



**PUBLIC DISCLOSURE**

**November 15, 2021**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Touchstone Bank**

**Prince George, Virginia**

**Federal Reserve Bank of Richmond  
Richmond, Virginia**

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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746429

4300 Crossings Boulevard

Prince George, Virginia 23875

**Federal Reserve Bank of Richmond**

**P. O. Box 27622**

**Richmond, Virginia 23261**

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## COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**INSTITUTION'S CRA RATING: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given its size, financial condition, and credit needs of its assessment areas.
- A majority of the bank's Home Mortgage Disclosure Act (HMDA) and small business loans originated during the review period were located within its combined assessment areas.
- The bank's borrower distribution performance is considered reasonable.
- The bank's geographic distribution performance is considered excellent in Virginia and reasonable in North Carolina. The bank's overall geographic distribution performance is excellent.
- The bank's responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and services is considered adequate in the Commonwealth of Virginia and poor in the State of North Carolina. Overall, the bank's performance is considered adequate.
- There have been no complaints regarding the bank's Community Reinvestment Act (CRA) performance since the previous evaluation.

### **SCOPE OF EXAMINATION**

Touchstone Bank (TB) was evaluated using the interagency examination procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with the procedures, all reported HMDA loans from 2018, 2019, and 2020 were reviewed. Additionally, small business loans were identified as a primary product line and were considered in the evaluation. The analysis includes all small business loans originated by TB during the 2019 calendar year. Given its size and branch locations, TB is required to collect and report HMDA data, but it is not required to collect or report CRA data. CRA data includes information about a bank's small business and small farm lending.

As of the date of this evaluation, aggregate data from 2020 is currently available for HMDA lending but is not yet available for CRA data. Because aggregate data captures lending done under the same business and market conditions, it is an important performance context factor needed to evaluate the bank's lending performance especially since the pandemic occurred during most of 2020. Consequently, the bank's 2020 HMDA data is included in this evaluation, but its 2020 small business lending data is not included in this evaluation.

Qualified community development loans and services are considered since the previous evaluation (August 29, 2016). All qualified investments made during this same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

To help determine the availability of community development opportunities in the assessment areas, the CRA public evaluations of other financial institutions within the assessment areas were reviewed. Additionally, members of the community were contacted to discern information about local economic conditions, local credit needs, performance of banks in the assessment areas, and potential community development opportunities.

TB serves a total of four assessment areas (AA), two located in the Commonwealth of Virginia and two in the State of North Carolina. Based upon the number of branch locations, loan activity, and the proportion of deposits, full-scope evaluation procedures were applied to all four of the assessment areas, which are listed below. **Appendix D** contains the distribution of branches, loans, and deposits by assessment area that was used to determine the scope of the evaluation.

- Richmond, VA
- Mecklenburg, VA NonMSA
- Raleigh-Cary, NC
- Halifax, NC NonMSA

## DESCRIPTION OF INSTITUTION

TB is headquartered in Prince George, Virginia and operates 12 full-service branch offices in Virginia and North Carolina as well as one loan production office (LPO) in North Carolina. The bank is a wholly owned subsidiary of Touchstone Bankshares, a single bank holding company, also headquartered in Prince George, Virginia. Formerly known as Bank of McKenney (BOM) and headquartered in McKenney, Virginia, the institution changed its name to Touchstone Bank and relocated its headquarters following its merger with Citizens Community Bank (CCB), previously headquartered in South Hill, Virginia, in November 2017. The bank’s previous CRA rating, dated August 29, 2016, was Outstanding. This evaluation considered only the activities of the bank during the review period and does not include activities of any affiliates or subsidiaries. No known legal impediments exist which would prevent the bank from meeting the credit needs of its assessment areas.

As of September 30, 2021, TB had approximately \$586.7 million in assets, of which 63.5% were net loans and 16.2% were securities. As of the same date, deposits totaled approximately \$524.7 million. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purpose. The composition of the loan portfolio using gross loans is represented in the following table.

### Composition of Loan Portfolio

Loan Type	9/30/2021	
	\$(000s)	%
Secured by 1-4 Family dwellings	126,416	33.5
Multifamily	6,539	1.7
Construction and Development	23,388	6.2
Commercial & Industrial/ NonFarm NonResidential	206,964	54.9
Consumer Loans and Credit Cards	3,403	0.9
Agricultural Loans/ Farmland	8,699	2.3
All Other	1,606	0.4
<b>Total</b>	<b>377,015</b>	<b>100.0</b>

As indicated in the preceding table, the bank’s loan portfolio is concentrated in commercial purpose and residential real estate secured loans. The bank offers other loans, such as consumer, construction and development, and agricultural loans; however, the volume of such lending is relatively small in comparison to its commercial and residential mortgage lending.

In April 2020, the Small Business Administration (SBA) created the Paycheck Protection Program (PPP). This program was designed to provide direct incentive for small businesses, allow workforces to remain employed, and promote economic stability during the Coronavirus (COVID-19) pandemic. Since the PPP was established, TB has originated 949 loans totaling approximately \$57.1 million. TB’s origination of PPP loans is an example of the bank being responsive to area credit needs.

Based on branch locations and lending patterns, the bank delineates four assessment areas located in central and southern Virginia and northern North Carolina. As previously stated, since the previous evaluation, BOM acquired CCB in November 2017 and rebranded to Touchstone Bank. Through the merger, the bank acquired six branch offices. The acquisition expanded the bank's footprint from one assessment area (Richmond, VA) to four with the addition of the Mecklenburg, VA NonMSA, Raleigh-Cary, NC, and Halifax, NC NonMSA assessment areas, while also making TB an interstate bank.

During the evaluation period, the bank closed one branch and opened one new branch in the Mecklenburg, VA NonMSA AA, closed one branch in the Halifax, NC NonMSA AA, and opened a LPO in the Raleigh-Cary, NC AA; however, the aforementioned activity did not impact the bank's existing assessment area delineations. **Appendix C** includes information about the composition of the bank's assessment areas and its branching activity since the previous evaluation.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

When evaluating a bank's HMDA performance, relevant area demographic data from the American Community Survey (ACS) is used as a proxy for demand. While ACS data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. As such, when evaluating the bank's performance, relevant area demographic data from the 2015 ACS and Dun and Bradstreet (D&B) business data from 2019 were used.

Aggregate loan data is used as a proxy for demand when evaluating the bank's HMDA and small business lending performance. The aggregate data includes all activity reported by lenders subject to reporting HMDA and CRA data, respectively, within the bank's assessment areas. Because the bank does not report CRA loan data, TB's small business loans are not included in the aggregate CRA data.

The borrower and geographic distribution performance of HMDA loans focused on performance for home purchase, home improvement, refinancing, and multi-family loan categories. Performance for the not applicable, other closed, and other line of credit loan categories was not evaluated because not all HMDA reporters are required to report each loan category, or the category contains relatively few loans overall.

When evaluating the borrower and geographic distribution for a specific loan category within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated or purchased. To arrive at an overall assessment area level conclusion regarding the distribution of lending, performance in each loan category is then generally weighted by dollar volume of such loans made in the assessment area. An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation.

While HMDA loan data from calendar years 2018, 2019, and 2020 were fully analyzed and considered in the evaluation, only bank and aggregate data from 2020 are presented in the assessment area tables. In instances where the performance varies significantly from the 2020 performance presented in the table, the variance and the corresponding impact on overall performance is discussed.

Within TB's assessment areas, a high level of small business lending activity was reported by specialized lenders, who often originate or purchase small business loans in the form of credit cards. The loans, however, tend to be much smaller in size than traditional small business bank loans, and a substantial majority of such loans do not have revenue data reported. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of aggregate lending to businesses with annual revenues of \$1 million or less. These factors were considered as an aspect of performance context when evaluating the level and distribution of small business lending.

## Loan-To-Deposit Ratio

The bank’s current loan-to-deposit ratio equals 71% and averaged 84.5% for the 21-quarter period ending September 30, 2021. In comparison, the quarterly average loan-to-deposit ratios for 14 similarly situated institutions that operate in at least one of TB’s assessment areas ranged from 44.6% to 98.8% during the same 21-quarter period. Since September 30, 2016, TB’s assets, net loans, and deposits have increased by 164.6%, 145%, and 172.2% respectively. The significant growth is primarily due to the merger. The bank’s level of lending activity as measured by its loan-to-deposit ratio is considered reasonable given the institution’s size, financial condition, and local credit needs.

## Lending In Assessment Areas

To determine the institution’s volume of lending within its assessment areas, the geographic location of the bank’s 2018, 2019, and 2020 HMDA and 2019 small business lending was considered. The lending distribution inside and outside of the bank’s assessment areas is represented in the following table.

**Comparison of Credit Extended Inside and Outside of Assessment Area(s)**

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	106	78.5	30,466	84.3	29	21.5	5,674	15.7
Home Improvement	5	71.4	196	62.0	2	28.6	120	38.0
Refinancing	148	76.7	22,364	76.9	45	23.3	6,708	23.1
Multi-Family Housing	9	81.8	5,253	92.3	2	18.2	440	7.7
Other Purpose Closed/Exempt	2	100.0	150	100.0	0	0.0	0	0.0
<b>Total HMDA related</b>	<b>270</b>	<b>77.6</b>	<b>58,429</b>	<b>81.9</b>	<b>78</b>	<b>22.4</b>	<b>12,942</b>	<b>18.1</b>
Small Business	143	70.1	20,721	67.5	61	29.9	9,971	32.5
<b>TOTAL LOANS</b>	<b>413</b>	<b>74.8</b>	<b>79,150</b>	<b>77.6</b>	<b>139</b>	<b>25.2</b>	<b>22,913</b>	<b>22.4</b>

As indicated in the preceding table, a majority of the total number (74.8%) and dollar amount (77.6%) of HMDA and small business loans were extended within the bank’s assessment areas. Overall, the institution’s level of lending within its assessment areas is considered responsive to community credit needs.

## Lending To Borrowers of Different Incomes and To Businesses of Different Sizes

The bank’s borrower distribution performance (lending to low- and moderate-income borrowers and small businesses having annual revenues of \$1 million or less) is considered reasonable in both Virginia and North Carolina, and for the institution overall.

## Geographic Distribution of Loans

TB’s geographic distribution performance (lending in low- and moderate-income census tracts) is considered excellent overall in the Commonwealth of Virginia and reasonable in the State of North Carolina. Overall, performance is considered excellent driven by the institution’s level of performance and relatively larger presence and loan activity in the Commonwealth of Virginia.

## Community Development Loans, Investments, and Services

TB supports community development efforts that benefit its local assessment areas and broader statewide areas by extending loans and investing in local initiatives, providing qualified services, and donating to community organizations. The bank faces no constraints in providing community development loans, investments, and services consistent with its capacity and available opportunities. The bank’s level of community development activities is considered adequate in the Commonwealth of Virginia and poor in the State of North Carolina. Overall, performance is considered adequate given the bank’s significantly greater presence in Virginia.

Details of specific community development activities are discussed in subsequent sections of this report for the state or assessment area they provide benefit.

### **FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.



## COMMONWEALTH OF VIRGINIA

**CRA RATING FOR VIRGINIA: Satisfactory.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Satisfactory.**

Major factors supporting the rating include:

- Within Virginia, the bank's lending levels reflect adequate responsiveness to assessment area credit needs.
- The bank's borrower distribution performance is considered reasonable overall in both Virginia assessment areas.
- The bank's geographic distribution performance is considered excellent in the Richmond, VA AA and reasonable in the Mecklenburg, VA NonMSA AA. Overall, performance is considered excellent in the Commonwealth of Virginia.
- The bank's responsiveness to community development needs of its assessment areas through qualified investments, loans, and services is adequate; however, during the evaluation period, the bank made a low level of community development loans within its assessment areas, having originated only one such loan.

### SCOPE OF EXAMINATION

Reported HMDA loans from 2018, 2019, and 2020, and recently originated small business loans from calendar year 2019, were reviewed to determine the borrower and geographic distribution of lending within the bank's Virginia assessment areas. The institution's efforts to serve its markets through qualified community development loans, investments, and services were also reviewed.

The bank delineates two assessment areas (Richmond, VA and Mecklenburg, VA NonMSA) in the Commonwealth of Virginia. On a combined basis, the Virginia assessment areas account for 79.9% of the bank's overall lending (by dollar volume), 83.4% of its branch locations, and 87.8% of its deposit volume. **Appendix D** details the distribution of loans, branches, and deposits by assessment area.

Based on their relatively similar size and distribution of banking activities, both the Richmond, VA and Mecklenburg, VA NonMSA AAs were considered primary markets in the Commonwealth and were reviewed utilizing the FFIEC's full-scope evaluation procedures.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE COMMONWEALTH OF VIRGINIA

The institution operates ten of its 12 branch offices within two contiguous assessment areas located in the Commonwealth of Virginia. The ten branch offices account for \$441.5 million of the bank's total deposit base. As of June 30, 2021, TB ranked sixth out of 21 institutions in deposit market share having 4.4% of the available Federal Deposit Insurance Corporation (FDIC) insured deposits within its Virginia assessment areas.

According to 2015 ACS data, the Virginia assessment areas served by the bank have a total population of 514,068, including 128,224 families. A majority of the families are middle- and upper-income (62.2%), while low- and moderate- income families comprise 19.5% and 18.3% respectively. Within these assessment areas, the owner-occupancy rate equals 62.9%, and 8.1% of families live below the poverty level.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

The overall statewide rating is based on TB's performance in both the Richmond, VA and the Mecklenburg, VA NonMSA assessment areas, as both the loan and deposit volumes are relatively similar and both assessment areas were subject to a full-scope review.

### **Lending To Borrowers of Different Incomes and To Businesses of Different Sizes**

TB's borrower distribution performance varies by loan product and year and is considered reasonable overall within both Virginia assessment areas.

### **Geographic Distribution of Loans**

After accounting for performance variations by loan product and year, the bank's geographic distribution performance is considered excellent overall in the Richmond, VA AA and reasonable in the Mecklenburg, VA NonMSA AA. On a combined basis, given the relative performance levels and dollar volume of lending in each assessment area, the bank's performance is considered excellent in the Commonwealth of Virginia.

### **Community Development Loans, Investments, and Services**

TB supports community development initiatives that benefit the Virginia assessment areas by making qualified investments and providing qualified services to local organizations. While the COVID-19 pandemic limited the number of opportunities for community development service activities during 2020 and 2021, the bank faces no constraints in providing community development loans or investments.

The bank's community development performance within the Commonwealth of Virginia is rated Satisfactory and is discussed in detail in the respective Virginia assessment areas. Activities that benefit multiple assessment areas or the larger statewide or regional area include the following:

- The bank invested approximately \$3.5 million in five bonds issued by the Virginia Housing Development Authority (VHDA). The VHDA promotes affordable housing by financing single- and multi-family mortgages for low- and moderate-income individuals throughout the Commonwealth of Virginia.
- The bank partners with the Federal Home Loan Bank of Atlanta (FHLBA) to offer down payment assistance grants up to \$7,500 for first time homebuyers and \$10,000 for community partners, such as law enforcement, firefighters, education, and healthcare employees. Prior to 2021, the grant amounts were \$5,000 for first time homebuyers and \$7,500 for community partners. These FHLB grants are authorized through the Affordable Housing Program (AHP) which was created to help low- and moderate-income households achieve homeownership. Since February 2017, the bank has assisted 21 borrowers to obtain a total of \$122,833 in housing assistance in the Commonwealth of Virginia.
- The bank invested \$258,391 in a money market account at Virginia Community Capital (VCC). VCC is a Community Development Financial Institution (CDFI) that funds community development lending throughout the Commonwealth of Virginia.

**METROPOLITAN AREAS**

*(For metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN RICHMOND, VA**

This assessment area is located in central Virginia and includes a portion of the Richmond, VA MSA. The delineation includes all of Chesterfield, Dinwiddie, and Prince George counties, and the cities of Colonial Heights, Hopewell, and Petersburg. The bank operates seven full-service branches in the assessment area. Recent data (June 30, 2021) from the FDIC indicates that TB ranks eighth out of 19 institutions in local deposit market share, holding 3.2% of area deposits (excluding credit union deposits). According to 2020 aggregate loan data, the institution ranked 79th out of 471 lenders in reported HMDA volume with less than .1% market share.

According to 2015 ACS data, the assessment area has a population of 465,583 and a median housing value of \$199,887. Within the assessment area, the owner-occupancy rate equals 64.7%, which exceeds the owner-occupancy rate for the Commonwealth of Virginia (59.2%) and the entire Richmond, VA MSA (59.6%). The percentage of families living below the poverty level in the assessment area (7.4%) is lower than the percentages in the Commonwealth of Virginia (8.2%) and the Richmond, VA MSA (8.8%).

Area median family incomes during 2018, 2019, and 2020 are detailed in the following table.

<b>Median Family Income</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Richmond, VA MSA	\$83,200	\$81,600	\$84,900

The following table includes pertinent demographic data for the assessment area.

**Assessment Area Demographics**

Richmond, VA <i>(Based on 2015 ACS Data and 2019 D&amp;B Information)</i>									
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low	12	11.1	6,096	5.2	1,777	29.2	22,191	19.1	
Moderate	25	23.1	21,629	18.6	2,574	11.9	21,423	18.4	
Middle	39	36.1	47,206	40.5	3,081	6.5	24,623	21.1	
Upper	29	26.9	40,972	35.2	1,057	2.6	48,221	41.4	
NA	3	2.8	555	0.5	127	22.9			
<b>Total</b>	<b>108</b>	<b>100.0</b>	<b>116,458</b>	<b>100.0</b>	<b>8,616</b>	<b>7.4</b>	<b>116,458</b>	<b>100.0</b>	
					Households				
	Owner Occupied Units by Tract		HHs by Tract		HHs < Poverty by Tract		HHs by HH Income		
	#	%	#	%	#	%	#	%	
Low	3,768	3.2	11,164	6.7	3,322	29.8	33,231	20.0	
Moderate	18,608	15.7	33,846	20.3	4,686	13.8	27,743	16.7	
Middle	50,768	42.7	68,327	41.0	5,529	8.1	31,522	18.9	
Upper	45,220	38.1	52,133	31.3	1,929	3.7	73,957	44.4	
NA	471	0.3	983	0.7	214	21.8			
<b>Total</b>	<b>118,835</b>	<b>100.0</b>	<b>166,453</b>	<b>100.0</b>	<b>15,680</b>	<b>9.4</b>	<b>166,453</b>	<b>100.0</b>	
					Businesses by Tract and Revenue Size				
	Total Businesses by Tract		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported		
	#	%	#	%	#	%	#	%	
Low	1,198	5.7	1,068	5.5	121	10.1	9	6.9	
Moderate	3,379	16.2	3,176	16.3	178	14.8	25	19.1	
Middle	8,376	40.2	7,815	40.0	524	43.6	37	28.2	
Upper	7,757	37.2	7,334	37.6	364	30.3	59	45.0	
NA	142	0.7	125	0.6	16	1.2	1	0.8	
<b>Total</b>	<b>20,852</b>	<b>100.0</b>	<b>19,518</b>	<b>100.0</b>	<b>1,203</b>	<b>100.0</b>	<b>131</b>	<b>100.0</b>	
					<b>Percentage of Total Businesses:</b>	93.6		5.8	
									0.6

\*NA-Tracts without household or family income as applicable

Area employment opportunities exist within health services, retail trade, transportation and warehousing, leisure and hospitality, and manufacturing industries. Major area employers include the U.S. Department of Defense, Chesterfield County School Board, Wal-Mart, the County of Prince George, AdvanSix Inc., and the City of Petersburg. The following table reflects unemployment rates since the previous evaluation.

Geographic Area	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21
Chesterfield County, VA	3.7%	3.2%	2.5%	2.3%	5.1%	2.6%
Dinwiddie County, VA	4.4%	3.8%	3.1%	2.7%	5.9%	3.2%
Prince George County, VA	4.6%	4%	3.1%	2.9%	6.1%	3.1%
City of Colonial Heights, VA	4.3%	3.4%	2.9%	2.8%	6.5%	3.3%
City of Hopewell, VA	6.3%	5.3%	3.9%	3.7%	10.3%	5.4%
City of Petersburg, VA	7.2%	6.5%	5.1%	4.7%	14.4%	7.8%
<b>Richmond, VA MSA</b>	<b>3.9%</b>	<b>3.4%</b>	<b>2.7%</b>	<b>2.5%</b>	<b>6%</b>	<b>3.1%</b>
<b>Commonwealth of Virginia</b>	<b>3.8%</b>	<b>3.2%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>5.5%</b>	<b>2.7%</b>

As indicated in the table above, unemployment rates within the assessment area declined prior to 2020, rose sharply during 2020 because of the pandemic, and declined during 2021. Unemployment rates for the cities of Colonial Heights, Hopewell, and Petersburg have not yet returned to their pre-pandemic levels and are currently above the statewide and MSA unemployment rates. Prince George and Dinwiddie Counties are slightly above the statewide unemployment rate, but equivalent to the MSA rate. Chesterfield County is the only locality within the assessment area where the unemployment rate is lower than both the statewide and MSA rates.

An official from an affordable housing organization was contacted during the evaluation to discuss area economic conditions and community credit needs. The individual stated the economy is relatively stable, but it continues to experience the consequences of economic hardships. Specifically, there is a large homeless population in the area so there is a significant need for the construction of additional affordable housing units. While the contact indicated that area financial institutions are reasonably serving the banking needs of the local community, it was noted that there is opportunity for partnerships between financial institutions and organizations for community development purposes.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

### Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's distribution of HMDA and small business lending reflects a reasonable penetration among individuals of different income levels (including low- and moderate- income) and businesses with annual revenues of \$1 million or less per year.

### Distribution of HMDA Loans by Income Level of Borrower

Richmond, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	4	16.7	389	8.6	2,285	8.6	322,905	5.1
Moderate	3	12.5	305	6.7	6,542	24.7	1,220,382	19.1
Middle	6	25.0	1,008	22.2	6,946	26.2	1,571,921	24.6
Upper	11	45.8	2,832	62.5	10,742	40.5	3,267,207	51.2
<b>Total</b>	<b>24</b>	<b>100.0</b>	<b>4,534</b>	<b>100.0</b>	<b>26,515</b>	<b>100.0</b>	<b>6,382,415</b>	<b>100.0</b>
<i>Unknown</i>	25		5,500		7,375		2,161,324	

*Percentages (%) are calculated on all loans where incomes are known*

During 2020, the bank’s residential mortgage lending to low-income borrowers (16.7%) lagged the percentage of low-income families in the area (19.1%) but significantly exceeded the aggregate level of lending (8.6%) to such borrowers. The bank’s lending to moderate-income borrowers (12.5%) lagged the percentage of moderate-income families in the area (18.4%) and the aggregate level of lending (24.7%). TB’s 2020 performance is considered reasonable in large part because of the strength of its lending performance to low-income borrowers. TB’s performance during 2018 is similar to its performance during 2020.

During 2019, TB extended 27 HMDA loans totaling \$4 million to borrowers whose incomes were known that were analyzed for lending performance. Of these loans, four were to low-income borrowers (14.8%) totaling \$291,000 (7.3%), which lagged the percentage of area low-income families (19.1%) but exceeded the aggregate level of lending (9.1%). TB also extended one loan to a moderate-income borrower (3.7%) totaling \$80,000 (2%), which significantly lagged both the percentage of area moderate-income families (18.4%) and the aggregate level of lending (26.4%). The bank’s performance during 2019 is considered poor.

When considering the relative volume and strength of lending performance during 2018, 2019, and 2020, TB’s overall HMDA borrower distribution performance is considered reasonable. The strength of the bank’s performance during 2018 and 2020 offset the bank’s weaker performance during 2019.

**Distribution of Lending by Loan Amount and Size of Business**

Richmond, VA (2019)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	38	58.5	6,071	63.9	4,336	50.0	112,973	40.0
Over \$1 Million	27	41.5	3,437	36.1	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	37	56.9	1,535	16.1	8,212	94.6	120,079	42.6
\$100,001-\$250,000	16	24.6	2,573	27.1	242	2.8	42,686	15.1
\$250,001-\$1 Million	12	18.5	5,400	56.8	225	2.6	119,365	42.3
<b>Total</b>	<b>65</b>	<b>100.0</b>	<b>9,508</b>	<b>100.0</b>	<b>8,679</b>	<b>100.0</b>	<b>282,130</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2019 indicates that 93.6% of all local businesses have revenues that do not exceed \$1 million per year. According to 2019 aggregate small business data, 50% of reported small business loans were to businesses having revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or revenue was not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55.3% were made to businesses having revenues of \$1 million or less. Of the small business loans considered in the evaluation, 58.5% were to businesses with annual revenues of \$1 million or less. The bank’s performance during 2019 is considered reasonable.

**Geographic Distribution of Loans**

The bank’s geographic distribution performance for both HMDA and small business lending is considered excellent.

**Distribution of HMDA Loans by Income Level of Census Tract**

Richmond, VA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(5)				(13,164)			
	Home Purchase							
Low	0	0.0	0	0.0	273	2.1	34,367	1.0
Moderate	3	60.0	319	34.2	1,808	13.8	313,501	9.3
Middle	2	40.0	613	65.8	5,177	39.4	1,114,186	33.1
Upper	0	0.0	0	0.0	5,869	44.7	1,908,560	56.6
	(39)				(20,019)			
	Refinance							
Low	5	12.8	310	4.4	149	0.7	17,375	0.4
Moderate	17	43.6	2,463	34.8	1,676	8.4	289,843	5.9
Middle	13	33.3	2,822	39.9	6,985	34.9	1,397,100	28.3
Upper	4	10.3	1,474	20.9	11,209	56.0	3,232,495	65.4
	(0)				(655)			
	Home Improvement							
Low	0	0.0	0	0.0	4	0.6	149	0.3
Moderate	0	0.0	0	0.0	41	6.3	2,752	5.3
Middle	0	0.0	0	0.0	223	34.0	15,990	30.8
Upper	0	0.0	0	0.0	387	59.1	32,961	63.6
	(3)				(31)			
	Multi-Family							
Low	0	0.0	0	0.0	3	9.7	51,175	29.1
Moderate	3	100.0	1,875	100.0	14	45.2	11,464	6.5
Middle	0	0.0	0	0.0	11	35.5	109,240	62.0
Upper	0	0.0	0	0.0	3	9.6	4,206	2.4
	HMDA Totals							
Low	5	10.2	310	3.1	429	1.3	103,066	1.2
Moderate	23	46.9	4,657	46.4	3,539	10.4	617,560	7.2
Middle	15	30.6	3,435	34.2	12,396	36.6	2,636,516	30.9
Upper	4	8.2	1,474	14.7	17,468	51.5	5,178,222	60.6
NA*	2	4.1	158	1.6	58	0.2	8,375	0.1
<b>Total</b>	<b>49</b>	<b>100.0</b>	<b>10,034</b>	<b>100.0</b>	<b>33,890</b>	<b>100.0</b>	<b>8,543,739</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

During 2020, TB and aggregate lenders' primary HMDA products by number of loans originated were refinance followed by home purchase loans. The bank did not make any loans for home improvement purposes and extended only three multi-family loans; therefore, these loan types are not a major factor in the overall conclusion. The bank's refinance, home purchase, and multi-family lending performance is considered excellent.

TB's level of lending in low-income census tracts (10.2%) significantly exceeded the percentage of owner-occupied housing units in low-income tracts (3.2%) and the aggregate level of lending (1.3%). Similarly, the bank's level of lending in moderate-income census tracts (46.9%) also significantly exceeded the percentage of owner-occupied housing units in moderate-income tracts (15.7%) and the aggregate level of lending (10.4%). The bank's performance during 2020 is considered excellent, and its performance for 2018 and 2019 is similar.

**Distribution of Small Business Loans by Income Level of Census Tract**

Richmond, VA (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	5	7.7	909	9.6	395	4.6	20,681	7.4
Moderate	24	36.9	3,741	39.3	1,278	14.9	40,384	14.5
Middle	18	27.7	1,856	19.5	3,313	38.7	108,423	38.9
Upper	18	27.7	3,002	31.6	3,539	41.4	108,469	38.9
NA*	0	0.0	0	0.0	35	0.4	741	0.3
<b>Total</b>	<b>65</b>	<b>100.0</b>	<b>9,508</b>	<b>100.0</b>	<b>8,560</b>	<b>100.0</b>	<b>278,698</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.

During 2019, the bank’s small business lending in low-income census tracts (7.7%) exceeded the percentage of businesses located in low-income census tracts (5.7%) and the aggregate level of lending (4.6%). Similarly, TB’s lending in moderate-income census tracts (36.9%) significantly exceeded the percentage of businesses in such tracts (16.2%) and the aggregate level of lending (14.9%). TB’s 2019 small business geographic distribution performance is considered excellent.

**Community Development Loans, Investments, and Services**

Discussions with an individual knowledgeable of the local community and reviews of the performance evaluations of other local financial institutions indicate that community development opportunities are reasonably available within the assessment area. The bank currently faces no constraints in providing community development loans, investments, and services within the assessment area.

TB makes a low level of community development loans. The bank faces no constraints relative to community development lending when considering its capacity and local competition. TB originated one qualified community development loan, a \$1.1 million PPP loan, within the assessment area during the evaluation period. To the extent that the bank originated other such loans, they were required to be reported as HMDA or considered a small business loan and could not also be considered as community development loans.

Specific to this assessment area, TB supported local community development efforts by making charitable donations totaling \$8,750 to four area organizations that provide community development services within the assessment area during the evaluation period. Of the bank’s seven branches in the assessment area, four (57.1%) are located in moderate-income census tracts. Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment area.

Since its previous evaluation, TB and its employees have volunteered their time and provided financial expertise to the following organizations that provide community development services targeted to low- and moderate-income residents and facilitate economic development within the assessment area:

- Chesterfield Colonial Heights Alliance for Social Ministry (CCHASM) - The seven branches in the assessment area planned and organized food drives for low- and moderate-income residents.
- Hopewell Redevelopment and Housing Authority- A bank officer serves as a board member for the organization which promotes affordable housing and economic development.
- John Randolph Foundation- A bank officer serves as a board member of this organization that provides financial support, grants, and scholarships to area organizations which support low- and moderate-income residents.



- Cameron Foundation- A bank officer serves as a member of the board of directors of this organization that provides financial support to area organizations that provide community development services.
- Hopewell Food Pantry- An employee is the treasurer of the food pantry which provides food and resources to low- and moderate-income residents.
- Virginia State University (VSU) Small Farm Outreach Program- Employees of the bank provided a financial literacy presentation and financial resources in association with the program for small farm loans.

As previously mentioned, the bank also holds qualified investments and provides community development services that benefit the statewide or broader regional area that include this assessment area. Overall, the bank has demonstrated an adequate level of responsiveness to local community development needs through its investments and support of area organizations that facilitate community development.

**NONMETROPOLITAN STATEWIDE AREA**

*(If some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN MECKLENBURG, VA NONMSA:**

TB’s Mecklenburg, VA NonMSA assessment area is located in south central Virginia and includes all of Mecklenburg County and Brunswick County. TB operates three full-service branches within the assessment area.

As of June 30, 2021, TB ranked third out of seven financial institutions in deposit market share and held 13.3% of local deposits (excluding credit union deposits) according to data compiled by the FDIC. Additionally, according to 2020 aggregate data, the bank ranked 8<sup>th</sup> out of 193 lenders in reported mortgage lending with a 2.5% market share.

Based on the 2015 ACS data, the assessment area served by the bank has a total population of 48,485 and a median housing value of \$117,759. Within the assessment area, the owner-occupancy rate is 50.6%, which is below both the owner-occupancy rates for the Commonwealth of Virginia (59.2%) and for nonmetropolitan areas of Virginia (57.8%). The percentage of families living below the poverty level in the assessment area (15%) is higher than the rates in the Commonwealth of Virginia (8.2%) and in nonmetropolitan areas of Virginia (13.3%).

The median family incomes for nonmetropolitan areas of Virginia during 2018, 2019, and 2020 are included in the following table.

<b>Median Family Income</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Statewide Nonmetropolitan Areas of Virginia	\$55,900	\$56,100	\$58,100

The following table provides pertinent demographic data for the assessment area.

**Assessment Area Demographics**

<b>Mecklenburg, VA NonMSA</b> <i>(Based on 2015 ACS Data and 2019 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	2,759	23.4
Moderate	3	21.4	3,183	27.1	718	22.6	2,088	17.7
Middle	10	71.4	8,583	72.9	1,051	12.2	2,651	22.5
Upper	0	0.0	0	0.0	0	0.0	4,268	36.4
NA	1	7.2	0	0.0	0	0.0		
<b>Total</b>	<b>14</b>	<b>100.0</b>	<b>11,766</b>	<b>100.0</b>	<b>1,769</b>	<b>15.0</b>	<b>11,766</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	5,213	28.3
Moderate	3,319	24.5	4,796	26.1	1,249	26.0	3,056	16.6
Middle	10,242	75.5	13,602	73.9	2,357	17.3	2,997	16.3
Upper	0	0.0	0	0.0	0	0.0	7,132	38.8
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>13,561</b>	<b>100.0</b>	<b>18,398</b>	<b>100.0</b>	<b>3,606</b>	<b>19.6</b>	<b>18,398</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	473	24.5	430	24.1	35	30.2	8	25.0
Middle	1,455	75.4	1,350	75.8	81	69.8	24	75.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	1	0.1	1	0.1	0	0.0	0	0.0
<b>Total</b>	<b>1,929</b>	<b>100.0</b>	<b>1,781</b>	<b>100.0</b>	<b>116</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				92.3		6.0		1.7

\*NA-Tracts without household or family income as applicable

The local economy is driven by the health services, retail trade, and administration industries. Major employers include the Mecklenburg County School Board, MCV Hospital, the Brunswick County School Board and Geo Corrections and Detention Inc. The following table reflects unemployment rates since the previous evaluation.

Geographic Area	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21
Brunswick County, VA	5.3%	4.8%	4.3%	3.9%	7.6%	4.8%
Mecklenburg County, VA	5.2%	4.4%	3.3%	3.4%	5.8%	3.4%
<b>Commonwealth of Virginia</b>	<b>3.8%</b>	<b>3.2%</b>	<b>2.6%</b>	<b>2.3%</b>	<b>5.5%</b>	<b>2.7%</b>

As indicated by the data in the previous table, unemployment rates within the assessment area declined prior to 2020, rose sharply during 2020 because of the pandemic, and declined during 2021. While Mecklenburg County’s unemployment rate has returned to pre-pandemic levels, the unemployment rate in Brunswick County remains slightly elevated. Overall, the level of unemployment within the assessment area is currently higher than the statewide level of unemployment.

An official from a local community development organization was contacted during the evaluation to discuss local economic conditions and community credit needs. The individual described the local economy as stable and noted that business lending opportunities exist within the local market and indicated that area financial institutions are reasonably serving the banking needs of the community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Within this assessment area, the bank’s borrower distribution performance is considered reasonable for HMDA lending and excellent for small business lending. Overall, when considering the relative performance level and volume of lending for each product, TB’s performance is considered reasonable.

**Distribution of HMDA Loans by Income Level of Borrower**

Mecklenburg, VA NonMSA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	<b>HMDA Totals</b>							
Low	1	3.4	11,774	72.7	40	3.8	15,294	6.6
Moderate	5	17.2	584	3.6	144	13.6	15,984	6.9
Middle	6	20.7	422	2.6	177	16.8	23,482	10.2
Upper	17	58.7	3,424	21.1	694	65.8	176,423	76.3
<b>Total</b>	<b>29</b>	<b>100.0</b>	<b>16,204</b>	<b>100.0</b>	<b>1,055</b>	<b>100.0</b>	<b>231,183</b>	<b>100.0</b>
<i>Unknown</i>	5		518		238		50,521	

*Percentages (%) are calculated on all loans where incomes are known*

During 2020, the bank’s residential mortgage lending to low-income borrowers (3.4%) lagged the percentage of low-income families in the area (23.4%) but approximated the aggregate level of lending (3.8%) to such borrowers. The bank’s lending to moderate-income borrowers (17.2%) approximated the percentage of moderate-income families in the area (17.7%) and exceeded the aggregate level of lending (13.6%). The bank’s performance during 2020 is considered reasonable, and its performance during 2018 and 2019 is similar.

**Distribution of Lending by Loan Amount and Size of Business**

Mecklenburg, VA NonMSA (2019)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	33	76.7	2,533	48.0	302	51.4	6,055	38.2
Over \$1 Million	10	23.3	2,747	52.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	30	69.8	1,329	25.2	562	95.7	8,369	52.8
\$100,001-\$250,000	7	16.3	1,237	23.4	15	2.6	2,763	17.4
\$250,001-\$1 Million	6	13.9	2,714	51.4	10	1.7	4,718	29.8
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>5,280</b>	<b>100.0</b>	<b>587</b>	<b>100.0</b>	<b>15,850</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2019 indicates that 92.3% of all local businesses have revenues that do not exceed \$1 million per year. According to 2019 aggregate small business data, 51.4% of reported small business loans were to businesses having revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or revenue was not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 57.9% were made to businesses having revenues of \$1 million or less. Of the small business loans considered in the evaluation, 76.7% were to businesses with annual revenues of \$1 million or less. The bank's performance during 2019 is considered excellent.

**Geographic Distribution of Loans**

As indicated in the demographic table, there are no low-income census tracts in this assessment area. The bank's geographic distribution performance for HMDA lending is considered reasonable, while small business lending is considered poor. Overall, the combined geographic distribution of loans is considered reasonable and reflects greater weight afforded to HMDA lending due to the larger dollar volume of lending.

**Distribution of HMDA Loans by Income Level of Census Tract**

Mecklenburg, VA NonMSA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(14)				Home Purchase (569)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	1	7.1	76	0.6	65	11.4	9,520	7.1
Middle	13	92.9	13,705	99.4	503	88.6	123,890	92.9
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	(19)				Refinance (679)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2	10.5	103	3.7	65	9.6	9,058	6.3
Middle	17	89.5	2,658	96.3	614	90.4	135,093	93.7
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	(0)				Home Improvement (43)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	5	11.6	179	6.8
Middle	0	0.0	0	0.0	38	88.4	2,458	93.2
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	(1)				Multi-Family (2)			
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	1	100.0	180	100.0	2	100.0	1,027	100.0
Upper	0	0.0	0	0.0	0	0.0	0	0.0
	<b>HMDA Totals</b>							
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	3	8.8	179	1.1	135	10.4	18,757	6.7
Middle	31	91.2	16,543	98.9	1,157	89.5	262,468	93.2
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA*	0	0.0	0	0.0	1	0.1	479	0.1
<b>Total</b>	<b>34</b>	<b>100.0</b>	<b>16,722</b>	<b>100.0</b>	<b>1,293</b>	<b>100.0</b>	<b>281,704</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

Refinance and home purchase loans were extended most frequently by the bank and aggregate lenders in 2020. Considering both demographic and aggregate proxies for demand, the bank's performance for home purchase, refinance, and multi-family lending are each considered reasonable. TB did not extend any home improvement loans during 2020, and they are not considered a factor in the analysis.

During 2020, TB's level of lending in moderate-income census tracts (8.8%) lagged the percentage of owner-occupied housing units located in moderate-income tracts (24.5%) and slightly lagged the aggregate level of lending (10.4%). The bank's performance during 2020 is considered reasonable, and performance during 2019 is similar.

During 2018, TB extended 29 HMDA loans totaling \$5.4 million in the assessment area. Of these loans, five (17.2%) totaling \$522,000 (9.7%) were extended in moderate-income census tracts. The bank's level of lending in moderate-income census tracts lagged the percentage of owner-occupied housing units located in such tracts (24.5%) but exceeded the aggregate level of lending (14.3%) in such areas. Overall, the bank's performance during 2018 is considered excellent.

The bank's HMDA lending performance is considered reasonable overall based upon the relative performance levels and volume of lending each year.

**Distribution of Small Business Loans by Income Level of Census Tract**

Mecklenburg, VA NonMSA (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	9.3	193	3.7	114	20.1	2,962	19.3
Middle	39	90.7	5,087	96.3	451	79.7	12,339	80.6
Upper	NA	NA	NA	NA	NA	NA	NA	NA
NA*	0	0.0	0	0.0	1	0.2	15	0.1
<b>Total</b>	<b>43</b>	<b>100.0</b>	<b>5,280</b>	<b>100.0</b>	<b>566</b>	<b>100.0</b>	<b>15,316</b>	<b>100.0</b>

*\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.*

The bank’s level of lending in moderate-income census tracts (9.3%) lagged the percentage of businesses located in moderate-income census tracts (24.5%) as well as the aggregate level of lending (20.1%). The bank’s small business geographic distribution performance during 2019 is considered poor.

**Community Development Loans, Investments, and Services**

Review of the performance evaluations of other similarly sized financial institutions that operate in the assessment area, along with discussions with an individual knowledgeable of the local community, indicate that community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services within the assessment area.

Since the previous evaluation, the bank made charitable donations totaling \$16,840 to three area organizations that provide community development services within the assessment area.

The institution operates three full-service branch offices within the assessment area, which are all located in middle-income census tracts. According to demographic data, 26.1% of all area households live in moderate-income census tracts, with the furthest moderate-income census tract being less than 15 miles from a branch office. Systems for delivering retail-banking services appear effective and are accessible to all portions of the assessment area. TB also offers free and low-cost checking accounts, which can benefit low- and moderate-income customers.

As previously mentioned, the bank also participated in several qualified community development activities that benefit the statewide or broader regional area that include this assessment area. Overall, the bank has demonstrated an adequate level of responsiveness to local community development needs through its support of area organizations that facilitate community development.

## STATE OF NORTH CAROLINA

**CRA RATING FOR *NORTH CAROLINA*: Needs to Improve.**

**The Lending Test is rated: Satisfactory.**

**The Community Development Test is rated: Needs to Improve.**

Major factors supporting the rating include:

- Within North Carolina, the bank's lending levels reflect adequate responsiveness to assessment area credit needs.
- The bank's borrower distribution performance is considered reasonable overall in both North Carolina assessment areas.
- The bank's geographic distribution performance is considered excellent in the Raleigh, NC AA and reasonable in the Halifax, NC NonMSA AA. Overall, performance is considered reasonable in North Carolina.
- The bank's responsiveness to the community development needs of its North Carolina assessment areas through qualified loans, investments, and services is considered poor.

### SCOPE OF EXAMINATION

Reported HMDA loans from calendar years 2018, 2019, and 2020 and small business loans from calendar year 2019 were analyzed to determine the borrower and geographic distribution of the bank's lending. The bank's efforts to serve its markets through qualified community development loans, investments, and services were also reviewed.

The bank delineates two assessment areas (Raleigh-Cary, NC and Halifax, NC NonMSA) in the State of North Carolina. On a combined basis, the North Carolina assessment areas account for 20.1% of the bank's overall lending (by dollar volume), 16.6% of its branch locations, and 12.2% of its deposit volume. As previously stated, **Appendix D** details loan volume, number of branches, and deposit volume by assessment area.

Based on their relatively similar size and distribution of banking activities, both the Raleigh-Cary, NC AA and the Halifax, NC NonMSA assessment areas were identified as primary markets within the state and were reviewed utilizing the FFIEC's full-scope evaluation procedures.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE STATE OF NORTH CAROLINA

The institution operates two of its 12 branch offices and its sole LPO within two contiguous assessment areas located in the State of North Carolina. The two branch offices account for \$61,003 of the bank's total deposit base. As of June 30, 2021, TB ranked 28<sup>th</sup> out of 41 institutions in deposit market share having .2% of the available FDIC insured deposits within its North Carolina assessment areas.

According to 2015 ACS data, the North Carolina assessment areas served by the bank have a total population of 1,157,019, including 289,747 families. A majority of the families are middle- and upper-income (61.9%), while low- and moderate-income families comprise 21.4% and 16.8% respectively. Within these assessment areas, the owner-occupancy rate equals 58.9%, and 9.3% of families live below the poverty level.



## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

The overall statewide rating is based on TB's performance in both the Raleigh-Cary, NC and Halifax, NC NonMSA assessment areas, as both the loan and deposit volumes are relatively similar and both assessment areas were subject to a full-scope review.

### **Lending To Borrowers of Different Incomes and To Businesses of Different Sizes**

TB's borrower distribution performance varies by loan product and year, and is considered reasonable overall within both North Carolina assessment areas.

### **Geographic Distribution of Loans**

TB's geographic distribution performance is considered excellent in the Raleigh, NC AA and reasonable in the Halifax, NC NonMSA AA. On a combined basis, given the relative strengths of performance and dollar volumes of lending, the bank's performance is considered reasonable overall in North Carolina.

### **Community Development Loans, Investments, and Services**

Review of the performance evaluations of other similarly sized financial institutions that operate in the assessment area, along with discussions with an individual knowledgeable of the local community, indicate that community development opportunities are reasonably available within the assessment area. The bank faces no constraints in providing community development loans, investments, and services within the assessment area.

The bank invested \$421,857 in Plexus Fund III. Plexus operates a licensed Small Business Investment Company (SBIC). SBICs are licensed by the SBA and support small business development and job creation by providing debt and equity financing, and at times, advisory services to small businesses. The SBIC's defined market area includes the State of North Carolina.

TB did not originate any community development loans within its North Carolina assessment areas during the evaluation period. To the extent that the bank extended such loans, they were required to be reported as HMDA, or were PPP or other small business loans less than \$1 million, included in the lending test and could not also be considered as community development loans. Opportunities for community development lending are reasonably available within the assessment areas.

The bank participated in one community development service within its North Carolina assessment areas which is detailed in the respective assessment area. As previously stated, community development opportunities are reasonably available within the area; however, the bank only has two branches and one LPO across both assessment areas. The smaller presence limits, to some extent, the bank's ability to participate in community development service activities.

Overall, the bank's limited support of community development initiatives and organizations through qualified lending, investment, and service activities results in the bank's performance for the State of North Carolina being rated Needs to Improve.

**METROPOLITAN AREAS**

*(For metropolitan areas with some or all assessment areas reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN RALEIGH-CARY, NC:**

TB’s Raleigh-Cary, NC assessment area includes the counties of Franklin and Wake located in central North Carolina, which comprise a portion of the Raleigh, NC MSA. The bank currently operates one branch office and its sole LPO in the assessment area. During the evaluation period, TB opened the LPO in Wake County. The bank ranks 31<sup>st</sup> out of 39 financial institutions in deposit market share having less than .1% of the area’s available FDIC insured deposits as of June 30, 2021. According to 2020 aggregate loan data, the institution ranked 193<sup>rd</sup> out of 696 lenders in reported HMDA volume with less than .01% market share.

According to 2015 ACS data, the assessment area has a population of 1,038,315 and a median housing value of \$226,263. The owner-occupancy rate for the assessment area is 60%, which exceeds the state’s overall rate of 55.7% and is equivalent to the Raleigh, NC MSA’s rate of 60.4%. The percentage of area families living below the poverty level in the assessment area (8.1%) is similar to the entire MSA (8.6%), but lower than the state’s rate (12.8%).

Area median family incomes during 2018, 2019, and 2020 are detailed in the following table.

<b>Median Family Income</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Raleigh-Cary, NC MSA	\$84,300	\$93,100	\$94,100

The following table includes pertinent demographic data about the assessment area.

**Assessment Area Demographics**

Raleigh-Cary, NC (Based on 2015 ACS Data and 2019 D&B Information)								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	15	7.5	13,044	5.0	3,527	27.0	54,490	20.9
Moderate	42	21.1	58,625	22.5	8,676	14.8	43,060	16.5
Middle	60	30.2	86,066	33.0	5,941	6.9	49,114	18.9
Upper	79	39.7	102,616	39.5	3,005	2.9	113,755	43.7
NA	3	1.5	68	0.0	0	0.0		
<b>Total</b>	<b>199</b>	<b>100.0</b>	<b>260,419</b>	<b>100.0</b>	<b>21,149</b>	<b>8.1</b>	<b>260,419</b>	<b>100.0</b>
	<b>Owner Occupied Units by Tract</b>		<b>Households</b>					
			<b>HHs by Tract</b>		<b>HHs &lt; Poverty by Tract</b>		<b>HHs by HH Income</b>	
	#	%	#	%	#	%	#	%
Low	7,738	3.1	24,106	6.2	6,567	27.2	85,139	21.9
Moderate	52,738	21.0	93,645	24.1	14,899	15.9	64,920	16.7
Middle	86,997	34.6	129,150	33.3	11,573	9.0	69,047	17.8
Upper	104,083	41.3	141,164	36.4	6,407	4.5	169,069	43.6
NA	51	0.0	110	0.0	14	12.7		
<b>Total</b>	<b>251,607</b>	<b>100.0</b>	<b>388,175</b>	<b>100.0</b>	<b>39,460</b>	<b>10.2</b>	<b>388,175</b>	<b>100.0</b>
	<b>Total Businesses by Tract</b>		<b>Businesses by Tract and Revenue Size</b>					
			<b>Less than or = \$1 Million</b>		<b>Over \$1 Million</b>		<b>Revenue not Reported</b>	
	#	%	#	%	#	%	#	%
Low	2,863	4.5	2,536	4.3	304	7.3	23	3.8
Moderate	12,852	20.4	11,795	20.2	956	23.0	101	16.7
Middle	20,975	33.2	19,412	33.3	1,391	33.4	172	28.4
Upper	26,338	41.8	24,538	42.1	1,491	35.8	309	51.1
NA	83	0.1	64	0.1	19	0.5	0	0.0
<b>Total</b>	<b>63,111</b>	<b>100.0</b>	<b>58,345</b>	<b>100.0</b>	<b>4,161</b>	<b>100.0</b>	<b>605</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				92.4		6.6		1.0

\*NA-Tracts without household or family income as applicable

Area employment opportunities exist within manufacturing, health services, and professional and business services industries. Major area employers include Franklin County Schools, the County of Franklin, WCPSS, NC State University, and Wake Med. The following table reflects local unemployment rates since the previous evaluation.

Geographic Area	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21
Franklin County, NC	5.1%	4.4%	4%	3.5%	6%	3.4%
Wake County, NC	4.1%	3.7%	3.3%	3%	5.4%	2.7%
<b>Raleigh-Cary, NC MSA</b>	<b>4.2%</b>	<b>3.8%</b>	<b>3.3%</b>	<b>3.1%</b>	<b>5.4%</b>	<b>2.8%</b>
<b>State of North Carolina</b>	<b>4.9%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>6.3%</b>	<b>3.4%</b>

As indicated in the table above, unemployment rates within the assessment area declined prior to 2020, rose sharply during 2020 due to the COVID-19 pandemic, and declined during 2021. Current unemployment rates for the counties of the assessment area, full MSA, and state are slightly below pre-pandemic levels. The Franklin County unemployment rate is slightly higher than the MSA's rate but approximates the statewide rate, while the Wake County unemployment rate is lower than both the MSA and statewide rates.

An official from an affordable housing organization was contacted during the evaluation to discuss area economic conditions and community credit needs. The individual described the local economy as stable; however, he indicated that affordable housing lending opportunities exist within the market area, as well as opportunities for partnerships between local financial institutions and affordable housing organizations for community development purposes. The contact indicated that area financial institutions are reasonably serving the banking needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Within the assessment area, the bank's borrower distribution performance varies by product and year and is ultimately considered reasonable overall for both HMDA and small business lending. Conclusions are based on a relatively limited volume of loans originated within this assessment area.

**Distribution of HMDA Loans by Income Level of Borrower**

Raleigh-Cary, NC (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	<b>HMDA Totals</b>							
Low	0	0.0	0	0.0	5,100	6.5	813,774	3.7
Moderate	1	20.0	170	13.2	14,156	18.0	3,033,693	13.7
Middle	1	20.0	355	27.5	19,076	24.2	4,990,791	22.5
Upper	3	60.0	765	59.3	40,373	51.3	13,373,946	60.1
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>1,290</b>	<b>100.0</b>	<b>78,705</b>	<b>100.0</b>	<b>22,212,204</b>	<b>100.0</b>
Unknown	4		1,796		11,391		4,030,438	

*Percentages (%) are calculated on all loans where incomes are known*

During 2020, the bank did not originate any HMDA loans to low-income borrowers; however, the demographic (20.9%) and aggregate (6.5%) data indicate there is demand for residential mortgage loans to low-income borrowers. Conversely, the bank's lending to moderate-income borrowers (20%) exceeded both the percentage of moderate-income families in the area (16.5%) and the aggregate level of lending (18%). On a combined basis, the bank's performance during 2020 is considered reasonable.

During 2019, TB extended two HMDA loans totaling \$162,000 to borrowers whose incomes were known within the assessment area. Of these loans, one was extended to a low-income borrower (50%) totaling \$130,000 (80.2%), which exceeded the percentage of area low-income families (20.9%) and the aggregate level of lending (8.3%) to such borrowers. TB also extended one loan to a moderate-income borrower (50%) totaling \$32,000 (19.8%), which exceeded both the percentage of area moderate-income families (16.5%) and the aggregate level of lending (20.6%) to such borrowers. The bank's performance during 2019 is considered excellent.

During 2018, TB extended four HMDA loans totaling \$454,000 to borrowers whose incomes were known within the assessment area. Of these loans, none (0%) were extended to low- or moderate-income borrowers within the assessment area; however, 20.9% of area families are low-income and 16.5% of area families are moderate-income. Aggregate data also indicates that there is loan demand from such borrowers given that 7.3% and 18.7% of loans reported by the aggregate lenders were made to low- and moderate-income borrowers, respectively. TB's performance during 2018 is considered very poor.

The bank's combined HMDA lending performance during 2018, 2019, and 2020 is considered reasonable overall based upon the relative performance levels and loan volumes each year.

**Distribution of Lending by Loan Amount and Size of Business**

Raleigh-Cary, NC (2019)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	10	43.5	2,887	69.8	14,855	47.9	458,749	37.3
Over \$1 Million	13	56.5	1,249	30.2	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	14	60.9	575	13.9	28,942	93.4	470,448	38.3
\$100,001-\$250,000	2	8.7	389	9.4	997	3.2	176,426	14.4
\$250,001-\$1 Million	7	30.4	3,173	76.7	1,061	3.4	581,930	47.3
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>4,137</b>	<b>100.0</b>	<b>31,000</b>	<b>100.0</b>	<b>1,228,804</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2019 indicates that 92.4% of all local businesses have revenues that do not exceed \$1 million per year. According to 2019 aggregate small business data, 47.9% of reported small business loans were to businesses having revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or revenue was not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 56.5% were made to businesses having revenues of \$1 million or less. Of the small business loans considered in the evaluation, 43.5% were to businesses with annual revenues of \$1 million or less. The bank's performance during 2019 is considered reasonable.

**Geographic Distribution of Loans**

The bank's overall geographic distribution performance for both HMDA and small business lending is considered excellent. This conclusion is based on a relatively limited volume of loans.

**Distribution of HMDA Loans by Income Level of Census Tract**

Raleigh-Cary, NC (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	%\$	#	%	\$(000s)	%\$
	(5)				Home Purchase (31,493)			
Low	0	0.0	0	0.0	780	2.5	176,214	1.8
Moderate	1	20.0	47	3.0	5,863	18.6	1,397,253	14.3
Middle	3	60.0	989	63.6	11,614	36.9	3,270,176	33.5
Upper	1	20.0	520	33.4	13,236	42.0	4,909,575	50.4
	(3)				Refinance (55,439)			
Low	0	0.0	0	0.0	1,014	1.8	221,105	1.4
Moderate	1	33.3	70	14.9	7,268	13.1	1,505,896	9.8
Middle	2	66.7	400	85.1	17,775	32.1	4,373,336	28.3
Upper	0	0.0	0	0.0	29,382	53.0	9,336,064	60.5
	(0)				Home Improvement (3,061)			
Low	0	0.0	0	0.0	58	1.9	4,436	1.6
Moderate	0	0.0	0	0.0	453	14.8	32,915	11.6
Middle	0	0.0	0	0.0	997	32.6	75,128	26.5
Upper	0	0.0	0	0.0	1,553	50.7	170,785	60.3
	(1)				Multi-Family (102)			
Low	1	100.0	1,060	100.0	15	14.7	61,103	7.9
Moderate	0	0.0	0	0.0	39	38.2	168,920	22.0
Middle	0	0.0	0	0.0	32	31.4	301,344	39.2
Upper	0	0.0	0	0.0	16	15.7	237,964	30.9
	<b>HMDA Totals</b>							
Low	1	11.1	1,060	34.3	1,867	2.1	462,858	1.8
Moderate	2	22.2	117	3.8	13,623	15.1	3,104,984	11.8
Middle	5	55.6	1,389	45.0	30,418	33.8	8,019,984	30.6
Upper	1	11.1	520	16.9	44,187	49.0	14,654,388	55.8
NA*	0	0.0	0	0.0	1	0.0	428	0.0
<b>Total</b>	<b>9</b>	<b>100.0</b>	<b>3,086</b>	<b>100.0</b>	<b>90,096</b>	<b>100.0</b>	<b>26,242,642</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

Home purchase and refinance loans were extended most frequently by the bank and aggregate lenders in 2020. When considering the bank's performance by loan category, its refinance and multifamily lending are considered excellent, while home purchase lending is considered reasonable. TB did not extend any home improvement loans during 2020; therefore, these loans are not considered a factor in the overall conclusion.

During 2020, TB's level of lending in low-income census tracts (11.1%) significantly exceeded the percentage of owner-occupied housing units located in low-income tracts (3.1%) and the aggregate level of lending (2.1%) in such tracts. Similarly, the bank's level of lending in moderate-income census tracts (22.2%) also exceeded the percentage of owner-occupied housing units in moderate-income tracts (21%) and the aggregate level of lending (15.1%). The bank's performance during 2020 is considered excellent, and its performance during 2018 and 2019 is similar.

**Distribution of Small Business Loans by Income Level of Census Tract**

Raleigh-Cary, NC (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	5	21.7	161	3.9	1,292	4.2	59,135	4.8
Moderate	10	43.5	2,521	60.9	5,635	18.4	214,127	17.6
Middle	8	34.8	1,455	35.2	10,049	32.7	408,516	33.5
Upper	0	0.0	0	0.0	13,692	44.6	536,596	44.0
NA*	0	0.0	0	0.0	17	0.1	1,638	0.1
<b>Total</b>	<b>23</b>	<b>100.0</b>	<b>4,137</b>	<b>100.0</b>	<b>30,685</b>	<b>100.0</b>	<b>1,220,012</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.

During 2019, the bank’s small business lending in low-income census tracts (21.7%) substantially exceeded the percentage of businesses located in low-income census tracts (4.5%) and the aggregate level of lending (4.2%) in such tracts. Similarly, TB’s lending in moderate-income census tracts (43.5%) significantly exceeded the percentage of businesses in such tracts (20.4%) and the aggregate level of lending (18.4%). This level of performance is considered excellent.

**Community Development Loans, Investments, and Services**

Discussions with an individual knowledgeable of the local community and reviews of performance evaluations of other financial institutions having a local presence indicate that a reasonable amount of community development opportunities are available within this assessment area. While the bank’s small number of employees working in the assessment area may limit the number of community service activities that the bank can support, the bank faces no constraints in providing community development loans or investments.

As previously mentioned, the bank holds one investment totaling \$421,857 in a SBIC that serves the State of North Carolina. The bank did not participate in any additional community development activities that directly benefit this assessment area during the evaluation period and demonstrates a poor level of responsiveness to the local community’s needs when considering the institution’s capacity and available opportunities.

**NONMETROPOLITAN STATEWIDE AREA**

*(If some or all of the assessment areas within the nonmetropolitan statewide area were reviewed using full-scope review)*

**DESCRIPTION OF INSTITUTION’S OPERATIONS IN HALIFAX, NC NONMSA:**

The Halifax, NC NonMSA assessment area includes all of Halifax, Vance, and Warren counties which are located in northern North Carolina. The bank operates one full-service branch office in the assessment area. During the evaluation period, TB closed one full-service branch office. As of June 30, 2021, data from the FDIC indicates the bank ranked eighth out of 11 institutions in local deposit market share and held 2.5% of area deposits (excluding credit union deposits). According to 2020 aggregate loan data, the institution ranked 32<sup>nd</sup> out of 230 lenders in reported HMDA volume with a .4% market share.

According to 2015 ACS data, the assessment area had a population of 118,704 and a median housing value of \$91,882. The owner-occupancy rate equals 51.2%, which is slightly below the rates for nonmetropolitan areas of North Carolina (52.8%) and the State of North Carolina (55.7%). Within the assessment area, 19.4% of families were below the poverty level, which exceeds the rate for nonmetropolitan areas of the state (12.8%) and the statewide rate (16.3%).

Area median family incomes for 2018, 2019, and 2020 are reflected in the table below.

<b>Median Family Income</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Statewide Nonmetropolitan Areas of North Carolina	\$52,300	\$51,600	\$53,700

The following table includes pertinent demographic data for the assessment area.



**Assessment Area Demographics**

<b>Halifax, NC NonMSA</b>								
<i>(Based on 2015 ACS Data and 2019 D&amp;B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	1	3.6	845	2.9	394	46.6	7,599	25.9
Moderate	9	32.1	8,872	30.3	2,415	27.2	5,525	18.8
Middle	13	46.4	13,964	47.6	2,451	17.6	5,221	17.8
Upper	5	17.9	5,647	19.2	422	7.5	10,983	37.5
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>28</b>	<b>100.0</b>	<b>29,328</b>	<b>100.0</b>	<b>5,682</b>	<b>19.4</b>	<b>29,328</b>	<b>100.0</b>
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
#	%	#	%	#	%	#	%	
Low	370	1.3	1,389	3.0	680	49.0	13,750	30.0
Moderate	8,546	29.1	14,274	31.1	4,327	30.3	7,509	16.4
Middle	14,305	48.6	21,478	46.8	5,058	23.5	7,364	16.1
Upper	6,197	21.0	8,733	19.1	984	11.3	17,251	37.5
NA	0	0.0	0	0.0	0	0.0		
<b>Total</b>	<b>29,418</b>	<b>100.0</b>	<b>45,874</b>	<b>100.0</b>	<b>11,049</b>	<b>24.1</b>	<b>45,874</b>	<b>100.0</b>
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
#	%	#	%	#	%	#	%	
Low	64	1.7	63	1.8	1	0.4	0	0.0
Moderate	1,335	35.4	1,225	35.3	98	39.2	12	24.5
Middle	1,507	40.0	1,387	40.0	89	35.6	31	63.3
Upper	864	22.9	796	22.9	62	24.8	6	12.2
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>3,770</b>	<b>100.0</b>	<b>3,471</b>	<b>100.0</b>	<b>250</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>				92.1		6.6		1.3

\*NA-Tracts without household or family income as applicable

Area employment opportunities exist within manufacturing, retail trade, and health services. Major area employers include Vidant Medical Center, Reser’s Fine Foods Inc, Vance County Schools, Wal-Mart, Warren County Schools, and the County of Warren. The following table reflects unemployment rates since the previous evaluation.

Geographic Area	Nov-16	Nov-17	Nov-18	Nov-19	Nov-20	Nov-21
Halifax County, NC	7.6%	6.9%	5.7%	5.5%	8.9%	5.4%
Vance County, NC	6.8%	6%	5.5%	5.4%	9.9%	5.9%
Warren County, NC	7.5%	6.8%	5.6%	5.2%	9.1%	5.8%
<b>State of North Carolina</b>	<b>4.9%</b>	<b>4.3%</b>	<b>3.8%</b>	<b>3.5%</b>	<b>6.3%</b>	<b>3.4%</b>

As indicated in the preceding table, unemployment rates within the assessment area declined prior to 2020, rose sharply during 2020 because of the pandemic, and declined during 2021. Overall, unemployment rates have declined to near pre-pandemic levels indicating economic recovery; however, all counties within the assessment area have unemployment rates that are above the statewide level.

An official from an affordable housing organization was contacted during the evaluation to discuss area economic conditions and community credit needs. The individual stated the local economy is stable; however, affordable housing lending opportunities exist within the local market area. Specifically, there is a need for the funding and construction of more affordable housing units in the area. He indicated that area financial institutions are reasonably serving the banking needs of the local community.

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:**

**Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

Within the assessment area, the bank’s borrower distribution performance varies by product and year and is ultimately considered reasonable for HMDA and excellent for small business lending. Overall, the bank’s borrower distribution performance is considered reasonable.

**Distribution of HMDA Loans by Income Level of Borrower**

Halifax, NC NonMSA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
<b>HMDA Totals</b>								
Low	1	20.0	53	10.4	38	2.2	2,868	0.8
Moderate	1	20.0	76	14.9	248	14.1	25,668	7.3
Middle	1	20.0	52	10.2	371	21.1	48,917	14.0
Upper	2	40.0	328	64.5	1,100	62.6	271,842	77.9
<b>Total</b>	<b>5</b>	<b>100.0</b>	<b>509</b>	<b>100.0</b>	<b>1,757</b>	<b>100.0</b>	<b>349,295</b>	<b>100.0</b>
Unknown	3		1,295		360		80,825	

*Percentages (%) are calculated on all loans where incomes are known*

During 2020, the bank’s HMDA lending to low-income borrowers (20%) lagged the percentage of low-income families in the area (25.9%) but substantially exceeded the aggregate level of lending (2.2%) to such borrowers. The bank’s lending to moderate-income borrowers (20%) exceeded both the percentage of moderate-income families in the area (18.8%) and the aggregate level of lending (14.1%). The bank’s performance during 2020 is considered excellent.

During 2019, TB extended nine HMDA loans totaling \$1.1 million to borrowers whose incomes were known within the assessment area. Of these loans, none were extended to low- or moderate-income borrowers; however, 25.9% of area families are low-income and 18.8% of area families are moderate-income. Aggregate data also indicates that there is loan demand from such borrowers given that 4.3% and 14.8% of loans reported by aggregate lenders were to low- and moderate-income borrowers, respectively. TB’s performance during 2019 is considered very poor.

During 2018, TB extended nine HMDA loans totaling \$2 million to borrowers whose incomes were known within the assessment area. Of these loans, one loan (11.1%) totaling \$40,000 (2%) was extended to a low-income borrower and none (0%) were extended to moderate-income borrowers. The bank’s lending to low-income borrowers lagged the percentage of low-income families (26.3%), but significantly exceeded the aggregate lending level (5.8%). The bank’s lack of lending to moderate-income borrowers substantially lagged the percentage of moderate-income families (18.9%) and the aggregate level of lending (15%). TB’s performance during 2018 is considered poor.

When considering the level of performance and relatively limited volume of lending each year, TB's overall HMDA borrower distribution performance is considered reasonable. The strength of the bank's performance during 2020 offset the bank's weaker performance during 2018 and 2019.

**Distribution of Lending by Loan Amount and Size of Business**

Halifax, NC NonMSA (2019)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	10	83.3	1,327	73.8	578	44.5	19,654	40.5
Over \$1 Million	2	16.7	471	26.2	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	8	66.7	260	14.5	1,204	92.6	17,498	36.1
\$100,001-\$250,000	1	8.3	206	11.5	57	4.4	9,650	19.9
\$250,001-\$1 Million	3	25.0	1,331	74.0	39	3.0	21,351	44.0
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>1,797</b>	<b>100.0</b>	<b>1,300</b>	<b>100.0</b>	<b>48,499</b>	<b>100.0</b>

\* No data is available for Aggregate loans with Revenues over \$1 million and those with Unknown revenues

D&B data from 2019 indicates that 92.1% of all local businesses have revenues that do not exceed \$1 million per year. According to 2019 aggregate small business data, 44.5% of reported small business loans were to businesses having revenues of \$1 million or less. The remaining portion of loans were to businesses that either had revenues exceeding \$1 million or revenues were not known. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the remaining small business loans originated by traditional bank lenders, 55% were made to businesses having revenues of \$1 million or less. Of the small business loans considered in the evaluation, 83.3% were to businesses with annual revenues of \$1 million or less. The bank's performance during 2019 is considered excellent.

**Geographic Distribution of Loans**

The bank's geographic distribution performance is considered reasonable for HMDA lending and poor for small business lending. Overall, the bank's geographic distribution performance is considered reasonable and reflects greater weight afforded to HMDA lending.

**Distribution of HMDA Loans by Income Level of Census Tract**

Halifax, NC NonMSA (2020)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(1)				(1,019)			
Low	0	0.0	0	0.0	9	0.9	659	0.3
Moderate	1	100.0	80	100.0	168	16.5	21,653	10.8
Middle	0	0.0	0	0.0	466	45.7	93,710	46.5
Upper	0	0.0	0	0.0	376	36.9	85,357	42.4
	(6)				(1,006)			
Low	0	0.0	0	0.0	3	0.3	138	0.1
Moderate	0	0.0	0	0.0	148	14.7	19,345	9.2
Middle	5	83.3	1,446	96.5	423	42.0	92,756	44.3
Upper	1	16.7	53	3.5	432	43.0	97,239	46.4
	(0)				(78)			
Low	0	0.0	0	0.0	1	1.3	26	0.5
Moderate	0	0.0	0	0.0	12	15.4	679	12.0
Middle	0	0.0	0	0.0	37	47.4	2,083	36.9
Upper	0	0.0	0	0.0	28	35.9	2,852	50.6
	(1)				(14)			
Low	0	0.0	0	0.0	3	21.4	753	5.5
Moderate	1	100.0	225	100.0	6	42.9	1,755	12.9
Middle	0	0.0	0	0.0	4	28.6	10,815	79.4
Upper	0	0.0	0	0.0	1	7.1	300	2.2
	HMDA Totals							
Low	0	0.0	0	0.0	16	0.8	1,576	0.4
Moderate	2	25.0	305	16.9	334	15.8	43,432	10.1
Middle	5	62.5	1,446	80.2	930	43.9	199,364	46.4
Upper	1	12.5	53	2.9	837	39.5	185,748	43.1
NA*	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>8</b>	<b>100.0</b>	<b>1,804</b>	<b>100.0</b>	<b>2,117</b>	<b>100.0</b>	<b>430,120</b>	<b>100.0</b>

NA\*-Tracts without household or family income as applicable

Home purchase loans were extended most frequently by aggregate lenders in 2020, followed by refinance and home improvement loans. The bank primarily extended refinance loans, followed by an equal number of home purchase and multi-family loans. Home improvement lending was not a factor in the analysis, as TB did not extend any home improvement loans in 2020. When considering the bank's performance by loan category, its home purchase and multi-family lending are considered excellent, while refinance lending is considered very poor.

During 2020, TB did not originate any HMDA loans in low-income census tracts; however, demographic (1.3%) and aggregate (.8%) data indicate there is limited demand for residential mortgage loans in such tracts. The bank's level of lending in moderate-income census tracts (25%) lagged the percentage of owner-occupied housing units located in moderate-income tracts (29.1%) but significantly exceeded the aggregate lending level (15.8%). The bank's performance during 2020 is considered excellent.

During 2019, TB extended 12 HMDA loans totaling \$1.3 million. Of these loans, none (0%) were extended in low-income census tracts and one (8.3%) totaling \$336,000 (25.7%) was extended in a moderate-income census tract. The bank’s level of lending in moderate-income census tracts lagged the percentage of owner-occupied units (29.1%) located in such tracts and the aggregate level of lending (19.8%) in such areas. In low-income tracts, demographic (1.3%) and aggregate (1%) data indicate there is limited demand for residential mortgage loans. The bank’s performance during 2019 is considered poor, and its 2018 lending is substantially similar.

When considering the relative loan volumes and level of lending performance each year, TB’s overall HMDA borrower distribution performance is considered reasonable. The strength of the bank’s performance during 2020 offset the bank’s weaker performance during 2018 and 2019.

**Distribution of Small Business Loans by Income Level of Census Tract**

Halifax, NC NonMSA (2019)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	14	1.1	247	0.5
Moderate	2	16.7	94	5.2	430	33.8	19,087	39.7
Middle	8	66.7	1,476	82.1	523	41.1	13,551	28.2
Upper	2	16.6	227	12.7	306	24.0	15,209	31.6
NA*	NA	NA	NA	NA	NA	NA	NA	NA
<b>Total</b>	<b>12</b>	<b>100.0</b>	<b>1,797</b>	<b>100.0</b>	<b>1,273</b>	<b>100.0</b>	<b>48,094</b>	<b>100.0</b>

\*NA-Tracts without household or family income as applicable  
Loans where the geographic location is unknown are excluded from this table.

During 2019, TB did not originate any small business loans in low-income census tracts; however, demographic (1.7%) and aggregate (1.1%) data indicate that there is limited demand for small business loans in low-income census tracts. The bank’s level of lending in moderate-income census tracts (16.7%) significantly lagged the percentage of businesses in such areas (35.4%) and the aggregate level of lending (33.8%). TB’s 2019 small business geographic distribution performance is considered poor.

**Community Development Loans, Investments, and Services**

Discussions with an individual knowledgeable of the local community and reviews of performance evaluations of other financial institutions having a local presence indicate that community development opportunities are limited within this assessment area. While the bank’s small number of employees working in the assessment area may limit the number of community service activities that the bank can support, the bank faces no constraints in providing community development loans or investments.

As previously mentioned, the bank holds one investment totaling \$421,857 in a SBIC that serves the State of North Carolina. Additionally, the bank provided support and donations to the John 3:16 Center which provides social services for low- and moderate-income children in the assessment area.

The bank did not participate in any additional community development activities that directly benefit this assessment area during the evaluation period. TB’s limited participation in community development activities demonstrates a poor level of responsiveness to local community credit needs when considering the institution’s capacity and available opportunities.

**CRA APPENDIX A**  
**SCOPE OF EXAMINATION**

<b>LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION</b>			
<b>ASSESSMENT AREA</b>	<b>TYPE OF EXAMINATION</b>	<b>BRANCHES VISITED<sup>1</sup></b>	<b>OTHER INFORMATION</b>
Richmond, VA	Full-Scope	Due to travel restrictions related to COVID-19 and the bank's satisfactory history, no branch visits were conducted.	None
Mecklenburg, VA NonMSA	Full-Scope	Due to travel restrictions related to COVID-19 and the bank's satisfactory history, no branch visits were conducted.	None
Raleigh-Cary, NC	Full-Scope	Due to travel restrictions related to COVID-19 and the bank's satisfactory history, no branch visits were conducted.	None
Halifax, NC NonMSA	Full-Scope	Due to travel restrictions related to COVID-19 and the bank's satisfactory history, no branch visits were conducted.	None

<sup>1</sup> There is a statutory requirement that the written evaluation of a multistate institution's performance must list the individual branches examined in each state.

**CRA APPENDIX B**

**SUMMARY OF STATE AND MULTISTATE MSA RATINGS**

<b>State or Multistate Metropolitan Area Name</b>	<b>Lending Test Rating</b>	<b>Community Development Test Rating</b>	<b>Overall Rating</b>
Commonwealth of Virginia	Satisfactory	Satisfactory	Satisfactory
State of North Carolina	Satisfactory	Needs to Improve	Needs to Improve

**CRA APPENDIX C**

**ASSESSMENT AREA DELINEATIONS AND BRANCHING ACTIVITY**

The following tables reflect the current composition of the bank’s assessment areas and information about branching changes since the previous evaluation (August 29, 2016).

Assessment Area Name	City/County	State	Census Tracts Included
Richmond VA	Chesterfield County	VA	All
	Dinwiddie County		
	Prince George County		
	City of Colonial Heights		
	City of Hopewell		
	City of Petersburg		
Mecklenburg, VA NonMSA	Mecklenburg County Brunswick County	VA	All
Raleigh-Cary, NC	Franklin County	NC	All
	Wake County		
Halifax, NC NonMSA	Halifax County	NC	All
	Vance County		
	Warren County		

Assessment Area	Address	City	State	Zip	Tract income Level	Acquired/ Open/Closed
Richmond, VA	23315 Airport St	Petersburg	VA	23803	Moderate	Existing
Richmond, VA	3115 Boulevard	Colonial Heights	VA	23834	Moderate	Existing
Richmond, VA	20701 First St	McKenney	VA	23872	Moderate	Existing
Richmond, VA	4700 Owens Way	Prince George	VA	23875	Moderate	Existing
Richmond, VA	13812 Boydton Plank Rd	Dinwiddie	VA	23841	Middle	Existing
Richmond, VA	6300 River Rd	Petersburg	VA	23803	Middle	Existing
Richmond, VA	200 Johnson Creek Dr	Chester	VA	23836	Upper	Existing
Mecklenburg, VA NonMSA	581 Madison St	Boydton	VA	23917	Middle	Acquired (11/10/2017) Closed (12/31/2020)
Mecklenburg, VA NonMSA	701 Virginia Ave	Clarksville	VA	23927	Middle	Opened (5/16/2018)
Mecklenburg, VA NonMSA	800 N. Mecklenburg Ave	South Hill	VA	23970	Middle	Acquired (11/10/2017)
Mecklenburg, VA NonMSA	4200 Gasburg Rd	Gasburg	VA	23857	Middle	Acquired (11/10/2017)
Raleigh-Cary, NC	202 North Main St	Louisburg	NC	27549	Moderate	Acquired (11/10/2017)
Halifax, NC NonMSA	851 South Beckford Rd	Henderson	NC	27536	Moderate	Acquired (11/10/2017) Closed (4/30/2019)
Halifax, NC NonMSA	778 Old Farm Rd	Roanoke Rapids	NC	27870	Moderate	Acquired (11/10/2017)



**CRA APPENDIX D**

**LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA**

The following table includes the distribution of branch offices as well as loan and deposit volumes in each assessment area. Branch information is current as of the evaluation date, and loan volume includes all HMDA and small business loans considered in the evaluation. Deposit volume includes all bank deposits and is current as of June 30, 2021.

Assessment Area	Loan Volume				Branches		Deposit Volume	
	#	%	\$ (000s)	%	#	%	\$ (000s)	%
Richmond, VA	189	45.7%	\$29,917	37.8%	7	58.4%	\$286,168	56.9%
Mecklenburg, VA NonMSA	142	34.4%	\$33,343	42.1%	3	25%	\$155,366	30.9%
Raleigh-Cary, NC	40	9.7%	\$8,942	11.3%	1	8.3%	\$25,080	5%
Halifax, NC NonMSA	42	10.2%	\$6,948	8.8%	1	8.3%	\$35,923	7.2%
<b>TOTAL</b>	413	100%	\$79,150	100%	12	100%	\$502,537	100%

## CRA APPENDIX E

### 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.

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
  - (A) Rates of poverty, unemployment, and population loss; or
  - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

**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.

**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, which 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).

**Full-scope review:** Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**Limited-scope review:** Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

**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.

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

**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 qualified investment is defined as any 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.

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

**Small loan(s) to farm(s):** 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, or are classified as loans to finance agricultural production and other loans to farmers.

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