board of this non-profit charity group that provides a number of services to LMI residents. (2010 to present)		X	
An employee serves on the Board of this organization that supports small businesses (2010 to present)		X	
An employee developed and presented a financial literacy program to LMI high school students in a low-income area (2012, 2013)		X	
An employee taught financial literacy and fraud prevention to LMI senior citizens. (2013)		X	

Source: Bank Records.

Table 28 - Community Development Services (Pitt County Assessment Area)			
Service Description	Bank Sponsored Event, Program or Seminar	Technical Assistance or Director Involvement by Bank Employee	Bank Product or Service
An employee serves on the Board of this non-profit organization that provides scholarships to LMI students. (2010 to present)		X	
An employee taught financial literacy at this school targeted to LMI students (2012)		X	
Three employees developed and taught financial literacy classed to LMI teenagers through a local non-profit organization. (2013)		X	

Source: Bank Records.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners evaluated the bank’s compliance with antidiscrimination laws, including the Fair Housing Act and the Equal Credit Opportunity Act. The fair lending review disclosed no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.