

PUBLIC DISCLOSURE

October 23, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Carter Bank & Trust
Certificate Number: 58596

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Martinsville, Virginia 24112

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
Atlanta Regional Office

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Atlanta, Georgia 30309-3849

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	1
DESCRIPTION OF INSTITUTION	3
DESCRIPTION OF ASSESSMENT AREAS.....	4
SCOPE OF EVALUATION.....	7
CONCLUSIONS ON PERFORMANCE CRITERIA.....	10
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	20
VIRGINIA	21
DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA	21
SCOPE OF EVALUATION – VIRGINIA.....	21
CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA	21
VA NON-MSA ASSESSMENT AREA – Full-Scope Review	27
CHARLOTTESVILLE MSA ASSESSMENT AREA – Full-Scope Review	35
ROANOKE MSA ASSESSMENT AREA – Full-Scope Review	43
WASHINGTON MD ASSESSMENT AREA – Full-Scope Review.....	51
OTHER ASSESSMENT AREAS – Limited-Scope Review.....	59
NORTH CAROLINA	64
DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORTH CAROLINA	64
SCOPE OF EVALUATION – NORTH CAROLINA.....	64
CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA	65
GREENSBORO MSA ASSESSMENT AREA – Full-Scope Review	70
CHARLOTTE MSA ASSESSMENT AREA – Full-Scope Review	78
NC NON-MSA ASSESSMENT AREA – Full-Scope Review	86
OTHER ASSESSMENT AREAS – Limited-Scope Review.....	94
APPENDICES	101
LARGE BANK PERFORMANCE CRITERIA.....	101
SCOPE OF EVALUATION.....	103
SUMMARY OF RATINGS FOR RATED AREAS	104
DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS.....	105
GLOSSARY	112

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 area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. s of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. has a satisfactory record of helping to meet the credit need

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Low Satisfactory		X	
Needs to Improve			
Substantial Noncompliance			
* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.			

The Lending Test is rated High Satisfactory.

- Lending levels reflect good responsiveness to assessment area credit needs.
- An adequate percentage of loans were made in the institution’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects adequate penetration among retail customers of different income levels and businesses of different sizes.
- The institution is a leader in making community development loans.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.

The Investment Test is rated Low Satisfactory.

- The bank has an adequate level of qualified investments and grants, although rarely in a leadership position, particularly those that area not routinely provided by private investors.

- The bank exhibits adequate responsiveness to credit and community economic development needs.
- The institution occasionally uses innovative investments to support community development initiatives. The investments area not considered complex.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches throughout the assessment areas has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provided a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Carter Bank & Trust (Carter Bank) is a \$4.4 billion state-chartered commercial bank headquartered in Martinsville, Virginia. In November 2020, the bank became a wholly-owned subsidiary of Carter Bankshares, Inc., a newly formed one-bank holding company, also headquartered in Martinsville, Virginia. The bank does not have any other subsidiaries or affiliates.

This evaluation covers the period from the prior evaluation, August 3, 2020, through the current examination date and was evaluated using the Large Institution Examination Procedures. The bank received an overall Satisfactory CRA Rating during the previous FDIC evaluation with the Lending Test rated High-Satisfactory, the Investment Test rated Outstanding, and the Services Test rated High-Satisfactory.

The bank continues to reduce its footprint through multiple branch closures and sales that have occurred since the previous evaluation. The bank currently operates 66 full service branches in Virginia and North Carolina, down from 99 at the prior evaluation. Since the previous examination the bank has opened 3 branches, closed 32 branches, and sold 4 branches. The branch closures and sales resulted in the elimination of 6 assessment areas and reductions in 4 assessment areas. The branch openings expanded 1 existing assessment area. The bank also operates a loan production office in the Greensboro MSA assessment area and one in the Roanoke MSA assessment area. Both opened since the last evaluation.

The bank's business strategy and lending programs remain unchanged. The bank has historically been a commercial lending and continues to originate a wide variety of commercial loans including owner-occupied commercial real estate, commercial investment property, commercial and industrial, and small business commercial loans primarily through their branch network. In addition, the bank originates residential mortgage loans for sale in the secondary market as well as for retention by the bank and other consumer purpose loans.

Carter Bank offers a full range of banking services, including investment, trust, and cash management products and services to both commercial and individual customers. The bank makes available various deposit accounts including checking, savings, and certificates of deposit. Additionally, the bank offers online and mobile banking which includes bill payment, Zelle for person-to-person payments, telephone banking, and online deposit account opening. The bank also operates 18 automated teller machines (ATMs) and does not charge fees for withdrawals at non-proprietary ATMs. The ATMs have been installed since the last evaluation.

As of the September 30, 2023, Consolidated Reports of Condition and Income (Call Report), the bank had total assets of \$4.4 billion, total deposits of \$3.6 billion, and total loans of \$3.4 billion. Since the previous CRA performance evaluation, total assets increased by 7.1 percent. Simultaneously, the bank experienced a 1.4 percent decrease in total deposits and a 15.0 percent increase in total loans. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 9/30/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	470,224	13.8
Secured by Farmland	34	0.0
Secured by 1-4 Family Residential Properties	751,735	22.0
Secured by Multifamily (5 or more) Residential Properties	279,698	8.2
Secured by Nonfarm Nonresidential Properties	1,532,432	44.9
Total Real Estate Loans	3,034,123	88.9
Commercial and Industrial Loans	209,745	6.2
Agricultural Production and Other Loans to Farmers	68	0.0
Consumer Loans	36,463	1.1
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	130,541	3.8
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	3,410,940	100.00
<i>Source: Reports of Condition and Income</i>		

As reflected in the above table, the bank's significant loan types are commercial loans and residential real estate. The Call Report data shows that commercial loans, including those secured by nonfarm, nonresidential real estate, comprise 51.1 percent and one-to-four residential real estate loans comprise 22.0 percent of the portfolio. However, the bank originates home mortgage loans that are sold into the secondary market; thus, the loans are not reflected in the above lending levels.

Examiners did not identify any financial, legal, or other impediments that effect the bank's ability to meet the credit needs of the assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

Carter Bank has operated within 18 assessment areas in Virginia and North Carolina since the last evaluation; however, operates within 12 assessment areas as of the evaluation date due to branch closures or sales since the previous evaluation. Examiners assigned ratings to each state separately and combined the counties that are not part of a metropolitan statistical area (MSA) in each state to form state-wide non-MSA assessment areas for this CRA evaluation. The following table provides a description of the assessment areas.

Description of Assessment Areas				
Assessment Area	Counties and Cities in Assessment Area	# of CTs	# of Branches	Changes Since Last Evaluation
Virginia				
Virginia Non-MSA (VA Non-MSA)	Carroll, Floyd, Grayson, Halifax, Henry, Mecklenburg, Patrick, Pittsylvania, Rockbridge, and Wythe Counties. Buena Vista, Danville, Galax, Lexington, and Martinsville Cities.	123	23	Russell, Tazewell, and Wise Counties were removed from the assessment area in 2021 due to the closure of branches within each county
Charlottesville, VA MSA (Charlottesville MSA)	Albemarle County and Charlottesville City.	41	2	
Roanoke, VA MSA (Roanoke MSA)	Botetourt, Craig, Franklin, and Roanoke Counties. Roanoke and Salem Cities.	78	10	
Washington-Arlington-Alexandria, DC-VA-MD-WV MD (Washington MD)	Culpepper, Fairfax, Prince William, Spotsylvania, and Stafford Counties. Fairfax, Fredericksburg, Manassas, and Manassas Park Cities.	465	6	Manassas City and Prince William County removed from the assessment area in 2021 due to the closure of branches within each of the geographies. Manassas, Fairfax, and Manassas Park Cities as well as Prince William and Fairfax Counties added to the assessment area in 2022 following analysis of lending in these geographies.
Blacksburg-Christiansburg, VA MSA (Blacksburg MSA)	Giles, Montgomery, and Pulaski Counties. Radford City.	43	5	
Lynchburg, VA MSA (Lynchburg MSA)	Amherst, Bedford, and Campbell Counties. Lynchburg City.	65	7	
Harrisonburg, VA MSA (Harrisonburg MSA)	Rockingham County and Harrisonburg City.	30	0	Harrisonburg MSA removed from assessment areas in 2021 due to the closure of remaining branches within the MSA.
Kingsport-Bristol, TN-VA MSA (Kingsport MSA)	Washington County and Bristol City.	17	0	Kingsport MSA removed from assessment areas in 2021 due to the closure of remaining branches within the MSA.
Staunton, VA MSA (Staunton, MSA)	Augusta County. Staunton and Waynesboro Cities.	24	0	Staunton MSA removed from assessment areas in 2021 due to the closure of remaining branches within the MSA.
North Carolina				
Greensboro-High Point, NC MSA (Greensboro MSA)	Guilford, Randolph, and Rockingham Counties.	182	4	

Description of Assessment Areas				
Charlotte-Concord-Gastonia, NC-SC MSA (Charlotte MSA)	Iredell County and the City of Charlotte.	286	2	Lincoln County was removed from the assessment area in 2021 due to the closure of branches within the county. The City of Charlotte was added to the assessment area in 2022 with the opening of a branch within the city.
North Carolina Non-MSA (NC Non-MSA)	Lee, Surry, Vance, and Wilson Counties.	76	4	Robeson, Rutherford, and Wilkes Counties were removed from the assessment area in 2021 due to the closures of branches within the counties.
Durham-Chapel Hill, NC MSA (Durham MSA)	Chatham, Durham, and Person Counties.	94	1	Durham County was added to the assessment area in 2022 following analysis of lending in this MSA.
Fayetteville, NC MSA (Fayetteville MSA)	Cumberland County.	81	1	
Raleigh-Cary, NC MSA (Raleigh MSA)	Franklin County.	16	1	
Greenville, NC MSA (Greenville MSA)	Pitt County.	32	0	Greenville MSA removed from assessment areas in 2021 due to the closure of remaining branches within the MSA.
Hickory-Lenoir-Morganton, NC MSA (Hickory MSA)	Burke and Catawba Counties.	49	0	Hickory MSA removed from assessment areas in 2021 due to the closure of remaining branches within the MSA.
Burlington, NC MSA (Burlington MSA)	Alamance County	36	0	Burlington MSA removed from assessment areas in 2020 due to the closure of remaining branches within the MSA.
<i>Source: Bank Data</i>				

As noted in the table above, six assessment areas were removed from the bank’s assessment areas since the previous evaluation as the result of branch closures or sales. These assessment areas include the Harrisonburg MSA, Kingsport MSA, Staunton MSA, Greenville MSA, Hickory MSA, and Burlington MSA assessment areas.

Refer to the Description of Institution’s Operations for each rated area and assessment area for more detailed information.

SCOPE OF EVALUATION

General Information

In evaluating Carter Bank's Community Reinvestment Act (CRA) performance, examiners used the Large Institution CRA Examination Procedures, which consist of three tests: Lending, Investment, and Service. Examiners used the procedures to evaluate the bank's CRA performance in its designated assessment areas. The evaluation period was from August 4, 2020 to October 23, 2023.

The lending test considers an institution's performance with respect to its lending activity and assessment area concentration; geographic distribution and borrower profile characteristics; innovative and/or flexible lending practices; and community development lending. The lending test received the most weight in the evaluation, and an institution may not receive an overall "Satisfactory" rating unless it receives at least a "Low Satisfactory" lending test rating. The investment test considers the nature of an institution's qualified investments, grants, and donations. In particular, the investment test considers the level, responsiveness, innovativeness, and complexity of these activities. Lastly, the service test analyzes an institution's retail services in relation to accessibility of delivery systems; branch locations, including openings and closures; and reasonableness of business hours and services. The service test also evaluates an institution's level of community development services.

Examiners evaluated the bank's lending data, deposit activity, and branching to determine the weighting to be placed on each rated area with regards to the overall conclusions, analysis, and assigned ratings. As shown in the table below, a significant portion of lending by dollar volume (69.9 percent) and by number of loans (79.7 percent), deposits (88.7 percent), and branches (80.3 percent) are in Virginia. Therefore, Virginia received significant weight in the overall conclusions and ratings with North Carolina receiving secondary and weight.

Assessment Area Breakdown of Loans, Deposits, and Branches												
Rated Area/ Assessment Area	Loans						Deposits			Branches		
	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area
VA Non-MSA (FS)	49,948	7.9	11.3	559	29.5	37.0	1,851,827	51.8	58.3	23	34.8	43.4
Charlottesville MSA (FS)	178,362	28.2	40.3	273	14.4	18.1	34,447	1.0	1.1	2	3.0	3.8
Roanoke MSA (FS)	51,688	8.2	11.7	204	10.7	13.5	562,202	15.7	17.7	10	15.2	18.9
Washington MD (FS)	94,785	15.0	21.4	209	11.0	13.8	231,065	6.5	7.3	6	9.1	11.3
Blacksburg MSA (LS)	14,501	2.3	3.3	76	4.0	5.0	192,567	5.4	6.1	5	7.6	9.4
Lynchburg MSA (LS)	41,944	6.6	9.5	180	9.5	11.9	300,133	8.4	9.5	7	10.6	13.2
Harrisonburg MSA (LS)*	252	0.0	0.1	3	0.2	0.2	0	0.0	0.0	0	0.0	0.0
Kingsport MSA (LS)*	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0
Staunton MSA (LS)*	11,177	1.8	2.5	8	0.4	0.5	0	0.0	0.0	0	0.0	0.0
Virginia Subtotal	442,657	69.9	100.0	1,512	79.7	100.00	3,172,241	88.7	100.0	53	80.3	100.0
Greensboro MSA (FS)	17,102	2.7	9.0	124	6.5	32.1	179,537	4.9	44.3	4	6.1	30.8
Charlotte MSA (FS)	87,231	13.8	45.8	102	5.4	26.4	67,068	1.9	16.5	2	3.0	15.4
NC Non-MSA (FS)	43,982	6.9	23.1	66	3.5	17.1	106,548	3.0	26.3	4	6.1	30.8
Durham MSA (LS)	5,667	0.9	3.0	28	1.5	7.3	28,276	0.8	7.0	1	1.5	7.7
Fayetteville MSA (LS)	30,631	4.8	16.1	23	1.2	6.0	14,115	0.4	3.5	1	1.5	7.7
Raleigh MSA (LS)	2,381	0.4	1.2	16	0.8	4.1	9,749	0.3	2.4	1	1.5	7.7
Greenville MSA (LS)*	2,025	0.3	1.1	6	0.3	1.6	0	0.0	0.0	0	0.0	0.0
Hickory MSA (LS)*	805	0.1	0.4	15	0.8	3.9	0	0.0	0.0	0	0.0	0.0
Burlington, NC MSA (LS)*	796	0.1	0.4	6	0.3	1.6	0	0.0	0.0	0	0.0	0.0
North Carolina Subtotal	190,620	30.1	100.0	386	20.3	100.00	405,293	11.3	100.0	13	19.7	100.0
Total	633,277	100.0		1,898	100.0		3,577,534	100.0		66	100.0	

Source: 202-2022 HMDA Data; 202-2022 CRA Data; Bank Records; and, FDIC Summary of Deposits (06/30/2023).

FS – Full-Scope; LS – Limited-Scope.

*Includes HMDA and CRA loans for 2020 only as the assessment areas were eliminated through branch closings or sales in 2020 and April 2021.

Due to rounding percentages may not total.

Activities Reviewed

The bank’s primary products are home mortgage and small business loans based on the volume of lending reported for the Home Mortgage Disclosure Act (HMDA) and CRA, a review of all loan types originated in 2022, and the overall loan portfolio distribution as of September 30, 2023. This evaluation includes a review of home mortgage loans reported pursuant to the HMDA and small business loans reported under the CRA for 2020 and 2021 for all rated areas and assessment areas, except for the six assessments (noted with an asterisk above) removed as the result of branch closures or sales in 2020 for the Burlington MSA assessment area and in April 2021 for the remaining areas. For these six assessment areas, only loans for 2020 are included and such are only included in the Assessment Area Concentration performance criteria for 2020 as well community development activities from the last evaluation through the elimination of the assessment areas. As shown above, these six assessment areas have limited lending for analysis regarding Geographic Distribution and Borrower Profile. Therefore, analysis and data regarding these assessment areas are not further presented. Additionally, CRA data for 2022 was not analyzed for any assessment

area as the bank only originated 42 small business loans totaling \$10.1 million across all assessment areas resulting insufficient lending volumes from which to derive conclusions.

The tables present 2022 lending data for home mortgage loans and 2021 lending data for small business loans, in most assessment areas, as these are the most recent years for which aggregate data is available for comparison purposes, and overall performance is generally consistent across the years reviewed. However, examiners also reviewed lending performance for 2020 and 2021 for home mortgages as well as 2020 for small business loans and discuss any significant performance variances, under the Geographic Distribution and Borrower Profile performance factors. The Geographic Distribution and Borrower Profile focuses only on loans originated within the assessment areas.

Federal banking agencies rely on the U.S. Census data that is updated every five years through the American Community Survey (ACS) for comparative demographic data for the home mortgage lending and D&B data for small business lending. Two sets of U.S. Census data were used for comparison purposes. The 2015 ACS Data was used to analyze home mortgage lending for 2020 and 2021, and the 2020 U.S. Census Data was used for the 2022 lending analysis. HMDA aggregate data for 2020, 2021 and 2022 was also included for comparative analysis of home mortgage lending. The annual D&B data provided a standard of comparison for the small business lending along with CRA aggregate data for 2020 and 2021.

For the Geographic Distribution analysis, the bank’s home mortgage and small business lending performance is compared to the level of owner-occupied housing and businesses located in low-, moderate-, middle-, and upper-income census tracts, as applicable. For Borrower Distribution analysis, the bank’s performance is compared to the level of low-, moderate-, middle-, and upper-income borrowers for home mortgage lending and the percentage of businesses with gross annual revenues of \$1 million or less.

When weighing the loan products’ impact on the conclusions, other than Community Development Lending, examiners evaluated home mortgage and small business loans on the volume of lending by dollar volume and by number of loans over the review period. The weighting for products varied between the rated areas and assessment areas and is discussed in the scope of each rated area. Only 57 small farm loans totaling \$2.5 million were originated across the three-year period in all assessment areas combined. Therefore, given the nominal volume of small farm loans originated, small farm loans were not analyzed and are not further presented.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	2,152	1,281,436	2,152	1,281,436
Small Business	1,409	148,901	1,409	148,901
Small Farm	57	2,495	0	0

Source: 2020, 2021, and 2022 HMDA and CRA Data.

The following table reflects loans originated or purchased during 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	527,420	31.4	234	6.1
Secured by Farmland	0	0.0	0	0.0
Secured by 1-4 Family Residential Properties	255,925	15.2	1,081	28.3
Multi-Family (5 or more) Residential Properties	130,343	7.8	21	0.5
Commercial Real Estate Loans	693,969	41.3	178	4.7
Commercial and Industrial Loans	51,515	3.1	160	4.2
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	19,850	1.2	2,146	56.2
Other Loans	0	0.0	0	0.0
Total Loans	1,679,022	100.0	3,820	100.0
<i>Source: Bank Data</i>				

Additionally, a review of the delivery systems for retail banking services and the impact of any branch openings or closures was completed. The impact of branch openings and closings is discussed under the overall Conclusions on Performance Criteria as well as in each rated area and full-scope assessment area where branch changes occurred. The branch distribution by income level of the geography is based on the 2020 U.S. census data. The demographic tables in each assessment area also reflect the 2020 census data. Retail banking services were reviewed to ensure that the needs of the assessment areas are being met, especially for low- and moderate-income borrowers, small businesses, and small farms. The branch office distribution period is from August 4, 2020, through September 30, 2023.

The evaluation period for community development loans, qualified investments, and community development services is August 4, 2020, through October 23, 2023. All qualified investments purchased prior to the last evaluation date and still outstanding as of this evaluation date are also included. Furthermore, examiners evaluated community development activities quantitatively based on the financial capacity of the bank, as well as qualitatively based upon the impact to the assessment areas. For those assessment areas that were eliminated or reduced during the evaluation period, community development activities are included through the date the assessment areas revisions occurred.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated High Satisfactory. Lending levels reflect good responsiveness to the assessment areas' credit needs, and an adequate percentage of loans was made in the assessment areas. The geographic distribution of loans reflects good penetration throughout the assessment areas, and the distribution of loans to borrowers of different incomes and businesses of different sizes is adequate. The institution is a leader in making community development loans and uses flexible and/or innovative lending practices in order to serve the assessment areas' credit needs. The bank's overall performance is consistent with the rated areas.

Lending Activity

Lending levels reflect good responsiveness to the assessment areas' credit needs. As of the September 30, 2023, Consolidated Report of Condition and Income, Carter Bank had a 93.3 percent net loan-to-deposit ratio, which is an increase from 80.9 percent at the previous evaluation. The loan-to-deposit ratio has trended generally upward from a low of 73.3 percent in the fourth quarter of 2021 to a high of 93.3 percent in the third quarter of 2023. In addition, the bank's average loan-to-deposit ratio over the prior 14 quarters since the previous evaluation is 81.1 percent. Carter Bank's average loan-to-deposit ratio is comparable to institutions with similar geographic markets and asset sizes, which ranged from 62.4 percent to 97.7 percent.

Assessment Area Concentration

An adequate percentage of loans was made in the assessment areas. The following table provides the bank's lending inside and outside of the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	381	67.1	187	32.9	568	166,393	49.5	169,771	50.5	336,164
2021	334	53.4	291	46.6	625	145,016	36.4	253,708	63.6	398,724
2022	477	49.7	482	50.3	959	259,044	47.4	287,504	52.6	546,548
Subtotal	1,192	55.4	960	44.6	2,152	570,453	44.5	710,983	55.5	1,281,436
Small Business										
2020	510	54.4	428	45.6	938	34,403	45.0	41,999	55.0	76,402
2021	156	45.3	188	54.7	344	18,367	40.8	26,662	59.2	45,029
2022	40	31.5	87	68.5	127	10,054	36.6	17,416	63.4	27,470
Subtotal	706	50.1	703	49.9	1,409	62,824	42.2	86,077	57.8	148,901
Total	1,898	53.3	1,663	46.7	3,561	633,277	44.3	797,060	55.7	1,430,337

Source: 2020-2022 HMDA and CRA Data.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment areas. The distribution of home mortgage and small business loans were both considered good overall. Performance was consistent in the rated areas.

Borrower Profile

The distribution of loans reflects adequate penetration among individuals of different income levels and businesses of different sizes. Small business lending performance was generally stronger than

home mortgage lending performance. Performance varied across the rated areas with Virginia reflecting adequate performance and the North Carolina rated area performance considered good.

Innovative or Flexible Lending Practices

The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs. During the current evaluation period, the bank provided 318 loans totaling \$36.9 million under innovative and/or flexible loan programs. This performance represents a decrease by number and dollar volume from the previous evaluation. This decrease is largely due to the bank's participation in the Small Business Administration (SBA) Paycheck Protection Program (PPP) that occurred in 2020. PPP participation in 2021 was significantly less than in 2020.

During the evaluation period, the institution purchased 52 Federal Home Loan Bank (FHLB) loans totaling approximately \$11.5 million. The FHLB Affordable Housing Program provides home loans for first-time homebuyers, veterans, and other community partners, which includes law enforcement officers, teachers, first responders, and healthcare providers with income that is below 80 percent of the median family income for the area. Additionally, the bank provides a subsidy that can be used for down-payment assistance, closing costs, or principal reduction on these loans. During the evaluation period, the bank provided 52 FHLB affordable housing subsidies totaling \$502,000.

The bank also offers Federal Housing Administration (FHA), United States Department of Agriculture (USDA), Veteran's Administration (VA), and Conventional 97 loans. Each of these programs offer various flexible options for the borrower, including reduced or no down-payment, reduced closing costs, lower or no mortgage insurance, and flexible underwriting qualifications. Since the previous evaluation, the bank originated 76 loans in these programs totaling \$11.8 million.

In addition, the bank is an SBA lender and participates in the SBA 504 Program and participated in the PPP. The SBA 504 Program is an avenue for business financing, while promoting business growth and job creation. The program provides small businesses with financing to acquire fixed assets for expansion or modernization. During the review period, the bank originated two SBA 504 loans totaling \$2.1 million.

In response to small businesses adversely affected by COVID-19, the bank participated in the PPP that was created under the Coronavirus Aid, Relief, and Economic Security Act. This program was designed to provide assistance to small businesses to retain and/or improve jobs. In addition, the SBA forgave the loan if the employee retention criteria were met and funds were used for eligible expenses. In 2021, the bank originated 136 PPP loans totaling \$11.1 million to small businesses located within the assessment areas.

Innovative or Flexible Lending Programs										
Type of Program	2020*		2021		2022		2023*		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHLB Loans	9	2,018	10	2,328	15	3,057	18	4,125	52	11,528
FHLB Grants	9	58	10	87	15	127	18	230	52	502
FHA Loans	3	646	6	777	8	945	4	455	21	2,823
VA Loans	2	540	6	1,420	1	143	0	0	9	2,103
USDA Loans	4	456	16	2,069	7	1,141	4	498	31	4,164
Conventional 97 Loans	5	707	3	757	3	534	4	684	15	2,682
PPP Loans	0	0	136	11,078	0	0	0	0	136	11,078
SBA Loans	0	0	0	0	0	0	2	2,053	2	2,053
Totals	32	4,425	187	18,516	49	5,947	50	8,045	318	36,933
<i>Source: Bank Data</i>										
<i>*Data from 08/04/2020-12/31/2020 and 01/01/2023-10/24/2023</i>										

Carter Bank provides these flexible lending programs throughout all assessment areas. Therefore, comments regarding Innovative and/or Flexible Lending Practices are not provided within for each assessment area analysis.

Community Development Loans

Carter Bank is a leader in making community development loans. During the evaluation period, the bank extended 64 community development loans totaling approximately \$302.5 million. This activity accounts for 9.9 percent of average total loans and 7.2 percent of average total assets as of September 30, 2023. While the total number of community development loans has increased only slightly, the overall performance by dollar volume of loans is more than two times greater than the performance at the previous evaluation. Performance is varied across the rated areas with the bank being a leader in making community development loans in North Carolina, while making a relatively high level of community development loans in Virginia. While the primary weight is generally given to Virginia in the overall conclusions, the substantive level of community development lending in North Carolina influenced the overall rating for community development lending.

Of the 64 community development loans, 7 loans totaling \$45.9 million were made in the broader regional area that includes the bank's assessment areas. The bank has been responsive to community development needs and opportunities inside its assessment areas; thus, these loans are also considered. Refer to each rated area and full-scope assessment area for detailed discussion and examples of community development loans.

Community Development Lending by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020*	3	26,222	0	0	1	2,377	0	0	4	28,599
2021	9	9,123	4	7,190	15	52,105	1	32	29	68,450
2022	3	7,815	2	22,900	12	61,493	1	3,075	18	95,283
2023*	0	0	0	0	13	110,199	0	0	13	110,199
Total	15	43,160	6	30,090	41	226,174	2	3,107	64	302,531
<i>Source: Bank Data</i>										
<i>*Data from 08/04/2020-12/31/2020 and 01/01/2023-10/24/2022</i>										

Community Development Lending by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Virginia	5	11,065	3	16,190	6	12,847	2	3,107	16	43,209
North Carolina	9	30,255	1	4,000	31	179,200	0	0	41	213,455
Regional Activities	1	1,840	2	9,900	4	34,127	0	0	7	45,867
Total	15	43,160	6	30,090	41	226,174	2	3,107	64	302,531
<i>Source: Bank Data</i>										

Examples of community development loans in the broader regional area are provided below.

- \$17.5 million to purchase and expand an industrial property located in a moderate-income census tract retaining jobs for low- and moderate-income individuals.
- \$10.7 million to expand an existing industrial property located in a moderate-income census tract retaining jobs for low- and moderate-income individuals.
- \$6.9 million to refinance an office building located in a moderate-income census tract that is currently leased to FEMA. The office building houses the FEMA National Processing Service Center which receives calls and processes applications from disaster victims as well as low- and moderate-income individuals.

INVESTMENT TEST

The Investment Test is rated Low Satisfactory. Carter Bank has an adequate level of qualified investments and grants, rarely in a leadership position, particularly those that are not routinely provided by private investors. The institution exhibits adequate responsiveness to credit and community development needs. The bank occasionally uses innovative investments to support community development initiatives; however, the investments are not considered complex. The institution's overall rating is consistent with each rated area.

Investment and Grant Activity

Carter Bank has an adequate level of qualified investments and grants, rarely in a leadership position, particularly those that are not routinely provided by private investors. During the

evaluation period, the bank had 493 qualified investments (including donations) totaling \$32.6 million, which is 0.7 percent of total assets and 4.1 percent of total investments. Since the last evaluation, qualified investments decreased from \$131.9 million to \$32.6 million. Of the \$32.6 million, \$3.9 million are new qualified investments, \$27.9 million are prior period investments, and \$857,000 are grants and donations.

Qualified investments made during the evaluation period primarily include bonds and mortgage backed securities (MBS) that support affordable housing throughout the assessment areas. The bonds includes those through the Virginia Housing Development Authority (VHDA), North Carolina Housing Finance Agency (NCHFA), FannieMae, and FreddieMac and include home mortgage loans to low- and moderate-income borrowers throughout the broader regional and state-wide areas of Virginia and North Carolina.

The following tables show the bank’s investment totals by purpose, year, and rated area. Further details regarding specific investment and grant activity is provided later under the investment section of each rated area and assessment area.

Qualified Investments by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	14	27,878	0	0	0	0	0	0	14	27,878
2020*	0	0	0	0	0	0	0	0	0	0
2021	3	3,905	0	0	0	0	0	0	3	3,905
2022	0	0	0	0	0	0	0	0	0	0
YTD 2023*	0	0	0	0	0	0	0	0	0	0
Subtotal	17	31,783	0	0	0	0	0	0	17	31,783
Qualified Grants & Donations	64	132	355	515	48	185	9	25	476	857
Total	81	31,915	355	515	48	185	9	25	493	32,640
<i>Source: Bank Data</i>										
<i>*Data from 08/04/2020-12/31/2020 and 01/01/2023-10/24/2023</i>										

Qualified Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Virginia	58	13,035	229	379	32	141	8	15	327	13,570
North Carolina	19	1,085	126	136	16	44	1	10	162	1,275
Regional Activities	4	17,795	0	0	0	0	0	0	4	17,795
Total	81	31,915	355	515	48	185	9	25	493	32,640
<i>Source: Bank Data</i>										

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and community development needs of the assessment areas. The bank continues to be responsive in providing affordable housing needs through investments in bonds and MBS.

Qualified investments include \$12.9 million in new and prior period housing bonds issued by the VHDA. These bonds provide funding for affordable mortgage loans for low- and moderate-income families throughout Virginia. The bank also holds \$1.1 million in prior period housing bond investments in the NCHFA. The NCHFA is a self-supporting public agency that provides safe, affordable housing opportunities to enhance the quality of life of residents throughout North Carolina. The bank also remains responsive to the affordable housing needs of the assessment areas through the \$17.8 million in MBS investments from prior periods that provide for housing for low- and moderate-income families throughout Virginia and North Carolina.

Additionally, qualified grants and donations have been responsive to the needs of charitable and community-based organizations serving residents in the assessment areas. Many organizations rely on these contributions to continue services. The bank made 476 qualifying donations during this evaluation period totaling \$857,000. Donations were awarded to organizations that provide community services, in addition to affordable housing, economic development, and revitalization and stabilization. Donations benefited each of the current assessment areas.

As the bank's responsiveness is adequate throughout the majority of its assessment areas, the Investment Test conclusions with regard to responsiveness for each rated area and full-scope assessment area include no further discussion regarding this criterion.

Community Development Initiatives

Carter Bank occasionally uses innovative investments to support community development initiatives; however, the investments are not considered complex. During the evaluation period, the bank's community development portal was open to their customers. This allowed customers to provide direct feedback regarding the community development initiatives they viewed as most important.

During the evaluation period, the bank remodeled branches and retained jobs at offices located in Enterprise Zones. The grant funds received from these activities were reinvested into communities within the assessment areas. This reinvestment resulted in contributions totaling \$170,000.

From 2020 through 2022, the bank implemented the Care Forward program. During this period, every new account opened resulted in a \$10 donation to a community development organization within that specific branch's community. This program generated more than \$126,000 in donations for community development organizations.

Performance in this criterion is generally consistent throughout rated areas and assessment areas. Therefore, the Investment Test conclusions with regards to innovativeness and complexity for each rated area and full-scope assessment area omit further discussion of this performance criterion.

SERVICE TEST

The Service Test is rated High Satisfactory. Delivery systems are accessible to essentially all portions of the assessment areas. To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals within the assessment areas. Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and individuals. Carter Bank provided a relatively high level of community development services. The institution’s overall performance is consistent with the conclusions for each rated area.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment areas. As of October 23, 2023, Carter Bank operated 66 full-service branches. Additionally, the bank operates 18 automated teller machines (ATM) throughout the assessment areas, all of which have been added since the previous evaluation. All of the ATM’s are co-located at branch locations. Two loan production offices are also operated.

Five full-service branches (7.6 percent) are located in low-income census tracts and, 19 branches (28.8 percent) are located in moderate-income census tracts. The percent of branches within the low- and moderate-income census tracts is above the population within those geographies. The distribution of ATM’s by geography is consistent with the distribution of branches as the number of ATM’s in both low- and moderate-income census tracts are above the population within those census tracts. The 2 loan production offices are located in upper-income tracts.

The branch distribution by geography income level is shown in the following table.

Branch and ATM Distribution by Geography Income Level										
Tract Income Level	Census Tracts		Population		Branches		ATMs		Loan Production Offices	
	#	%	#	%	#	%	#	%	#	%
Low	91	6.2	324,938	5.5	5	7.6	1	5.6	0	0.0
Moderate	350	24.0	1,403,645	23.7	19	28.8	6	33.3	0	0.0
Middle	581	39.8	2,433,636	41.1	35	53.0	7	38.9	0	0.0
Upper	405	27.8	1,707,407	28.8	7	10.6	4	22.2	2	100.0
NA	32	2.2	54,669	0.9	0	0.0	0	0.0	0	0.0
Total	1,459	100.0	5,924,295	100.0	66	100.0	18	100.0	2	100.0

Source: 2020 U.S. Census and Bank Data.

Alternative systems, such as online and telephone banking, are reasonably accessible to essentially all portions of the assessment area. Overall, alternative delivery systems are consistent throughout each rated area and assessment area. Therefore, the Service Test conclusions for each rated area and assessment area omit further discussion of alternative delivery systems. Further, branch accessibility is only presented in those rated areas and assessment areas that differ from the overall

bank-wide conclusion. Additionally, the branch distribution and accessibility is only discussed within the rated-areas and full-scope assessment areas that differ from the overall conclusion.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals within the assessment areas.

Since the previous performance evaluation and as presented in the following table, the bank opened 3 branches. None of the branches were located in low- or moderate-income census tracts. The bank closed or sold 36 branches. Of the 36 closed or sold branches, 1 branch was in a low-income census tract, and 14 branches were in moderate-income census tracts. Of the 15 closures in low- and moderate-income tracts, 9 were in areas that the bank removed from its assessment areas in early 2021. Six branches or 16.7 percent of branch closures and sales were in low- or moderate-income census tracts within the current assessment areas. However, 4 of the closed branches were in reasonable proximity to existing Carter Bank branches. Thus, the branch closures did not have an adverse impact on the performance under this criterion given that the closures did not disproportionately affect the accessibility of delivery systems in the low- and moderate-income geographies in the current assessment areas. The changes in branch locations are only discussed within the rated areas and full-scope assessment areas in which changes occurred.

Net Distribution of Branch Openings/Closings						
Rated Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
Virginia	1	23	0	-5	-14	-3
North Carolina	2	13	-1	-9	-3	+2
Total	3	36	-1	-14	-17	-1

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and individuals. At a minimum, all branches have lobby hours of 9:00 a.m. to 5:00 p.m. and drive-thru hours of 8:30 a.m. to 5:00 p.m. Monday through Friday. On Saturdays, eleven branches have lobby hours from 9:00 a.m. to 12:00 p.m. Of these branches, 27.3 percent are located in low- or moderate-income census tracts. Twenty-six branches have drive-thru hours of 8:30 a.m. to 12:00 p.m. on Saturdays. Of these branches, 26.9 percent are located in low- or moderate-income census tracts.

Carter Bank offers a standard array of loan and deposit products. The bank offers conventional mortgage products as well as a variety of consumer, business, and farm loans. In addition, the bank offers small dollar unsecured consumer loans as low as \$1,000. These loans offer the option for a co-maker if the applicant does not meet the income or credit requirements as well as uses the highest of the available credit scores when underwriting the loan. The bank also offers a secured credit card that can help build credit and give access to the benefits of a traditional credit card.

The bank has several deposit products that are responsive to the needs of low- and moderate-income individuals. Specifically, the Lifetime Free Checking account has no fees, no minimum balance, unlimited check writing, and free access to online and mobile banking. The Carter Cash Savings account gives customers incentive to save funds in \$25 increments and with each additional \$25 saved the customer gets an entry to win additional cash. As previously mentioned, the bank implemented its Care Forward program from 2020 to 2022. During this period, every new account opened resulted in a \$10 donation to a community development organization within that specific branch’s community.

The same services and products are offered across each rated area and assessment area. Therefore, the Service Test conclusions for each rated area or full-scope assessment area omit further discussion of this performance criterion.

Community Development Services

Carter Bank provided a relatively high level of community development services. Employees and Board members used their financial and technical expertise to provide 565 community development services accounting for 3,102 hours. Given the time period covered by this evaluation, total community development services equate to approximately 2.7 community development services and 14.6 community development service hours per branch per year. Instances of community development services have increased from 358 at the previous evaluation and 1.3 community development services per branch per year.

Bank management and employees provided financial advice and assistance to organizations with missions consistent with the definition of community development. The type and level of assistance provided varied with each employee and organization but is generally ongoing for multiple years, as some employees hold positions on Boards or committees of organizations. The organizations served provide an array of services to low- and moderate-income individuals, small businesses, and small farms. The organizations’ missions include economic development, small business development, education, affordable housing, healthcare, and basic human needs for low- and moderate-income individuals and areas. The following tables provide the community development services by number and hours, activity, and year. Refer to the discussion of community development services within each rated area and full-scope assessment area for additional details.

Community Development Services										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
Virginia	29	413	304	1,286	34	278	17	123	384	2,100
North Carolina	9	52	162	886	9	57	0	0	180	995
Regional Activities	0	0	1	7	0	0	0	0	1	7
Total	38	465	467	2,179	43	335	17	123	565	3,102
<i>Source: Bank Data</i>										

Community Development Services by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
2020*	0	0	2	2	0	0	0	0	2	2
2021	11	156	68	393	9	76	0	0	88	625
2022	13	193	204	1,046	19	111	12	99	248	1,449
2023*	14	116	193	738	15	148	5	24	227	1,026
Total	38	465	467	2,179	43	335	17	123	565	3,102
<i>Source: Bank Data</i>										
<i>*Data from 08/04/2020-12/31/2020 and 01/01/2023-10/24/2023</i>										

In addition to community development services specific to the rated areas, the bank also participated in a regional community development service that impacted both rated areas. A bank employee served as the financial empowerment chair for an employee resource group. The group’s mission is to build financial capacity and reduce the wealth gap by increasing financial knowledge to empower and uplift communities.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank’s compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

VIRGINIA

CRA RATING FOR VIRGINIA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VIRGINIA

The evaluation of the Virginia performance considered the operations of Carter Bank in nine assessment areas, which are detailed in the Description of Assessment Areas. The Harrisonburg MSA, Kingsport MSA, and Staunton MSA assessment areas were removed in 2021 due to branch closures or sales. Virginia accounts for 69.9 percent of bank-wide loans by dollar volume, 79.7 percent of bank-wide lending by number of loans, and 88.7 percent of bank-wide deposits. The bank operates 53 or 80.3 percent, of its total branch offices in Virginia. Overall, Carter Bank ranks 7th in Virginia in deposit market share at 2.0 percent. Competitor institutions in the Virginia assessment areas include Capital One Bank USA, NA; Truist Bank; and Wells Fargo Bank, NA.

SCOPE OF EVALUATION – VIRGINIA

Based on the number of loans and branches, as well as dollar volume of deposits, examiners conducted full-scope reviews of the bank's performance in the VA Non-MSA, Charlottesville MSA, Roanoke MSA, and Washington MD assessment areas. Limited scope evaluation procedures were used for the Blacksburg MSA and Lynchburg MSA assessment areas given the limited operations within those areas. The Harrisonburg MSA, Kingsport MSA, and Staunton MSA assessment areas were only included for analysis of community development loans, qualified investments, and community development services and inclusion of 2020 lending in the Assessment Area Concentration. The VA Non-MSA assessment area was given more weight in the overall analysis and conclusions given the level of lending combined with the high level of deposits and the number of branches. The Roanoke MSA assessment area was also given secondary weight given the level of operations, including deposits and branching. The remaining two full-scope assessment areas were given less weight. Given the level of home mortgage and small business lending, home mortgage loan performance was assigned greater weight in each assessment area in which lending was reviewed with the exception of the Lynchburg MSA assessment area where home mortgage and small business lending was assigned equal weight given the comparable number of loans originated in each category.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA

LENDING TEST

The Lending Test is rated High Satisfactory. Lending levels reflect good responsiveness to the Virginia assessment areas' credit needs. The geographic distribution reflects good penetration throughout the assessment areas, and the borrower profile reflects adequate penetration among borrowers of different

incomes and businesses of different sizes. The bank uses innovative and/or flexible lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the Virginia assessment areas' credit needs. The tables presented in each assessment area detail the number and dollar volume of home mortgage loans originated in 2022 and small business loans originated in 2021.

Geographic Distribution

The overall geographic distribution of home mortgage and small business loans is good.

The geographic distribution of both home mortgage and small business loans reflects good penetration throughout the assessment areas. Performance was varied across the full-scope assessment areas, with the VA Non-MSA assessment areas noted as excellent, and the Roanoke MSA and Washington MD assessment areas considered good. Performance in the Charlottesville MSA assessment area was adequate.

Borrower Profile

The overall distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes is adequate.

The distribution of home mortgage loans is adequate among borrowers of different income levels. The borrower distribution of small business loans is excellent among businesses of different sizes. Performance varied among the full-scope assessment areas with the VA Non-MSA and Washington MD assessment areas considered good, and the Roanoke MSA assessment area noted as adequate. Performance in the Charlottesville MSA assessment area was poor.

Community Development Loans

Carter Bank originated a relatively high level of community development loans in Virginia. During this evaluation period, the bank originated 16 community development loans totaling \$43.2 million. This performance represents 25.0 percent by number and 14.3 percent by dollar volume of bank-wide community development loans. The number and dollar volume of community development loans decreased from the 29 loans totaling \$48.0 million originated at the previous evaluation. Community development loans include 3 loans for \$7.2 million that are located in the broader state-wide area and are considered given the bank's responsiveness to the assessment areas. Below are the state-wide community development loans.

- \$3.1 million for the acquisition of a retail center in a moderate-income census tract to support revitalization and stabilization efforts. This retail center contains the only traditional grocery store and pharmacy in the county.
- \$1.3 million for the construction of an automotive service station in a moderate-income tract creating jobs for low- and moderate-income individuals.

- \$2.8 million for the acquisition of a retail center in a low-income tract retaining jobs for low- and moderate-income individuals.

Performance is varied across the full-scope assessment areas. The bank originated an adequate level of community development loans in the Charlottesville MSA and Roanoke MSA assessment areas, and a relatively high level of community development loans in the Washington MD assessment area. The bank originated a low level of community development loans in the VA Non-MSA assessment area. Refer to each full-scope assessment area for additional details and examples of community development loans.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
VA Non-MSA	0	0	0	0	1	2,280	0	0	1	2,280
Charlottesville MSA	0	0	1	140	1	2,335	0	0	2	2,475
Roanoke MSA	2	5,040	1	50	1	67	0	0	4	5,157
Washington MD	1	150	1	16,000	1	4,000	0	0	3	20,150
Blacksburg MSA	2	5,875	0	0	0	0	0	0	2	5,875
Lynchburg MSA	0	0	0	0	0	0	0	0	0	0
Harrisonburg MSA	0	0	0	0	0	0	0	0	0	0
Kingsport MSA	0	0	0	0	0	0	1	32	1	32
Staunton MSA	0	0	0	0	0	0	0	0	0	0
State-wide	0	0	0	0	2	4,165	1	3,075	3	7,240
Total	5	11,065	3	16,190	6	12,847	2	3,107	16	43,209
<i>Source: Bank Data</i>										

INVESTMENT TEST

The Investment Test is rated Low Satisfactory. The bank has an adequate level of qualified investments and donations in Virginia, exhibiting adequate responsiveness to credit and community development needs. The bank occasionally uses innovative investments to support community development initiatives. Performance in the full-scope assessment areas is consistent. While the overall level of qualified investments impacting specific Virginia assessment areas is low, the bank also maintains \$13.0 million in qualified investments for affordable housing that benefit the state-wide area as well as \$17.8 in affordable housing investments that impact both Virginia and North Carolina assessment areas and are included in the overall assessment of the Virginia performance.

Investment and Grant Activity

Carter Bank made 327 qualified investments totaling \$13.6 million during the evaluation period, which accounts for 41.6 percent of bank-wide qualified investments. The total number and dollar amount includes current period qualified investments in housing bonds of \$3.9 million, and 315 donations totaling \$639,000. Prior period investments total \$9.0 million in bonds for affordable housing.

Of the total investments, the bank holds nearly \$13.0 million in qualified investments that benefit the broader state-wide area that includes the assessment areas and contributed to the overall rating. These investments include current and prior period investments in housing bonds from the VHDA, FannieMae, and FreddieMac that provide affordable housing opportunities throughout Virginia.

Refer to each full-scope assessment area for additional details and examples of qualified investments.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
VA Non-MSA	7	8	110	190	12	119	5	10	134	327
Charlottesville MSA	4	9	26	55	2	2	0	0	32	66
Roanoke MSA	21	36	29	35	7	9	2	4	59	84
Washington MD	1	1	25	19	3	4	0	0	29	24
Blacksburg MSA	4	4	16	22	2	1	0	0	22	27
Lynchburg MSA	5	41	16	29	5	5	0	0	26	75
Harrisonburg MSA	0	0	0	0	0	0	0	0	0	0
Kingsport MSA	0	0	0	0	0	0	0	0	0	0
Staunton MSA	0	0	0	0	0	0	1	1	1	1
State-wide	16	12,936	7	29	1	1	0	0	24	12,966
Total	58	13,035	229	379	32	141	8	15	327	13,570

Source: Bank Data

Provided below are examples of donations that benefitted a broader state-wide area that includes the assessment areas.

- \$7,000 to organizations that support affordable housing for low- and moderate-income individuals and in low- and moderate-income census areas.
- \$29,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income individuals.
- \$1,000 to an organization that provides for economic development in low- and moderate-income census tracts and provides jobs for low- and moderate-income individuals.

SERVICE TEST

The Service Test is rated High Satisfactory. Carter Bank’s delivery systems are accessible to essentially all portions of the assessment areas, which is consistent with the overall institution. To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the assessment areas. Services and business hours do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. The bank provided a

relatively high level of community development services. Performance varied within the full-scope assessment areas.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the assessment areas. Since the previous evaluation, the bank opened 1 branch and closed 23 branches throughout Virginia. As shown in the table below, the effect was a net decrease of 5 branches in moderate-income census tracts, 14 branches in middle-income census tracts, and 3 branches in upper-income census tracts. Additional details of changes in branch locations are contained within each assessment area for which changes occurred.

Net Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
VA Non-MSA	0	7	0	-1	-6	0
Charlottesville MSA	1	1	0	0	0	0
Roanoke MSA	0	5	0	0	-2	-3
Washington MD	0	2	0	-2	0	0
Blacksburg MSA	0	0	0	0	0	0
Lynchburg MSA	0	1	0	0	-1	0
Harrisonburg MSA	0	3	0	-1	-2	0
Kingsport MSA	0	2	0	-1	-1	0
Staunton MSA	0	2	0	0	-2	0
Total	1	23	0	-5	-14	-3
<i>Source: Bank Data</i>						

Community Development Services

Carter Bank provided a relatively high level of community development services in Virginia. Bank employees and Board members provided 384 instances accounting for 2,100 hours of community development services throughout Virginia. Community development services equate to 2.3 instances and 12.3 hours per branch per year. Rated area instances have increased from 248 and 1.2 instances per branch per year at the previous evaluation. Community development services in Virginia accounted for 67.7 percent bank-wide services by hours and 68.0 percent of bank-wide services by number. Employees are primarily involved in community development organizations that provide community services targeted to low- and moderate-income individuals and areas. Community development services also include 6 services for 22 hours that benefitted the state-wide area that includes the assessment areas. Refer to the Community Development Services section in each full-scope assessment area for additional information on community development services.

Community Development Services										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
VA Non-MSA	15	238	205	875	32	269	14	101	266	1,483
Charlottesville MSA	0	0	0	0	0	0	0	0	0	0
Roanoke MSA	9	161	30	134	1	5	3	22	43	322
Washington MD	0	0	26	82	0	0	0	0	26	82
Blacksburg MSA	5	14	35	145	0	0	0	0	40	159
Lynchburg MSA	0	0	3	32	0	0	0	0	3	32
Harrisonburg MSA	0	0	0	0	0	0	0	0	0	0
Kingsport MSA	0	0	0	0	0	0	0	0	0	0
Staunton MSA	0	0	0	0	0	0	0	0	0	0
State-wide	0	0	5	18	1	4	0	0	6	22
Total	29	413	304	1,286	34	278	17	123	384	2,100
<i>Source: Bank Data</i>										

Provided below are examples services that benefitted a broader state-wide area that includes the assessment areas.

- a member of management was on a committee for an organization that focuses on economic development to assist in determining how proceeds from the American Rescue Act would be utilized to support small and minority businesses in Virginia.
- several employees provided community services by teaching financial literacy courses for a health focused non-profit organization with a mission to serve low- and moderate-income families.

VA NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE VA NON-MSA ASSESSMENT AREA

The VA Non-MSA assessment area consists of 10 counties and 5 cities as detailed in the Description of Assessment Areas. In 2021 Russell, Tazewell, and Wise Counties were removed from the assessment area due to the closure of branches within each county. The bank operates 23 or 43.4 percent of its Virginia branch offices in the VA Non-MSA assessment area. The assessment area represents 11.3 percent of the rated-area loans by dollar volume, 37.0 percent of rated-area lending by number of loans, and 58.3 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 123 census tracts, including 3 low-income census tracts, 25 moderate-income census tracts, 77 middle-income census tracts, and 16 upper-income census tracts. Additionally, 2 census tracts have no income designation. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the VA Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	123	2.4	20.3	62.6	13.0	1.6
Population by Geography	381,058	2.1	19.3	63.6	14.3	0.7
Housing Units by Geography	202,835	2.2	18.9	65.1	13.7	0.1
Owner-Occupied Units by Geography	114,573	1.4	16.2	66.7	15.7	0.0
Occupied Rental Units by Geography	44,925	3.4	26.3	59.0	11.0	0.4
Vacant Units by Geography	43,337	3.1	18.7	67.0	11.0	0.2
Businesses by Geography	32,762	1.7	18.3	63.4	16.2	0.5
Farms by Geography	2,195	1.0	7.4	74.2	17.3	0.1
Family Distribution by Income Level	101,103	22.4	19.0	21.2	37.3	0.0
Household Distribution by Income Level	159,498	26.9	17.1	17.3	38.8	0.0
Median Family Income Non-MSAs - VA		\$60,947	Median Housing Value			\$126,411
			Median Gross Rent			\$672
			Families Below Poverty Level			11.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a majority of owner-occupied housing units and businesses are within the middle-income census

tracts, indicating most of the lending opportunities are in these geographies. The moderate-income tracts contain a fair level of owner-occupied housing units and businesses, while significantly fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated VA Non-MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2022 (\$67,800)	<\$33,900	\$33,900 to <\$54,240	\$54,240 to <\$81,360	≥\$81,360
2021 (\$58,900)	<\$29,450	\$29,450 to <\$47,120	\$47,120 to <\$70,680	≥\$70,680
2020 (\$58,100)	<\$29,050	\$29,050 to <\$46,480	\$46,480 to <\$69,720	≥\$69,720
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$126,000 and prices are continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue of the businesses. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 85.0 percent reported \$1 million or less;
- 3.6 percent reported more than \$1 million; and
- 11.3 percent did not report revenues.

Additionally, approximately 92.0 percent of businesses operate with nine or fewer employees. The top industries in the VA Non-MSA assessment area are services and retail trade. Top employer information was unavailable for the VA Non-MSA assessment area.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. As of December 31, 2022, the unemployment rates ranged from 2.5 percent to 4.6 percent, with an overall average of 3.4 percent. The average unemployment rate in the VA Non-MSA assessment area was above the state averages but below the national averages for all years under review.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Buena Vista City	5.8	3.9	3.1	2.8
Carroll County	8.5	4.1	3.5	3.7
Danville City	10.1	6.3	4.6	4.4
Floyd County	5.3	3.1	2.5	2.1
Galax City	8.0	4.2	3.1	5.1
Grayson County	6.0	3.4	2.6	2.8
Halifax County	7.3	4.7	3.8	3.5
Henry County	7.9	4.7	3.4	3.1
Lexington City	7.3	5.0	4.1	4.6
Martinsville City	11.2	7.3	4.6	3.7
Mecklenburg County	7.1	4.7	3.6	3.4
Patrick County	7.1	4.4	3.6	3.2
Pittsylvania County	6.7	4.0	3.1	2.5
Rockbridge County	5.8	3.7	2.8	2.4
Wythe County	8.0	4.1	3.0	2.6
Virginia	6.5	3.9	2.8	2.5
National Average	8.1	5.4	3.6	3.8

Source: Bureau of Labor Statistics

Competition

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 27 FDIC-insured institutions operate 121 branches within assessment area. Of these institutions, Carter Bank ranked 1st with a market share of 22.0 percent. Other top institutions in the market include Truist Bank, American National Bank and Trust Company, and First-Citizens Bank & Trust Company. Together, these three institutions account for an additional 36.5 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 363 lenders reported 8,136 residential mortgage loans originated or purchased. Carter Bank ranked 27th with a market share of 1.0 percent by number of loans. The five top home mortgage lenders accounted for 26.4 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 97 lenders reported 6,622 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 19th with a 1.1 percent market share by number of loans and 9th with a 2.8 percent market share by dollar volume. The top five small business lenders accounted for 49.2 percent of the total market share by number with the top lenders by dollar volume accounting for 59.8 percent of the market.

Credit and Community Development Needs and Opportunities

Considering information from management and demographic and economic data, examiners determined affordable housing represents a primary credit need for the assessment area. As shown above, 41.5 percent of families are low-or moderate-income, with low-income families earning less than \$30,000 annually compared to the median housing value of over \$126,000. Small business lending also represents a credit needs as demographic data reflects that 85.0 percent of businesses have revenues of \$1 million or less, and 92.0 percent of businesses have nine or fewer employees.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE VA NON-MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the VA Non-MSA assessment area reflect good responsiveness to assessment area credit needs. The geographic distribution reflects excellent penetration throughout the assessment area, and the borrower profile reflects good distribution of loans to borrowers of different income levels and businesses of different sizes. In addition, the bank uses flexible lending practices and originated a low level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2021 small business loans in the assessment area.

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. Lending in low-income census tracts was consistent with demographic and aggregate lending data. Performance in moderate-income census tracts was significantly above the demographic data and aggregate lending data.

Geographic Distribution of Home Mortgage Loans VA Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.4	1.2	1	1.2	30	0.4
Moderate	16.2	16.6	21	26.3	1,576	20.1
Middle	66.7	63.5	48	60.0	5,372	68.7
Upper	15.7	18.8	10	12.5	841	10.8
Totals	100.0	100.0	80	100.0	7,819	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. The bank did not originate any small business loans in low-income census tracts. However, as noted, only 0.4 percent of businesses are within the low-income tracts, and aggregate lending was limited at 0.5 percent. Small business lending in moderate-income census tracts was above both demographic and aggregate lending data.

Geographic Distribution of Small Business Loans VA Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.4	0.5	0	0.0	0	0.0
Moderate	18.3	17.3	13	20.0	1,877	26.7
Middle	73.3	74.3	49	75.4	5,080	72.3
Upper	7.9	7.8	3	4.6	66	1.0
Not Available	0.1	0.1	0	0.0	0	0.0
Totals	100.0	100.0	65	100.0	7,023	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.

Borrower Profile

The distribution of loans to borrowers of different incomes and businesses of different sizes is good.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. Lending to low-income borrowers was well below the percent of low-income families; however, performance exceeded aggregate lending data. Lending to moderate-income borrowers was comparable to the demographic data and slightly below the aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level VA Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.4	8.4	10	12.5	546	7.0
Moderate	19.1	20.6	15	18.7	893	11.4
Middle	21.2	21.8	16	20.0	1,163	14.9
Upper	37.3	32.4	25	31.3	3,488	44.6
Not Available	0.0	16.8	14	17.5	1,728	22.1
Totals	100.0	100.0	80	100.0	7,819	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. The bank originated 73.8 percent of small business loans to businesses with annual gross revenues of \$1.0 million or less. Performance was below demographic data but substantially above the aggregate lending data.

Distribution of Small Business Loans by Gross Annual Revenue Category VA Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	85.0	52.8	48	73.9	1,941	27.6
>\$1,000,000	3.6	--	16	24.6	5,061	72.1
Revenue Not Available	11.3	--	1	1.5	21	0.3
Totals	100.0	100.0	65	100.0	7,023	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Loans

Carter Bank made a low level of community development loans in the VA Non-MSA assessment area. The bank originated only one community development loan for \$2.3 million in the assessment area. This level of lending represents 6.3 percent by number and 5.3 percent by dollar of community development loans originated within Virginia. The number and dollar volume of community development loans decreased significantly from 18 loans and \$31.2 million at the previous evaluation. The loan originated was an economic development loan for the construction of a retail business building in a moderate-income census tract, with leased tenants providing low- and moderate-income job opportunities.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the VA Non-MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 134 donations totaling \$327,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$8,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$190,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$119,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.
- \$10,000 to organizations that support revitalization and stabilization in low- and moderate-income census tracts as well as distressed and underserved middle-income census tracts.

While the assessment area specific investments are low, many of the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the VA Non-MSA assessment area. To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals within the assessment area. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank is a leader in providing community development services in the assessment area.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the assessment area. Since the previous evaluation, the bank closed seven branches, with one in a moderate-income tract and six in middle-income census tracts. Carter Bank operates a branch 2.7 miles from the closed branch location that can serve the residents and businesses within the moderate-income tract.

Community Development Services

Carter Bank is a leader in providing community development services in the assessment area. Bank employees and Board members provided 266 community development services accounting for

1,483 hours in the assessment area. This performance accounts for 69.3 percent by number and 70.6 percent of hours of state-wide community development services. Community development services equate to 3.6 services and 20.0 hours per branch per year. The bank engaged in 170 instances of community development services at the previous evaluation. The following are examples of community development services.

- An employee serves on the board as treasurer for a regional non-profit affordable housing organization with a mission to repair and build homes for qualifying families in need.
- A member of management has taught several financial literacy classes to participants in a community recovery program of a local mental health agency that provides community services for low- and moderate-income persons.
- A member of management serves on the board as treasurer for a local economic development partnership in a town where the majority of census tracts are low- and moderate-income.

CHARLOTTESVILLE MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHARLOTTESVILLE MSA ASSESSMENT AREA

The Charlottesville, VA MSA consists of five counties and cities; however, the bank delineated only Albemarle County and Charlottesville City. The assessment area has not changed since the last CRA evaluation. The bank operates two or 3.8 percent of its Virginia offices in the Charlottesville MSA assessment area. The assessment area represents 40.3 percent of rated-area loans by dollar volume, 18.1 percent of rated-area lending by number of loans, and 1.1 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 41 census tracts, including 2 low-income tracts, 7 moderate-income tracts, 17 middle-income tracts, and 15 upper-income tracts. Significant changes have occurred in the assessment area since the 2015 ACS Census. The number of census tracts increased from 34 to 41. There were no changes in the number of low-income tracts, but moderate-income tracts decreased by 2, middle-income tracts increased by 5, upper-income tracts increased by 5, and tracts with information that was not available decreased by 1. The percentages of the population and housing in moderate-income census tracts saw decreases of roughly 8 percent while both middle- and upper-income tracts saw increases of roughly 5 to 6 percent. Business levels showed minimal decreases in moderate-income census tracts and corresponding increases in both the middle- and upper-income census tracts. Regarding housing costs, the median housing value increased significantly from \$313,940 while rent increased from \$1,049. Additionally, median family income increased from \$78,548. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Charlottesville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	41	4.9	17.1	41.5	36.6	0.0
Population by Geography	158,948	6.4	14.7	39.5	39.4	0.0
Housing Units by Geography	66,971	4.9	14.4	41.2	39.5	0.0
Owner-Occupied Units by Geography	35,175	0.8	7.8	43.3	48.1	0.0
Occupied Rental Units by Geography	26,020	9.7	23.6	37.7	29.0	0.0
Vacant Units by Geography	5,776	8.1	13.2	44.3	34.4	0.0
Businesses by Geography	24,380	2.6	11.7	37.6	48.1	0.0
Farms by Geography	836	0.8	4.4	44.0	50.7	0.0
Family Distribution by Income Level	35,472	19.1	15.5	20.7	44.7	0.0
Household Distribution by Income Level	61,195	24.8	15.8	16.1	43.3	0.0
Median Family Income - Charlottesville, VA MSA	\$95,708	Median Housing Value				\$371,248
		Median Gross Rent				\$1,279
		Families Below Poverty Level				5.2%
<i>Source: 2020 U.S. Census and 2022 D&B Data. Due to rounding, totals may not equal 100.0 percent. (* The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a significant majority of owner-occupied housing units and businesses are within the middle- and upper-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a fair level of owner-occupied housing units and businesses, while significantly fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated Charlottesville, VA MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$87,000)	<\$43,500	\$43,500 to <\$69,600	\$69,600 to <\$104,400	≥\$104,400
2021 (\$90,900)	<\$45,450	\$45,450 to <\$72,720	\$72,720 to <\$109,080	≥\$109,080
2022 (\$111,200)	<\$55,600	\$55,600 to <\$88,960	\$88,960 to <\$133,440	≥\$133,440
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$371,000 compared to the annual median income of less than \$89,000 for low- and moderate-income families, and prices are continuing to rise due to the current economic conditions, which can potentially make housing

increasingly unaffordable for low- and moderate-income families. Therefore, lending opportunities to low- and moderate-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 87.4 percent reported \$1 million or less;
- 3.7 percent reported more than \$1 million; and
- 9.0 percent did not report revenues.

Additionally, approximately 92.4 percent of businesses operate with nine or fewer employees. The top industries in the Charlottesville MSA assessment area are government, professional and business services, and education and health services. The top employers are University of Virginia, UVA Services Foundation, Sentara Hospital, State Farm Mutual Automobile Insurance, and the U.S. Department of Defense.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. Unemployment rates were below the both the state unemployment rate and national average as of August 2023.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Albemarle County	5.6	3.2	2.6	2.2
Charlottesville City	6.8	3.7	2.6	1.7
Virginia	6.5	3.9	2.8	2.5
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 17 FDIC-insured institutions operate 45 branches within the assessment area. Of these institutions, Carter Bank ranked 13th with a market share of 0.6 percent. Competitor institutions in the assessment area include Bank of America, NA; Truist Bank; and Wells Fargo Bank, NA. Together, the three competitor institutions account for 64.8 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 308 lenders reported 4,738 residential mortgage loans originated or purchased. Carter Bank ranked 11th with a market share of 2.2 percent by number of loans. The five top home mortgage lenders accounted for 24.3 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 91 lenders reported 4,529 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 25th with a 0.3 percent market share by number of loans and 18th with a 1.2 percent market share by dollar volume. The top five small business lenders accounted for 59.0 percent of the total market share by number with the top lenders by dollar volume accounting for 56.3 percent of the market.

Credit and Community Development Needs and Opportunities

Considering information from management and demographic and economic data, examiners determined affordable housing represents a primary credit need for the assessment area. This is supported by 34.6 percent of families being low-or moderate-income, with low-income families earning less than \$56,000 annually compared to the median housing value of over \$371,000. Housing prices have increased significantly in the assessment area during the evaluation period and remain above the state and national averages. Housing in the area remains overvalued while rental affordability is worse than both the state and national averages.

Small business lending also represents a credit needs as demographic data reflects that 87.4 percent of businesses have revenues of \$1 million or less, and 92.4 percent of businesses have nine or fewer employees. Additionally, the assessment area has a young, educated workforce, and business costs in the assessment area are low.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHARLOTTESVILLE MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Charlottesville MSA assessment area reflect good responsiveness to assessment area credit needs. The geographic distribution reflects adequate penetration throughout the assessment area, and the borrower profile reflects poor distribution of lending to borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible lending practices and originated an adequate level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2021 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Lending in low-income census tracts was consistent with demographic and

aggregate lending data. Performance in moderate-income census tracts was well below the demographic data and aggregate lending data. Of note, in 2022, in performance in moderate-income census tracts was consistent with demographic data and above aggregate lending data.

Geographic Distribution of Home Mortgage Loans Charlottesville MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.8	1.2	2	1.9	675	1.4
Moderate	7.8	6.6	2	1.9	283	0.6
Middle	43.3	40.7	32	30.8	9,697	19.7
Upper	48.1	51.5	68	65.4	38,419	78.3
Totals	100.0	100.0	104	100.0	49,074	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. The bank did not originate any small business loans in low- or moderate income census tracts.

Geographic Distribution of Small Business Loans Charlottesville MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.7	5.8	0	0.0	0	0.0
Moderate	15.8	15.4	0	0.0	0	0.0
Middle	34.3	34.7	5	38.5	545	29.6
Upper	45.1	44.2	8	61.5	1,297	70.4
Not Available	0.1	0.0	0	0.0	0	0.0
Totals	100.0	100.0	13	100.0	1,842	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The overall distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes is poor.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different incomes. Lending to low-income borrowers was significantly below the percent of low-income families and aggregate lending data. Lending to moderate-income borrowers was substantially below both the demographic and aggregate lending data. However, a significant number of these

loans (71.1 percent) did not have income information as the bank purchased the loans from other entities, and income information was not required to be recorded. However, eliminating the loans in the analysis, the bank’s lending continued to be significantly below the comparative data.

Distribution of Home Mortgage Loans by Borrower Income Level Charlottesville MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.1	7.6	1	1.0	135	0.3
Moderate	15.5	15.4	2	1.9	638	1.3
Middle	20.7	19.2	6	5.8	491	1.0
Upper	44.7	42.4	21	20.2	3,798	7.7
Not Available	0.0	15.4	74	71.1	44,012	89.7
Totals	100.0	100.0	104	100.0	49,074	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different sizes. The bank originated 69.2 percent of small business loans to businesses with annual gross revenues of \$1.0 million or less. Performance was below demographic data but significantly above the aggregate lending data. However, for 2020, the bank’s lending to small businesses at 31.3 percent was substantially below demographics and significantly below aggregate lending.

Distribution of Small Business Loans by Gross Annual Revenue Category Charlottesville MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.4	52.7	9	69.2	1,105	60.0
>\$1,000,000	3.7	--	4	30.8	737	40.0
Revenue Not Available	9.0	--	0	0.0	0	0.0
Totals	100.0	100.0	13	100.0	1,842	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Loans

Carter Bank made an adequate level of community development loans in the Charlottesville MSA assessment area. The bank originated two community development loans totaling \$2.5 million in the assessment area. This level of lending represents 12.5 percent by number and 5.7 percent by dollar of community development loans originated within Virginia. The number and dollar volume of community development loans decreased from three loans totaling to \$10.1 million at the previous evaluation. The community development loans are provided below.

- PPP loan for \$140,000 to a non-profit organization to help retain 17 low- and moderate-income employees.
- \$2.4 million loan for the acquisition and renovation of a commercial building in a low-income census tract to convert the property into a hotel and creating low- and moderate-income jobs.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the Charlottesville MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 32 donations totaling \$66,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$9,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$55,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$2,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.

While the assessment area specific investments are low, many of the state-wide and/or regional investments also benefit the assessment area. Refer to the rated area analysis for more information regarding investments, including state-wide and/or regional investments that benefit the assessment area.

SERVICE TEST

Carter Bank's delivery systems are reasonably accessible to essentially all portions of the Charlottesville MSA assessment area. To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals in the assessment area. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank provided no community development services in this assessment area.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to all portions of the assessment area. The conclusions regarding the branch distribution for the assessment area are less favorable than the institution overall and the Virginia rated area. The bank operates two branches in the assessment area, and neither is in low- or moderate-income census tracts. Overall, the branch distribution is well below the percentage of population in the respective geographies. However, the location of the branches

in the assessment area enables the bank to reasonably serve nine low- and moderate-income census tracts where the bank has no branches.

Changes in Branch Locations

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Since the previous evaluation, the bank opened one branch and closed one branch. Both branches were in upper-income census tracts.

Community Development Services

Carter Bank provided no community development services in this assessment area. The bank provided no community development services in this assessment area at the previous evaluation.

ROANOKE MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ROANOKE MSA ASSESSMENT AREA

The Roanoke MSA assessment area consists of Botetourt, Craig, Franklin, and Roanoke Counties as well as Roanoke and Salem Cities, which comprise the entirety of the Roanoke, VA MSA. The assessment area has not changed since the last CRA evaluation. The bank operates 10 or 18.9 percent of its Virginia offices in the Roanoke MSA assessment area. The assessment area represents 11.7 percent of the rated-area loans by dollar volume of lending, 13.5 percent of bank-wide lending by number of loans, and 17.7 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 78 census tracts, including 4 low-income census tracts, 19 moderate-income census tracts, 31 middle-income census tracts, and 24 upper-income census tracts. Significant changes have occurred in the assessment area since the 2015 ACS Census with an increase in tracts from 65 census tracts to 78. The number of low-income tracts increased by 1, moderate-income tracts increased by 6, middle-income tracts decreased by 1, and upper-income tracts increased by 7. The only significant change in the percentage of the population and housing occurred in the middle-income tracts that saw decreases of 6.0 percent and 4.9 percent, respectively. Business levels saw a 5.7 percent increase in moderate-income census tracts, a 12.6 percent decrease in middle-income census tracts, and a 6.0 percent increase in upper-income census tracts. Regarding housing costs, the median housing value increased significantly from \$179,442 while rent increased from \$749. Additionally, median family income increased from \$61,791. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Roanoke MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	78	5.1	24.4	39.7	30.8	0.0
Population by Geography	315,251	4.3	23.0	40.6	32.1	0.0
Housing Units by Geography	146,679	4.3	23.0	42.2	30.5	0.0
Owner-Occupied Units by Geography	88,119	2.0	20.5	42.5	35.0	0.0
Occupied Rental Units by Geography	39,805	9.3	28.7	42.6	19.4	0.0
Vacant Units by Geography	18,755	4.4	22.2	40.1	33.3	0.0
Businesses by Geography	35,686	3.5	20.6	37.4	38.4	0.0
Farms by Geography	1,247	2.3	16.7	46.6	34.4	0.0
Family Distribution by Income Level	79,352	20.6	18.0	20.3	41.1	0.0
Household Distribution by Income Level	127,924	24.9	14.5	18.9	41.7	0.0
Median Family Income - Roanoke, VA MSA		\$73,561	Median Housing Value			\$200,196
			Median Gross Rent			\$847
			Families Below Poverty Level			8.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a majority of owner-occupied housing units and businesses are within the middle- and upper-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a good level of owner-occupied housing units and businesses, while significantly fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated Roanoke, VA MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$74,300)	<\$37,150	\$37,150 to <\$59,440	\$59,440 to <\$89,160	≥\$89,160
2021 (\$75,400)	<\$37,700	\$37,700 to <\$60,320	\$60,320 to <\$90,480	≥\$90,480
2022 (\$86,200)	<\$43,100	\$43,100 to <\$68,960	\$68,960 to <\$103,440	≥\$103,440
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$200,000, and prices are continuing to rise due to the current economic conditions, which can potentially make housing

increasingly unaffordable for low-income individuals earning less than \$43,100 annually. Therefore, lending opportunities to low-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 86.2 percent reported \$1 million or less;
- 3.7 percent reported more than \$1 million; and
- 10.0 percent did not report revenues.

Additionally, approximately 92.0 percent of businesses operate with nine or fewer employees. The top industries in the Roanoke MSA assessment area are education and health services, government, and professional and business services. The top employers are Carilion Clinic, Kroger, Wells Fargo, N.A., HCA Virginia Health System, and Walmart Inc.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. Unemployment rates in each county and city were consistent with the state unemployment rate and below the national average as of August 2023.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Botetourt County	4.7	3.0	2.5	2.4
Craig County	5.4	3.3	3.0	3.0
Franklin County	5.7	3.6	2.9	2.8
Roanoke City	8.0	4.8	3.2	2.5
Roanoke County	5.3	3.2	2.5	2.1
Salem City	6.1	3.6	2.9	2.7
Virginia	6.5	3.9	2.8	2.5
National Average	8.1	5.4	3.6	3.8

Source: Bureau of Labor Statistics

Competition

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 16 FDIC-insured institutions operate 94 branches within the assessment area. Of these institutions, Carter Bank ranked 5th with a market share of 6.2 percent. Competitor institutions in the assessment area include Truist Bank; Wells Fargo Bank, NA; and Pinnacle Bank. Together, the three competitor institutions account for 60.7 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent available, shows 352 lenders reported 9,602 residential mortgage loans originated or purchased. Carter Bank ranked 47th with a market share of 0.4 percent by number of loans. The five top home mortgage lenders accounted for 30.0 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent available, shows 85 lenders reported 6,881 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 30th with a 0.2 percent market share by number of loans and 29th with a 0.3 percent market share by dollar volume. The top five small business lenders accounted for 51.5 percent of the total market share by number with the top lenders by dollar volume accounting for 69.5 percent of the market.

Credit and Community Development Needs and Opportunities

Considering information from management and demographic and economic data, examiners determined affordable housing represents a primary credit need for the assessment area. This is supported by 38.6 percent of families being low-or moderate-income, with low-income families earning less than \$44,000 annually compared to compared to the median home value of over \$200,000. Single-family house prices have accelerated in 2023 much more than they have in Virginia or the U.S. due to a shrinking inventory of active listings. Rental affordability remains positive compared to the state and national averages.

Small business lending also represents a credit needs as demographic data reflects that 86.2 percent of businesses have revenues of \$1 million or less, and 92.0 percent of businesses have nine or fewer employees. The assessment area remains an affordable place to do business and has a positive and improving net migration.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ROANOKE MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Roanoke MSA assessment area reflect good responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects adequate distribution of loans among borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible lending practices and originated an adequate level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2021 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. There were no loans originated in low-income census tracts; however, only 2.0 percent of owner-occupied housing is located in these tracts, and aggregate data is low at 2.2 percent. Performance in moderate-income census tracts was below the demographic data and aggregate lending data. However, the bank’s performance in moderate-income tracts in 2020 and 2021 at 40.0 percent and 44.5 percent, respectively, was significantly above both demographic and aggregate lending data. Comparatively, demographics for both years reflects 18.4 percent of owner-occupied housing within the moderate-income tracts, and aggregate data for 2020 stood at 12.0 percent and 2021 aggregate was 13.7 percent.

Geographic Distribution of Home Mortgage Loans Roanoke MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.0	2.2	0	0.0	0	0.0
Moderate	20.5	20.7	5	12.8	384	2.6
Middle	42.5	39.1	14	35.9	4,419	30.2
Upper	35.0	38.0	20	51.3	9,814	67.2
Totals	100.0	100.0	39	100.0	14,616	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Small business lending in low-income census tracts exceeded both demographic and aggregate lending data with performance in the moderate-income tracts significantly above the comparative data.

Geographic Distribution of Small Business Loans Roanoke MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.8	3.4	1	7.7	96	10.7
Moderate	15.0	14.9	5	38.5	128	14.3
Middle	49.7	49.1	6	46.1	652	72.7
Upper	32.6	32.6	1	7.7	21	2.3
Totals	100.0	100.0	13	100.0	897	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different size is adequate.

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration among borrowers of different incomes. Lending to low-income borrowers was well below the percent of low-income families and aggregate data. Lending to moderate-income borrowers was below both the demographic and aggregate lending data. However, lending to low- and moderate income borrowers was consistent with demographic and aggregate lending data in both 2020 and 2021.

Distribution of Home Mortgage Loans by Borrower Income Level Roanoke MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.6	11.6	2	5.1	80	0.5
Moderate	18.0	21.2	6	15.4	392	2.7
Middle	20.3	20.7	11	28.2	1,519	10.4
Upper	41.1	29.3	11	28.2	4,268	29.2
Not Available	0.0	17.2	9	23.1	8,358	57.2
Totals	100.0	100.0	39	100.0	14,616	100.0

Source: 2020 U.S. Census; 2022 HMDA Data' and, 2022 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Lending to small businesses was comparable to demographics and substantially above aggregate data.

Distribution of Small Business Loans by Gross Annual Revenue Category Roanoke MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	86.2	49.7	11	84.6	868	96.8
>\$1,000,000	3.7	--	0	0.0	0	0.0
Revenue Not Available	10.0	--	2	15.4	29	3.2
Totals	100.0	100.0	13	100.0	897	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Loans

Carter Bank made an adequate level of community development loans in the Roanoke MSA assessment area. The bank originated four community development loans totaling \$5.2 million in the assessment area. This level of lending represents 25.0 percent by number and 11.9 percent by dollar of community development loans originated within Virginia. The number and dollar volume of community development loans increased from three loans and \$2.0 million at the previous evaluation. The community development loans are provided below.

- PPP loan for \$67,000 to a non-profit organization to help retain 5 low- and moderate-income employees.
- \$3.4 million loan for the acquisition and improvement of a mobile home park providing affordable housing for low- and moderate-income families.
- \$50,000 line of credit to a non-profit organization to support disadvantaged youth programs.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the Roanoke MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 59 donations totaling \$84,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$36,000 to organizations that support affordable housing for low- and moderate-income individuals and in low- and moderate-income census area.
- \$35,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$9,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.
- \$4,000 to organizations that support revitalization and stabilization in low- and moderate-income census tracts as well as distressed and underserved middle-income census tracts.

While the assessment area specific investments are low, many of the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the Roanoke MSA assessment area. To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals in the assessment area. Services and business hours do not vary in a way that inconveniences portions of the assessment area,

particularly low- and moderate-income geographies, and/or individuals. The bank provided a relatively high level of community development services in the assessment area.

Changes in Branch Locations

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals in the assessment area. Since the last evaluation, the bank has not opened any branches. The bank closed four branches with two each in middle- and upper-income geographies.

Community Development Services

Carter Bank provided a relatively high level of community development services in the assessment area. Bank employees and Board members provided 43 community development services accounting for 322 hours in the assessment area. This performance accounts for 11.2 percent by number and 15.3 percent of hours of state-wide community development services. Community development services equate to 1.3 services and 10.0 hours per branch per year. The bank engaged in 50 instances of community development services at the previous evaluation. The following are examples of community development services provided.

- A member of management serves on the board as treasurer for a community action organization with a mission to assist low-income families who may find it difficult to get by, especially in emergencies like loss of a job, eviction, illness, or a family member is incarcerated.
- A member of management serves on the board as treasurer for a community action organization with a mission to revitalize an area of a county located in a moderate-income census tract.
- An employee serves on the board and provides technical assistance to a nonprofit organization that focuses on improving the quality of life of low-income individuals by promoting affordable water and wastewater facilities, community development, environmental health, and economic self-sufficiency to individuals living in the assessment area.

WASHINGTON MD ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WASHINGTON MD MSA ASSESSMENT AREA

The Washington-Arlington-Alexandria, DC-VA-MD-WV MD consists of 23 counties and cities; however, the bank delineated only Culpepper, Fairfax, Prince William, Spotsylvania, and Stafford Counties as well as Fairfax, Fredericksburg, Manassas, and Manassas Park Cities. Manassas City and Prince William County were removed from the assessment area in 2021 due to the closure of branches within each of the geographies. Manassas, Fairfax, and Manassas Park Cities as well as Prince William and Fairfax Counties were added to the assessment area in 2022 following analysis of the bank’s lending in these geographies. The bank operates 6 or 11.3 percent of its Virginia offices in the Washington MD assessment area. The assessment area represents 21.4 percent of the rated-area loans by dollar volume of lending, 13.8 percent of rated-area lending by number, and 7.3 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 465 census tracts, including 20 low-income census tracts, 94 moderate-income census tracts, 186 middle-income census tracts, and 156 upper-income census tracts.

Demographic Information for the Washington MD Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	465	4.3	20.2	40.0	33.5	1.9
Population by Geography	2,094,143	4.3	22.0	41.2	32.3	0.3
Housing Units by Geography	722,788	4.0	22.9	41.7	31.4	0.0
Owner-Occupied Units by Geography	487,153	2.0	18.4	41.0	38.6	0.0
Occupied Rental Units by Geography	204,228	8.4	32.1	43.9	15.6	0.0
Vacant Units by Geography	31,407	5.3	32.7	38.4	23.4	0.2
Businesses by Geography	302,395	2.9	19.1	40.1	37.5	0.3
Farms by Geography	5,056	2.2	27.7	38.9	31.1	0.1
Family Distribution by Income Level	502,385	19.7	17.0	21.1	42.2	0.0
Household Distribution by Income Level	691,381	19.7	15.7	19.7	45.0	0.0
Median Family Income - Washington-Arlington-Alexandria, DC-VA-MD-WV	\$126,224		Median Housing Value			\$477,940
			Median Gross Rent			\$1,816
			Families Below Poverty Level			4.2%
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a significant majority of owner-occupied housing units and businesses are within the middle- and upper-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a good level of owner-occupied housing units and businesses, while significantly fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated Washington-Arlington-Alexandria, DC-VA-MD-WV MD MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$118,700)	<\$59,350	\$59,350 to <\$94,960	\$94,960 to <\$142,440	≥\$142,440
2021 (\$122,100)	<\$61,050	\$61,050 to <\$97,680	\$97,680 to <\$146,520	≥\$146,520
2022 (\$139,700)	<\$69,850	\$69,850 to <\$111,760	\$111,760 to <\$167,640	≥\$167,640

Source: FFIEC

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is nearly \$478,000, and prices are continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low- and moderate-income individuals. Therefore, lending opportunities to low- and moderate-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 90.4 percent reported \$1 million or less;
- 2.4 percent reported more than \$1 million; and
- 7.2 percent did not report revenues.

Additionally, approximately 93.7 percent of businesses operate with nine or fewer employees. The top industries in the Washington MD assessment area are professional and business services, government, and education and health services. The top employers are Naval Support Activity Washington, Joint Base Andrews-Naval Air Facility, MedStar Health, Marriott International Inc., and Inova Health System.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. Unemployment rates in each county and city were generally consistent with the state unemployment rate and below the national average as of August 2023.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Culpeper County	5.2	3.3	2.8	2.4
Fairfax City	6.1	3.4	2.4	2.0
Fairfax county	6.1	3.5	2.4	2.1
Fredericksburg City	7.4	4.6	3.3	3.3
Manassas City	6.8	3.9	2.6	2.1
Manassas Park City	6.9	3.8	2.5	2.3
Prince William County	6.8	3.9	2.7	2.3
Spotsylvania County	6.2	3.8	2.9	2.6
Stafford County	5.9	3.6	2.8	2.6
Virginia	6.5	3.9	2.8	2.5
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 48 FDIC-insured institutions operate 398 branches within the assessment area. Of these institutions, Carter Bank ranked 28th with a market share of 0.2 percent. Competitor institutions in the assessment area include Capital One Bank, NA; Truist Bank, and Wells Fargo Bank, NA. Together, the three competitor institutions account for 66.5 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 658 lenders reported 71,310 residential mortgage loans originated or purchased. Carter Bank ranked 105th with a market share of 0.1 percent by number of loans. The five top home mortgage lenders accounted for 21.2 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 221 lenders reported 64,487 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 79th with less than 0.1 percent market share by number of loans and 71st with a 0.1 percent market share by dollar volume. The top five small business lenders accounted for 59.3 percent of the total market share by number with the top lenders by dollar volume accounting for 44.8 percent of the market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify the credit and community development needs of the assessment area and whether local financial institutions are responsive to those opportunities.

Examiners referenced an existing community contact with a non-profit tourism organization located in the assessment area. The organization primarily serves the residents of Stafford County by providing services including new business resources, talent recruitment, site selection, and permitting. The organization also partners with the local economic development authority to provide gap funding, micro-loans, small business growth loans, and technology funding.

The contact indicated several areas of credit and community development needs within the assessment area, which primarily focused on small businesses. Small businesses need more built-out locations that emphasize the common feel of a main street in the U.S. Capital investment is needed to build out these local downtowns that emphasize a community gathering place where small businesses may thrive. Additionally, infrastructure is necessary for commuters who make up over 30 percent of the population. The contact indicated needs specifically related to small business lending that include local community banks to meet the small business loan demands and for banks to market their small business loans in such a way that small businesses are aware of the available capital.

The contact also mentioned that the building of affordable housing has essentially stopped, so there is a shortage in affordable housing that will exponentially increase year by year.

Credit and Community Development Needs and Opportunities

Considering information from management, the community contact, and demographic and economic data, examiners determined small business lending represents a primary credit need for the assessment area. Demographic data reflects that 90.4 percent of businesses have revenues of less than \$1 million, and 93.7 percent of businesses have nine or fewer employees.

Affordable housing also represents a credit needs as 36.7 percent of families are low-or moderate-income, with low-income families earning less than \$70,000 annually. With the average cost of a home being in excess of \$477,000, low- and moderate-income families may have difficulty affording a home.

As indicated by the community contact, several opportunities for investing in community development exist in the assessment area. These opportunities include investment in infrastructure as well as small business capital.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WASHINGTON MD MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Washington MD assessment area reflect good responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good distribution of lending among businesses of different size. In addition, the bank uses flexible lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect good responsiveness to the assessment area's credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2021 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. Lending in low-income census tracts was consistent with demographic and aggregate lending data. Performance in moderate-income census tracts was significantly below the demographic data and aggregate lending data. However, the bank's performance in 2020 and 2021 was significantly above both demographic and aggregate lending data with percentages of 40.5 percent and 57.1 percent, respectively. Comparatively, demographics data for 2020 reflects 28.7 percent of owner-occupied housing in moderate-income tracts, with 32.3 percent in 2021. Aggregate data for 2020 stood at 23.5 percent and was 28.5 percent in 2021.

Geographic Distribution of Home Mortgage Loans Washington MD Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.0	2.5	3	2.9	5,250	7.2
Moderate	18.4	18.9	9	8.7	4,595	6.3
Middle	41.0	44.2	59	57.3	35,150	48.1
Upper	38.6	34.4	32	31.1	28,081	38.4
Totals	100.0	100.0	103	100.0	73,076	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The bank did not originate any small business loans in low-income census tracts. Small business lending in moderate-income census tracts was consistent with demographic and below aggregate lending data.

Geographic Distribution of Small Business Loans Washington MD Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.0	5.1	0	0.0	0	0.0
Moderate	34.4	37.1	4	33.3	216	16.2
Middle	51.8	49.2	8	66.7	1,117	83.8
Upper	7.0	7.4	0	0.0	0	0.0
Not Available	0.7	1.1	0	0.0	0	0.0
Totals	100.0	100.0	12	100.0	1,333	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The overall distribution of small business loans to businesses of different sizes is good.

Home Mortgage Loans

There were not a sufficient number of loans with income data available to conduct a full analysis and draw conclusions. However, the data reflects that the bank did originate home mortgage loans to low- and moderate-income borrowers in each year reviewed. The bank reported 103 home mortgage loans in 2022. Of these loans, 99 loans did not have income information as the bank purchased the loans from other entities, and income information was not required to be recorded. Of the 4 loans with income noted, 2 were made to low- or moderate-income borrowers. In 2020, 42 loans were reported, with 6 having income reported. Two were originated to low- or moderate-income borrowers. For 2021, 14 loans were originated with 4 having income reported. Two were originated to low-income borrowers.

Small Business Loans

The distribution of small business loans reflects good penetration among businesses of different sizes. Performance was significantly below demographic data but above the aggregate lending data.

Distribution of Small Business Loans by Gross Annual Revenue Category Washington MD Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	90.4	53.0	7	58.3	1,016	76.2
>\$1,000,000	2.4	--	2	16.7	82	6.2
Revenue Not Available	7.2	--	3	25.0	235	17.6
Totals	100.0	100.0	12	100.0	1,333	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.*

Community Development Loans

Carter Bank made a relatively high level of community development loans in the Washington MD assessment area. The bank originated three community development loans totaling \$20.2 million in the assessment area. This level of lending represents 18.8 percent by number and 46.6 percent by dollar of community development loans originated within Virginia. The number and dollar volume of community development loans increased significantly as the bank originated no community development loans in this assessment area at the previous evaluation. The community development loans are provided below.

- \$150,000 loan to a non-profit organization located in a low-income census tract. The purpose of the organization is to address homelessness, revitalization, transportation needs, and other economic development initiatives.
- \$16.0 million loan to refinance an office building located in a moderate-income census tract.
- \$4.0 million loan to purchase a car wash retaining low- and moderate-income jobs.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the Washington MD assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 29 donations totaling \$24,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$500 to an organizations that supports affordable housing for low- and moderate-incomes persons and in low- and moderate-income census tracts.
- \$19,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$4,500 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low-and moderate-income persons.

While the assessment area specific investments are low, many of the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the Washington MD assessment area. To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank provided an adequate level community development services in the assessment area.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank closed two branches in moderate-income census tracts.

Community Development Services

Carter Bank provided an adequate level community development services in the assessment area. Bank employees and Board members provided 26 community development services accounting for 82 hours in the assessment area. This performance accounts for 6.8 percent by number and 3.9 percent of hours of state-wide community development services. Community development services equate to 1.4 services and 4.2 hours per branch per year. The bank engaged in 10 instances of community development services at the previous evaluation. The following are examples of community development services provided.

- several employees taught financial literacy classes at community events hosted by a local health focused non-profit organization that has a mission to serve low- and moderate-income families.
- several employees taught financial literacy classes at a community event to students from several Title 1 schools.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the Virginia assessment areas reviewed using limited-scope examination procedures. Conclusions regarding the institution’s CRA performance within the limited-scope areas were derived from reviewing available facts and data, including performance data, aggregate lending data comparisons, and demographic information. Unless otherwise noted, the home mortgage and small business lending volume is based on 2020, 2021, and 2022 HMDA and CRA data. Community development activities are from August 4, 2020, through October 23, 2023, according to the bank records. The conclusions did not alter the bank’s overall Lending, Investment, or Service Test performance ratings.

Assessment Area	Lending Test	Investment Test	Service Test
Blacksburg MSA	Below	Consistent	Consistent
Lynchburg MSA	Below	Consistent	Consistent

A summary of Carter Bank’s operations and activities for limited-scope assessment areas, as well as geographic distribution and borrower profile data for 2022 home mortgage loans and 2021 small business loans are presented below. Demographic data and market share information for the limited-scope assessment areas are detailed in the Appendices.

Blacksburg MSA Assessment Area

The Blacksburg MSA assessment area consists of the three counties and one city within the Blacksburg-Christiansburg, VA MSA. The assessment area has not changed since the last CRA evaluation. The bank operates five or 9.4 percent of its Virginia offices in the Blacksburg MSA assessment area. The assessment area represents 3.3 percent of the rated-area loans by dollar volume of lending, 5.0 percent of rated-area lending by number of loans, and 6.1 percent of rated-area deposits.

Activity	#	\$
Small Business Loans	32	949
Home Mortgage Loans	44	13,552
Community Development Loans	2	5,875
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	22	27
CD Services	40	159 (Hours)
<i>Small business and home mortgage lending volumes are based on the combined 2020, 2021, and 2022 lending data, while the community development loans, qualified investments, and community development services are from previous evaluation through October 23, 2023.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are consistent with the overall institution. Service hours, loan and deposit products in the limited-scope assessment area are consistent with the overall institution.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Blacksburg MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	19.2	19.2	1	5.0	160	2.2
Middle	56.4	53.8	11	55.0	1,832	25.5
Upper	24.4	26.6	8	40.0	5,188	72.3
Not Available	0.0	0.1	0	0.0	0	0.0
Totals	100.0	100.0	20	100.0	7,181	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.</i>						

Geographic Distribution of Small Business Loans Blacksburg MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	1.8	1.3	0	0.0	0	0.0
Middle	69.9	72.4	4	100.0	137	100.0
Upper	26.6	24.9	0	0.0	0	0.0
Not Available	1.8	1.5	0	0.0	0	0.0
Totals	100.0	100.0	4	100.0	137	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Distribution of Home Mortgage Loans by Borrower Income Level Blacksburg MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.9	7.1	0	0.0	0	0.0
Moderate	17.3	20.6	1	5.0	50	0.7
Middle	22.0	19.6	4	20.0	531	7.4
Upper	40.8	37.6	5	25.0	1,248	17.4
Not Available	0.0	15.1	10	50.0	5,351	74.5
Totals	100.0	100.0	20	100.0	7,181	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Distribution of Small Business Loans by Gross Annual Revenue Category Blacksburg MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	84.3	53.5	4	100.0	137	100.0
>\$1,000,000	3.7	--	0	0.0	0	0.0
Revenue Not Available	12.0	--	0	0.0	0	0.0
Totals	100.0	100.0	4	100.0	137	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.*

Lynchburg MSA Assessment Area

The Lynchburg, VA MSA consists of five counties and cities; however, the bank delineated only Amherst, Bedford, and Campbell Counties as well as Lynchburg City. The assessment area has not changed since the last CRA evaluation. The bank operates seven or 13.2 percent of its Virginia offices in the Lynchburg MSA assessment area. The assessment area represents 9.5 percent of the rated-area loans by dollar volume, 11.9 percent of rated-area lending by number of loans, and 9.5 percent of rated-area deposits.

Activity	#	\$
Small Business Loans	90	8,726
Home Mortgage Loans	90	33,218
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	26	75
CD Services	3	32 (Hours)
<i>Small business and home mortgage lending volumes are based on the combined 2020, 2021, and 2022 lending data, while the community development loans, qualified investments, and community development services are from previous evaluation through October 23, 2023</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are more favorable than the overall institution. Service hours, loan and deposit products in the limited-scope assessment area are consistent with the overall institution.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Lynchburg MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	1.4	0	0.0	0	0.0
Moderate	10.7	10.8	3	11.6	594	8.2
Middle	63.4	61.6	18	69.2	4,895	67.5
Upper	24.5	25.7	4	15.4	790	10.9
Not Available	0.1	0.4	1	3.8	975	13.4
Totals	100.0	100.0	26	100.0	7,253	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Small Business Loans Lynchburg MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	1.2	0	0.0	0	0.0
Moderate	20.2	19.1	1	7.1	6	0.3
Middle	53.4	53.2	13	92.9	1,984	99.7
Upper	25.1	26.4	0	0.0	0	0.0
Totals	100.0	100.0	14	100.0	1,990	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Distribution of Home Mortgage Loans by Borrower Income Level Lynchburg MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.2	9.3	3	11.5	260	3.6
Moderate	18.9	20.0	5	19.2	620	8.5
Middle	21.9	20.8	7	26.9	648	8.9
Upper	40.0	33.2	3	11.5	704	9.7
Not Available	0.0	16.6	8	30.8	5,021	69.2
Totals	100.0	100.0	26	100.0	7,253	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category Lynchburg MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.5	52.6	12	85.7	1,904	95.7
>\$1,000,000	3.4	--	1	7.1	49	2.5
Revenue Not Available	9.2	--	1	7.1	37	1.8
Totals	100.0	100.0	14	100.0	1,990	100.0

Source: 2021 D&B Data; 2021 CRA Data and; 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent

NORTH CAROLINA

CRA RATING FOR NORTH CAROLINA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH CAROLINA

The evaluation of performance in North Carolina considered the operations of Carter Bank in nine assessment areas, which are detailed in the Description of Assessment Areas. The Burlington MSA assessment area was removed from the bank's assessment areas in 2020, one month after the conclusion of the previous evaluation due to branch closures. The Greenville MSA and Hickory MSA assessment areas were removed from the bank's assessment areas in 2021 due to branch closures or sales. North Carolina accounts for 30.1 percent of bank-wide loans by dollar volume and 20.3 percent of bank-wide lending by number of loans. The bank operates 13 or 19.7 percent of bank-wide branch offices in North Carolina. North Carolina accounts for 11.3 percent of the bank-wide deposits. Overall, Carter Bank ranks 19th in the state in deposit market share at 0.1 percent. Top competitor institutions in the North Carolina assessment areas include Bank of America, NA; Truist Bank, and Wells Fargo Bank, NA.

SCOPE OF EVALUATION – NORTH CAROLINA

Based on the number of loans and branches, as well as dollar volume of deposits, examiners conducted full-scope reviews of the bank's performance in the Greensboro MSA, Charlotte MSA, and NC Non-MSA assessment areas. Limited scope areas included the Durham MSA, Fayetteville MSA, and Raleigh MSA assessment areas given the limited operations. The Greenville MSA, Hickory MSA, and Burlington MSA assessment areas were only included for analysis of community development loans, qualified investments, and community development services. Home mortgage and small business loans constitute the primary loan types. The Greensboro MSA and NC Non-MSA assessment areas were given the most weight in the overall analysis and conclusions given the level of lending combined with the high level of deposit share and the number of branches. The Charlotte MSA assessment area was given secondary weight due to the lending volume. The limited-scope assessment areas were given limited weight in the overall analysis and conclusions given the lending, deposit, and branch levels. During the review period, home mortgage loans were given greater weight in the Charlotte MSA and Raleigh MSA assessment areas given the higher level of home mortgage lending by dollar volume and/or number of loans. Equal weight was given to home mortgage and small business loans in the Greensboro MSA, Durham MSA, and Fayetteville MSA assessment areas. For the Greensboro MSA and NC Non-MSA assessment area the equal weighting resulted from similar levels of home mortgage and small business loans by dollar volume and/or number of loans. For the Durham MSA and Fayetteville MSA assessment areas, small business loans were highest by number of loans while home mortgage loans were significantly higher by dollar volume.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA

LENDING TEST

The Lending Test is rated High Satisfactory. Lending levels reflect adequate responsiveness to the North Carolina assessment areas' credit needs. The geographic distribution reflects good penetration throughout the assessment areas, and the borrower profile reflects good penetration of lending among borrowers of different incomes and businesses of different sizes. The bank uses innovative and/or flexible lending practices. The bank is a leader in making community development loans in North Carolina.

Lending Activity

Lending levels reflect adequate responsiveness to the North Carolina assessment areas' credit needs. The tables presented in each assessment area detail the number and dollar volume of home mortgage loans originated in 2022 and small business loans originated in 2021 or 2020.

Geographic Distribution

The overall geographic distribution of home mortgage and small business loans is good. The geographic distribution of both home mortgage loans and small business reflect good penetration throughout the assessment areas. Performance among the full-scope assessment areas varied with the Greensboro MSA assessment area considered adequate, and the Charlotte MSA and NC Non-MSA assessment areas noted as good.

Borrower Profile

The overall distribution of home mortgage and small business lending to borrowers of different incomes and businesses of different sizes is good. The distribution of home mortgage loans is adequate among borrowers of different income levels. The distribution of small business loans is excellent among businesses of different sizes. Performance among the full-scope assessment areas varied with the Greensboro MSA and NC Non-MSA assessment areas considered good, and the Charlotte MSA assessment area considered adequate.

Community Development Loans

Carter Bank is a leader in making community development loans in North Carolina. During the evaluation period, the bank originated 41 community development loans totaling \$213.5 million. This performance represents 64.1 percent by number and 70.6 percent by dollar volume of bank-wide community development loans. The number and dollar volume of community development loans substantially increased from the 24 loans totaling \$66.9 million originated at the previous evaluation. Community development loans include 22 loans for \$151.4 million that are located in the broader state-wide area and are considered given the bank has been responsive to the needs assessment areas. Examples of state-wide community development loans are provided below.

- \$22.7 million loans for the construction of a 116 unit affordable housing complex located in

a moderate-income census tract.

- two loans for \$16.7 million and \$14.7 million for the construction of two hotels creating jobs for low- and moderate-income individuals.
- \$16.0 million loan for the construction of an industrial building located in a low-income census tract that provided jobs for low- and moderate-income individuals.

Performance is varied across the full-scope assessment areas. The bank originated a relatively high level of community development loans in the Greensboro MSA and Charlotte MSA assessment areas while the bank is a leader in providing community development loans in the NC Non-MSA assessment area. Additionally, the bank made a relatively high level of community development loans in the Durham MSA assessment area in relation to the bank’s operations in the assessment area, which also contributes to the overall performance for North Carolina. Refer to each full-scope assessment area for additional details and examples of community development loans.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Greensboro MSA	1	75	0	0	5	7,974	0	0	6	8,049
Charlotte MSA	1	40	0	0	3	15,040	0	0	4	15,080
NC Non-MSA	0	0	0	0	6	26,772	0	0	6	26,772
Durham MSA	1	50	0	0	2	12,091	0	0	3	12,141
Fayetteville MSA	0	0	0	0	0	0	0	0	0	0
Raleigh MSA	0	0	0	0	0	0	0	0	0	0
Greenville MSA	0	0	0	0	0	0	0	0	0	0
Hickory MSA	0	0	0	0	0	0	0	0	0	0
Burlington MSA	0	0	0	0	0	0	0	0	0	0
State-wide	6	30,090	1	4,000	15	117,323	0	0	22	151,413
Total	9	30,255	1	4,000	31	179,200	0	0	41	213,455
<i>Source: Bank Data</i>										

INVESTMENT TEST

The Investment Test is rated Low Satisfactory. The bank has an adequate level of qualified investments and donations of in North Carolina, exhibiting adequate responsiveness to credit and community development needs. The bank occasionally uses innovative investments to support community development initiatives; however, the investments are not considered complex. Performance within the full-scope assessment areas is consistent. While the overall level of qualified investments impacting only North Carolina is extremely low, the bank also maintains \$17.8 million in qualified investments for affordable housing that benefit the state-wide North Carolina and Virginia areas and are included in the overall assessment of the North Carolina performance.

Investment and Grant Activity

Carter Bank made 162 investments totaling \$1.3 million during this evaluation period, which account for 3.9 percent of bank-wide qualified investments. The total number and dollar amount includes no current period qualified investments and 161 donations totaling \$218,000. Prior period investments total \$1.1 million in municipal bonds for affordable housing.

Of the total investments, the bank holds \$1.1 million in qualified investments that benefit the broader state-wide area that includes the assessment area and contributed to the overall rating. These investments include a prior period investment in housing bonds through the NCHFA, FannieMae, and FreddieMac that provides affordable housing opportunities throughout North Carolina, as well as 17 donations totaling \$17,000.

Refer to each full-scope assessment area for additional details and examples of qualified investments.

Community Development Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Greensboro MSA	8	9	40	76	3	6	0	0	51	91
Charlotte MSA	2	1	13	12	1	12	0	0	16	25
NC Non-MSA	5	9	25	14	6	22	1	10	37	55
Durham MSA	1	5	20	14	2	1	0	0	23	20
Fayetteville MSA	0	0	11	4	2	1	0	0	13	5
Raleigh MSA	0	0	2	2	1	0	0	0	3	2
Greenville MSA	0	0	1	2	0	0	0	0	1	2
Hickory MSA	0	0	0	0	0	0	0	0	0	0
Burlington MSA	0	0	0	0	0	0	0	0	0	0
State-wide/Regional	3	1,061	14	12	1	2	0	0	18	1,075
Total	19	1,085	126	136	16	44	1	10	162	1,275
<i>Source: Bank Data</i>										

Provided below are examples of donations that benefitted a broader regional or state-wide area that includes the assessment areas.

- \$3,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$12,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$2,000 to an organization that provides for economic development in low- and moderate-income census tracts and provides jobs for low- and moderate-income persons.

SERVICE TEST

The Service Test is rated High Satisfactory. Carter Bank’s delivery systems are accessible to essentially all portions of the assessment areas, which is consistent with the overall institution. To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the assessment areas. Services and business hours do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. The bank is a leader in providing community development services. Performance varied within the full-scope assessment areas.

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has not adversely affected the accessibility of delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank opened 2 branches and closed 13 branches throughout North Carolina. As shown in the table below, the effect was a decrease of 1 branch in a low-income census tract, 9 branches in moderate-income census tracts, and 3 branches in middle-income census tracts. There was an increase of 2 branches in upper-income census tracts. Of the 9 branch closures in moderate-income tracts, 7 occurred in areas that are no longer part of the assessment areas. Additional details of changes in branch locations are contained within each assessment area for which changes occurred.

Net Distribution of Branch Openings/Closings						
Assessment Area	# of Branch Openings	# of Branch Closings	Income Level of Census Tract (+/-)			
			Low	Moderate	Middle	Upper
Greensboro MSA	1	3	0	-2	-1	+1
Charlotte MSA	1	1	0	-1	0	+1
NC Non-MSA	0	3	0	-3	0	0
Durham MSA	0	1	-1	0	0	0
Fayetteville MSA	0	0	0	0	0	0
Raleigh MSA	0	0	0	0	0	0
Burlington MSA	0	2	0	-2	0	0
Greenville MSA	0	1	0	0	-1	0
Hickory MSA	0	2	0	-1	-1	0
Total	2	13	-1	-9	-3	+2
<i>Source: Bank Data</i>						

Community Development Services

Carter Bank is a leader in providing community development services in North Carolina. Bank employees and Board members provided 180 instances accounting for 995 hours of community development services throughout North Carolina. Community development services equate to 4.3 instances and 23.8 hours per branch per year. Rated area instances have increased from 110 and 1.7 instances per branch per year at the previous evaluation. Community development services in

North Carolina accounted for 32.1 percent bank-wide services by hours and 31.9 percent of bank-wide services by number. Employees are involved in community development organizations that primarily provide community services targeted to low- and moderate-income individuals and areas. Refer to the Community Development Services section in each assessment area for examples of community development services.

Community Development Services										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
Greensboro MSA	4	28	57	541	4	28	0	0	65	597
Charlotte MSA	1	2	37	134	1	2	0	0	39	138
NC Non-MSA	0	0	48	98	4	27	0	0	52	125
Durham MSA	0	0	0	0	0	0	0	0	0	0
Fayetteville MSA	0	0	14	45	0	0	0	0	14	45
Raleigh MSA	0	0	2	9	0	0	0	0	2	9
Greenville MSA	0	0	0	0	0	0	0	0	0	0
Hickory MSA	0	0	0	0	0	0	0	0	0	0
Burlington MSA	0	0	0	0	0	0	0	0	0	0
State-wide	4	22	4	59	0	0	0	0	8	81
Total	9	52	162	886	9	57	0	0	180	995
<i>Source: Bank Data</i>										

Provided below are examples services that benefitted a broader state-wide area that includes the assessment areas.

- a member of management was a Board member for an organization that focuses on affordable housing needs of low- and moderate-income individuals throughout North Carolina.
- an employee served on the Board and finance committee of a regional mental health-focused non-profit organization, which provides community services to low- and moderate-income individuals.

GREENSBORO MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GREENSBORO MSA ASSESSMENT AREA

The Greensboro MSA assessment area consists of the three counties that comprise the entire Greensboro-High Point, NC MSA. The assessment area has not changed since the last CRA evaluation. The bank operates four or 30.8 percent of its North Carolina offices in the Greenville MSA assessment area. The assessment area represents 9.0 percent of the rated-area loans by dollar volume, 32.1 percent of lending by number of loans, and 44.3 percent of rated area deposits.

Economic and Demographic Data

The assessment area consists of 182 census tracts, including 17 low-income census tracts, 44 moderate-income census tracts, 67 middle-income census tracts, and 51 upper-income census tracts. Additionally, 3 census tracts have no income designation. Census tracts increased from 168 from the 2015 ACS data. The number of moderate-income census tracts did not change, while the number of low-income tracts increased by 6, middle-income tracts increased by 2, upper-income tracts increased by 4, and tracts with information that was not available increased by 2. The percentage of the population, housing, and business levels remained relatively unchanged within the geographic categories. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Greensboro MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	182	9.3	24.2	36.8	28.0	1.6
Population by Geography	776,566	7.8	21.5	40.4	29.5	0.8
Housing Units by Geography	336,980	8.2	22.1	41.1	27.8	0.8
Owner-Occupied Units by Geography	191,183	3.7	17.2	44.0	34.7	0.3
Occupied Rental Units by Geography	112,373	14.9	28.4	36.7	18.6	1.5
Vacant Units by Geography	33,424	11.8	29.0	39.4	18.8	0.9
Businesses by Geography	95,573	8.6	18.4	36.0	36.4	0.6
Farms by Geography	2,632	3.9	13.6	48.7	33.6	0.2
Family Distribution by Income Level	194,671	21.9	18.0	19.0	41.1	0.0
Household Distribution by Income Level	303,556	23.6	16.7	17.5	42.2	0.0
Median Family Income - Greensboro-High Point, NC MSA		\$65,831	Median Housing Value			\$156,645
			Median Gross Rent			\$849
			Families Below Poverty Level			11.6%

Source: 2020 U.S. Census and 2022 D&B Data

Due to rounding, totals may not equal 100.0 percent.

() The NA category consists of geographies that have not been assigned an income classification.*

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a majority of owner-occupied housing units and businesses are within the middle- and upper-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a fair level of owner-occupied housing units and businesses, while fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated Greensboro-High Point, NC MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$65,800)	<\$32,900	\$32,900 to <\$52,640	\$52,640 to <\$78,960	≥\$78,960
2021 (\$65,200)	<\$32,600	\$32,600 to <\$52,160	\$52,160 to <\$78,240	≥\$78,240
2022 (\$70,300)	<\$35,150	\$35,150 to <\$56,240	\$56,240 to <\$84,360	≥\$84,360
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$156,000, and prices are continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue of the business. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 87.1 percent reported \$1 million or less;
- 4.0 percent reported more than \$1 million; and
- 9.0 percent did not report revenues.

Additionally, approximately 93.1 percent of businesses operate with nine or fewer employees. The top industries in the Greensboro MSA assessment area are education and health services, manufacturing, and professional and business services. The top employers are Cone Health, LabCorp Inc., The Volvo Group, United Healthcare, and the University of North Carolina.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. Unemployment rates in each county were consistent with both the state unemployment rate and the national average as of August 2023.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Guilford County	8.4	5.7	4.1	3.8
Randolph County	7.3	4.8	3.7	3.4
Rockingham County	8.2	5.6	4.2	3.7
North Carolina	7.3	4.9	3.6	3.3
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 24 FDIC-insured institutions operate 144 branches within the assessment area. Of these institutions, Carter Bank ranked 15th with a market share of 1.0 percent. Competitor institutions in the assessment area include Truist Bank; Wells Fargo Bank, NA; and Bank of America, NA. Together, the three competitor institutions account for 54.0 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 534 lenders reported 23,162 residential mortgage loans originated or purchased. Carter Bank ranked 122nd with a market share of 0.1 percent by number of loans. The five top home mortgage lenders accounted for 33.7 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 138 lenders reported 20,741 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 62nd with a 0.1 percent market share by number of loans and 33rd with a 0.3 percent market share by dollar volume. The top five small business lenders accounted for 46.3 percent of the total market share by number with the top lending by dollar volume accounting for 54.2 percent of the market.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help identify the credit and community development needs of the assessment area and whether local financial institutions are responsive to those opportunities.

Examiners referenced an existing community contact with a local chamber of commerce. The contact indicated several areas of credit and community development needs within the assessment area. The contact indicated that with more funding and investment the number of area small businesses would see significant growth. Additionally, the contact indicated that since 2021, over 10,000 homes have been permitted. Despite this, there is still a significant need for affordable housing in the area as well a need for more multi-family properties especially to retain young professionals.

Credit and Community Development Needs and Opportunities

Considering information from management, the community contact, and demographic and economic data, examiners determined small business lending represents a primary credit need for the assessment area. Demographic data reflects that 87.1 percent of businesses have revenues of less than \$1 million, and 93.1 percent of businesses have nine or fewer employees. Low business costs and a large consumer base support this credit need.

Affordable housing also represents a credit need as 39.9 percent of families are low- or moderate-income, with low-income families earning less than \$36,000 annually compared to over \$156,000 median home values.

As indicated by the community contact, several opportunities for investing in community development exist in the assessment area. These opportunities include investment in small business capital and multi-family affordable housing.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GREENSBORO MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Greensboro MSA assessment area reflect adequate responsiveness to assessment area credit needs. The geographic distribution reflects adequate penetration throughout the assessment area, and the borrower profile reflects good distribution of loans among borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the assessment area's credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2021 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The performance in low- and moderate-income tracts is varied across the review period. In 2020 and 2021, lending in the low-income tracts was significantly above the demographic and aggregate data. For 2020, lending in low-income tracts stood at 5.6 percent compared to demographic and aggregate data of 2.7 percent and 1.3 percent, respectively. Lending increased in 2021 to 11.8 percent compared to 2.7 percent for demographics and 1.7 percent for aggregate lending. However, the bank did not originate any home mortgage loans in low-income tracts in 2022. Lending in moderate-income census tracts in 2022 was below the demographic data

and aggregate lending data. However, lending in 2020 at 27.8 percent was more than double aggregate data of 11.5 percent and significantly above demographics of 17.2 percent.

Geographic Distribution of Home Mortgage Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.7	3.8	0	0.0	0	0.0
Moderate	17.2	16.4	3	13.6	127	2.9
Middle	44.0	42.2	9	40.9	1,958	45.3
Upper	34.7	37.1	10	45.5	2,240	51.8
Not Available	0.3	0.4	0	0.0	0	0.0
Totals	100.0	100.0	22	100.0	4,325	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans reflects good penetration throughout the assessment area. The bank did not originate any small business loans in low income census tracts. Small business lending in moderate-income census tracts was above both demographic and aggregate lending data.

Geographic Distribution of Small Business Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.1	4.0	0	0.0	0	0.0
Moderate	21.8	22.6	3	27.3	1,614	64.1
Middle	36.3	37.4	7	63.6	858	34.0
Upper	37.7	35.9	1	9.1	48	1.9
Not Available	0.1	0.1	0	0.0	0	0.0
Totals	100.0	100.0	11	100.0	2,520	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The overall distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes is good.

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration among borrowers of different incomes. Lending to low-income borrowers was well below demographics but more than double

the aggregate lending performance. Lending to moderate-income borrowers was well below both the demographic and aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Greensboro MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.9	6.2	3	13.6	122	2.8
Moderate	18.0	18.0	2	9.1	130	3.0
Middle	19.0	21.8	1	4.6	250	5.8
Upper	41.1	41.2	12	54.5	2,628	60.8
Not Available	0.0	12.8	4	18.2	1,195	27.6
Totals	100.0	100.0	22	100.0	4,325	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Performance was below demographic data but substantially above the aggregate lending data.

Distribution of Small Business Loans by Gross Annual Revenue Category Greensboro MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.1	48.2	8	72.7	1,184	47.0
>\$1,000,000	4.0	--	3	27.3	1,336	53.0
Revenue Not Available	9.0	--	0	0.0	0	0.0
Totals	100.0	100.0	11	100.0	2,520	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Loans

Carter Bank made a relatively high level of community development loans in the Greensboro MSA assessment area. The bank originated six community development loans totaling \$8.0 million in the assessment area. This level of lending represents 14.6 percent by number and 3.8 percent by dollar of community development loans originated within North Carolina. The number and dollar volume of community development loans decreased from 8 loans and \$28.3 million at the previous evaluation. Examples of community development loans are provided below.

- \$75,000 loan to support the construction of a low-income housing development.
- \$1.1 million loan for the construction of retail building for a restaurant in a moderate-income census tract providing jobs for low- and moderate-income individuals.

- \$1.7 million loan to construct a retail building for a chain coffee shop. The coffee shop employs 18-25 low- and moderate-income workers.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the Greensboro MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 51 donations totaling to approximately \$91,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$10,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$75,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$6,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.

While the assessment area specific investments are low, the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the Greensboro MSA assessment area. To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank is a leader in providing community development services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank closed three branches, two branches were located in moderate-income census tracts and one branch was in a middle-income tract. Additionally, the bank opened one branch in an upper-income census tract.

Community Development Services

Carter Bank is a leader in providing community development services in the assessment area. Bank employees and Board members provided 65 community development services accounting for 597 hours in the assessment area. This performance accounts for 36.1 percent by number and 60.0 percent of hours of state-wide community development services. Community development services equate to 5.1 services and 46.4 hours per branch per year. The bank engaged in 39 instances of community development services at the previous evaluation. The following are examples of community development services.

- an employee served on the Board and finance committee for a regional community service and economic development organization with a mission to maintain water quality, promote health and wellness, provide environmental education, and drive economic development in a predominately low- and moderate-income area.
- a member of management provided community services by teaching several financial literacy courses to low- and moderate-income participants in Adult Basic Education and English as a Second Language classes.
- several employees taught financial literacy courses at community events hosted by a local health-focused non-profit organization located in a moderate-income tract that has a mission to serve low- and moderate-income families.

CHARLOTTE MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHARLOTTE MSA ASSESSMENT AREA

The Charlotte-Concord-Gastonia, NC-SC Multi-state MSA consists of 11 counties; however, the bank delineated only Iredell County and the City of Charlotte. In 2021, Lincoln County was removed from the assessment area due to the closure of branches within the county. The City of Charlotte was added to the assessment area in 2022 with the opening of a branch. The bank operates two or 15.4 percent of its North Carolina offices in the Charlotte MSA assessment area. The assessment area represents 45.8 percent of the rated-area loans by dollar volume, 26.4 percent of rated-area lending by number of loans, and 16.5 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 286 census tracts, including 20 low-income census tracts, 86 moderate-income census tracts, 75 middle-income census tracts, and 97 upper-income census tracts. Additionally, 8 census tracts have no income designation. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Charlotte MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	286	7.0	30.1	26.2	33.9	2.8
Population by Geography	1,057,204	6.0	31.0	28.8	32.9	1.3
Housing Units by Geography	440,202	6.2	30.7	27.8	33.5	1.7
Owner-Occupied Units by Geography	227,251	2.9	28.1	29.3	39.1	0.6
Occupied Rental Units by Geography	177,368	10.1	33.9	26.9	26.3	2.8
Vacant Units by Geography	35,583	7.7	31.7	23.1	33.7	3.8
Businesses by Geography	179,219	5.5	25.1	25.2	41.4	2.8
Farms by Geography	2,649	4.5	33.7	30.3	30.4	1.1
Family Distribution by Income Level	245,290	22.1	18.2	18.9	40.8	0.0
Household Distribution by Income Level	404,486	22.6	17.6	18.4	41.5	0.0
Median Family Income - Charlotte-Concord-Gastonia, NC-SC Multi-state MSA		\$80,486	Median Housing Value			\$267,016
			Median Gross Rent			\$1,183
			Families Below Poverty Level			8.5%

Source: 2020 U.S. Census and 2022 D&B Data
Due to rounding, totals may not equal 100.0 percent.
(*) The NA category consists of geographies that have not been assigned an income classification.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located

in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows the highest percentage of owner-occupied housing units and businesses are within the upper-income census tracts, indicating more of the lending opportunities are in these geographies. The remaining owner-occupied housing units and businesses are evenly disbursed between the moderate- and middle-income census tracts with limited levels in the low-income census tracts.

The FFIEC updated Charlotte-Concord-Gastonia, NC-SC Multi-state MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$74,200)	<\$37,100	\$37,100 to <\$59,360	\$59,360 to <\$89,040	≥\$89,040
2021 (\$77,300)	<\$38,650	\$38,650 to <\$61,840	\$61,840 to <\$92,760	≥\$92,760
2022 (\$91,700)	<\$45,850	\$45,850 to <\$73,360	\$73,360 to <\$110,040	≥\$110,040

Source: FFIEC

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$267,000 and prices are continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue of the business. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 88.2 percent reported \$1 million or less;
- 3.9 percent reported more than \$1 million; and
- 7.9 percent did not report revenues.

Additionally, approximately 94.2 percent of businesses operate with nine or fewer employees. The top industries in the Charlotte MSA assessment area are professional and business services, government, and leisure and hospitality services. The top employers are Atrium Health, Wells Fargo & Co., Walmart, Bank of America Corp., and Novant Health, Inc.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. Unemployment rates in were consistent with the state unemployment rate and below the national average as of August 2023.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Iredell County	7.2	4.7	3.4	3.2
Mecklenburg County (includes Charlotte)	7.6	4.9	3.5	3.2
North Carolina	7.3	4.9	3.6	3.3
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 38 FDIC-insured institutions operate 236 branches within the Iredell and Mecklenburg Counties. Of these institutions, Carter Bank ranked 26th with a market share of less than 0.1 percent. Competitor institutions include Bank of America, NA; Truist Bank; and Wells Fargo Bank, NA. Together, the three competitor institutions account for 96.1 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 604 lenders reported 25,152 residential mortgage loans originated or purchased. Carter Bank ranked 100th with a market share of 0.2 percent by number of loans. The five top home mortgage lenders accounted for 24.6 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 120 lenders reported 6,165 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 41st with a 0.2 percent market share by number of loans and 55th with a 0.2 percent market share by dollar volume. The top five small business lenders accounted for 52.4 percent of the total market share by number with the top lending by dollar volume accounting for 48.1 percent of the market.

Credit and Community Development Needs and Opportunities

Considering information from management and demographic and economic data, examiners determined affordable housing represents a primary credit need for the assessment area. Approximately, 40.0 percent of families are low-or moderate-income, with low-income families earning less than \$46,000 annually compared to the median housing value of over \$267,000. Rental affordability remains below both the state and national averages.

Small business lending also represents a credit need as demographic data reflects that 88.2 percent of businesses have revenues of \$1 million or less, and 94.2 percent of businesses have nine or fewer employees. Several additional demographic factors support small business growth. These factors include a strong and positive net migration, low business costs, and a highly skilled workforce.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHARLOTTE MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Charlotte MSA assessment area reflect adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area. The borrower profile reflects adequate distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the assessment area’s credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2020 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The bank’s performance in low-income census tracts was consistent with demographic and aggregate lending data. Performance in moderate-income census tracts was slightly below the demographic data and but consistent with aggregate lending data.

Geographic Distribution of Home Mortgage Loans Charlotte MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.9	3.7	2	3.8	1,531	3.0
Moderate	28.1	25.9	13	24.5	40,994	81.1
Middle	29.3	30.6	22	41.5	3,809	7.5
Upper	39.1	38.9	16	30.2	4,225	8.4
Not Available	0.6	0.8	0	0.0	0	0.0
Totals	100.0	100.0	53	100.0	50,559	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans is good. Carter Bank only originated nine small business loans in the assessment area in 2021. Four loans were originated in moderate-income census tracts. However, lending was higher in 2020 with 20 loans originated; therefore, the lending

table below reflects the performance for 2020. The bank did not originate any loans in the low-income tracts; however, only 2.8 percent of the businesses are in the low-income tracts, and aggregate lending is low at 2.6 percent. For moderate-income tracts, lending is significantly above both demographic data and aggregate lending performance.

Geographic Distribution of Small Business Loans Charlotte MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.8	2.6	0	0.0	0	0.0
Moderate	19.6	17.4	6	30.0	1,612	61.2
Middle	31.9	31.7	5	25.0	359	13.6
Upper	45.8	48.3	9	45.0	665	25.2
Totals	100.0	100.0	20	100.0	2,636	100.0

*Source: 2020 D&B Data; 2020 CRA Data; and, 2020 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The overall distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes is adequate.

Home Mortgage Loans

The distribution of home mortgage loans reflects poor penetration among borrowers of different incomes. Lending to low-income borrowers was significantly below the percent of low-income families even and below aggregate data. However, as the table below reflects, 13 loans did not have income available for analysis. Considering only those loans with income available, lending to low-income borrowers increases to 5.0 percent which is more comparable to the aggregate lenders. Lending to moderate-income borrowers was significantly below both the demographic and aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Charlotte MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.1	6.5	2	3.8	150	0.3
Moderate	18.2	16.6	2	3.8	285	0.6
Middle	18.9	21.0	8	15.1	990	1.9
Upper	40.8	43.5	28	52.8	5,718	11.3
Not Available	0.0	12.4	13	24.5	43,416	85.9
Totals	100.0	100.0	53	100.0	50,559	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

Lending to small business loans is excellent. Carter Bank only originated nine small business loans in the assessment area in 2021. Six loans were originated to businesses with gross annual revenues of \$1 million or less. However, lending was higher in 2020 with 20 loans originated; therefore, the lending table below reflects the performance for 2020. Lending to small businesses was comparable to demographics and double the aggregate lending performance.

Distribution of Small Business Loans by Gross Annual Revenue Category Charlotte MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.7	42.2	17	85.0	2,477	94.0
>\$1,000,000	4.0	--	3	15.0	159	6.0
Revenue Not Available	8.3	--	0	0.0	0	0.0
Totals	100.0	100.0	20	100.0	389	100.0

*Source: 2020 D&B Data; 2020 CRA Data; and, 2020 CRA Aggregate Data.
"--" data not available.*

Community Development Loans

Carter Bank made a relatively high level of community development loans in the Charlotte MSA assessment area. The bank originated four community development loans totaling \$15.1 million in the assessment area. This level of lending represents 9.8 percent by number and 7.1 percent by dollar of community development loans originated within North Carolina. The number and dollar volume of community development loans increased from two loans and \$1.2 million at the previous evaluation. Examples of community development loans are provided below.

- \$75,000 loan to support the construction of a low-income housing development.
- \$1.4 million loan for the construction of a new business that provided jobs for low- and moderate-income individuals.
- \$11.7 million loan to purchase and renovate an industrial building located in a moderate-income census tract, with a projected 200 new jobs in the first year, the majority of which being low- and moderate-income.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the Charlotte MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 16 donations totaling to approximately \$25,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$1,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$12,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$12,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.

While the assessment area specific investments are low, the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are reasonably accessible to essentially all portions of the Charlotte MSA assessment area. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank is a leader in providing community development services.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to all portions of the assessment area. The conclusions regarding the branch distribution for the assessment area are less favorable than the institution overall and the North Carolina rated area. The bank operates two branches in the assessment area, and neither is in a low- or moderate-income census tract. The branch distribution is well below the percentage of population in the respective geographies. The locations of the branches in the assessment area are adjacent to and enables the bank to reasonably serve one low-income tract where the bank has no branches.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank opened one branch in an upper-income tract and closed one branch in a moderate-income tract. The branch that was closed was located in a county that is no longer in the bank's assessment area.

Community Development Services

Carter Bank is a leader in providing community development services in the assessment area. Bank employees and Board members provided 39 community development services accounting for 138 hours in the assessment area. This performance accounts for 21.7 percent by number and 13.9 percent of hours of state-wide community development services. Community development services

equate to 6.1 services and 21.4 hours per branch per year. The bank engaged in no instances of community development services at the previous evaluation. The following are examples of community development services.

- a member of management is on the Board of a community service organization that works collaboratively with residents, neighborhood organizations, government agencies, nonprofits, and businesses to solve long-term social, economic, and environmental health issues.
- a member of management provided technical assistance and works on a committee for a local non-profit that addresses food insecurity. The organization provides community services by serving the area with nutritious meals, supporting programming, and providing helpful resources to help those in need.
- a member of management provided community services by teaching several financial literacy classes to children in low- and moderate-income communities in the assessment area.

NC NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NC NON-MSA ASSESSMENT AREA

The NC Non-MSA assessment area consists of Lee, Surry, Vance, and Wilson Counties. Robeson, Rutherford, and Wilkes Counties were removed from the assessment area in 2021 due to the closures of branches within the counties. The bank operates four or 30.8 percent of its North Carolina branch offices in the NC Non-MSA assessment area. The assessment area represents 23.1 percent of the rated-area loans by dollar volume, 17.1 percent of rated-area lending by number of loans, and 26.3 percent of rated-area deposits.

Economic and Demographic Data

The assessment area consists of 76 census tracts, including 4 low-income census tracts, 13 moderate-income census tracts, 37 middle-income census tracts, and 21 upper-income census tracts. Additionally, one census tract has no income designation. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the NC Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	76	5.3	17.1	48.7	27.6	1.3
Population by Geography	256,006	3.4	15.6	52.2	27.4	1.4
Housing Units by Geography	115,376	3.9	14.9	52.9	26.7	1.6
Owner-Occupied Units by Geography	64,639	1.2	11.2	52.7	33.7	1.1
Occupied Rental Units by Geography	35,515	7.0	20.4	52.5	17.4	2.7
Vacant Units by Geography	15,222	7.9	17.8	54.6	18.7	0.9
Businesses by Geography	24,758	4.2	14.5	50.2	29.9	1.2
Farms by Geography	1,102	1.1	10.2	55.4	32.7	0.7
Family Distribution by Income Level	66,922	22.5	16.5	19.3	41.7	0.0
Household Distribution by Income Level	100,154	24.7	15.5	16.2	43.6	0.0
Median Family Income Non-MSAs - NC		\$57,962	Median Housing Value			\$125,910
			Median Gross Rent			\$717
			Families Below Poverty Level			13.0%
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows the vast majority of owner-occupied housing units and businesses are within the middle- and upper-income

census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a fair level of owner-occupied housing units and businesses, while significantly fewer opportunities are indicated in the low-income census tracts.

The FFIEC updated NC Non-MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$53,700)	<\$26,850	\$26,850 to <\$42,960	\$42,960 to <\$64,440	≥\$64,440
2021 (\$55,300)	<\$27,650	\$27,650 to <\$44,240	\$44,240 to <\$66,360	≥\$66,360
2022 (\$66,900)	<\$33,450	\$33,450 to <\$53,520	\$53,520 to <\$80,280	≥\$80,280
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is nearly \$126,000, and prices are continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue of the business. The D&B 2021 distribution of businesses based on gross annual revenues is listed below.

- 84.6 percent reported \$1 million or less;
- 4.5 percent reported more than \$1 million; and
- 10.9 percent did not report revenues.

Additionally, approximately 92.4 percent of businesses operate with nine or fewer employees. The top industries in the NC Non-MSA assessment area are services and retail trade. Top employer information was unavailable for the NC Non-MSA assessment area.

According to the U.S. Bureau of Labor Statistics, during the examination period, unemployment rates increased significantly during 2020 and then declined in 2021 and 2022. As of August 2023, the unemployment rates ranged from 3.3 percent to 4.9 percent. The rates in Wilson and Vance Counties exceeded both the state and National levels, while the unemployment rates in Lee and Surry Counties were comparable to the comparative data.

Unemployment Rates				
Area	2020	2021	2022	August 2023
	%	%	%	%
Lee County	8.0	5.5	4.2	3.7
Surry County	6.8	4.5	3.5	3.3
Vance County	10.0	7.9	5.8	5.3
Wilson County	8.8	6.8	5.1	4.9
North Carolina	7.3	4.9	3.6	3.3
National Average	8.1	5.4	3.6	3.8
<i>Source: Bureau of Labor Statistics</i>				

Competition

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 18 FDIC-insured institutions operate 58 branches within the assessment area. Of these institutions, Carter Bank ranked 11th with a market share of 2.0 percent. Competitor institutions in the assessment area include Truist Bank; First-Citizens Bank & Trust Company; and Wells Fargo Bank, NA. Together, the three competitor institutions account for 60.4 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022, the most recent year available, shows 349 lenders reported 6,822 residential mortgage loans originated or purchased. Carter Bank ranked 84th with a market share of 0.2 percent by number of loans. The five top home mortgage lenders accounted for 35.1 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021, the most recent year available, shows 90 lenders reported 5,445 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 56th with a 0.1 percent market share by number of loans and 36th with a 0.3 percent market share by dollar volume. The top five small business lenders accounted for 50.1 percent of the total market share by number with the top lending by dollar volume accounting for 56.2 percent of the market.

Credit and Community Development Needs and Opportunities

Considering information from management and demographic and economic data, examiners determined affordable housing represents a primary credit need for the assessment area. Low- and moderate-income families account for 39.0 percent of total families, with low-income families earning less than \$34,000 annually compared to the median housing value of nearly \$126,000.

Small business lending also represents a credit needs as demographic data reflects that 84.6 percent of businesses have revenues of less the \$1million, and 92.4 percent of businesses have nine or fewer employees.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NC NON-MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the NC Non-MSA assessment area reflect adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good lending penetration to borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible lending practices and is a leader in originating community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the assessment area’s credit needs. The tables presented below detail the number and dollar volume of 2022 home mortgage loans and 2020 small business loans in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. For 2022, lending in low-income census tracts was well above both demographic and aggregate lending data with lending in moderate-income census tracts was below demographic and aggregate lending data. Lending in low-income tracts in 2020 at 5.6 percent was also well above demographics of 1.2 percent and aggregate lending of 1.5 percent. Moderate-income lending in 2020 at 27.8 percent was much higher than 2022 and significantly above demographics of 17.2 percent and aggregate lending of 11.5 percent.

Geographic Distribution of Home Mortgage Loans NC Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.2	1.5	1	7.7	50	0.4
Moderate	11.2	9.6	1	7.7	31	0.2
Middle	52.7	50.2	6	46.2	12,032	97.3
Upper	33.7	37.5	5	38.5	254	2.1
Not Available	1.1	1.1	0	0.0	0	0.0
Totals	100.0	100.0	13	100.0	12,367	100.0
<small>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</small>						

Small Business Loans

The geographic distribution of small business loans is good. Carter Bank only originated six small business loans in the assessment area in 2021. Three loans were originated in moderate-income census tracts. However, lending was higher in 2020 with 24 loans originated; therefore, the lending table below reflects the performance for 2020. Lending in both low- and moderate-income tracts was higher than the demographic and aggregate data.

Geographic Distribution of Small Business Loans NC Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.7	1.8	1	4.2	8	0.7
Moderate	25.0	22.9	7	29.2	160	13.3
Middle	52.3	54.5	13	54.1	1,016	84.4
Upper	19.9	20.8	3	12.5	20	1.6
Totals	100.0	100.0	24	100.0	1,204	100.0
<i>Source: 2020 D&B Data; 2020 CRA Data; 2020 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Borrower Profile

The overall distribution of home mortgage and small business loans to borrowers of different incomes and businesses of different sizes is good.

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. The bank did not originate any home mortgage loans in low-income census tracts in 2022; however, loans were in originated to low-income borrowers in 2020. In 2020, lending to low-income borrowers was 11.1 percent, which was well above the aggregate lending of 3.0 percent, but significantly below demographics of 24.1 percent. Lending to moderate-income borrowers was above both the demographic and aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level NC Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.5	5.2	0	0.0	0	0.0
Moderate	16.5	17.0	3	23.1	103	0.8
Middle	19.3	24.0	3	23.1	132	1.1
Upper	41.7	39.4	4	30.8	410	3.3
Not Available	0.0	14.4	3	23.1	11,723	94.8
Totals	100.0	100.0	13	100.0	12,367	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Small Business Loans

Lending to small business loans is excellent. Carter Bank only originated six small business loans in the assessment area in 2021. Five loans were originated to businesses with gross annual revenues of \$1 million or less. However, lending was higher in 2020 with 24 loans originated; therefore, the lending table below reflects the performance for 2020. Lending to small businesses was above to demographics and more than double the aggregate lending performance.

Distribution of Small Business Loans by Gross Annual Revenue Category NC Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	83.4	37.7	21	87.5	323	26.8
>\$1,000,000	4.8	--	3	12.5	881	73.2
Revenue Not Available	11.7	--	0	0.0	0	0.0
Totals	100.0	100.0	24	100.0	1,204	100.0

Source: 2020 D&B Data; 2020 CRA Data; and, 2020 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.

Community Development Loans

Carter Bank is a leader in making community development loans in the NC Non-MSA assessment area. The bank originated six community development loans totaling \$26.8 million in the assessment area. This level of lending represents 14.6 percent by number and 12.5 percent by dollar of community development loans originated within North Carolina. The number and dollar volume of community development loans increased significantly from one loan for \$96,000 at the previous evaluation. Examples of community development loans are provided below.

- \$2.4 million loan to construct a retail shopping property in a moderate-income census tract.
- \$7.1 million loan for the construction of an industrial building that created 30 new jobs, the

- majority of which are for low- and moderate-income.
- \$10.9 million loan to construct a 55-unit assisted living and memory care facility in a distressed and underserved middle-income census tract.

INVESTMENT TEST

Carter Bank has a poor level of qualified investments in the NC Non-MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and occasionally uses innovative investments to support community development initiatives.

Investment and Grant Activity

Carter Bank made 37 donations totaling \$55,000 specific to the assessment area. Provided below are donations that benefitted the assessment area by community development purpose.

- \$9,000 to organizations that support affordable housing for low- and moderate-income persons and in low- and moderate-income census tracts.
- \$14,000 to community service organizations operating in low- and moderate-income census tracts and serving low- and moderate-income persons.
- \$22,000 to organizations that provide for economic development in low- and moderate-income census tracts and provide jobs for low- and moderate-income persons.
- \$10,000 to organizations that support revitalization and stabilization in low- and moderate-income census tracts as well as distressed and underserved middle-income census tracts.

While the assessment area specific investments are low, the state-wide and/or regional investments also benefit the assessment area. Refer to the overall and rated area analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the NC Non-MSA assessment area. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals in the assessment area. Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank provided a relatively high level of community development services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the previous evaluation, the bank closed three branches, with all branches located in moderate-income census tracts. Each of these branches were in counties that are no longer in the assessment area.

Community Development Services

Carter Bank provided a relatively high level of community development services in the assessment area. Bank employees and Board members provided 52 community development services accounting for 125 hours in the assessment area. This performance accounts for 28.9 percent by number and 12.6 percent of hours of state-wide community development services. Community development services equate to 4.0 services and 9.7 hours per branch per year. The bank engaged in 36 instances of community development services at the previous evaluation. The following are examples of community development services.

- a member of management is on the Board of a local economic development organization that supports economic development in the assessment area and provides the tools and resources needed to start, grow, expand, or relocate small businesses.
- several employees taught numerous financial literacy classes for a local non-profit community service organization that provides services for homeless women in the assessment area.
- several employees taught numerous financial literacy classes for a local non-profit community service organization that provides services for homeless persons in the assessment area.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the North Carolina assessment areas reviewed using limited-scope examination procedures. Conclusions regarding the institution’s CRA performance within the limited-scope areas were derived from reviewing available facts and data, including performance data, aggregate lending data comparisons, and demographic information. Unless otherwise noted, the home mortgage and small business lending volume is based on 2020, 2021, and 2022 HMDA and CRA data. Community development activities are from August 4, 2020, through October 23, 2023, according to the bank records. The conclusions did not alter the bank’s overall Lending, Investment, or Service Test performance ratings.

Assessment Area	Lending Test	Investment Test	Service Test
Durham MSA	Consistent	Consistent	Below
Fayetteville MSA	Below	Consistent	Consistent
Raleigh MSA	Below	Below	Below

A summary of Carter Bank’s operations and activities for limited-scope assessment areas, as well as geographic distribution and borrower profile data for 2022 home mortgage loans and 2021 small business loans are presented below. Demographic data and market share information for the limited-scope assessment areas are detailed in the Appendices.

Durham MSA Assessment Area

The Durham-Chapel Hill, NC MSA consists of five counties; however, the bank delineated only Chatham, Durham, and Person Counties. Durham County was added to the assessment area in 2022. The bank operates one or 7.1 percent of its North Carolina offices in the Durham MSA assessment area. The assessment area also represents 3.0 percent of the rated-area loans by dollar volume, 7.3 percent of rated-area lending by number of loans, and 7.0 percent of rated-area deposits.

Activity	#	\$
Small Business Loans	12	550
Home Mortgage Loans	16	5,117
Community Development Loans	3	12,141
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	23	20
CD Services	0	0 (Hours)
<i>Small business and home mortgage lending volumes are based on the combined 2020, 2021, and 2022 lending data, while the community development loans, qualified investments, and community development services are from previous evaluation through October 23, 2023.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are more favorable than the overall institution. Service hours, loan and deposit products in the limited-scope assessment area are consistent with the overall institution.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Durham MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	5.1	6.2	1	10.0	286	8.4
Moderate	22.1	21.3	0	0.0	0	0.0
Middle	35.6	33.1	7	70.0	1,455	42.8
Upper	37.2	39.4	2	20.0	1,656	48.8
Totals	100.0	100.0	10	100.0	3,396	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.</i>						

Geographic Distribution of Small Business Loans Durham MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	10.5	8.3	1	50.0	50	18.9
Moderate	21.5	20.6	0	0.0	0	0.0
Middle	36.7	38.0	1	50.0	214	81.1
Upper	31.3	33.1	0	0.0	0	0.0
Totals	100.0	100.0	2	100.0	264	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.

Distribution of Home Mortgage Loans by Borrower Income Level Durham MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.7	6.2	3	30.0	316	9.3
Moderate	16.2	16.7	0	0.0	0	0.0
Middle	19.4	21.3	0	0.0	0	0.0
Upper	39.7	46.0	1	10.0	250	7.4
Not Available	0.0	9.9	6	60.0	2,830	83.3
Totals	100.0	100.0	10	100.0	3,396	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Distribution of Small Business Loans by Gross Annual Revenue Category Durham MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	89.4	52.9	0	0.0	0	0.0
>\$1,000,000	2.8	--	2	100.0	264	100.0
Revenue Not Available	7.8	--	0	0.0	0	0.0
Totals	100.0	100.0	2	100.0	264	100.0

*Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Fayetteville MSA Assessment Area

The Fayetteville, NC MSA consists of three counties; however, the bank delineated only Cumberland County. The assessment area has not changed since the last CRA evaluation. The bank operates one or 7.1 percent of its North Carolina offices in the Fayetteville MSA assessment area. The assessment area also represents 16.1 percent of the rated-area loans by dollar volume, 6.0 percent of rated-area lending by number of loans, and 3.5 percent of rated-area deposits.

Activity	#	\$
Small Business Loans	14	2,094
Home Mortgage Loans	9	28,537
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	13	5
CD Services	14	45 (Hours)
<i>Small business and home mortgage lending volumes are based on the combined 2020, 2021, and 2022 lending data, while the community development loans, qualified investments, and community development services are from previous evaluation through October 23, 2023.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are more favorable than the overall institution. Service hours, loan and deposit products in the limited-scope assessment area are consistent with the overall institution.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Fayetteville MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.5	0.2	0	0.0	0	0.0
Moderate	17.0	16.3	1	25.0	165	0.6
Middle	52.4	51.9	3	75.0	27,811	99.4
Upper	30.1	31.6	0	0.0	0	0.0
Totals	100.0	100.0	4	100.0	27,976	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.</i>						

Geographic Distribution of Small Business Loans Fayetteville MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.3	2.4	0	0.0	0	0.0
Moderate	17.8	15.9	3	75.0	250	23.3
Middle	59.9	59.4	0	0.0	0	0.0
Upper	19.8	22.3	1	25.0	821	76.7
Not Available	0.2	0.0	0	0.0	0	0.0
Totals	100.0	100.0	4	100.0	1,071	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.

Distribution of Home Mortgage Loans by Borrower Income Level Fayetteville MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.4	3.6	0	0.0	0	0.0
Moderate	18.2	13.3	0	0.0	0	0.0
Middle	20.0	22.5	1	25.0	165	0.6
Upper	38.4	34.9	1	25.0	154	0.5
Not Available	0.0	25.7	2	50.0	27,656	98.9
Totals	100.0	100.0	4	100.0	27,976	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Distribution of Small Business Loans by Gross Annual Revenue Category Fayetteville MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.9	47.6	4	100.0	1,071	100.0
>\$1,000,000	2.9	--	0	0.0	0	0.0
Revenue Not Available	9.3	--	0	0.0	0	0.0
Totals	100.0	100.0	4	100.0	1,071	100.0

Source: 2021 D&B Data; 2021 CRA Data; and 2021 CRA Aggregate Data.
 "--" data not available.
 Due to rounding, totals may not equal 100.0 percent.

Raleigh MSA Assessment Area

The Raleigh-Cary, NC MSA consists of three counties; however, the bank delineated only Franklin County. The assessment area has not changed since the last CRA evaluation. The bank operates one or 7.1 percent of its North Carolina offices in the Raleigh MSA assessment area. The assessment area also represents 1.2 percent of the rated-area loans by dollar volume, 4.1 percent of rate-area lending by number of loans, and 2.4 percent of rated-area deposits.

Activity	#	\$
Small Business Loans	7	129
Home Mortgage Loans	9	2,252
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	3	2
CD Services	2	9 (Hours)
<i>Small business and home mortgage lending volumes are based on the combined 2020, 2021, and 2022 lending data, while the community development loans, qualified investments, and community development services are from previous evaluation through October 23, 2023.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are more favorable than the overall institution. Service hours, loan and deposit products in the limited-scope assessment area are consistent with the overall institution.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Raleigh MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	8.5	13.6	0	0.0	0	0.0
Moderate	53.8	32.5	0	0.0	0	0.0
Middle	37.6	53.9	3	100.0	1,402	100.0
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	3	100.0	1,402	100.0
<i>Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Small Business Loans Raleigh MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	15.6	12.7	2	66.7	43	45.3
Moderate	38.3	33.5	1	33.3	52	54.7
Middle	46.0	53.9	0	0.0	0	0.0
Upper	0.0	0.0	0	0.0	0	0.0
Not Available	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	3	100.0	95	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Distribution of Home Mortgage Loans by Borrower Income Level Raleigh MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	34.4	13.1	0	0.0	0	0.0
Moderate	22.1	26.6	0	0.0	0	0.0
Middle	23.1	26.3	0	0.0	0	0.0
Upper	20.4	20.4	0	0.0	0	0.0
Not Available	0.0	13.6	3	100.0	1,402	100.0
Totals	100.0	100.0	3	100.0	1,402	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Distribution of Small Business Loans by Gross Annual Revenue Category Raleigh MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	90.7	48.2	2	66.7	43	45.3
>\$1,000,000	2.6	--	1	33.3	52	54.7
Revenue Not Available	6.7	--	0	0.0	0	0.0
Totals	100.0	100.0	3	100.0	95	100.0

Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data.
"--" data not available.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader state-wide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

Carter Bank & Trust	
<p>Scope of Examination: Full scope reviews were performed on the following assessment areas within the noted rated areas:</p> <p style="margin-left: 20px;">State of Virginia:</p> <ul style="list-style-type: none"> VA Non-MSA Assessment Area Charlottesville MSA Assessment Area Roanoke MSA Assessment Area Washington MD Assessment Area <p style="margin-left: 20px;">State of North Carolina:</p> <ul style="list-style-type: none"> Greensboro MSA Assessment Area Charlotte MSA Assessment Area NC Non-MSA Assessment Area 	
Time Period Reviewed:	08/04/2020 to 10/24/2023
<p>Products Reviewed: (list loan categories reviewed alphabetically):</p> <p>Home Mortgage: [time period reviewed (01/01/2020 – 12/31/2022)]</p> <p>Small Business: [time period reviewed (01/01/2020 – 12/31/2022)]</p>	

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Virginia	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
North Carolina	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

VIRGINIA

Blacksburg MSA Assessment Area

Demographic Information for the Blacksburg MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	43	2.3	16.3	51.2	23.3	7.0
Population by Geography	166,378	1.5	17.0	50.2	25.3	6.0
Housing Units by Geography	72,845	1.4	18.7	54.5	25.5	0.0
Owner-Occupied Units by Geography	37,666	0.0	19.2	56.4	24.4	0.0
Occupied Rental Units by Geography	24,780	3.1	17.2	52.8	26.9	0.0
Vacant Units by Geography	10,399	2.4	20.4	51.4	25.8	0.0
Businesses by Geography	14,073	0.5	14.7	52.5	31.8	0.5
Farms by Geography	552	0.2	13.8	56.3	29.3	0.4
Family Distribution by Income Level	35,291	19.9	17.3	22.0	40.8	0.0
Household Distribution by Income Level	62,446	27.6	13.2	18.4	40.9	0.0
Median Family Income - Blacksburg-Christiansburg, VA MSA	\$74,841	Median Housing Value				\$203,148
		Median Gross Rent				\$927
		Families Below Poverty Level				7.9%
<i>Source: 2020 U.S. Census and 2022 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 14 FDIC-insured institutions operate 50 branches within the assessment area. Of these institutions, Carter Bank ranked 6th with a market share of 4.8 percent. Competitor institutions in the assessment area include the National Bank of Blacksburg, Atlantic Union Bank, and Wells Fargo Bank, NA. Together, the three competitor institutions account for 65.9 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022 shows 247 lenders reported 3,857 residential mortgage loans originated or purchased. Carter Bank ranked 38th with a market share of 0.5 percent by number of loans. The five top home mortgage lenders accounted for 27.1 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021 shows 72 lenders reported 2,336 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 25th with a 0.3 percent market share

by number of loans and 39th with a 0.2 percent market share by dollar volume. The top five small business lenders accounted for 51.5 percent of the total market share by number with the top lending by dollar volume accounting for 58.2 percent of the market.

Lynchburg MSA Assessment Area

Demographic Information for the Lynchburg MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	65	3.1	16.9	61.5	15.4	3.1
Population by Geography	245,474	2.0	13.7	58.4	22.6	3.4
Housing Units by Geography	109,697	2.5	14.4	62.2	20.4	0.5
Owner-Occupied Units by Geography	66,822	1.3	10.7	63.4	24.5	0.1
Occupied Rental Units by Geography	28,143	4.7	21.5	56.4	15.9	1.4
Vacant Units by Geography	14,732	3.5	17.6	67.9	10.3	0.7
Businesses by Geography	24,764	2.9	11.9	54.6	26.1	4.5
Farms by Geography	1,122	0.6	11.4	65.9	20.8	1.3
Family Distribution by Income Level	63,278	19.2	18.9	21.9	40.0	0.0
Household Distribution by Income Level	94,965	22.7	17.6	18.3	41.4	0.0
Median Family Income - Lynchburg, VA MSA		\$70,981	Median Housing Value			\$179,647
			Median Gross Rent			\$831
			Families Below Poverty Level			7.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 17 FDIC-insured institutions operate 69 branches within the assessment area. Of these institutions, Carter Bank ranked 7th with a market share of 5.0 percent. Competitor institutions in the assessment area include Truist Bank; Wells Fargo Bank, NA; and Bank of the James. Together, the three competitor institutions account for 54.1 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022 shows 362 lenders reported 7,412 residential mortgage loans originated or purchased. Carter Bank ranked 53rd with a market share of 0.4 percent by number of loans. The five top home mortgage lenders accounted for 25.0 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021 shows 86 lenders reported 4,997 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 26th with a 0.3 percent market share by number of loans and 16th with a 1.0 percent market share by dollar volume. The top five small business lenders accounted for 57.2 percent of the total market share by number with the top lending by dollar volume accounting for 63.0 percent of the market.

NORTH CAROLINA

Durham MSA Assessment Area

Demographic Information for the Durham MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	94	13.8	24.5	29.8	27.7	4.3
Population by Geography	440,215	11.7	24.9	32.5	28.9	2.0
Housing Units by Geography	190,804	11.9	24.6	33.9	28.9	0.7
Owner-Occupied Units by Geography	107,776	5.1	22.1	35.6	37.2	0.0
Occupied Rental Units by Geography	68,409	21.8	27.4	31.8	17.4	1.5
Vacant Units by Geography	14,619	16.1	29.6	30.9	21.3	2.0
Businesses by Geography	54,911	9.0	22.6	34.8	31.5	2.0
Farms by Geography	1,566	12.1	25.6	39.9	22.2	0.3
Family Distribution by Income Level	106,228	24.7	16.2	19.4	39.7	0.0
Household Distribution by Income Level	176,185	24.6	16.6	17.2	41.6	0.0
Median Family Income - Durham-Chapel Hill, NC MSA	\$84,764		Median Housing Value			\$231,397
			Median Gross Rent			\$1,077
			Families Below Poverty Level			9.5%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 20 FDIC-insured institutions operate 77 branches within the assessment area. Of these institutions, Carter Bank ranked 16th with a market share of 0.2 percent. Competitor institutions in the assessment area include Pacific Western Bank, Truist Bank, and Wells Fargo Bank, NA. Together, the three competitor institutions account for 71.3 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022 shows 503 lenders reported 16,498 residential mortgage loans originated or purchased. Carter Bank ranked 153rd with a market share of 0.1 percent by number of loans. The five top home mortgage lenders accounted for 32.7 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021 shows 84 lenders reported 2,895 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 54th with a 0.1 percent market share by number of loans and 43rd with a 0.3 percent market share by dollar volume. The top five small

business lenders accounted for 49.7 percent of the total market share by number with the top lending by dollar volume accounting for 55.5 percent of the market.

Fayetteville MSA Assessment Area

Demographic Information for the Fayetteville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	81	2.5	32.1	44.4	17.3	3.7
Population by Geography	334,728	1.1	26.4	47.1	24.5	0.9
Housing Units by Geography	146,978	1.4	27.5	50.1	20.9	0.0
Owner-Occupied Units by Geography	65,638	0.5	17.0	52.4	30.1	0.0
Occupied Rental Units by Geography	61,894	2.2	37.1	48.5	12.2	0.0
Vacant Units by Geography	19,446	2.3	32.4	47.7	17.6	0.0
Businesses by Geography	33,979	1.9	23.9	48.8	25.2	0.2
Farms by Geography	743	0.4	16.4	53.8	29.3	0.0
Family Distribution by Income Level	79,010	23.4	18.2	20.0	38.4	0.0
Household Distribution by Income Level	127,532	25.1	16.7	18.9	39.4	0.0
Median Family Income - Fayetteville, NC MSA	\$61,027	Median Housing Value				\$135,318
		Median Gross Rent				\$954
		Families Below Poverty Level				15.1%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 15 FDIC-insured institutions operate 51 branches within the assessment area. Of these institutions, Carter Bank ranked 14th with a market share of 0.3 percent. Competitor institutions in the assessment area include Truist Bank, First-Citizens Bank & Trust Company, and Bank of America, NA. Together, the three competitor institutions account for 67.3 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022 shows 405 lenders reported 12,415 residential mortgage loans originated or purchased. Carter Bank ranked 181st with a market share of less than 0.1 percent by number of loans. The five top home mortgage lenders accounted for 28.4 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021 shows 86 lenders reported 6,116 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 49th with a 0.1 percent market share by number of loans and 25th with a 0.5 percent market share by dollar volume. The top five small business lenders accounted for 51.0 percent of the total market share by number with the top lending by dollar volume accounting for 57.5 percent of the market.

Raleigh MSA Assessment Area

Demographic Information for the Raleigh MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	16	18.8	56.3	25.0	0.0	0.0
Population by Geography	68,573	11.6	52.4	36.0	0.0	0.0
Housing Units by Geography	29,137	12.7	54.2	33.1	0.0	0.0
Owner-Occupied Units by Geography	18,838	8.5	53.8	37.6	0.0	0.0
Occupied Rental Units by Geography	6,891	18.2	58.0	23.8	0.0	0.0
Vacant Units by Geography	3,408	24.8	48.6	26.6	0.0	0.0
Businesses by Geography	6,163	12.5	46.6	40.9	0.0	0.0
Farms by Geography	362	9.7	60.8	29.6	0.0	0.0
Family Distribution by Income Level	18,813	34.4	22.1	23.1	20.4	0.0
Household Distribution by Income Level	25,729	34.9	18.9	19.9	26.3	0.0
Median Family Income - Raleigh-Cary, NC MSA	\$96,929	Median Housing Value				\$164,642
		Median Gross Rent				\$860
		Families Below Poverty Level				8.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0 percent.</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The assessment area is moderately competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, 7 FDIC-insured institutions operate 9 branches within the assessment area. Of these institutions, Carter Bank ranked 6th with a market share of 1.9 percent. Competitor institutions in the assessment area include First-Citizens Bank & Trust Company, First National Bank of Pennsylvania, and Truist Bank. Together, the three competitor institutions account for 88.3 percent of the market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2022 shows 290 lenders reported 3,886 residential mortgage loans originated or purchased. Carter Bank ranked 130th with a market share of 0.1 percent by number of loans. The five top home mortgage lenders accounted for 32.6 percent of total market share by number.

In addition, there is a high level of competition for small business loans within the assessment area. Aggregate data for 2021 shows 64 lenders reported 1,462 small business loans originated or purchased in the assessment area. Overall, Carter Bank ranked 38th with a 0.2 percent market share by number of loans and 36th with a 0.2 percent market share by dollar volume. The top five small business lenders accounted for 52.9 percent of the total market share by number with the top lending by dollar volume accounting for 60.1 percent of the market.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the state-wide nonmetropolitan median family income, if a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader state-wide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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. Other family 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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower profile, 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 applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (for example, geographic distribution, borrower profile, 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.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

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.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 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 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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 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.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: 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, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.