

PUBLIC DISCLOSURE

August 03, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Carter Bank & Trust

Certificate Number: 58596

4 East Commonwealth Boulevard
Martinsville, Virginia 24112

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

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Atlanta, GA 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.

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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.

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

The Lending Test is rated High Satisfactory.

- Lending levels reflect adequate responsiveness to the assessment areas’ credit needs.
- An adequate level of loans are made in the assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of loans reflects good penetration among retail customers of different income levels and businesses and farms of different sizes.
- The institution uses innovative and/or flexible lending practices in order to serve the assessment areas’ credit needs.
- The institution made a relatively high level of community development loans.

The Investment Test is rated Outstanding.

- The institution has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits excellent responsiveness to credit and community development needs.
- The institution makes significant use of innovative and/or complex investments to support community development initiatives.

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 opening and closing of branches has not adversely affected the accessibility of delivery systems.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals.
- The institution provides relatively high level of community development services within its assessment areas.

DESCRIPTION OF INSTITUTION

Carter Bank & Trust (Carter Bank) is a \$4.1 billion state-chartered commercial bank headquartered in Martinsville, Virginia. The bank was formed on December 30, 2006, following the merger of 10 banks. The bank does not have any subsidiaries or affiliates.

The bank has historically been primarily a commercial lender. However, the bank originates 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 in its loan portfolio. Moreover, 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 offers various deposit accounts including checking 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. Retail deposits generated through the bank’s branch operations have been utilized as the primary source of funding for operation and growth.

Carter Bank operates 99 full-service banking offices in Virginia and North Carolina. In Virginia, the bank has a network of 75 full-service branches that serve primarily south-central and southwestern Virginia. In North Carolina, the bank operates 24 full-service branches that serve primarily the central and southern portions of the state. The bank does not own or operate any automated teller machines (ATMs). Since the last performance evaluation, the bank has closed 24 full-service branches. There were 7 located within moderate-income census tracts. These closing will be discussed within the respective assessment area where the branch closing occurred.

As of the June 30, 2020, Consolidated Report of Condition and Income, Carter Bank had total assets of \$4.2 billion, total deposits of \$3.6 billion, and total loans of \$3.0 billion. As shown in the following table, commercial real estate and commercial and industrial loans comprise 48.6 percent of total loans, while 1-4 family residential properties comprise 17.5 percent of total loans.

Loan Portfolio Distribution as of 06/30/2020		
Loan Category	\$(000s)	%
Construction and Land Development	387,497	13.1
Secured by Farmland	9,237	0.3
Secured by 1-4 Family Residential Properties	517,733	17.5
Secured by Multi-family (5 or more) Residential Properties	200,271	6.8
Secured by Nonfarm Nonresidential Properties	1,164,734	39.3
Total Real Estate Loans	2,279,472	77.0
Commercial and Industrial Loans	278,518	9.3
Agricultural Loans	625	0.1
Consumer Loans	69,859	2.3
Other Loans	338,215	11.3
Total Loans	2,966,689	100.0
<i>Source: Reports of Income and Condition</i>		

There are no financial, legal, or other impediments that would limit the bank’s ability to meet the credit needs of its assessment areas.

The bank received a Satisfactory rating at the previous FDIC Performance Evaluation, dated October 23, 2017, based on Interagency Large Institution Examination Procedures.

DESCRIPTION OF ASSESSMENT AREAS

Carter Bank has 19 assessment areas located in Virginia and North Carolina. Examiners rated the bank’s performance in each state separately and combined the counties that are not part of a metropolitan statistical area (MSA) to form a state-wide non-metropolitan assessment area in both states. The following table provides a description of the assessment areas.

Description of Assessment Areas			
Assessment Area	Counties and Independent Cities in Assessment Area	# of CTs	# of Branches
Virginia			75
Blacksburg MSA *	Floyd, Giles, Montgomery, and Pulaski Counties and Radford City	36	6
Charlottesville MSA	Charlottesville City and Albemarle County	34	2
Harrisonburg MSA	Rockingham County and Harrisonburg City	30	3
Kingsport MSA	Bristol City and Washington County	17	2
Lynchburg MSA	Amherst, Bedford, and Campbell Counties and Lynchburg City	57	8
Roanoke MSA	Craig, Franklin, Botetourt, and Roanoke Counties, Roanoke City, and Salem City	65	14
Staunton MSA	Staunton City, Waynesboro City, and Augusta County	24	2
Washington DC MSA	Culpeper, Prince William, Spotsylvania, and Stafford Counties, Fredericksburg City, and Manassas City	161	8
Virginia Non-MSA	Carroll, Grayson, Henry, Patrick, Wythe, Pittsylvania, Halifax, Mecklenburg, Rockbridge, Russell, Tazewell, and Wise Counties, Buena Vista City, Lexington City, Galax City, Martinsville City, and Danville City	128	30
North Carolina			24
Burlington MSA	Alamance County	36	2
Charlotte MSA	Iredell and Lincoln Counties	62	2
Durham MSA	Chatham and Person Counties	20	2
Fayetteville MSA	Cumberland County	68	1
Greensboro MSA	Guilford, Randolph, and Rockingham Counties	168	6
Greenville MSA	Pitt County	32	1
Hickory MSA	Burke and Catawba Counties	49	2
Raleigh MSA	Franklin County	12	1
Winston-Salem MSA **	Yadkin County	7	0
North Carolina Non-MSA	Surry, Wilkes, Cleveland, Rutherford, Lee, Robeson, Vance, and Wilson Counties	122	7
Totals		1,128	99
<p>*Floyd County was part of the assessment area for 2017 and 2018. Due to MSA designation revision effective January 1, 2019, Floyd County became part of the Virginia Non-MSA assessment area.</p> <p>**The sole branch in the assessment area closed in November 2019. However, the assessment area is reviewed since it was part of the bank’s operations for the period reviewed.</p>			

At the last evaluation, the bank had designated a Goldsboro MSA assessment area; however, the only branch in the assessment area closed on 12/29/2017. Therefore, the Goldsboro MSA assessment area is not included in the analysis. Additionally, the branch in Emporia City, Virginia was closed on December 29, 2017, and Emporia City was removed from the Virginia Non-MSA assessment area. The bank also removed Norton City from the Virginia Non-MSA assessment area. Additionally, Bath County was removed from the Virginia Non-MSA assessment area following the closure of the Hot Springs branch in May 2018. Durham County was removed from the Durham MSA assessment area when the only branch closed in April 2018. Caldwell County was removed from the Hickory MSA assessment area following the closure of the Lenoir branch in December 2017.

Refer to the individual state and assessment area sections of this evaluation for specific economic and demographic information regarding each area.

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. The evaluation period was from October 23, 2017, to August 03, 2020.

While reviewing lending in the rated areas, examiners evaluated the bank's lending data, deposit activity, and the number of branches to determine which would receive the most weight in the overall conclusions and ratings. As shown in the following table, Virginia accounts for a significant level of the bank-wide lending at 80.0 percent, deposits at 89.3 percent, and branches at 75.8 percent. Consequently, Virginia performance was assigned significant weight in the conclusions and ratings overall.

Assessment Area Breakdown of Loans, Deposits, and Branches										
Assessment Area	Loans			Deposits			Branches			Scope
	\$(000s)	% of Bank	% of State	\$(000s)	% of Bank	% of State	#	% of Bank	% of State	
Charlottesville MSA	98,889	25.9	32.3	23,949	0.7	0.8	2	2.0	2.7	FS
Virginia Non-MSAR	56,885	14.8	18.6	1,645,640	46.8	52.4	30	30.3	40.0	FS
Washington DC MSA	61,060	16.0	20.0	218,713	6.2	7.0	8	8.1	10.7	FS
Lynchburg MSA	43,246	11.3	14.1	293,429	8.3	9.3	8	8.1	10.7	FS
Roanoke MSA	22,954	6.0	7.5	522,032	14.9	16.6	14	14.2	18.7	FS
Blacksburg MSA	16,835	4.4	5.5	266,179	7.6	8.5	6	6.1	8.0	LS
Harrisonburg MSA	1,995	0.5	0.7	62,573	1.8	2.0	3	3.0	4.0	LS
Kingsport MSA	388	0.1	0.1	63,382	1.8	2.0	2	2.0	2.7	LS
Staunton MSA	3,547	1.0	1.2	43,123	1.2	1.4	2	2.0	2.7	LS
Virginia Subtotal	305,799	80.0	100.0	3,139,020	89.3	100.0	75	75.8	100.0*	
Greensboro MSA	36,268	9.5	47.5	145,759	4.1	38.8	6	6.1	25.0	FS
North Carolina Non-MSA	16,609	4.3	21.7	101,836	2.9	27.1	7	7.1	29.2	FS
Burlington MSA	356	0.1	0.5	9,747	0.3	2.6	2	2.0	8.3	LS
Charlotte MSA	3,433	0.9	4.5	27,479	0.8	7.3	2	2.0	8.3	LS
Durham MSA	3,756	1.0	4.9	34,002	1.0	9.1	2	2.0	8.3	LS
Fayetteville MSA	11,657	3.1	15.3	6,372	0.2	1.7	1	1.0	4.2	LS
Greenville MSA	2,980	0.8	3.9	3,595	0.1	1.0	1	1.0	4.2	LS
Hickory MSA	946	0.2	1.2	36,303	1.0	9.7	2	2.0	8.3	LS
Raleigh MSA	321	0.1	0.4	10,101	0.3	2.7	1	1.0	4.2	LS
Winston-Salem MSA	41	0.0	0.1	0	0.0	0.0	0	0.0	0.0	LS
North Carolina Subtotal	76,367	20.0	100.0	375,194	10.7	100.0	24	24.2	100.0	
Total	382,166	100.0		3,514,214	100.0		99	100.0		

Source: Bank Records; HMDA and CRA Data for 2017, 2018, and 2019; and June 30, 2019, FDIC Summary of Deposits.
*Does not add to 100.0 percent due to rounding.
FS – Full-Scope Review
LS – Limited-Scope Review

Activities Reviewed

This evaluation includes a review of loans reported pursuant to the Home Mortgage Disclosure Act (HMDA) and the CRA for 2017, 2018, and 2019. The tables present 2018 data as this is the most recent year for which aggregate data is available for comparison purposes. However, examiners reviewed lending performance for 2017 and 2019 also and discussed 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 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 performance and D&B data for small business and small farm lending. Additionally, HMDA and CRA aggregate data are used for comparative purposes. Therefore, the bank's lending performance for each year was compared to the demographic data provided by the 2015 ACS for home mortgage lending as well as the respective HMDA aggregate data for 2017 and 2018. For small business and small farm lending, performance is compared to demographic data provided by

D&B each year as well as the respective 2017 and 2018 CRA aggregate data. Aggregate data for 2019 is not available.

When weighing the loan products' effect on the conclusions, examiners evaluated home mortgage, small business, and small farm loans on the volume of lending over the review period. As shown in the following table, Carter Bank's reportable loans and reflect an emphasis on home mortgage lending by number and dollar volume. Therefore, home mortgage loans were given more weight in the analysis and conclusions. The bank originated a nominal number and dollar amount of small farm loans; however, there was sufficient lending in the VA Non-MSA assessment area to analyze small farm lending performance. Small farm lending is not presented in the remaining assessment areas. Due to the limited volume of small farm lending, less emphasis was placed on small farm loans.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	1,697	677,222	1,052	313,080
Small Business	952	108,663	766	61,536
Small Farm	247	7,938	241	7,550

Source: 2017, 2018, and 2019 HMDA and CRA Data.

The following table reflects the lending volume.

Loans Originated or Purchased (2019)				
Loan Category	#	%	\$(000s)	%
Construction & Land Development	128	4.5	230,515	39.9
Secured by Farmland	22	0.8	343	0.1
Secured by 1-4 Family Residential Properties	448	15.8	132,806	23.0
Multi-Family (5 or more) Residential Properties	22	0.8	14,210	2.5
Commercial Real Estate Loans	101	3.6	115,938	20.1
Commercial and Industrial Loans	276	9.7	72,152	12.5
Agriculture Loans	0	0.0	0	0.0
Consumer Loans	1,835	64.8	11,447	2.0
Other Loans	1	0.0	60	0.0
Total Loans	2,833	100.0	259,996	100.0

Source: Bank Records

The review period for community development loans and services and qualified investments is from October 23, 2017, through August 3, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The overall Lending Test rating for this institution is High Satisfactory. Lending levels reflect adequate responsiveness to the assessment areas' credit needs, and a high percentage of loans are made inside the institution's assessment areas. The geographic distribution of loans reflects good penetration throughout the assessment areas, and the distribution of loans reflects good penetration among individuals of different income levels and businesses of different sizes. The institution uses innovative and flexible lending practices in order to serve the assessment areas' credit needs. The bank made a relatively high level of community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the assessment areas' credit needs. According to the June 30, 2020, Call Report, Carter Bank had an 80.9 percent loan-to-deposit compared to a Uniform Bank Performance Report (UBPR) peer group of 85.1 percent. The bank's UBPR peer group includes all insured commercial banks having assets between \$3 billion and \$10 billion. The bank's average ratio over the last 11 quarters since the last examination is 77.8 percent and has ranged from a low of 71.5 percent in the first quarter of 2018 to a high of 84.3 percent in the first quarter of 2020.

Assessment Area Concentration

Carter Bank originated an adequate level of loans within its assessment areas. The following table presents lending inside and outside of the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2017	389	91.1	38	8.9	427	33,145	74.3	11,477	25.7	44,622
2018	334	48.8	351	51.2	685	181,749	49.8	183,445	50.2	365,194
2019	329	56.2	256	43.8	585	98,186	36.7	169,220	63.3	267,406
Subtotal	1,052	62.0	645	38.0	1,697	313,080	46.2	364,142	53.8	677,222
Small Business										
2017	290	90.6	30	9.4	320	18,923	66.4	9,559	33.6	28,482
2018	272	87.5	39	12.5	311	22,950	60.5	14,971	39.5	37,921
2019	204	63.6	117	36.4	321	19,663	46.5	22,597	53.5	42,260
Subtotal	766	80.5	186	19.5	952	61,536	56.6	47,127	43.4	108,663
Small Farm										
2017	96	96.0	4	4.0	100	2,746	97.7	65	2.3	2,811
2018	72	97.3	2	2.7	74	2,326	87.8	323	12.2	2,649
2019	73	100.0	0	0.0	73	2,478	100.0	0	0.0	2,478
Subtotal	241	97.6	6	2.4	247	7,550	95.1	388	4.9	7,938
Total	2,059	71.1	837	28.9	2,896	382,166	48.1	411,657	51.9	793,823

Source: 2017, 2018, and 2019 HMDA and CRA Data.

Geographic Distribution

Overall, the geographic distribution of loans reflects good penetration throughout the assessment areas. Performance in the Virginia State and North Carolina State areas reflect good penetration throughout the assessments, including low- and moderate-income tracts. The Virginia State rating received primary weight in the overall rating assigned. Please refer to the home mortgage and small business lending performance tables for details about lending activity within the individual assessment areas.

Borrower Profile

Overall, the distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes. Performance in the Virginia State and North Carolina State areas is considered good. The Virginia State rating received the primary weight in the overall rating assigned. Please refer to the home mortgage and small business lending performance tables for details about lending activity within the individual assessment areas.

Innovative or Flexible Lending Practices

Carter Bank uses innovative and/or flexible lending practices in order to serve the assessment areas' credit needs. During the evaluation period, the institution purchased 22 Federal Home Loan Bank

(FHLB) loans totaling approximately \$5.2 million. The FHLB Affordable Housing Program provides homeowner assistance for eligible families and individuals and 36 Habitat for Humanity loans which provided affordable housing. The program provides a subsidy 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. The subsidy can be used for down-payment assistance, closing costs, or principal reduction.

In addition, the bank is a Small Business Administration lender and participates in the SBA 504 Program and the Paycheck Protection Program (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 5 SBA 504 loans totaling \$4.4 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 is designed to provide assistance to small businesses to retain and/or improve jobs. In addition, the Small Business Administration will forgive the loan if the employee retention criteria are met and funds are used for eligible expenses. In 2020, the bank originated 511 PPP loans totaling \$39.9 million to small businesses located within the assessment areas.

Furthermore, Carter Bank continues to extend a high volume of small dollar loans, which are very responsive to their assessment areas' credit needs, with the intent of keeping customers from high-priced lending products from payday lenders and other financial entities that may charge high interest rates and loan fees. The program provides flexible terms such as loan amounts as low as \$100, terms as short as 30 days, and secured or unsecured. The bank originated 2,703 loans totaling \$3.6 million since the last performance evaluation.

The bank also offers Federal Housing Administration, United States Department of Agriculture, Veteran's Administration, and Home Affordable Refinance Program loans. However, none were originated under these programs during the evaluation period.

Innovative and/or Flexible Lending Programs										
Type of Program	2017*		2018		2019		2020 (YTD)		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FHLB	0	0	0	0	0	0	22	5,151	22	5,151
SBA 504	0	0	0	0	3	3,056	2	1,373	5	4,429
PPP	0	0	0	0	0	0	511	39,936	511	39,936
Habitat for Humanity	0	0	36	1,336	0	0	0	0	36	1,336
Small Dollar Loans	7	11	1,514	1,978	979	1,278	203	290	2,703	3,557
Totals	7	11	1,550	3,314	979	4,334	738	46,750	3,277	54,409
<i>Source: Bank Records.</i>										
<i>* Includes activity October 23, 2017 through 12/31/2017.</i>										

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

Community Development Loans

Carter Bank made a relatively high level of community development loans. During the evaluation period, the bank extended 57 community development loans totaling \$123.6 million. As of June 30, 2020, this activity accounts for 4.2 percent of total loans and 3.1 percent of total assets. Although, the dollar volume of community development loans was consistent with last examination, the number of community development loans decreased since last examination.

During the evaluation period, the bank originated 40 community development loans totaling \$88.1 million in the assessment areas, representing 70.2 percent of the dollar volume of all community development loans. The remaining \$35.5 million in community development loans were outside of the bank's assessment areas but in a broader state-wide or regional area that included the bank's assessment areas. The following tables reflect the community development lending by year, purpose, and rated area.

Community Development Lending										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
10/23/2017 – 12/31/2017	0	0	0	0	0	0	0	0	0	0
2018	5	13,237	9	2,264	2	7,287	8	23,291	24	46,079
2019	5	4,731	1	3,000	4	3,100	7	18,697	17	29,528
2020 (YTD)	2	7,450	0	0	7	22,276	7	18,231	16	47,957
Total	12	25,418	10	5,264	13	32,663	22	60,219	57	123,564
<i>Source: Bank Data</i>										

Community Development Lending										
Assessment Area/Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$	#	\$	#	\$	#	\$	#	\$
VA Non-MSA	3	7,000	5	3,748	2	1,373	8	19,042	18	31,163
Roanoke MSA	0	0	0	0	0	0	3	2,029	3	2,029
Charlottesville MSA	1	5,450	0	0	2	4,696	0	0	3	10,146
Lynchburg MSA	0	0	0	0	1	1,494	1	2,023	2	3,517
Washington DC MSA	0	0	0	0	0	0	0	0	0	0
Lynchburg MSA	0	0	0	0	0	0	0	0	0	0
Roanoke MSA	0	0	0	0	0	0	0	0	0	0
Blacksburg MSA	0	0	0	0	0	0	1	1,000	1	1,000
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
Statewide	0	0	2	110	0	0	0	0	2	110
Virginia	4	12,450	7	3,858	5	7,563	13	24,094	29	47,965
Greensboro MSA	1	5,300	0	0	4	11,647	3	11,391	8	28,338
NC Non-MSA	0	0	1	96	0	0	0	0	1	96
Fayetteville MSA	0	0	0	0	0	0	1	9,312	1	9,312
Burlington MSA	0	0	0	0	0	0	1	1,314	1	1,314
Charlotte MSA	0	0	0	0	2	1,166	0	0	2	1,166
Durham 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
Raleigh MSA	0	0	0	0	0	0	0	0	0	0
Winston-Salem MSA	0	0	0	0	0	0	0	0	0	0
Statewide	4	6,433	2	1,310	1	4,787	4	14,108	11	26,638
North Carolina	5	11,733	3	1,406	7	17,600	9	36,125	24	66,864
Regional	3	1,235	0	0	1	7,500	0	0	4	8,735
Total	12	25,418	10	5,264	13	32,663	22	60,219	57	123,564

Source: Bank Data

The regional community development loans are listed below.

- The bank participates with Centrant, formerly known as CICCAR, a regional lending consortium offering permanent debt financing to support the development of affordable multifamily housing in Georgia, North Carolina, South Carolina, Tennessee, Virginia and West Virginia. During the evaluation period, the bank participated in three multifamily affordable housing loans totaling \$1.2 million. All properties were located in the broader geographic regional area.
- In 2020, the bank originated a \$7.5 million loan securing commercial properties located in a low-income and distressed/underserved middle-income census tracts for economic development efforts. The funds are utilized to support the development of industrial properties located in the broader regional geographic area.

Refer to the analysis of each full-scope assessment area for examples of community development loans.

INVESTMENT TEST

The Investment Test rating for Carter Bank is Outstanding. Carter Bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. In addition, the bank exhibits excellent responsiveness to credit and community economic development needs, and makes significant use of innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

Carter Bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. During the evaluation period, the bank had 307 qualified investments (including donations) totaling \$131.9 million, which is 3.2 percent of total assets and 17.5 percent of total investments. Since the last evaluation, qualified investments increased from \$52.5 million to \$131.5 million.

Qualified investments made during the evaluation period primarily include Historic Tax Credits and New Market Tax Credits that support economic development and revitalization and bond investments that support affordable housing and revitalization throughout the assessment areas. Further, the bank meets the needs of a greater regional area that includes its assessment areas through the purchase of six bonds totaling \$2.0 million that were predominately for community services. 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 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	10	12,775	6	2,015	4	3,686	11	7,335	31	25,811
10/23/2017 – 12/31/2017	6	9,803	0	0	1	540	2	1,443	9	11,786
2018	3	8,895	0	0	1	540	2	3,352	6	12,787
2019	16	62,547	0	0	0	0	4	4,557	20	67,104
2020	4	13,000	0	0	0	0	1	1,200	5	14,200
Subtotal	39	107,020	6	2,015	6	4,766	20	17,887	71	131,688
Qualified Grants & Donations	18	14	146	160	54	62	18	14	236	250
Total	57	107,034	152	2,175	60	4,828	38	17,901	307	131,938

Source: Bank Records

Qualified Investments by Rated Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Virginia	51	102,767	114	2,131	44	4,817	38	17,901	247	127,616
North Carolina	6	4,267	38	44	16	11	0	0	60	4,322
Total	57	107,034	152	2,175	60	4,828	38	17,901	307	131,938

Source: Bank Records

Responsiveness to Credit and Community Development Needs

Carter Bank exhibits excellent responsiveness to credit and community economic development needs. Through its investments in Historic Tax Credits and New Market Tax Credits, the bank was responsive in addressing economic development and revitalization needs throughout its assessment areas in Virginia. New Market Tax Credits use federal tax incentives to attract private capital into operating businesses and real estate in urban and rural low-income communities. Further, the Historic Tax Credit program is a federal program designed to attract new private capital to the historic cores of cities and towns to create jobs and revitalize communities. During the evaluation period, the bank held in 6 tax credit projects (which included 18 tax credits) totaling \$18.1 million. The bank has 8 prior period tax credits totaling \$7.0 million. Prior period investments also include \$2.0 million in bonds supporting school improvement and \$4.1 million in capital improvements to infrastructure such as water, gas, and electric that predominately benefits low-, moderate-, or distressed middle-income areas or low-to-moderate income families. During the evaluation period, the bank also purchased an additional bond for \$500,000 that provides for the capital improvements in the distressed middle-income and low- and moderate-income tracts.

In addition, through housing bonds, the bank provided for the affordable needs of Virginia and North Carolina. The bank holds 39 affordable housing bonds totaling \$107.0 million through the Virginia Housing Development Authority (VHDA), North Carolina Housing Finance Agency (NCHFA), Fannie Mae, and Freddie Mac that benefit Virginia. The bank hold 10 affordable

housing bonds totaling \$12.8 million from prior period. The affordable housing bonds include 16 VHDA bonds totaling \$23.6 million, 4 NCHFA bonds totaling \$4.5 million, and 19 Fannie Mae and Freddie Mac bonds benefitting Virginia totaling \$78.9 million. These bonds provide funding for affordable mortgage loans for low- and moderate-income families throughout Virginia and North Carolina. Subsequently, these investments provide market liquidity for new construction and permanent financing for new and rehabilitated affordable housing projects. These bonds are responsive as community contacts and area demographics indicate that affordable housing is an important need in many of the assessment areas.

Carter Bank also provided 236 community development grants and donations for \$249,600 over the evaluation period. The institution's community development grant activity supports financial literacy, revitalization and stabilization of distressed communities, areas affected by hurricanes, special needs populations including homeless and disabled persons, affordable housing, and other qualified activities identified as community development under the CRA regulation. The donations include 26 donations totaling \$95,700 to organizations that serve a broader statewide or regional area that includes the assessment areas. Twenty-one donations totaling \$74,700 benefit Virginia, and 5 donations totaling \$21,000 benefit North Carolina.

As the responsiveness is the throughout all assessment areas, no further comments are provided within each assessment area analysis.

Community Development Initiatives

Carter Bank makes significant use of innovative and/or complex investments to support community development initiatives. The tax credit investments are considered complex as they are specifically tailored to assessment areas' needs. The New Market and Historic Tax credits are located in the Kingsport MSA and Non-MSA assessment areas of Virginia. Therefore, no further comments are provided within the individual assessment areas.

SERVICE TEST

The Service Test rating for Carter Bank is High Satisfactory. Delivery systems are accessible to essentially all portions of the assessment areas, and opening and closing of branches has not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals. Carter Bank provided a relatively high level of community development services. Performance is generally consistent across the assessment areas.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment areas. As of August 3, 2020, Carter Bank operates 99 full-service branches. Four of the full-service branches (3.0 percent) are located in low-income census tracts with 31 branches (31.3 percent) in moderate-income census tracts. The percentage of branches within the low-income census tracts is commensurate with the population within those census tracts, and the level of branches in moderate-income census tracts is above the population within those census tracts. The following table provides additional information regarding demographics and branches.

Branch Distribution by Tract Income Level						
Tract Income Level	Census Tracts		Population		Branches	
	#	%	#	%	#	%
Low	44	3.9	175,798	3.4	4	4.0
Moderate	282	25.0	1,237,962	24.1	31	31.3
Middle	565	50.1	2,625,843	51.2	51	51.5
Upper	223	19.8	1,063,916	20.8	13	13.2
NA	14	1.2	26,301	0.5	0.0	0.0
Total	1,128	100.0	5,129,820	100.0	99	100.0

Source: Bank Records and ACS 2015.

Accessibility to Delivery Systems is only discuss further within the rated area or assessment areas that are not consistent with the overall performance.

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 or to low- and moderate-income individuals. During the evaluation, the bank closed 24 branches. Seven branches were in moderate-income areas. No new branches were opened. The changes in branch locations are only discussed within the rated areas and assessment areas in which changes occurred.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain 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. Monday through Friday and Saturday 9:00 a.m. to 12:00 p.m. A substantial majority of the branches have drive-thru hours from 7:00 a.m. to 7:00 p.m. Monday through Saturday. Branch hours vary slightly depending on the location of the office but meet the needs of the assessment areas.

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-related loans. In addition to standard loan products, the bank offers a small dollar loan program. Deposit accounts and services include a Lifetime Free Checking Account for consumers that guarantee no minimum balance requirements or annual maintenance fees for life. Also, the bank offers other checking and savings accounts to meet the needs of its consumer and business customers. Further, the institution offers debit cards but does not own or operate ATMs. Lastly, the bank participates in the Bank on Charlottesville and Bank on Roanoke Valley programs to help serve unbanked members of the assessment areas. These programs partner with financial institutions to help residents avoid predatory lenders, those with negative deposit histories open a bank account, financial education, and sometimes employment services.

Each branch offers the same products and services. Therefore, the Service Test conclusions for each rated area and full-scope review assessment area omit further discussion of this performance factor.

Community Development Services

Carter Bank provided a relatively high level of community development services. Bank employees provided financial assistance and technical expertise to various community development organizations. The organizations provide an array of services to low- and moderate-income individuals and small businesses. The type and level of assistance provided varied with each employee and organization but generally is ongoing over the years, as some hold positions on the Board or on committees. The organizations' missions include affordable housing, economic development, small business development, financial education, basic human needs for low- and moderate-income individuals and areas, and services targeted to at-risk youths.

Employees and Board members provided 358 community development services during the evaluation period. The following tables reflect the community development services by year, purpose, and rated area. Refer to the community development services within each state and assessment area analysis for additional details and examples.

Community Development Services					
Rated Area/Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Charlottesville, VA MSA	0	0	0	0	0
VA Non-MSA	9	100	21	40	170
Washington, DC VA MSA	2	8	0	0	10
Lynchburg, VA MSA	1	3	8	1	13
Roanoke, VA MSA	0	37	9	4	50
Blacksburg VA MSA	0	2	1	0	3
Harrisonburg VA MSA	0	0	0	0	0
Kingsport VA MSA	0	0	0	0	0
Staunton VA MSA	0	0	0	0	0
State-wide	1	1	0	0	2
Virginia	13	151	39	45	248
Greensboro MSA	2	24	12	1	39
North Carolina Non-MSA	0	27	9	0	36
Fayetteville MSA	0	4	0	0	4
Burlington MSA	0	3	0	0	3
Charlotte MSA	0	0	0	0	0
Durham MSA	0	7	1	0	8
Greenville MSA	0	5	0	0	5
Hickory MSA	0	4	0	0	4
Raleigh MSA	0	6	0	0	6
Winston-Salem MSA	0	5	0	0	5
North Carolina	2	85	22	1	110
Total	15	236	61	46	358

Source: Bank Data

Community Development Services					
Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
10/23/2017 – 12/31/2017	0	1	0	1	2
2018	4	37	13	6	60
2019	7	157	35	30	229
2020 (YTD)	4	41	13	9	67
Total	15	236	61	46	358

Source: Bank Data

In addition to the participation in community development services, the bank also offers a three consumer checking accounts that require \$50 to open the account, no minimum balance, and no fees.

As discussed above, the bank also participates in the Bank on Charlottesville and Bank on Roanoke Valley programs to help serve unbanked members of the assessment areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

VIRGINIA – Full-Scope Review

CRA RATING FOR VIRGINIA: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA

The bank operates 75 or 75.8 percent of its total branch offices in Virginia. Virginia accounts for 89.3 percent of the bank-wide deposits; thus, Virginia received significant weight in the overall bank performance. Overall, Carter Bank ranks 12th in the state in deposit market share at 0.9 percent. Competitor institutions in the Virginia assessment areas include Capital One Bank (USA) N.A., E*Trade Bank, and Wells Fargo Bank, N.A.

SCOPE OF EVALUATION – VIRGINIA

The evaluation of the Virginia performance considered the operations of Carter Bank in the Virginia assessment areas, which are detailed in the Description of Assessment Areas. Based on the number of loans and branches as well as dollar volume of deposits, examiners conducted full-scope reviews in the Charlottesville MSA, Lynchburg MSA, Roanoke MSA, Virginia Non-MSA, and Washington DC MSA assessment areas. Limited-scope assessments areas included the Blacksburg MSA, Harrisonburg MSA, Kingsport MSA, and Staunton MSA assessment areas. The Virginia 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 deposit share and the number of branches. The Charlottesville MSA assessment area was also given more weight due to the lending volume. The remaining three full-scope assessment areas were given less weight. Based on the number of loans, small farm loans were only reviewed in the Virginia Non-MSA assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA

LENDING TEST

The Lending Test rating for Virginia is High Satisfactory. Lending levels reflect adequate responsiveness to the Virginia assessment areas’ credit needs. The geographic distribution reflects good penetration throughout the assessment areas, and the borrower profile reflects good distribution to borrowers of different incomes and businesses and farms of different sizes. In addition, the bank uses flexible and/or innovative lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the Virginia assessment areas’ credit needs. The tables presented in each assessment area detail the number and dollar volume of home mortgage and

small business loans for 2018. The Virginia Non-MSA assessment area also includes tables for small farm loans.

Geographic Distribution

The overall geographic distribution of home mortgage, small business, and small farm loans is good. The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment areas. The geographic distribution of small business loans reflects good penetration throughout the assessment areas. The geographic distribution of small farm loans reflects adequate penetration.

Borrower Profile

The overall distribution of home mortgage, small business and small farm loans is good. The distribution of home mortgage loans is good among borrowers of different income levels. The distribution of small business loans is excellent among business customers of different sizes, and the distribution of small farm loans is excellent among farms of different sizes.

Community Development Loans

Carter Bank originated a relatively high level of community development loans in Virginia. During the evaluation period, the bank originated 29 community development loans totaling \$48.0 million throughout the assessment areas. This performance represents 50.9 percent by number and 38.8 percent by dollar volume of bank-wide community development loans. Although, the number of community development loans was consistent with last examination, the dollar amount of community development loans in Virginia has significantly decreased. Two community development loans totaling \$110,117 were originated in the broader statewide area. The loans were originated to provide community services to a distressed non-MSA middle-income census tract.

The analysis for each full-scope assessment area includes examples of community development loans originated.

INVESTMENT TEST

The Investment Test rating for Virginia is Outstanding. Carter Bank has an excellent level of qualified investments, which reflect excellent responsiveness to the areas' needs and makes significant use of complex investments in meeting the needs in Virginia.

Investment and Grant Activity

The bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those not routinely provided by private investors. The bank has purchased or held 247 qualified investments and grants totaling \$127.6 million in Virginia. This represents 80.5 percent of the number and 96.7 percent of the dollar amount of bank-wide investments.

The bank funded multiple state-wide mortgage bonds through the VHDA and other affordable housing bonds totaling \$102.8 million that supports affordable housing, tax credit projects totaling

\$18.1 million, and bond and capital improvements totaling \$6.6 million, and 180 donations for \$192,500. These investments support affordable housing, community services, economic development, and revitalization of the bank's assessment areas and the broader regional and statewide areas of Virginia. Provided below are examples donations that benefitted a broader regional or statewide area that includes the assessment areas.

- In 2018, 2019, and 2020, the bank donation a total of \$26,500 to an economic development initiative that benefitted a non-profit that provides funds for research, strategy, collaboration, consensus building, and financial expertise to local community programs that benefit low- and moderate-income persons and areas.

SERVICE TEST

The Service Test rating is High Satisfactory in Virginia. Carter Bank's delivery systems are accessible to essentially all portions of the assessment areas, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly with respect to low- and moderate-income geographies or individuals. Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, and the bank has provided a relatively high level of community development services. Performance is generally consistent across the full-scope assessment areas.

Changes in Branch Locations

During the evaluation period, the bank closed 13 branches within Virginia. Two branches were in moderate-income census tract. Additionally, 8 branches were in middle-income census tracts, and 3 were in upper-income census tracts. No branches were opened. Information on the branches closed in moderate-income tracts is provided in the full-scope assessment area where the closures occurred.

Community Development Services

Carter Bank provided a relatively high level of community development services in Virginia. Bank employees provided 248 community development services in Virginia, which is double the level at the last examination. This performance represented 69.3 percent of the bank-wide community development services. In addition, officers and employees provided two community development services with organizations that serve a larger state-wide or regional area that includes the assessment areas. The state-wide or regional services are discussed below.

- In 2020, a director is on the Board of an organization with a mission that serves primarily low- and moderate-income families to help eliminate hunger. Over \$33.0 million of food and grocery-related products are channeled through a network of 354 partner feeding programs in a 26-county, 9-city region that provide food or meals to those in need.
- In 2019, a director was on the Board of an organization focused on creating homes and communities that are healthy, sustainable, and affordable. The organization provides quality-built, responsibly managed, service-enriched homes for low-income individuals and families across the Southeast and Mid-Atlantic.

CHARLOTTESVILLE MSA ASSESSMENT AREA (Full-Scope Review)

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

The Charlottesville MSA assessment area consists of Albemarle County and Charlottesville City, which are part of the Charlottesville, VA MSA. The Charlottesville, VA MSA includes three additional counties that are not included within the assessment area. The bank operates two or 2.7 percent of the Virginia branch offices in the assessment area. The assessment area represents 32.3 percent of state-wide loans by dollar volume and 0.8 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that owner-occupied housing units are evenly distributed between middle- and upper-income tracts with the majority of businesses located in the upper-income census tracts. There is limited owner-occupied housing and businesses within the two low-income tracts, indicating reduced opportunity for lending. The following table presents demographic information from the 2015 ACS Census and 2018 D&B data.

Demographic Information of the Charlottesville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	34	5.9	26.5	35.3	29.4	2.9
Population by Geography	148,192	6.2	22.7	34.9	33.6	2.6
Housing Units by Geography	63,465	6.3	22.3	37.5	33.9	0.1
Owner-Occupied Units by Geography	33,016	4.1	14.3	41.2	40.3	0.0
Occupied Rental Units by Geography	23,589	9.4	31.6	32.2	26.6	0.2
Vacant Units by Geography	6,860	5.7	28.1	38.0	28.1	0.0
Businesses by Geography	13,243	4.1	12.2	31.1	51.9	0.6
Farms by Geography	484	2.1	6.4	43.8	47.7	0.0
Family Distribution by Income Level	32,741	19.0	15.0	18.8	47.2	0.0
Household Distribution by Income Level	56,605	24.3	15.2	16.7	43.8	0.0
Median Family Income - Charlottesville, VA MSA	\$78,548	Median Housing Value				\$313,940
		Median Gross Rent				\$1,049
		Families Below Poverty Level				7.8%
<small>Source: 2015 ACS and 2018 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.</small>						

There were 11,061 business within this assessment area. The follow are the revenue levels for the businesses.

- 83.5 percent had revenues of \$1 million or less,
- 5.7 percent had revenues over \$1 million, and
- 10.8 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, unemployment rates fluctuated during the evaluation period. For 2017-2019, the unemployment rates were consistent with or slightly below state levels and well below the national levels. The unemployment rates are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
Virginia	3.6	2.8	2.6
Albemarle	3.3	2.7	2.5
Charlottesville	3.1	2.6	2.4
<i>Source: Bureau of Labor Statistics</i>			

In 2018, according to D&B, the top industries were services and retail trade. Top employers include the University of Virginia/Blue Ridge Hospital, The University of Virginia Medical Center, and Albemarle County.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 16 FDIC-insured institutions operate 52 branches within the area. Of these institutions, the bank ranked 12th with a market share of 0.5 percent. Competitor institutions in the Charlottesville MSA assessment area included Bank of America, N.A, Wells Fargo Bank, N.A., SunTrust Bank, Branch Banking and Trust Company, and Virginia National Bank.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows 262 lenders reported 4,669 residential mortgage loans. Carter Bank ranked 10th with a market share of 2.4 percent. The five dominant home mortgage lenders accounted for 29.5 percent of total market share by number.

With regard to the competition for small business loans, aggregate data for 2018 showed that 77 lenders reported 3,674 small business loans in the assessment area, indicating high competition. Carter Bank ranked 36th by number of loans with a 0.1 percent market share and 14th by dollar volume with a 1.00 market share. The five dominant small business lenders accounted for 62.2 percent of total market share by number and 61.4 percent by dollar volume.

Community Contact

During this evaluation, examiners referenced one community contact within the assessment area.

The economic conditions had been improving prior to the pandemic. The population of Charlottesville and the surrounding areas has significantly increased. There are a number of large

and regional banks operating in the area. There is a lack of outreach from banks to provide financial literacy about banking products and services. The contact provided there is a need for affordable housing, technical assistance, and financial literacy.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, and information from the community contact, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. Furthermore, the community needs financial literacy, technical assistance, and homeownership counselling. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 34.0 percent of the families are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHARLOTTESVILLE MSA ASSESSMENT AREA

LENDING TEST

Lending in the Charlottesville MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects excellent penetration throughout the assessment area and is predicated on the distribution of home mortgage lending given the limited small business lending overall. The borrower profile could not be assessed given the limited lending and the level of loans with no income data available. In addition, the bank uses flexible and/or innovative lending practices and originated an adequate 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 2018 home mortgage and small business loans in this assessment area.

Geographic Distribution

The overall geographic distribution of home mortgage reflects excellent penetration. The level of small business lending is nominal, and conclusions could not be determined.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. In 2018, lending in low-income census tracts was double demographic and aggregate lending data. Performance in moderate-income census tracts was below lending data and demographic data. In 2019, lending to low-income tracts at 6.3 percent was higher than demographics of 4.1 percent, and lending in moderate-income tracts at 32.9 percent and more than double the demographics of 14.3 percent.

Geographic Distribution of Home Mortgage Loans Charlottesville MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.1	3.8	9	8.0	3,261	5.0
Moderate	14.3	10.6	9	8.0	12,485	19.3
Middle	41.2	35.2	38	33.6	20,845	32.2
Upper	40.3	50.4	57	50.4	28,150	43.5
Totals	100.0	100.0	113	100.0	64,741	100.0
<i>Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data. Due to rounding percentages may not add to 100 percent.</i>						

Small Business Loans

The bank originated three small business loans in 2018. One loan was located in a low-income tract. Two small business loans were originated in 2017 with one in a low-income tract. In 2019, the bank originated three small business loans, with none in low- or moderate-income tracts.

Borrower Profile

The overall borrower distribution could not be determined given the limited income information for home mortgage loans and the limited level of small business loans.

Home Mortgage

The bank reported 113 home mortgage loans in 2018. Of these loans, 111 loans did not have income information as the bank purchased the loans from other entities, and income information was not required to be recorded. The 2 loans with income were made to moderate-income borrowers. In 2019, 79 loans were reported, with only 1 with income reported and originated to a moderate-income borrower. For 2017, only 1 loan was reported, and no income was provided.

Small Business

In 2017, the bank reported two small business loans, with both originated to businesses with gross annual revenues of \$1 million or less. In 2018 and 2019, three loans were originated in each year, with two to small businesses annually.

Community Development Lending

Carter Bank originated a relatively high level of community development loans in the Charlottesville MSA assessment area relative to the level of branching and deposits in the assessment area. The bank extended three community development loans for \$10.1 million. The bank did not extend any community development loans in this assessment area at the last evaluation. This amount represents 10.3 percent by number and 21.2 percent by dollar volume of total community development loans in Virginia.

The three community development loans are listed below.

- In 2020, the bank financed a \$5.4 million loan for the development of a 64-bed affordable student housing complex located in a moderate-income census tract.
- In 2020, the bank refinanced a \$2.8 million loan to an economic development organization to help finance commercial real estate and improvements in low- and moderate-income areas.
- In 2019, the bank financed a \$1.9 million SBA 504 loan for the expansion of a small dental practice.

INVESTMENT TEST

Carter Bank originated eight donations for \$22,500 specific to the assessment area. There was one donation for affordable housing for \$500, five for community service for \$20,000, and two for economic development for \$2,000. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area. Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank closed one branch during the evaluation period. The branch was located in an upper-income tract. No branches were opened. The bank provided no community development services.

Accessibility of Delivery Systems

Carter Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. The level of population within the low- and moderate income census tracts is 6.2 and 22.7 percent respectively. The bank operates only two or 2.7 percent of its statewide branches within this assessment area, and neither branch is in a low- or moderate-income area. In addition to the branch structure, the bank offers a variety of alternative delivery systems to all customers.

VIRGINIA NON-MSA ASSESSMENT AREA
(Full-Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE VIRGINIA NON-MSA
ASSESSMENT AREA

The Virginia Non-MSA assessment area consists of 17 counties and cities. These include Carroll, Grayson, Henry, Patrick, Wythe, Pittsylvania, Halifax, Mecklenburg, Rockbridge, Russell, Tazewell, and Wise Counties and the independent cities of Buena Vista, Lexington, Galax, Martinsville, and Danville. The bank operates 30 or 40.0 percent of the Virginia branch offices in the assessment area. The assessment area represents 18.6 percent of the state-wide loans by dollar volume and 52.4 percent of state-wide deposits. The assessment area changed from 2018 to 2019 as Floyd County went from the Blacksburg MSA assessment area to the Virginia Non-MSA assessment area. Analysis for 2017 and 2018 does not include Floyd County. Additionally, the branch in Emporia City and Bath County were removed from the assessment area due to branch closures in May December 2017 and May 2018, respectively. The bank also removed Norton City from the assessment area.

Economic and Demographic Data

The 2015 ACS Census shows the majority of owner-occupied housing units, businesses, and farms are within middle-income census tracts indicating most of the lending opportunities will be in these areas. Additionally, the moderate-income tracts contain a fair level of owner-occupied housing, businesses, and farms. The assessment area includes only one low-income tract with nominal owner-occupied housing and businesses with limited lending opportunities. The following table presents demographic information from the 2015 ACS Census and 2018 D&B data.

Demographic Information for the Virginia Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	128	0.8	25.0	67.2	6.3	0.8
Population by Geography	487,094	0.8	24.0	67.9	7.3	0.0
Housing Units by Geography	245,382	0.8	24.3	68.1	6.8	0.0
Owner-Occupied Units by Geography	142,662	0.4	22.9	69.3	7.5	0.0
Occupied Rental Units by Geography	56,937	1.6	28.2	63.3	7.0	0.0
Vacant Units by Geography	45,783	0.9	23.9	70.6	4.6	0.0
Businesses by Geography	25,194	0.3	18.8	70.9	9.9	0.1
Farms by Geography	1,542	0.1	13.2	79.7	7.0	0.0
Family Distribution by Income Level	130,261	23.6	18.9	20.9	36.6	0.0
Household Distribution by Income Level	199,599	27.3	17.5	17.4	37.8	0.0
Median Family Income Virginia Non-MSA	\$51,647	Median Housing Value				\$110,336
		Median Gross Rent				\$598
		Families Below Poverty Level				14.6%
<i>Source: 2015 ACS and 2018 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>						

There were 25,194 business within this assessment area. The revenue distribution follows.

- 80.5 percent had revenues of \$1 million or less,
- 5.3 percent had revenues over \$1 million, and 1
- 4.2 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, unemployment rates within the assessment area fluctuated. Overall, the unemployment rates have been higher than the state rate with highest rate in Danville City. Rates in Buena Vista City and Rockbridge County are comparable to the state rate. The majority of the rates have been near or higher than the national rates. The unemployment rates in all areas have declined over the period. Unemployment rates are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
Virginia	3.6	2.8	2.6
Buena Vista City	4.2	3.2	2.7
Carroll County	4.4	3.7	3.6
Danville City	5.6	5.1	5.0
Galax City	4.2	3.5	3.3
Henry County	4.6	3.8	3.3
Halifax County	4.9	4.1	3.9
Lexington City	6.0	4.8	4.7
Martinsville City	6.3	4.7	4.1
Mecklenburg County	4.9	4.1	4.0
Patrick County	4.2	3.9	3.5
Pittsylvania County	4.3	3.6	3.4
Rockbridge County	4.1	3.0	2.7
Russell County	5.2	4.3	4.2
Tazewell County	5.6	4.5	4.4
Wise County	6.4	5.0	4.6
Wythe County	5.0	3.8	3.6

Source: Bureau of Labor Statistics

In 2018, according to D&B, the top industries were service and retail trade. Top employers for this assessment area are service and retail trades businesses such as public schools, hospitals, manufacturing firms, and county government services and businesses such as Walmart and Kroger.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 36 FDIC-insured institutions operated 199 branches within this area. Of these institutions, the bank ranked 1st in total deposits with a market share of 19.9 percent. Competitor institutions include Branch Banking and Trust Company, American National Bank and Trust Company, and Wells Fargo Bank, N.A.

There is high competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows that 311 lenders reported 8,137 residential mortgage loans. Carter Bank ranked 32th with a market share of 0.8 percent. The five dominant home mortgage lenders accounted for 26.3 percent of total market share.

With regard to the competition for small business loans, aggregate data for 2018 shows that 89 lenders reported 6,516 small business loans in the assessment area. Carter Bank ranked 11th by number of loans with a 2.2 percent market share and 12th by dollar volume with a 2.4 market share. The five dominant small business lenders accounted for 56.3 percent by number and 54.2 percent of the dollar volume.

With regard to the competition for small farm loans, aggregate data for 2018 shows moderate competition with 23 lenders reporting 566 small farm loans. Carter Bank ranked 4th with a market share of 10.1 percent. The five dominant small business lenders accounted for 73.3 percent of total market share.

Community Contact

Examiners conducted one community contact within this assessment.

The contact indicated that the economy in their areas are strong and doing well with lower unemployment rates in several years. However, in the rural areas the contact noted much weaker economic conditions compared to the overall nation. The contact stated there are a number of banks and lending agencies in the area with plenty of involvement and availability.

The contact noted the need for financial literacy and economic development. In addition, the local government organization contacted noted needs for grants and donations and for technical assistance from bankers.

Credit and Community Development Needs and Opportunities

Considering the community contact and demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 42.5 percent of the families are low- or moderate-income. Additionally, financial literacy programs and economic development needs exist.

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

LENDING TEST

Lending in the Virginia Non-MSA assessment area reflects good responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects excellent distribution to borrowers of different income levels and businesses and farms of different sizes. In addition, the bank uses flexible and/or innovative 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 2018 home mortgage, small business, and small farm loans.

Geographic Distribution

The overall geographic distribution of home mortgage, small business, and small farm loans reflects good penetration.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the assessment area. Lending in the low-income census tract was significantly higher than demographics and aggregate lending. Lending in moderate-income tracts well above aggregate lending data and exceeds demographic data.

Geographic Distribution of Home Mortgage Loans Virginia Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.4	0.1	1	1.5	29	0.3
Moderate	22.9	17.3	15	23.1	4,389	38.7
Middle	69.3	73.3	43	66.2	6,409	56.5
Upper	7.5	9.3	6	9.2	509	4.5
Totals	100.0	100.0	65	100.0	11,336	100.0

*Source: 2015 ACS; 2018 HMDA data; and, 2018 HMDA Aggregate Data.
Due to rounding percentages may not add to 100 percent.*

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. No loans were originated in the low-income census tract; however, only 0.3 percent of businesses are in the low-income tract and aggregate lending stood at 0.3 percent. Performance in moderate-income census tracts was comparable to aggregate lending data and below demographic data.

Geographic Distribution of Small Business Loans Virginia Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.3	0.3	0	0.0	0	0.0
Moderate	18.8	17.2	23	17.5	740	13.6
Middle	70.9	72.2	104	79.4	4,031	74.1
Upper	9.9	10.1	4	3.1	672	12.3
Not Available	0.1	0.1	0	0.0	0	0.0
Totals	100.0	100.0	131	100.0	5,443	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Farm Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The bank did not originate any loans in the low-income census tract; however, aggregate lenders also did not originate any loans in the tract, and only 0.1 percent of small farms are located in the low-income tract. Performance in moderate-income census tracts was below

aggregated lending data but exceeded demographic data.

Geographic Distribution of Small Farm Loans Virginia Non-MSA Assessment Area						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.1	0.0	0	0.0	0	0.0
Moderate	13.2	18.7	9	15.8	370	17.3
Middle	79.7	77.2	46	80.7	1,742	81.6
Upper	7.0	4.1	2	3.5	22	1.1
Totals	100.0	100.0	57	100.0	2,134	100.0

Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.

Borrower Profile

The overall borrower distribution of home mortgage, small business, and small farm loans reflects excellent penetration.

Home Mortgage

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. Lending to low-income borrowers was double the aggregate lending data but well below demographics. Lending to moderate-income borrowers was slightly above the demographic and the aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Virginia Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	23.6	7.5	10	15.4	371	3.3
Moderate	18.9	19.3	13	20.0	568	5.0
Middle	20.9	23.3	12	18.5	631	5.6
Upper	36.6	34.3	18	27.7	3,177	28.0
Not Available	0.0	15.6	12	18.5	6,589	58.1
Totals	100.0	100.0	65	100.0	11,336	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Lending to businesses with annual gross revenues of \$1.0 million or less is significantly above the demographics and substantially higher than aggregate lending.

Distribution of Small Business Loans by Gross Annual Revenue Category Virginia Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	80.5	55.0	122	93.1	4,777	87.8
>1,000,000	5.3	--	9	6.9	666	12.2
Revenue Not Available	14.2	--	0	0.0	0	0.0
Totals	100.0	100.0	131	100.0	5,443	100.0
Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data. "--" data not available.						

Small Farm

The distribution of small farm loans reflects excellent penetration among farms of different sizes. All small farm loans were made to farms with annual gross revenues of \$1.0 million or less.

Community Development Lending

Carter Bank originated a relatively high level of community development loans in the Virginia Non-MSA assessment area. The bank extended 18 community development loans totaling \$31.2 million during the evaluation period. This amount represents 62.1 percent by number and 65.0 percent by dollar volume of state-wide community development loans.

The following are examples of community development.

- In 2019, the bank financed \$5.6 million for the revitalization of an area that was targeted for planned development was designated by the Virginia Department of Housing and Community Development as a Virginia Main Street locality.
- In 2018, the bank financed \$5.0 million for the acquisition and conversion of a manufacturing facility to 40 affordable housing apartments that was awarded Federal Historic Tax Credits.
- In 2019, the bank renewed \$3.0 million line of credit to a non-profit organization that provides behavioral health services, including prevention, treatment, and education to low- and moderate-income families.

INVESTMENT TEST

Carter Bank has an excellent level of qualified investments and grants, often in a leadership position, particularly those that are not routinely provide by private investors. Carter Bank had investment totaling \$20.9 million for this assessment area. Investments consist of 6 New Market Tax Credits and 6 Historic Tax Credits totaling \$13.3 million of which 4 totaling \$3.3 million were prior period. The bank also holds 8 bonds for \$4.6 million for capital improvements to infrastructure in distressed middle-income and low- and moderate-income tracts. Seven bonds for \$4.1 million are prior period. The bank also invested in an affordable housing bond since the last

examination totaling \$3.0 million for this assessment area. Additionally, the bank had 77 donations totaling \$33,531. The donations include 3 for \$3,500 for affordable housing, 53 for \$19,576 for community service, 14 for \$7,250 for economic development, and 7 donations for \$3,205. Refer to the overall bank analysis for more information regarding investments.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the institution's assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank closed five branches during the evaluation period with one branch in a moderate-income census tract. No branches were opened. 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 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 last evaluation, the bank has closed five branches in the assessment area. One branch was located in a moderate-income census tract. The bank also operates a branch within two miles of the closed branch as well as three other branches in immediate area, which continue to provide services to the area. The other four branches were in middle-income tracts.

Community Development Services

Carter Bank is a leader in providing community development services in the Virginia Non-MSA assessment area. The 170 community development services account for 47.5 percent of the bank-wide community development services and 68.5 percent of state-wide community development services. The level of community development services is above the percentage of branches within the assessment area at 30.3 percent bank-wide and 40.0 percent state-wide. In addition, the level of community development services increase substantially from the last evaluation. The following are three examples of community development services provided during the evaluation period.

- A member of management participated in Project E3. Project E3 is a Vocational Rehabilitation Technical Assistance Center for Targeted Communities that help people with disabilities from underserved communities achieve independent living and employment goals.
- Several employees conducted financial literacy workshops or classes for various community organizations that provide services to low- and moderate individuals and schools where the majority of the students receive free or reduced lunches.
- A member of management served an organization that provides revitalization and stabilization efforts in underserved and distressed areas in Virginia downtown commercial districts.

WASHINGTON DC MSA ASSESSMENT AREA
(Full-Scope Review)

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

The Washington DC MSA assessment area consists Culpeper, Prince William, Spotsylvania, and Stafford Counties and the independent cities of Fredericksburg and Manassas. The assessment is contained within the Washington-Arlington-Alexandria, DC-VA-MD-WV multi-state MSA which includes 18 counties, 6 independent cities, and the District of Columbia. However, the bank only delineated a portion of the multi-state MSA as the assessment area. The bank operates 8 or 10.7 percent of the Virginia branch offices in the assessment area. The assessment area represents 20.0 percent of the state-wide loans by dollar volume and 7.0 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that owner-occupied housing units and businesses are primarily within moderate- and middle-income census tracts which provide the majority of the lending opportunities. The following table presents demographic information from the 2015 ACS Census and 2018 D&B data.

Demographic Information for the Washington DC MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	161	3.1	31.1	43.5	20.5	1.9
Population by Geography	818,669	3.0	33.8	41.4	21.1	0.6
Housing Units by Geography	277,049	3.6	35.4	41.7	19.2	0.0
Owner-Occupied Units by Geography	187,131	1.3	28.7	45.3	24.6	0.0
Occupied Rental Units by Geography	74,919	9.1	50.1	33.3	7.4	0.0
Vacant Units by Geography	14,999	5.1	46.2	38.4	9.8	0.5
Businesses by Geography	55,697	3.5	34.6	39.8	21.8	0.3
Farms by Geography	1,544	1.1	38.1	41.0	19.7	0.1
Family Distribution by Income Level	202,292	22.7	19.3	22.3	35.7	0.0
Household Distribution by Income Level	262,050	22.2	18.2	20.3	39.4	0.0
Median Family Income - Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-state MSA		\$106,105	Median Housing Value			\$299,630
			Median Gross Rent			\$1,449
			Families Below Poverty Level			5.3%
<i>Source: 2015 ACS and 2018 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>						

There were 25,194 business within this assessment area. The businesses by revenue level are provided below.

- 80.5 percent had revenues of \$1 million or less,
- 5.3 percent had revenues over \$1 million, and
- 14.2 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area gradually declined over the three-year period and were generally comparable to the state rates and below the national rates. The unemployment rates are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
Virginia	3.6	2.8	2.6
Culpeper County	3.6	2.9	2.6
Fredericksburg City	4.4	3.5	3.4
Manassas City	3.4	2.7	2.5
Prince William County	3.4	2.8	2.5
Spotsylvania County	3.7	3.1	2.9
Stafford County	3.6	3.0	2.8
<i>Source: Bureau of Labor Statistics</i>			

In 2018, according to D&B, the top industries were services and retail trade establishments. Top employers for this assessment area are Naval Support Activity Washington, Joint Base Andrews-Naval Air Facility, and MedStar Health.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 75 FDIC-insured institutions operate 1,491 branches within this assessment area. Of these institutions, the bank ranked 45th in total deposits with a market share of 0.1 percent. Competitor institutions include E*TRADE Bank, Bank of America, N.A. and Capital One, N.A.

There is high competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows that 496 lenders reported 35,331 residential mortgage loans. Carter Bank ranked 104th with a market share of 0.2 percent. The five dominant home mortgage lenders accounted for 22.2 percent of total market share.

With regard to the competition for small business loans, aggregate data for 2018 shows that 104 lenders reported 16,834 small business loans in the assessment area, indicating high competition. Carter Bank ranked 50th by number of loans with a 0.1 percent market share and 44th by dollar volume with a 0.2 percent market share. The five dominant small business lenders by number accounted for 52.5 percent of total market share and 52.7 percent by dollar volume.

Community Contact

Examiners conducted one community contact within this assessment.

The contact indicated that the economies in the area was on an overall upswing until the current pandemic. The contact stated there has been and continues to be a consistent need for affordable housing for low- and moderate-income individuals and families.

In, addition, there are multiple areas where local financial institutions can be involved by providing affordable homeownership opportunities, home improvement loans, lending programs, and sponsorship. The contact specified that larger institutions play a more consistent role in reaching out, donating and providing services.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area, especially affordable housing and home improvement loans. The significant percentage of businesses with gross annual revenues of \$1.0 million or less and the 42.0 percent of families that are low- or moderate-income support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WASHINGTON DC MSA ASSESSMENT AREA

LENDING TEST

Lending in the Washington DC MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects adequate penetration throughout the assessment area, and the borrower profile reflects good distribution among borrowers of different incomes and businesses of different sizes. The bank uses innovative and/or flexible lending programs. The bank did not originate any community development loans in the assessment area.

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 2018 home mortgage and small business loans in this assessment area.

Geographic Distribution

The overall geographic distribution of home mortgage and small business loans reflects adequate penetration.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. Lending in low-income tracts was comparable to aggregate lending and

demographic data. Performance in moderate-income census tracts was below aggregate lending and demographic data.

Geographic Distribution of Home Mortgage Loans Washington DC MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	1.5	1	1.7	188	0.4
Moderate	29.0	27.6	13	22.4	3,723	8.5
Middle	45.0	46.1	18	31.0	29,626	68.0
Upper	24.6	24.9	26	44.8	10,015	23.0
Totals	100.0	100.0	58	100.0	43,551	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 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 had no loans within low-income census tracts. Performance in moderate-income census tracts was well above aggregate lending and demographic data.

Geographic Distribution of Small Business Loans Washington DC MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.5	2.5	0	0.0	0	0.0
Moderate	34.6	34.8	4	44.5	57	5.9
Middle	39.8	39.7	3	33.3	855	88.7
Upper	21.8	22.8	2	22.2	52	5.4
Not Available	0.3	0.3	0	0.0	0	0.0
Totals	100.0	100.0	9	100.0	964	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The overall distribution of small business loans reflects good penetration among businesses of different sizes.

Home Mortgage

Overall, lending to borrowers of different incomes is good. The bank reported 58 home mortgage loans in 2018. Of these loans, 54 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-income borrowers. None were to moderate-income

borrowers. In 2019, 40 loans were reported, with 10 having income reported. Two were originated to low-income borrowers, and two were originated to a moderate-income borrowers. For 2017, 9 loans were originated with 3 to low-income borrowers, and 3 to moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level Washington DC MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.7	12.3	2	3.4	285	0.7
Moderate	19.3	23.6	0	0.0	0	0.0
Middle	22.3	23.9	1	1.7	117	0.3
Upper	35.7	21.3	1	1.7	188	0.4
Not Available	0.0	19.0	54	93.1	42,961	98.6
Totals	100.0	100.0	58	100.0	43,551	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business

The distribution of small business loans reflects good penetration among businesses of different sizes. Lending to businesses with gross annual revenues of \$1 million or less is higher than the aggregate lending; however, performance is significantly below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Washington DC MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000	87.4	50.6	5	55.6	335	34.8
>1,000,000	4.0	--	4	44.4	629	65.2
Revenue Not Available	8.6	--	0	0.0	0	0.0
Totals	100.0	100.0	9	100.0	964	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
"--" data not available.*

Community Development Lending

The bank did not originate any community development loans in the assessment area.

INVESTMENT TEST

Carter Bank originated nine donations totaling \$13,250 specific to the assessment area. The donations include six for \$10,000 for community service, two for \$2,500 for economic development, and one for \$750 for revitalization and stabilization. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area.

Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the institution's assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. During the evaluation period, the bank closed two branches in the assessment area. Both branches were located in middle-income tracts. No branches were opened. The bank made an adequate level of community development services

Community Development Services

Carter Bank provided a limited level of community development services in the Washington DC MSA assessment area. The 10 community development services account for 2.8 percent of bank-wide community development services and 4.0 percent of state-wide community development services. The level of community development services is below the percentage of branches within the assessment area at 8.1 percent bank-wide and 10.7 percent state-wide. The following are two examples of community development services provided.

- In 2018 and 2020, an employee provided financial expertise an organization that helps low- and moderate-income families obtain affordable housing.
- Several employees provided financial literacy presentations at workshops and conferences for various small businesses located in low- and moderate areas.

LYNCHBURG MSA ASSESSMENT AREA
(Full-scope Review)

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

The Lynchburg MSA assessment area consists of Amherst, Bedford, and Campbell Counties and Lynchburg City. Appomattax County is also in the Lynchburg, VA MSA; however, the bank did not include it in the assessment area. The bank operates eight or 10.7 percent of the Virginia branch offices in the assessment area. The assessment area represents 14.1 percent of the state-wide loans and 9.3 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that the majority of owner-occupied housing units and businesses are within middle-income census tracts which provides for the most lending opportunities. The remaining businesses are evenly distributed between moderate- and upper-income tracts which also provide a good level of lending opportunity. Owner-occupied housing units and businesses are nominal in the low-income tracts which can impact the ability to lend in those areas. The following table presents demographic information from the 2015 ACS Census and 2018 D&B data.

Demographic Information for the Lynchburg MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	57	1.8	24.6	57.9	15.8	0.0
Population by Geography	241,781	2.0	19.6	58.7	19.8	0.0
Housing Units by Geography	106,956	2.2	20.0	59.8	18.0	0.0
Owner-Occupied Units by Geography	65,414	1.6	13.1	62.5	22.8	0.0
Occupied Rental Units by Geography	27,998	3.4	35.3	49.1	12.2	0.0
Vacant Units by Geography	13,544	3.0	21.4	68.5	7.1	0.0
Businesses by Geography	14,399	1.3	21.2	54.7	22.9	0.0
Farms by Geography	655	0.9	7.5	70.7	20.9	0.0
Family Distribution by Income Level	61,756	20.6	17.5	21.7	40.1	0.0
Household Distribution by Income Level	93,412	24.3	16.0	18.0	41.7	0.0
Median Family Income - Lynchburg, VA MSA	\$60,256	Median Housing Value				\$168,162
		Median Gross Rent				\$747
		Families Below Poverty Level				10.8%
<i>Source: 2015 ACS and 2018 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>						

There were 14,399 business within this assessment area. Businesses by revenue level are provided below.

- 83.3 percent had revenues of \$1 million or less,
- 5.3 percent had revenues over \$1 million, and
- 11.4 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, assessment area unemployment rates fluctuated over the review period; however, the rates did decline year over year. Despite the declining trend, the rates remained above the state unemployment rates with Lynchburg City being well above. The overall unemployment rates for this assessment area are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
Virginia	3.6	2.8	2.6
Amherst	4.1	3.3	3.2
Bedford	3.9	3.1	2.9
Campbell	4.1	3.4	3.1
Lynchburg City	4.9	4.1	3.7
<i>Source: Bureau of Labor Statistics</i>			

In 2018, according to D&B, the top industries were services and retail trade. Top employers in the assessment area include Centra Health Care, Liberty University, and Framatome Nuclear Power.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 16 FDIC-insured institutions operate 86 branches within the assessment area. Of these institutions, the bank ranked 6th with a market share of 6.1 percent. Competitor institutions in the Lynchburg MSA assessment area include Wells Fargo Bank, N.A., Branch Banking and Trust Company, Bank of the James, and SunTrust Bank.

There is high competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows 299 lenders reported 6,585 residential mortgage loans. Carter Bank ranked 79th with a market share of 0.2 percent. The five dominant home mortgage lenders accounted for 26.9 percent of total market share.

With regard to the competition for small business loans, aggregate data for 2018 shows that 74 lenders reported 3,849 small business loans in the assessment area, indicating high competition. Carter Bank ranked 20th by number of loans with a 0.7 percent market share and 7th by dollar volume at 3.1 percent of the market. The five dominant small business lenders accounted for 59.7 percent of total market share by number of loans and 64.5 percent by dollar volume.

Community Contact

Examiners conducted one community contact within this assessment during the evaluation period.

The contact indicated that the economies in their areas are strong and doing well, some with lower unemployment rates in several years. The contact stated there has been and continues to be a consistent need for affordable housing for low- and moderate-income individuals and families. The contact stated that other than consistent, reliable donations there are opportunities for banks to become VHDA-approved lenders for the FHLB First-time Homebuyer Program to use VHDA first mortgages with the FHLB First-time Homebuyer Program down-payment assistance. Additionally, the contact indicated that financial literacy programs and educational opportunities are needed to enable homeowners to learn about the mortgage servicing process and ensure they are aware of the responsibilities.

The contact stated that larger financial institutions remain consistent with donations due to having more available financial resources. However, the local financial institution industry is aligned with the VHDA to offer affordable loans, especially regarding the FHLB program.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. Additionally, affordable housing and financial literacy are needed. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 38.1 percent of the families are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LYNCHBURG MSA ASSESSMENT AREA

LENDING TEST

Lending in the Lynchburg MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good distribution to individuals of different incomes and businesses of different sizes. In addition, the bank uses flexible and/or innovative lending practices and originated an adequate 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 2018 home mortgage and small business loans in this assessment area.

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The bank did not originate loans in the only low-income census tract. The tract accounts for only 1.6 percent of owner-occupied housing, and aggregate lending was limited at 1.0 percent. Lending in moderate-income census tracts was above aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans Lynchburg MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	1.0	0	0.0	0	0.0
Moderate	13.1	15.6	2	18.2	5,500	43.6
Middle	62.5	55.7	7	63.6	6,987	55.3
Upper	22.8	27.6	2	18.2	140	1.1
Totals	100.0	100.0	11	100.0	12,627	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 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 loans in the only low-income census tract. The tract accounts for only 1.3 percent of businesses, and aggregate lending was limited at 1.4 percent. Performance in moderate-income census tracts was well above lending data and demographic data.

Geographic Distribution of Small Business Loans Lynchburg MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.3	1.4	0	0.0	0	0.0
Moderate	21.2	19.4	7	25.9	1,144	25.7
Middle	54.7	52.3	14	51.9	1,440	32.3
Upper	22.9	26.8	6	22.2	1,875	42.0
Totals	100.0	100.0	27	100.0	4,459	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

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

Home Mortgage

The distribution of home mortgage loans reflects adequate penetration among borrowers of different

incomes. In 2018, only 5 of the 11 loans originated contained income information. Two loans were made to moderate-income borrowers. However, in 2017, the bank had 13 of the 18 loans with income data. Lending to low-income borrowers was below aggregate lending and substantially lower than demographics. For moderate-income borrowers, lending was above aggregate lending and demographics. For 2019, 10 of the 13 loans originated contained income data. Lending to low-income borrowers was again substantially below demographics while moderate-income lending was significantly above demographics.

Distribution of Home Mortgage Loans by Borrower Income Level Lynchburg MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.6	7.2	0	0.0	0	0.0
Moderate	17.5	19.8	2	18.2	143	1.1
Middle	21.7	21.6	1	9.1	80	0.6
Upper	40.2	36.5	2	18.2	760	6.0
Not Available	0.0	14.9	6	54.5	11,644	92.2
Totals	100.0	100.0	11	100.0	12,627	100.0

Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.

Small Business

The distribution of small business loans reflects excellent penetration among business customers of different sizes. Lending to businesses with gross annual revenues of \$1 million or less is substantially above the aggregate lending and higher than the demographic data.

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	83.3	53.3	24	88.9	3,309	74.2
>1,000,000	5.3	--	3	11.1	1,150	25.8
Revenue Not Available	11.3	--	0	0.0	0	0.0
Totals	100.0	100.0	27	100.0	4,459	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Lending

Carter Bank originated an adequate level of community development loans in the Lynchburg MSA assessment area. The bank extended two community development loans totaling \$3.5 million during the evaluation period. This amount represents 6.9 percent by number and 7.3 percent by dollar volume of total community development loans in Virginia. By purpose, one loan provided

economic development under the PPP and one loan revitalized and/or stabilized low- and moderate-income census tract located in a downtown area under federal historic tax credit program.

The two community development loans are listed below.

- In 2020, the bank originated a \$1.5 million loan to a church through the PPP to help maintain the jobs, including low- and moderate-income positions, during the pandemic.
- In 2018, the bank refinanced a \$2.0 million loan to provide housing to rehabilitate downtown area under the Federal Historic Tax Credit Program.

INVESTMENT TEST

Carter Bank originated 13 donations for \$6,075 specific to the assessment area. The donations include 3 for \$1,480 for affordable housing, 7 for \$3,475 for community service, and 3 for \$1,120 for economic development. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area. Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the institution's assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank closed one branch in a middle-income census tract in this assessment area. No branches were opened. The bank provided a limited level of community development services.

Community Development Services

Carter Bank provided a limited level of community development services in the Lynchburg MSA assessment area. The 13 community development services account for 3.6 percent of the bank-wide community development services and 5.2 percent of state-wide community development services. The level of community development services is below the percentage of branches within the assessment area at 8.1 percent bank-wide and 10.7 percent state-wide. The following are two examples of community development services provided during the evaluation period.

- In 2018, an employee served on the selection committee and was involved with the loan committee for an organization that low- and moderate-income families obtain affordable housing.
- Several employees provided financial literature and information at workshops and conferences for various small businesses located in low- and moderate- income area. The information included start-up small businesses, finance banking, and revitalization efforts using tax credits.

ROANOKE MSA ASSESSMENT AREA
(Full-Scope Review)

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

The Roanoke MSA assessment area consists Botetourt, Craig, Franklin, and Roanoke Counties and the independent cities of Roanoke and Salem, which encompasses the entire Roanoke, VA MSA. The bank operates 14 or 18.7 percent of its Virginia branch offices in the assessment area. The assessment area represents 7.5 percent of the state-wide loans and 16.6 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that owner-occupied housing units and businesses are primarily within middle-income census tracts with a high level also in the upper-income tracts. The levels within the low-income tracts is substantially reduced, impacting lending opportunities. Moderate-income tracts contain a fair percentage of owner-occupied housing and businesses. The following table presents demographic information from the 2015 ACS Census and 2018 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)	65	4.6	20.0	49.2	26.2	0.0
Population by Geography	312,216	3.4	21.6	46.6	28.4	0.0
Housing Units by Geography	145,649	3.1	21.7	47.1	28.2	0.0
Owner-Occupied Units by Geography	88,893	1.4	18.4	47.5	32.7	0.0
Occupied Rental Units by Geography	39,871	6.5	28.4	45.5	19.6	0.0
Vacant Units by Geography	16,885	4.3	22.9	48.2	24.6	0.0
Businesses by Geography	21,404	2.7	15.6	50.5	31.3	0.0
Farms by Geography	750	1.3	18.9	46.4	33.3	0.0
Family Distribution by Income Level	83,580	19.9	17.5	22.4	40.2	0.0
Household Distribution by Income Level	128,764	24.1	16.1	19.1	40.8	0.0
Median Family Income - Roanoke, VA MSA		\$61,791	Median Housing Value			\$179,442
			Median Gross Rent			\$749
			Families Below Poverty Level			10.0%

*Source: 2015 ACS and 2018 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.*

There were 21,404 business within this assessment area. Businesses by revenue level are provided below.

- 81.8 percent had revenues of \$1 million or less,
- 5.8 percent had revenues over \$1 million, and
- 12.4 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, assessment area unemployment rates fluctuated over the evaluation period; however, each area saw a steadily decline and was generally comparable to state unemployment rates and below national levels. The unemployment rates for this assessment area are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
Virginia	3.6	2.8	2.6
Botetourt County	3.5	2.7	2.5
Craig County	4.3	3.6	3.2
Franklin County	3.9	3.1	2.9
Roanoke City	4.1	3.3	3.0
Roanoke County	3.4	2.8	2.5
Salem City	3.7	3.0	2.8
<i>Source: Bureau of Labor Statistics</i>			

In 2018, according to D&B, the top industries were services and retail trade. Top employers for this assessment area include Roanoke Memorial Community Hospital, Kroger, and Wells Fargo Bank, N.A.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 16 FDIC-insured institutions operate 107 branches within this area. Of these institutions, the bank ranked 6th with a market share of 7.3 percent. Competitor institutions in the Roanoke MSA assessment area included Wells Fargo Bank, N.A., SunTrust Bank, Branch Banking and Trust Company, and Pinnacle Bank.

There is significant competition for home mortgage lending among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows that 308 lenders reported 9,438 residential mortgage loans. Carter Bank ranked 81st with a market share of 0.1 percent. The five dominant home mortgage lenders accounted for 31.6 percent of total market share.

There is moderate competition for small business loans, aggregate data for 2018 showed that 74 lenders reported 3,926 small business loans in the assessment area. Carter Bank ranked 20th by number of loans with a 0.6 percent market share and 10th by dollar volume with a 1.7 percent

market share. The five dominant small business lenders accounted for 50.3 percent by number of and 63.8 percent by dollar volume of total market share.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 37.4 percent of the families are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ROANOKE MSA ASSESSMENT AREA

LENDING TEST

Lending in the Roanoke MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects excellent penetration throughout the assessment area, and the borrower profile reflects excellent distribution to borrowers of different incomes and businesses of different sizes. In addition, the bank used flexible lending practices and originated an adequate 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 2018 home mortgage and small business loans in this assessment area. Small business and home mortgage lending were given equal weight in the conclusions and analysis for the assessment as the lending levels were comparable over the review period.

Geographic Distribution

The overall geographic distribution of home mortgage and small business 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. The bank did originate any loans in low-income census tracts. However, only 1.4 percent of owner-occupied housing units are located in the low-income tracts, and aggregate performance was low at 0.9 percent. Lending in low-income tracts in 2017 and 2019 was above demographics and was four times the level of aggregate lending in 2017. Lending in moderate-income census tracts was substantially above aggregate lending data and demographic data.

Geographic Distribution of Home Mortgage Loans Roanoke MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.4	0.9	0	0.0	0	0.0
Moderate	18.4	14.3	8	61.5	537	49.7
Middle	47.5	47.5	5	38.5	543	50.3
Upper	32.7	37.2	0	0.0	0	0.0
Totals	100.0	100.0	13	100.0	1,080	100.0

Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Lending within low-income census tracts was comparable to aggregate lending data and demographic data. Performance in moderate-income census tracts was more than double aggregate lending and demographic data.

Geographic Distribution of Small Business Loans Roanoke MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.7	2.9	1	3.0	360	9.0
Moderate	15.6	15.1	11	33.3	575	14.4
Middle	50.5	51.0	18	54.5	2,409	60.3
Upper	31.3	31.0	3	9.1	654	16.4
Totals	100.0	100.0	33	100.0	3,998	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of home mortgage and small business loans reflects excellent penetration among borrowers of different incomes and businesses of different sizes.

Home Mortgage

The distribution of home mortgage loans reflects excellent penetration among borrowers of different incomes. Lending to low-income families was three times the level of aggregate lending and was above demographics. Lending to moderate-income borrowers was well above demographic data and exceeded aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Roanoke MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.9	7.8	3	23.1	193	17.9
Moderate	17.5	20.0	3	23.1	305	28.3
Middle	22.4	21.0	5	38.5	329	30.5
Upper	40.2	34.4	1	7.7	52	4.8
Not Available	0.0	16.9	1	7.7	200	18.5
Totals	100.0	100.0	13	100.0	1,080	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Performance was well above demographic data and substantially exceeded aggregate lending 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	81.8	52.0	30	90.9	3,598	90.0
>1,000,000	5.8	--	3	9.1	400	10.0
Revenue Not Available	12.5	--	0	0.0	0	0.0
Totals	100.0	100.0	33	100.0	3,998	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

Community Development Lending

Carter Bank originated an adequate level of community development loans in the Roanoke MSA assessment area. The bank extended three community development loans totaling approximately \$2.0 million to revitalize and/or stabilize low- and moderate-income census tracts during the evaluation period, of which one originated under the PPP. This amount represents 10.3 percent by number and 4.2 percent by dollar volume of total community development loans in Virginia. The number of loans and dollar volume significantly decreased since last examination from nine loans for \$41.7 million.

The three community development loans are listed below.

- In 2020, the bank originated a \$1.3 million loan through the PPP to a business located in a moderate-income census tract to help provide stabilization and maintain employment levels.
- In 2019, the bank originated a \$650,000 loan to Virginia Department of Transportation for infrastructure improvements for an office park as part of revitalization efforts in a moderate-income area.
- In 2018, the bank originated a \$100,000 line of credit to for revitalization and economic development efforts in a low- and moderate-income area that had been awarded a grant from the U.S. Department of Housing and Community Development.

INVESTMENT TEST

Carter Bank originated 37 donations for \$31,130 specific to the assessment area. The donations include 1 for \$1,000 for affordable housing, 21 donations for \$13,125 for community service, 8 donations for \$8,605 for economic development, and 7 donations for \$8,400 for revitalization and stabilization. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area. Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the institution's assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank closed one branch in an upper-income census tract during the evaluation period. No branches were opened. The bank provided a relatively high level of community development services.

Community Development Services

Carter Bank provided a relatively high level of community development services in the Roanoke MSA assessment area. The 50 community development services account for 14.0 percent of the bank-wide community development services and 20.2 percent of state-wide community development services. Although, the level of community development services is below the percentage of branches within the assessment area at 14.1 percent bank-wide and 18.7 percent state-wide, the performance was an increase since last examination. The following are two examples of community development services provided during the evaluation period.

- Several employees conducted financial literacy workshops or classes for various community organizations that provide services to low- and moderate individuals and schools where the majority of the students receive free or reduced lunches.
- A Board member served on the Board for a college organization that provides tuition grants and scholarships targeted to low-income students.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the four Virginia assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. Unless otherwise noted, the home mortgage and small business lending volume is based on 2017, 2018, and 2019 HMDA and CRA data. Community development activities are from October 23, 2017, through August 3, 2020, according to the bank records. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Blacksburg MSA	Consistent	Consistent	Below
Harrisonburg MSA	Consistent	Consistent	Consistent
Kingsport MSA	Below	Below	Below
Staunton MSA	Below	Consistent	Below

A summary of Carter Bank’s operations and activities for limited-scope areas follow with demographic data and deposit market share information for the limited-scope assessment areas in the appendix. Geographic distribution and borrower profile data for 2018 are also presented below.

Blacksburg MSA Assessment Area

The Blacksburg MSA assessment area consists of Floyd, Giles, Montgomery, and Pulaski Counties and Radford City. However, Floyd County was only part of the assessment for 2017 and 2018. For 2019, Floyd County became part of the Virginia Non-MSA assessment area. Carter Bank operates six branches in this assessment area, representing 8.0 percent of state-wide branches. The assessment area also accounts for 5.5 percent of the state-wide lending and 8.5 percent of the state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	72	2,931
Home mortgage Loans	72	13,540
Community Development Loans	1	1,000
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	8	5
Community Development Services	3	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Harrisonburg MSA Assessment Area

The Harrisonburg MSA assessment area consists of Rockingham County and Harrisonburg City. Carter Bank operates three branches in this assessment area, representing 4.0 percent of state-wide branches. The assessment area also accounts for 0.7 percent of the state-wide lending and 2.0 percent of the state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	11	321
Home mortgage Loans	8	1,674
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	5	5
Community Development Services	0	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Kingsport MSA Assessment Area

The Kingsport MSA assessment area consists of Washington County and Bristol City. Carter Bank operates two branches in this assessment area, representing 2.7 percent of state-wide branches. The assessment area also accounts for 0.1 percent of the state-wide lending and 2.0 percent of the state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	2	325
Home mortgage Loans	1	63
Community Development Loans	0	0
Investments (New)	2	1,080
Investments (Prior Period)	4	3,686
Donations	0	0
Community Development Services	0	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Staunton MSA Assessment Area

The Staunton MSA assessment area consists of Augusta County and Staunton and Waynesboro Cities. Carter Bank operates 2 branches in this assessment area. Carter Bank operates two branches in this assessment area, representing 2.7 percent of state-wide branches. The assessment area also accounts for 1.2 percent of the state-wide lending and 1.4 percent of the state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	5	1,437
Home mortgage Loans	11	2,110
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	1
Community Development Services	0	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Geographic Distribution and Borrower Profile

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2018
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Blacksburg MSA	30	6,554	81.1	4,070	0.0	0.0	0.0	1.0	6.7	2.2	79.4	66.7	70.9	19.1	26.7	26.1	0.5	0.0	0.8
Harrisonburg MSA	4	1,392	10.8	3,108	0.4	0.0	1.2	10.0	0.0	12.9	76.9	50.0	68.3	12.7	50.0	17.6	0.0	0.0	0.0
Kingsport MSA	0	0	0.0	1,444	0.0	0.0	0.0	7.5	0.0	9.6	66.9	0.0	62.1	25.6	0.0	28.3	0.0	0.0	0.0
Staunton MSA	3	974	8.1	4,050	0.2	0.0	0.5	9.2	33.3	9.8	83.1	66.7	82.0	7.4	0.0	7.7	0.0	0.0	0.0
Total	37	8,920	100.0	12,672	0.2	0.0	0.5	6.3	8.1	8.1	77.7	64.9	72.8	15.7	27.0	18.4	0.2	0.0	0.3

Source: 2015 ACS Census; 2018 HMDA Bank Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2018
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Blacksburg MSA	23	513	88.5	1,806	0.0	0.0	0.0	1.3	4.3	1.9	75.3	95.7	74.0	21.8	0.0	22.8	1.6	0.0	1.4
Harrisonburg MSA	3	143	11.5	1,934	2.2	0.0	2.8	20.4	66.7	20.1	62.6	0.0	61.2	14.7	33.3	15.9	0.0	0.0	0.0
Kingsport MSA	0	0	0.0	989	0.0	0.0	0.0	12.4	0.0	10.6	57.5	0.0	54.8	30.1	0.0	34.6	0.0	0.0	0.0
Staunton MSA	0	0	0.0	1,772	4.7	0.0	3.6	6.3	0.0	5.9	81.0	0.0	81.4	8.0	0.0	9.1	0.0	0.0	0.0
Total	26	656	100.0	6,501	1.7	0.0	1.8	9.3	11.5	9.7	70.5	84.6	69.3	18.0	3.8	18.8	0.5	0.0	0.4

Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

2018

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Blacksburg MSA	30	6,554	81.1	4,070	18.1	6.7	7.7	18.6	6.7	20.5	22.0	6.7	20.4	41.2	33.3	36.4	0.0	46.7	15.0
Harrisonburg MSA	4	1,392	10.8	3,108	18.6	0.0	5.8	19.5	25.0	18.0	22.7	0.0	23.5	39.3	25.0	38.9	0.0	50.0	14.0
Kingsport MSA	0	0	0.0	1,444	19.8	0.0	7.2	17.9	0.0	18.3	20.2	0.0	21.7	42.2	0.0	40.4	0.0	0.0	12.4
Staunton MSA	3	974	8.1	4,050	19.7	0.0	8.6	18.4	0.0	23.5	22.7	0.0	23.9	39.2	33.3	31.8	0.0	66.7	12.1
Total	37	8,920	100.0	12,672	18.9	5.4	7.5	18.6	8.1	20.6	22.1	5.4	22.4	40.4	32.4	36.0	0.0	48.6	13.5

Source: Source: 2015 ACS Census; 2018 HMDA Bank Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

2018

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Blacksburg MSA	23	513	88.5	1,806	80.7	95.7	52.9	5.0	4.3	14.3	0.0
Harrisonburg MSA	3	143	11.5	1,934	82.2	100.0	55.2	5.5	0.0	12.4	0.0
Kingsport MSA	--	--	--	989	79.5	--	55.7	5.7	--	14.9	--
Staunton MSA	--	--	--	1,772	82.0	--	55.3	5.6	--	12.4	--
Total	26	656	100.0	6,501	81.2	96.2	54.7	5.4	3.8	13.4	0.0

Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

North Carolina – Full-Scope Review

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 bank operates 24 or 24.2 percent of total branch offices in North Carolina. North Carolina accounts for 10.7 percent of the bank-wide deposits and 20.0 percent of bank-wide loans. Overall, Carter Bank ranks 34th in the state in deposit market share at 0.1 percent. Competitor institutions in the North Carolina assessment areas include Bank of America, N.A., Branch Banking and Trust Company, and Wells Fargo Bank, N.A.

SCOPE OF EVALUATION – NORTH CAROLINA

The evaluation of the North Carolina performance considered the North Carolina assessment areas, which are detailed in the Description of the Assessment Areas. Based on the number of loans, branches, and deposits, examiners conducted full-scope reviews of the Greensboro MSA and the North Carolina Non-MSA assessment areas. Limited-scope areas included the Fayetteville MSA, Burlington MSA, Charlotte MSA, Durham MSA, Greenville MSA, Hickory MSA, Raleigh MSA, and the Winston-Salem MSA assessment areas. The Greensboro MSA assessment area was given the most weight in the overall conclusions and analysis given the higher level of lending, deposits, and branches. The North Carolina Non-MSA assessment area was given secondary weight. The limited-scope assessment areas were given limited weight in the overall analysis and conclusions given the lending, deposit, and branch levels.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA

LENDING TEST

The Lending Test rating for North Carolina is 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 distribution to borrowers of different incomes and businesses of different sizes. In addition, the bank uses flexible and/or innovative lending practices and originated a relatively high level of community development loans.

Lending Activity

Lending levels reflect adequate responsiveness to the North Carolina assessment areas’ credit needs. The tables in presented in each assessment area detail the number and dollar volume of home mortgage and small business loans in 2018.

Geographic Distribution

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

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment areas. The geographic distribution of small business loans reflects good penetration throughout the assessment areas.

Borrower Profile

The overall borrower distribution of home mortgage and small business lending is good.

The distribution of home mortgage loans is good among borrowers of different income levels. The borrower distribution of small business loans is excellent among business customers of different sizes.

Community Development Loans

Carter Bank originated a relatively high level of community development loans in North Carolina. During the evaluation period, the bank originated 24 community development loans totaling \$66.9 million. This performance represents 42.1 percent by number and 54.1 percent by dollar volume of bank-wide community development loans. Since the last examination, the number of loans has decreased, but the dollar volume of loans substantially increased. Eleven of the loans totaling \$26.6 million were originated in the broader statewide area. Examples of the statewide community development loans are provided below. Furthermore, each full-scope assessment area includes examples of community development loans originated within those areas.

- During the evaluation period, the bank participated in three multifamily affordable housing Centrant loans totaling \$4.4 million.
- In 2020, the bank originated an \$8.0 million loan to fund construction of an 82-room hotel. Property is located in a moderate-income census tract. This revitalization and stabilization project is projected to provide construction jobs and full-time and part-time employees for the hotel operations, many of which will be allocated as low- or moderate-income jobs.
- In 2018, the bank originated a \$4.8 million loan to fund renovation and subsequent conversion of a commercial building to a county library. The property is located in a moderate-income census tract and funded by the county. The project will provide construction jobs and full-time and part-time employees for the library operations, many of which will be allocated as low- or moderate-income jobs.

INVESTMENT TEST

The Investment Test rating for North Carolina is Low Satisfactory. Carter Bank has an adequate level of qualified investments in North Carolina, particularly those that are not routinely provided by private investors, although rarely in a leadership position. Carter Bank did not use innovative and/or complex investments to support community development initiatives in North Carolina. The

investments reflect adequate responsiveness to credit and community development needs. Performance is generally consistent across the full-scope assessment areas.

Investment and Grant Activity

The bank has an adequate level of qualified investments and grants within its North Carolina assessment areas. The bank has 60 investments (including donations) totaling \$4.3 million, which represents 32.8 percent of bank-wide investments by dollar volume and 19.5 percent by number.

The bank funded four state-wide mortgage bonds through 4 NCFHA totaling \$4.3 million that supports affordable housing. The affordable housing bonds were from the prior period. Donations total 56 for \$57,700 that support affordable housing, community services, and revitalization of the assessment areas and the broader regional and state-wide area that includes the assessment areas. While the state-wide mortgage bonds are not attributed to any particular assessment area, they benefit the state-wide area. Provided below is an example donation that benefitted a broader regional or statewide area that includes the assessment areas.

- The bank made a donation in 2020 for \$8,000 to a regional non-profit that provides community services for low- and moderate-income persons in 34 counties in eastern North Carolina.

SERVICE TEST

The Service Test rating is High Satisfactory in North Carolina. Carter Bank's delivery systems are accessible to essentially all portions of the assessment areas, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly with respect to low- and moderate-income geographies or individuals. Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, and the bank provided a relatively high level of community development services.

Changes in Branch Locations

During the evaluation period, the bank closed 11 branches within North Carolina. Five branches were located in moderate-income census tracts. Additionally, 5 branches were located in middle-income tracts, and 1 branch was in an upper-income tract. The closing of the moderate-income census tract branches is discussed further in the individual assessment areas where they occurred. No branches were opened.

Community Development Services

Carter Bank provided a relatively high level of community development services in North Carolina. Bank employees provided 110 community development services throughout the North Carolina assessment areas. This performance represented 30.7 percent of the bank-wide community development services.

Refer to the full-scope assessment areas for examples of community development services provided.

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 Guilford, Randolph, and Rockingham Counties which makes up the entire Greensboro-High Point, NC MSA. The bank operates six or 25.0 percent of its North Carolina branch offices in the assessment area. The assessment area represents 47.5 percent of the state-wide loans and 38.8 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that owner-occupied housing units and businesses are primarily within middle- and upper-income census tracts which would provide for the most lending opportunities. However, there is also a fair level in the moderate-income tracts which provides lending opportunities as well. The following table presents demographic information from the 2015 ACS Census and 2018 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)	168	6.5	26.2	38.7	28.0	0.6
Population by Geography	741,433	5.7	23.3	42.8	28.1	0.0
Housing Units by Geography	326,899	5.7	23.7	42.9	27.6	0.0
Owner-Occupied Units by Geography	184,429	2.7	17.2	45.8	34.3	0.0
Occupied Rental Units by Geography	107,201	10.2	32.7	38.2	18.8	0.0
Vacant Units by Geography	35,269	8.2	30.5	42.1	19.2	0.0
Businesses by Geography	53,613	4.1	21.9	36.5	37.3	0.2
Farms by Geography	1,715	1.6	14.2	52.2	32.0	0.0
Family Distribution by Income Level	189,747	21.7	18.3	18.4	41.7	0.0
Household Distribution by Income Level	291,630	23.4	16.6	17.4	42.6	0.0
Median Family Income - Greensboro-High Point, NC MSA	\$55,218	Median Housing Value				\$145,143
		Median Gross Rent				\$747
		Families Below Poverty Level				13.3%
<i>Source: 2015 ACS and 2018 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

There were 53,613 business within this assessment area. The businesses by revenue level are provided below.

- 83.2 percent had revenues of \$1 million or less,
- 5.6 percent had revenues over \$1 million, and
- 11.2 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, unemployment rates fluctuated for the assessment area with fair declines from 2017 to 2018. The rates into 2019 declined slightly or remained unchanged. The unemployment rates were generally higher than the state and national rates. The unemployment rates are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
North Carolina	4.5	3.6	3.7
Guilford	4.7	4.2	4.1
Randolph	4.3	3.8	3.8
Rockingham	5.1	4.6	4.4

Source: Bureau of Labor Statistics

In 2018, according to D&B, the top industries were services and retail trade. Top employers for this assessment area are Cone Health, Ralph Lauren Corporation, and High Point Regional Hospital.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 23 FDIC-insured institutions operate 170 branches within this area. Of these institutions, the bank ranked 15th in total deposits with a market share of 1.2 percent. Competitor institutions include Wells Fargo Bank, N.A., Branch Banking and Trust Company, Bank of America, N.A., and Pinnacle Bank.

There is high competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 shows 431 lenders reported 19,303 residential mortgage loans. Carter Bank ranked 113th with a market share of 0.1 percent. The five dominant home mortgage lenders accounted for 32.4 percent of total market share.

With regard to the competition for small business loans, aggregate data for 2018 shows that 98 lenders reported 14,493 small business loans in the assessment area. Carter Bank ranked 48th by number of loans with a 0.1 percent market share and 28th by dollar volume with a 0.3 percent market share. The five dominant small business lenders accounted for 56.4 percent of total market share by number of loans and 57.5 percent by dollar volume of loans.

Community Contact

Examiners referenced one community contact within this assessment during the evaluation period.

The contact indicated that the economy in the area is strong and doing well. However, there is a need for financing to very small and start-up businesses. The contact stated that banks are often reluctant to provide that financing as the new business will have no track record. However, bankers could provide financial expertise and financial support to various non-profits that support small businesses and start-ups such as business incubators.

The economic development entity indicated that they have not often worked with local community banks as the scope of their projects are larger in scale; however, larger financial institutions have been very involved and invested in supporting economic development and projects in the area.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. Additionally, there is a need for small business financing and financial expertise and support. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 40.0 percent of the families are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GREENSBORO MSA ASSESSMENT AREA

LENDING TEST

Lending in the Greensboro MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good distribution 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 2018 home mortgage and small business loans in this assessment area.

Geographic Distribution

The overall geographic distribution of home mortgage and small business loans reflects good 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 significantly above demographic and aggregate lending data. Performance in moderate-income census tracts also significantly higher than aggregate lending data and demographic data.

Geographic Distribution of Home Mortgage Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.7	1.6	2	12.5	77	0.3
Moderate	17.2	13.2	4	25.0	5,564	20.1
Middle	45.8	43.0	7	43.8	805	2.9
Upper	34.3	42.3	3	18.8	21,177	76.7
Totals	100.0	100.0	16	100.0	27,622	100.0
<i>Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The bank's performance in low-income census tracts was above demographic and aggregate lending data. Performance in moderate-income census tracts was significantly below demographic and aggregate lending.

Geographic Distribution of Small Business Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.1	3.6	1	11.1	380	16.9
Moderate	21.9	22.5	1	11.1	550	24.5
Middle	36.5	36.9	6	66.7	1,132	50.4
Upper	37.3	36.8	1	11.1	184	8.2
Not Available	0.2	0.1	0	0.0	0	0.0
Totals	100.0	100.0	9	100.0	2,246	100.0
<i>Source: 2018 D&B Data; 2018 CRA Data; 2018 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 reflects good penetration to borrowers of different incomes and businesses of different sizes.

Home Mortgage

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. Lending to low-income borrowers was below the percent of low-income families but significantly higher than the aggregate lending data. Lending to moderate-income borrowers was below both demographic data and aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level Greensboro MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.7	6.0	3	18.8	139	0.5
Moderate	18.3	17.4	2	12.5	60	0.2
Middle	18.4	21.0	1	6.3	150	0.5
Upper	41.7	41.3	2	12.5	539	2.0
Not Available	0.0	14.4	8	50.0	26,734	96.8
Totals	100.0	100.0	16	100.0	27,622	100.0

*Source: 2015 ACS; Bank Data, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business

The distribution of small business loans reflects excellent penetration among businesses of different sizes. Lending to businesses with gross annual revenues of \$1 million or less was substantially above the aggregate lenders and exceeded the demographics.

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	83.2	49.3	8	88.9	1,996	88.9
>1,000,000	5.6	--	1	11.1	250	11.1
Revenue Not Available	11.2	--	0	0.0	0	0.0
Totals	100.0	100.0	9	100.0	2,246	100.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
"--" data not available.*

Community Development Lending

Carter Bank originated a relatively high level of community development loans in the Greensboro MSA assessment area. The bank extended eight community development loans totaling approximately \$28.3 million. This amount represents 61.5 percent by number and 70.4 percent by dollar volume of total community development loans in North Carolina. Although, the number of loans decreased since last examination, the dollar volume of lending significantly increased. By purpose, four loans provided economic development and three loans revitalized and/or stabilized low-and moderate-income areas, and one loan provided affordable housing within this assessment area. Two of the eight loans were originated under the PPP. Three examples of the community development loans are listed below.

- In 2020, the bank originated a \$3.6 million loan under the PPP to help the organization maintain employment for individuals, including low- and moderate-income positions.

- In 2018, the bank refinanced a \$2.7 million loan for the development of a charter school located in a downtown revitalization area.
- In 2018, the bank originated a \$2.5 million loan to purchase land for residential growth and create jobs which helps revitalized a moderate-income area.

INVESTMENT TEST

Carter Bank originated 15 donations totaling for \$9,105 specific to the assessment area. The donations include 8 for \$3,730 for community service and 7 \$5,375 for economic development. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area. Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank’s delivery systems are accessible to essentially all portions of the assessment area. To the extent changes have been made, the institution’s opening and closing of branches has generally 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 certain portions of the assessment area, and 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 generally not adversely affected the accessibility of its delivery systems, particularly in low and moderate income geographies and/or to low- and moderate income individuals. During the evaluation period, the bank closed two branches in the assessment area. One branch was located within a moderate-income tract; however, the bank operates a branch within very close proximity to the closed branch. Thus, limiting the level of impact. The second branch was located in a middle-income tract. No branches were opened.

Community Development Services

Carter Bank provided a relatively high level of community development services in the Greensboro MSA assessment area. The 39 community development services account for 10.9 percent of the bank-wide community development services and 35.5 percent of state-wide community development services. The following are examples of community development services provided.

- Several employees partnered with the organizations to provide financial expertise and technical assistance to help with economic development of the area and support low- and moderate-income individuals with enhanced community services.
- A member of management served on the Board of an organization that provides affordable housing to low- and moderate-income individuals.

NORTH CAROLINA NON- MSA ASSESSMENT AREA
(Full-Scope Review)

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

The North Carolina Non-MSA assessment area consists of Surry, Wilkes, Cleveland, Rutherford, Lee, Robeson, Vance, and Wilson Counties. The bank operates seven or 29.2 percent of its North Carolina branch offices in the assessment area. The assessment area represents 21.7 percent of the state-wide loans and 27.1 percent of state-wide deposits.

Economic and Demographic Data

The 2015 ACS Census shows that owner-occupied housing units and businesses are primarily within middle-income census tracts. The following table presents demographic information from the 2015 ACS Census and 2018 D&B data.

Demographic Information for the North Carolina Non-MSA Assessment area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	122	4.1	31.1	47.5	17.2	0.0
Population by Geography	529,680	3.1	28.8	51.5	16.7	0.0
Housing Units by Geography	232,765	2.7	27.6	52.1	17.5	0.0
Owner-Occupied Units by Geography	133,004	1.1	23.5	56.3	19.2	0.0
Occupied Rental Units by Geography	65,682	5.6	35.3	45.4	13.8	0.0
Vacant Units by Geography	34,079	3.9	28.8	49.1	18.3	0.0
Businesses by Geography	24,901	3.5	32.0	45.2	19.3	0.0
Farms by Geography	1,336	1.0	22.7	57.4	18.9	0.0
Family Distribution by Income Level	135,596	24.6	18.7	19.1	37.6	0.0
Household Distribution by Income Level	198,686	27.4	15.7	17.8	39.0	0.0
Median Family Income Non-MSAs - NC		\$47,217	Median Housing Value			\$107,785
			Median Gross Rent			\$636
			Families Below Poverty Level			18.4%

*Source: 2015 ACS and 2018 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.*

There were 24,901 business within this assessment area. Businesses by revenue level are provided below.

- 80.3 percent had revenues of \$1 million or less,
- 6.0 percent had revenues over \$1 million, and
- 13.7 percent had revenues that were not reported.

According to the U.S. Bureau of Labor Statistics, unemployment rates for the assessment area fluctuated over the review period. Several counties had rates that declined from 2017 to 2018 and then increased into 2019 or remained the same. Except for Surry County, the unemployment rates were higher than the state and national rates. The unemployment rates are presented below.

Unemployment Rates			
Area	2017	2018	2019
	%	%	%
National	4.4	3.9	3.7
North Carolina	4.5	3.6	3.7
Cleveland	4.6	4.0	4.0
Lee	5.1	4.4	4.5
Robeson	6.4	5.9	5.4
Rutherford	6.0	5.1	4.9
Surry	4.1	3.5	3.7
Vance	6.1	5.8	5.8
Wilkes	4.2	3.8	4.1
Wilson	7.2	6.2	5.8
<i>Source: Bureau of Labor Statistics</i>			

In 2018, according to D&B, the top industries were services, retail trade, and non-classifiable establishments. Top employers for this assessment area are a number of service and retail trade businesses.

Competition

The assessment area is highly competitive. According to FDIC Deposit Market Share data as of June 30, 2019, 30 FDIC-insured institutions operate 140 branches within this area. Of these institutions, the bank ranked 14th with a market share of 1.2 percent. Competitor institutions in the assessment area include Branch Banking and Trust Company, Wells Fargo Bank, N.A., First-Citizens Bank and Trust Company, and First Bank.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data for 2018 showed that 357 lenders reported 9,303 residential mortgage loans. Carter Bank ranked 131th with a market share of 0.1 percent. The five dominant home mortgage lenders accounted for 39.2 percent of total market share.

With regard to the competition for small business loans, aggregate data for 2018 showed that 91 lenders reported 6,764 small business loans in the assessment area, indicating a high level of competition. Carter Bank ranked 36th with a 0.2 percent market share and 30th by dollar volume with a 0.2 percent market share. The five dominant small business lenders accounted for 59.2 percent of total market share by number and 61.9 percent by dollar volume.

Community Contact

Examiners referenced one community contact within this assessment during the evaluation period.

The contact served Vance County and indicated that the county's history of limited growth was attributed to changing economic conditions. However, over the last year and a half, the county has experienced slow but incremental growth. The contact stated there was previously low building inventory or available land for investment; however, due to investment by the state and county, these issues are being addressed. Lastly, the contact indicated that there is a significant need for small business financing, specifically smaller businesses \$100,000 and under.

The contact stated that there is an over-saturation of financial institutions in the county. He also indicated that needs for the county outweigh the resources available. He did indicate there still are opportunities for banks to finance small businesses and entrepreneurs. The contact specified that smaller sized financial institutions are more responsive to the credit needs than larger banks.

Credit and Community Development Needs and Opportunities

Considering the community contact, demographic and economic data, examiners determined that home mortgage and small business loans represent significant credit needs for the assessment area. Additionally, there is a need for small business financing within the assessment area. The significant percentage of businesses with gross annual revenues of \$1.0 million or less supports this conclusion. Additionally, affordable housing represents a need as 43.3 percent of the families are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NORTH CAROLINA NON-MSA ASSESSMENT AREA

LENDING TEST

Lending in the North Carolina Non-MSA assessment area reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects excellent distribution. In addition, the bank uses flexible lending practices and originated few, if any, 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 2018 home mortgage and small business loans in this assessment area.

Geographic Distribution

The overall geographic distribution of home mortgage and small business loans reflects good penetration throughout the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The bank did not make any loans in low-income census tracts; however, only 1.1 percent of the owner-occupied housing units are in low-income tracts, and aggregate data was low at 0.6 percent. Performance in moderate-income census tracts was below demographic data and above aggregate data.

Geographic Distribution of Home Mortgage Loans North Carolina Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.1	0.6	0	0.0	0	0.0
Moderate	28.4	21.2	2	25.0	423	52.9
Middle	52.1	49.6	6	75.0	377	47.1
Upper	18.4	28.6	0	0.0	0	0.0
Totals	100.0	100.0	8	100.0	800	100.0

Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration throughout the assessment area. Lending in low-income census tracts was significantly demographic and aggregate lending data. Additionally, small business performance in moderate-income census tracts was well above aggregate lending and exceeded demographic data.

Geographic Distribution of Small Business Loans North Carolina Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.5	2.4	1	7.2	300	63.8
Moderate	32.0	27.1	5	35.7	41	8.7
Middle	45.2	46.7	8	57.1	129	27.5
Upper	19.3	23.8	0	0.0	0	0.0
Totals	100.0	100.0	14	100.0	470	100.0

Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.

Borrower Profile

The distribution of home mortgage and small business loans reflects excellent penetration among borrowers of different incomes and businesses of different sizes.

Home Mortgage

The distribution of home mortgage loans reflects excellent penetration among borrowers of different incomes. Lending to low-income borrowers was more than double the aggregate lending data but well below the demographics. Lending to moderate-income borrowers was significantly above the aggregate data and well above the demographics.

Distribution of Home Mortgage Loans by Borrower Income Level North Carolina Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.6	5.2	1	12.5	42	5.2
Moderate	18.7	15.3	2	25.0	76	9.5
Middle	19.1	22.9	2	25.0	179	22.4
Upper	37.6	42.6	2	25.0	128	16.0
Not Available	0.0	13.9	1	12.5	375	46.9
Totals	100.0	100.0	8	100.0	800	100.0

*Source: 2015 ACS; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business

The borrower distribution of small business loans reflects excellent penetration among business customers of different sizes. All small business loans were originated to businesses with annual gross revenues of \$1.0 million or less.

Community Development Lending

Carter Bank originated few, in any, community development loans in the North Carolina Non-MSA assessment area. The bank extended one community development loan totaling \$96,000 during the evaluation period to provide community services and support to an area that includes low- and moderate-income areas. This amount represents 4.2 percent by number and 0.2 percent by dollar volume of total community development loans in North Carolina. The number and dollar volume of community development loans significantly decreased since last examination.

INVESTMENT TEST

Carter Bank originated 23 donations totaling \$16,875 specific to the assessment area. The donations include 17 for \$14,100 for community service and 6 for \$2,775 for economic development. While the assessment area specific investments are low, many of the statewide investments also benefit the assessment area. Refer to the overall bank analysis for more information regarding investments, including statewide and regional investments that include the assessment area.

SERVICE TEST

Carter Bank's delivery systems are accessible to essentially all portions of the assessment area. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank closed three branches in this assessment area during the evaluation period. Two were in middle-income tracts, and one was in an upper-income tract. No branches were opened. The bank provided a relatively high level of community development services.

Community Development Services

Carter Bank provided a relatively high level of community development services in the North Carolina Non-MSA assessment area. The 36 community development services account for 10.1 percent of the bank-wide community development services and 32.7 percent of state-wide community development services. The level of community development services is above the percentage of branches within the assessment area at 7.1 percent bank-wide and 29.2 percent state-wide and consistent with last examination performance. The following are examples of community development services provided.

- Several employees provided information and financial assistance and expertise at job fairs provided by the state workforce development system. The organization offers support with everything from pulling together a resume and finding the right training opportunities to preparing for interviews. This valuable resource connects residents with potential employers and businesses in the state with the candidates.
- Several employees conducted financial literacy workshops or classes for various community organizations that provide services to low- and moderate individuals and schools where the majority of the students receive free or reduced lunches.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the eight North Carolina assessment areas reviewed using limited-scope examination procedures. Examiners drew conclusions regarding the institution’s CRA performance from reviewing available facts and data, including performance figures, aggregate lending data comparisons, and demographic information. Unless otherwise noted, the home mortgage and small business lending volume is based on 2017, 2018, and 2019 HMDA and CRA data. Community development activities are from October 23, 2017, through August 3, 2020, according to the bank records. The conclusions did not alter the bank’s overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Fayetteville MSA	Consistent	Consistent	Consistent
Burlington MSA	Consistent	Consistent	Consistent
Charlotte MSA	Consistent	Consistent	Below
Durham MSA	Below	Consistent	Consistent
Greenville MSA	Below	Consistent	Consistent
Hickory MSA	Below	Below	Consistent
Raleigh MSA	Below	Below	Consistent
Winston-Salem MSA	Below	Below	Consistent

A summary of Carter Bank’s operations and activities for limited-scope areas follow with demographic data and deposit market share information for the limited-scope assessment areas in the appendix. Geographic distribution and borrower profile data for 2018 are also presented below.

Fayetteville MSA Assessment Area

The Fayetteville MSA assessment area consists of Cumberland County. Carter Bank operates one branch in this assessment area, representing 4.2 percent of state-wide branches. The assessment area also accounts for 15.3 percent of state-wide loans and 1.7 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	6	777
Home mortgage Loans	13	10,880
Community Development Loans	1	9,312
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	1	1
Community Development Services	4	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Burlington MSA Assessment Area

The Burlington MSA assessment area consists of Alamance County. Carter Bank operates two branches in this assessment area, representing 8.3 percent of state-wide branches. The assessment area also accounts for 0.5 percent of state-wide lending and 2.6 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	1	260
Home mortgage Loans	1	96
Community Development Loans	1	1,314
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	1
Community Development Services	3	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Charlotte MSA Assessment Area

The Charlotte MSA assessment area consists of Iredell and Lincoln Counties. Carter Bank operates two branches in this assessment area, representing 8.3 percent of state-wide branches. The assessment area also accounts for 4.5 percent of state-wide lending and 7.3 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	20	2,695
Home mortgage Loans	8	738
Community Development Loans	2	1,166
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	2
Community Development Services	0	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Durham MSA Assessment Area

The Durham MSA assessment area consists of Chatham and Person Counties. Carter Bank operates two branches in this assessment area, representing 8.3 percent of state-wide branches. The assessment area also accounts for 4.9 percent of state-wide lending and 9.13 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	8	1,161
Home mortgage Loans	20	2,595
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	3	1
Community Development Services	8	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Greenville MSA Assessment Area

The Greenville MSA assessment area consists of Pitt County. Carter Bank operates one branch in this assessment area, representing 4.23 percent of state-wide branches. The assessment area also accounts for 3.9 percent of state-wide lending and 1.0 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	6	1,120
Home mortgage Loans	4	1,584
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	2
Community Development Services	5	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Hickory MSA Assessment Area

The Hickory MSA assessment area consists of Burke and Catawba counties. Carter Bank operates two branches in this assessment area, representing 8.3 percent of state-wide branches. The assessment area also accounts for 1.2 percent of state-wide lending and 9.7 percent of state-wide deposits. The follow activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	6	539
Home mortgage Loans	6	369
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	0	0
Community Development Services	4	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Raleigh MSA Assessment Area

The Raleigh MSA assessment area consists of Franklin County. Carter Bank operates one branch in this assessment area, representing 4.2 percent of state-wide branches. The assessment area also accounts for 0.4 percent of state-wide lending and 2.7 percent of state-wide deposits. The following activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	4	70
Home mortgage Loans	4	251
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	2	2
Community Development Services	6	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Winston-Salem MSA

The Winston-Salem MSA assessment area consists of Yadkin County. Carter Bank does not currently operate any branches in this assessment area. The sole branch in the assessment area closed in November 2019. However, the assessment area is reviewed since it was part of the bank's operations for the period reviewed. The following activities were conducted in the assessment area.

Activity	#	\$(000s)
Small Business Loans	0	0
Home mortgage Loans	1	42
Community Development Loans	0	0
Investments (New)	0	0
Investments (Prior Period)	0	0
Donations	1	1
Community Development Services	5	0
<i>Small business and home mortgage lending volumes are based on the combined 2017, 2018, and 2019 lending data, while the community development loans, investments, and services are from previous examination through August 3, 2020.</i>		

Geographic Distribution and Borrower Profile

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																			2018
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate
Burlington MSA	1	96	7.7	4,924	0.0	0.0	0.0	22.9	0.0	19.9	47.8	100.0	50.0	29.3	0.0	30.0	0.0	0.0	0.0
Charlotte MSA	1	125	7.7	10,304	3.5	0.0	2.5	19.9	0.0	14.6	45.8	0.0	36.8	30.8	100.0	46.1	0.0	0.0	0.0
Durham MSA	4	899	30.8	3,828	5.2	0.0	3.6	30.6	25.0	17.9	44.8	75.0	43.4	19.3	0.0	35.1	0.0	0.0	0.0
Fayetteville MSA	4	9,566	30.8	8,497	0.4	0.0	0.0	10.1	75.0	7.6	64.9	0.0	64.1	24.6	25.0	28.3	0.0	0.0	0.0
Greenville MSA	1	152	7.7	4,218	4.5	0.0	6.4	19.5	100.0	11.2	40.3	0.0	41.3	35.7	0.0	41.2	0.0	0.0	0.0
Hickory MSA	0	0	0.0	6,613	0.0	0.0	0.0	9.5	0.0	8.5	67.2	0.0	61.5	23.3	0.0	30.0	0.0	0.0	0.0
Raleigh MSA	2	235	15.4	2,575	16.1	0.0	7.6	45.1	0.0	35.8	38.8	100.0	56.6	0.0	0.0	0.0	0.0	0.0	0.0
Winston-Salem MSA	0	0	0.0	666	0.0	0.0	0.0	46.6	0.0	41.1	53.4	0.0	58.9	0.0	0.0	0.0	0.0	0.0	0.0
Total	13	11,073	100.0	41,625	2.6	0.0	2.1	19.6	38.5	14.5	53.1	46.2	50.5	24.7	15.4	32.9	0.0	0.0	0.0

Source: 2015 ACS Census; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Assessment Area Distribution of Loans to Small Businesses by Income Category of the Geography																			2018
Assessment Area:	Total Loans to Small Businesses				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts		
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	Aggregate
Burlington MSA	1	260	5.0	2,492	0.0	0.0	0.0	25.7	100.0	23.7	46.9	0.0	49.8	27.4	0.0	26.5	0.0	0.0	0.0
Charlotte MSA	8	1,097	40.0	5,928	5.4	12.5	4.7	19.6	25.0	14.4	31.8	25.0	34.5	43.2	37.5	46.4	0.0	0.0	0.0
Durham MSA	2	765	10.0	2,019	11.5	0.0	7.5	23.7	0.0	20.1	44.3	100.0	46.8	20.5	0.0	25.6	0.0	0.0	0.0
Fayetteville MSA	3	435	15.0	4,237	1.8	0.0	2.0	18.8	100.0	17.3	58.6	0.0	56.2	20.5	0.0	24.5	0.2	0.0	0.0
Greenville MSA	3	937	15.0	2,611	17.7	0.0	14.6	16.9	66.7	15.8	36.6	33.3	37.5	28.8	0.0	32.1	0.0	0.0	0.0
Hickory MSA	1	7	5.0	4,259	0.0	0.0	0.0	17.3	100.0	17.8	55.3	0.0	52.4	27.4	0.0	29.8	0.0	0.0	0.0
Raleigh MSA	2	48	10.0	930	17.0	100.0	12.8	39.6	0.0	33.2	43.4	0.0	54.0	0.0	0.0	0.0	0.0	0.0	0.0
Winston-Salem MSA	0	0	0.0	500	0.0	0.0	0.0	41.7	0.0	48.4	58.3	0.0	51.6	0.0	0.0	0.0	0.0	0.0	0.0
Total	20	3,549	100.0	22,976	5.4	15.0	4.4	21.1	45.0	18.7	46.3	25.0	46.1	27.1	15.0	30.8	0.1	0.0	0.0

Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower

2018

Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers		
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate
Burlington MSA	1	96	7.7	4,924	21.8	0.0	4.3	17.8	0.0	15.3	18.3	100.0	23.0	42.1	0.0	43.3	0.0	0.0	14.1
Charlotte MSA	1	125	7.7	10,304	23.4	0.0	7.4	18.0	0.0	17.6	19.7	0.0	20.6	39.0	0.0	41.1	0.0	100.0	13.3
Durham MSA	4	899	30.8	3,828	25.7	25.0	8.9	19.0	0.0	14.7	20.1	0.0	19.1	35.2	25.0	47.2	0.0	50.0	10.1
Fayetteville MSA	4	9,566	30.8	8,497	21.4	25.0	3.7	17.5	0.0	9.5	19.9	0.0	20.8	41.3	50.0	38.8	0.0	25.0	27.2
Greenville MSA	1	152	7.7	4,218	24.2	0.0	4.2	16.2	0.0	14.8	17.5	0.0	20.7	42.1	0.0	42.9	0.0	100.0	17.4
Hickory MSA	0	0	0.0	6,613	19.9	0.0	5.4	17.3	0.0	16.8	20.9	0.0	22.2	41.9	0.0	42.5	0.0	0.0	13.1
Raleigh MSA	2	235	15.4	2,575	36.4	0.0	11.8	21.3	0.0	25.0	20.1	50.0	24.5	22.2	0.0	22.4	0.0	50.0	16.3
Winston-Salem MSA	0	0	0.0	666	27.6	0.0	7.8	20.7	0.0	23.7	21.2	0.0	25.8	30.5	0.0	33.2	0.0	0.0	9.5
Total	13	11,073	100.0	41,625	23.1	15.4	6.1	17.8	0.0	15.6	19.6	15.4	21.4	39.4	23.1	40.6	0.0	46.2	16.4

*Source: 2015 ACS Census; 2018 HMDA Data; and, 2018 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Assessment Area Distribution of Loans to Small Businesses by Gross Annual Revenues

2018

Assessment Area:	Total Loans to Small Businesses				Businesses with Revenues <= IMM			Businesses with Revenues > IMM		Businesses with Revenues Not Available	
	#	\$	% of Total	Overall Market	% Businesses	% Bank Loans	Aggregate	% Businesses	% Bank Loans	% Businesses	% Bank Loans
Burlington MSA	1	260	5.0	2,492	80.7	100.0	47.2	6.3	0.0	13.0	0.0
Charlotte MSA	8	1,097	40.0	5,928	84.4	75.0	48.1	5.5	25.0	10.0	0.0
Durham MSA	2	765	10.0	2,019	86.1	50.0	54.4	4.0	50.0	9.9	0.0
Fayetteville MSA	3	435	15.0	4,237	84.1	0.0	49.6	4.2	100.0	11.7	0.0
Greenville MSA	3	937	15.0	2,611	80.8	66.7	45.1	5.4	33.3	13.8	0.0
Hickory MSA	1	7	5.0	4,259	79.3	100.0	44.8	7.4	0.0	13.2	0.0
Raleigh MSA	2	48	10.0	930	87.3	0.0	49.5	3.8	100.0	8.9	0.0
Winston-Salem MSA	--	--	--	500	85.0	--	53.8	4.5	--	10.5	--
Total	20	3,549	100.0	22,976	82.9	55.0	48.0	5.4	45.0	11.7	0.0

*Source: 2018 D&B Data; 2018 CRA Data; and, 2018 CRA Aggregate Data.
"--" data not available.
Due to rounding, totals may not equal 100.0 percent.*

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 statewide 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 following assessment areas within the noted rate areas:</p> <p style="margin-left: 20px;">State of Virginia:</p> <ul style="list-style-type: none"> Charlottesville MSA Assessment Area Lynchburg MSA Assessment Area Roanoke MSA Assessment Area Virginia Non-MSA Assessment Area Washington D.C. MSA Assessment Area <p style="margin-left: 20px;">State of North Carolina:</p> <ul style="list-style-type: none"> Greensboro MSA Assessment Area North Carolina Non-MSA Assessment Area 	
Time Period Reviewed:	10/27/17 to 08/03/2020
<p>Products Reviewed: Home Mortgage: [time period reviewed (01/01/2017 – 12/31/2019)] Small Business: [time period reviewed (01/01/2017 – 12/31/2019)] Small Farm: [time period reviewed (01/01/2017 – 12/31/2019)]</p>	

SUMMARY OF RATINGS FOR RATED AREAS

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Virginia	High Satisfactory	Outstanding	High Satisfactory	Satisfactory
North Carolina	High Satisfactory	Low Satisfactory	High Satisfactory	Satisfactory
Overall Ratings	High Satisfactory	Outstanding	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)	36	0.0	2.8	69.4	16.7	11.1
Population by Geography	180,482	0.0	4.2	68.8	19.3	7.8
Housing Units by Geography	79,017	0.0	3.4	75.3	19.4	1.8
Owner-Occupied Units by Geography	42,275	0.0	1.0	79.4	19.1	0.5
Occupied Rental Units by Geography	26,521	0.0	7.4	66.4	22.5	3.7
Vacant Units by Geography	10,221	0.0	3.3	81.6	12.8	2.3
Businesses by Geography	9,645	0.0	1.3	75.3	21.8	1.6
Farms by Geography	487	0.0	0.6	79.7	18.5	1.2
Family Distribution by Income Level	40,392	18.1	18.6	22.0	41.2	0.0
Household Distribution by Income Level	68,796	26.8	13.3	18.2	41.7	0.0
Median Family Income - Blacksburg-Christiansburg, VA MSA		\$60,971	Median Housing Value			\$176,919
			Median Gross Rent			\$766
			Families Below Poverty Level			8.9%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 14 financial institutions operated 56 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 5th with 6.3 percent deposit market share.

Harrisonburg MSA Assessment Area

Demographic Information for the Harrisonburg MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	30	3.3	13.3	70.0	13.3	0.0
Population by Geography	129,173	4.6	15.1	66.3	14.0	0.0
Housing Units by Geography	52,211	3.5	15.2	69.2	12.1	0.0
Owner-Occupied Units by Geography	28,375	0.4	10.0	76.9	12.7	0.0
Occupied Rental Units by Geography	17,659	7.2	24.7	59.7	8.4	0.0
Vacant Units by Geography	6,177	7.1	12.0	61.4	19.5	0.0
Businesses by Geography	7,454	2.2	20.4	62.6	14.7	0.0
Farms by Geography	732	0.1	3.7	84.4	11.7	0.0
Family Distribution by Income Level	29,592	18.6	19.5	22.7	39.3	0.0
Household Distribution by Income Level	46,034	22.9	16.7	19.0	41.4	0.0
Median Family Income - Harrisonburg, VA MSA		\$60,539	Median Housing Value			\$208,004
			Median Gross Rent			\$884
			Families Below Poverty Level			9.6%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 17 financial institutions operated 49 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 11th with 2.6 percent deposit market share.

Kingsport MSA Assessment Area

Demographic Information for the Kingsport MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	17	0.0	11.8	58.8	29.4	0.0
Population by Geography	72,283	0.0	11.1	65.3	23.6	0.0
Housing Units by Geography	34,545	0.0	11.9	63.5	24.5	0.0
Owner-Occupied Units by Geography	21,530	0.0	7.5	66.9	25.6	0.0
Occupied Rental Units by Geography	8,861	0.0	20.1	56.9	23.0	0.0
Vacant Units by Geography	4,154	0.0	17.3	60.3	22.4	0.0
Businesses by Geography	4,793	0.0	12.4	57.5	30.1	0.0
Farms by Geography	256	0.0	3.9	67.6	28.5	0.0
Family Distribution by Income Level	20,064	19.8	17.9	20.2	42.2	0.0
Household Distribution by Income Level	30,391	22.7	16.3	17.6	43.5	0.0
Median Family Income - Kingsport-Bristol, TN-VA MSA	\$51,210	Median Housing Value				\$126,009
		Median Gross Rent				\$597
		Families Below Poverty Level				10.9%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 27 financial institutions operated 97 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 15th with 1.5 percent deposit market share.

Staunton MSA Assessment Area

Demographic Information for the Staunton MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	4.2	12.5	75.0	8.3	0.0
Population by Geography	119,396	1.1	12.0	79.6	7.4	0.0
Housing Units by Geography	53,374	1.2	11.0	81.0	6.8	0.0
Owner-Occupied Units by Geography	33,456	0.2	9.2	83.1	7.4	0.0
Occupied Rental Units by Geography	14,112	3.4	13.6	77.7	5.4	0.0
Vacant Units by Geography	5,806	1.1	15.2	77.1	6.6	0.0
Businesses by Geography	6,943	4.7	6.3	81.0	8.0	0.0
Farms by Geography	483	1.0	3.9	91.1	3.9	0.0
Family Distribution by Income Level	32,221	19.7	18.4	22.7	39.2	0.0
Household Distribution by Income Level	47,568	22.9	17.4	18.9	40.8	0.0
Median Family Income - Staunton, VA MSA		\$60,603	Median Housing Value			\$184,989
			Median Gross Rent			\$800
			Families Below Poverty Level			8.9%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 14 financial institutions operated 39 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 10th with 2.6 percent deposit market share.

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

NORTH CAROLINA

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)	68	2.9	23.5	55.9	11.8	5.9
Population by Geography	324,603	1.6	17.2	63.4	16.6	1.2
Housing Units by Geography	142,119	1.7	17.2	66.4	14.7	0.0
Owner-Occupied Units by Geography	64,493	0.8	11.1	65.7	22.4	0.0
Occupied Rental Units by Geography	58,150	2.7	23.0	66.9	7.4	0.0
Vacant Units by Geography	19,476	2.2	20.0	67.0	10.9	0.0
Businesses by Geography	17,376	1.8	18.8	58.6	20.5	0.2
Farms by Geography	441	0.2	10.2	64.2	25.4	0.0
Family Distribution by Income Level	80,343	21.4	17.5	19.9	41.3	0.0
Household Distribution by Income Level	122,643	22.4	17.2	18.6	41.9	0.0
Median Family Income - Fayetteville, NC MSA	\$52,485	Median Housing Value				\$127,732
		Median Gross Rent				\$871
		Families Below Poverty Level				14.2%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 18 financial institutions operated 83 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 17th with 0.2 percent deposit market share.

Burlington MSA Assessment Area

Demographic Information for the Burlington MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	36	0.0	25.0	47.2	27.8	0.0
Population by Geography	155,258	0.0	28.9	46.0	25.0	0.0
Housing Units by Geography	67,804	0.0	28.9	45.7	25.3	0.0
Owner-Occupied Units by Geography	40,273	0.0	22.9	47.8	29.3	0.0
Occupied Rental Units by Geography	21,272	0.0	39.2	41.8	19.0	0.0
Vacant Units by Geography	6,259	0.0	33.1	45.5	21.3	0.0
Businesses by Geography	8,026	0.0	25.7	46.9	27.4	0.0
Farms by Geography	293	0.0	13.3	50.9	35.8	0.0
Family Distribution by Income Level	40,938	21.8	17.8	18.3	42.1	0.0
Household Distribution by Income Level	61,545	23.8	17.2	17.3	41.8	0.0
Median Family Income - Burlington, NC MSA		\$53,234	Median Housing Value			\$139,707
			Median Gross Rent			\$764
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 16 financial institutions operated 38 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 14th with 0.5 percent deposit market share.

Charlotte MSA Assessment Area

Demographic Information for the Charlotte MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	62	4.8	21.0	45.2	29.0	0.0
Population by Geography	244,644	3.7	23.5	43.6	29.2	0.0
Housing Units by Geography	103,768	3.9	23.7	42.8	29.6	0.0
Owner-Occupied Units by Geography	67,581	2.2	19.9	47.1	30.8	0.0
Occupied Rental Units by Geography	23,400	7.3	33.4	33.7	25.6	0.0
Vacant Units by Geography	12,787	6.3	26.4	36.6	30.7	0.0
Businesses by Geography	17,045	5.4	19.6	31.8	43.2	0.0
Farms by Geography	681	1.8	19.2	50.4	28.6	0.0
Family Distribution by Income Level	66,161	23.4	18.0	19.7	39.0	0.0
Household Distribution by Income Level	90,981	24.5	16.6	18.4	40.4	0.0
Median Family Income - Charlotte-Concord-Gastonia, NC-SC MSA	\$64,187	Median Housing Value				\$187,185
		Median Gross Rent				\$770
		Families Below Poverty Level				10.7%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 41 financial institutions operated 509 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 25th with 0.1 percent deposit market share.

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)	20	10.0	35.0	30.0	25.0	0.0
Population by Geography	106,693	10.0	32.5	35.1	22.3	0.0
Housing Units by Geography	47,815	9.9	32.4	34.9	22.8	0.0
Owner-Occupied Units by Geography	31,831	5.2	30.6	38.2	25.9	0.0
Occupied Rental Units by Geography	10,475	22.6	31.8	25.6	19.9	0.0
Vacant Units by Geography	5,509	12.7	43.4	33.5	10.4	0.0
Businesses by Geography	6,476	11.5	23.7	44.3	20.5	0.0
Farms by Geography	492	4.1	31.5	54.5	10.0	0.0
Family Distribution by Income Level	29,004	25.7	19.0	20.1	35.2	0.0
Household Distribution by Income Level	42,306	27.3	14.7	19.4	38.6	0.0
Median Family Income - Durham-Chapel Hill, NC MSA	\$68,020	Median Housing Value				\$189,129
		Median Gross Rent				\$730
		Families Below Poverty Level				11.0%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 18 financial institutions operated 112 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 16th with 0.2 percent deposit market share.

Greenville MSA Assessment Area

Demographic Information for the Greenville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	12.5	25.0	34.4	28.1	0.0
Population by Geography	173,798	10.8	22.5	38.5	28.3	0.0
Housing Units by Geography	76,269	12.5	22.7	38.7	26.0	0.0
Owner-Occupied Units by Geography	35,626	4.5	19.5	40.3	35.7	0.0
Occupied Rental Units by Geography	31,876	20.3	26.4	36.7	16.6	0.0
Vacant Units by Geography	8,767	17.1	22.6	39.7	20.6	0.0
Businesses by Geography	8,914	17.7	16.9	36.6	28.8	0.0
Farms by Geography	368	4.3	16.6	45.4	33.7	0.0
Family Distribution by Income Level	40,239	24.2	16.2	17.5	42.1	0.0
Household Distribution by Income Level	67,502	26.5	15.4	15.8	42.3	0.0
Median Family Income - Greenville, NC MSA		\$56,239	Median Housing Value			\$128,235
			Median Gross Rent			\$737
			Families Below Poverty Level			16.1%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 16 financial institutions operated 40 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 15th with 0.2 percent deposit market share.

Hickory MSA Assessment Area

Demographic Information for the Hickory MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	49	0.0	14.3	65.3	20.4	0.0
Population by Geography	244,158	0.0	12.5	66.2	21.3	0.0
Housing Units by Geography	108,531	0.0	12.7	64.8	22.5	0.0
Owner-Occupied Units by Geography	65,095	0.0	9.5	67.2	23.3	0.0
Occupied Rental Units by Geography	27,726	0.0	19.9	61.8	18.3	0.0
Vacant Units by Geography	15,710	0.0	13.4	60.1	26.4	0.0
Businesses by Geography	13,319	0.0	17.3	55.3	27.4	0.0
Farms by Geography	418	0.0	8.6	66.5	24.9	0.0
Family Distribution by Income Level	63,228	19.9	17.3	20.9	41.9	0.0
Household Distribution by Income Level	92,821	21.7	16.4	17.9	44.0	0.0
Median Family Income - Hickory-Lenoir-Morganton, NC MSA		\$51,281	Median Housing Value			\$134,817
			Median Gross Rent			\$649
			Families Below Poverty Level			12.8%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 17 financial institutions operated 76 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 14th with 0.8 percent deposit market share.

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)	12	25.0	50.0	25.0	0.0	0.0
Population by Geography	62,296	17.6	44.3	38.1	0.0	0.0
Housing Units by Geography	26,788	17.9	47.4	34.7	0.0	0.0
Owner-Occupied Units by Geography	17,523	16.1	45.1	38.8	0.0	0.0
Occupied Rental Units by Geography	5,983	22.8	47.6	29.6	0.0	0.0
Vacant Units by Geography	3,282	18.2	59.4	22.5	0.0	0.0
Businesses by Geography	3,213	17.0	39.6	43.4	0.0	0.0
Farms by Geography	231	23.8	40.3	35.9	0.0	0.0
Family Distribution by Income Level	16,479	36.4	21.3	20.1	22.2	0.0
Household Distribution by Income Level	23,506	37.4	19.4	17.8	25.4	0.0
Median Family Income - Raleigh-Cary, NC MSA		\$78,057	Median Housing Value			\$127,278
			Median Gross Rent			\$740
			Families Below Poverty Level			12.1%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 35 financial institutions operated 297 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 33rd with 0.1 percent deposit market share.

Winston-Salem MSA Assessment Area

Demographic Information for the Winston-Salem MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	42.9	57.1	0.0	0.0
Population by Geography	37,971	0.0	46.3	53.7	0.0	0.0
Housing Units by Geography	17,250	0.0	48.1	51.9	0.0	0.0
Owner-Occupied Units by Geography	11,688	0.0	46.6	53.4	0.0	0.0
Occupied Rental Units by Geography	3,681	0.0	49.6	50.4	0.0	0.0
Vacant Units by Geography	1,881	0.0	54.0	46.0	0.0	0.0
Businesses by Geography	1,768	0.0	41.7	58.3	0.0	0.0
Farms by Geography	173	0.0	46.2	53.8	0.0	0.0
Family Distribution by Income Level	10,585	27.6	20.7	21.2	30.5	0.0
Household Distribution by Income Level	15,369	27.0	20.0	17.2	35.8	0.0
Median Family Income - Winston-Salem, NC MSA		\$56,536	Median Housing Value			\$127,410
			Median Gross Rent			\$576
			Families Below Poverty Level			15.3%
<i>Source: 2015 ACS and 2018 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>						

Deposit Market Share Information

According to the FDIC Deposit Market Share data as of June 30, 2019, 20 financial institutions operated 145 full-service branches within the assessment area. Of these institutions, Carter Bank ranked 18th with 0.1 percent deposit market share.

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide 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 statewide 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.