



PUBLIC DISCLOSURE

July 9, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Highlands Union Bank

Abingdon, 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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969424

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Federal Reserve Bank of Richmond

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COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

INSTITUTION'S CRA RATING: This institution is rated: NEEDS TO IMPROVE.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Needs to Improve.

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable in relation to the bank's size, financial condition, and demand for credit in its assessment areas.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business were originated within the bank's assessment areas.
- The bank's lending to borrowers of different income levels and businesses of different sizes is excellent in the Kingsport-Bristol-Bristol, TN-VA multistate assessment area, the State of North Carolina, and the Commonwealth of Virginia, while the bank's lending in the State of Tennessee is considered reasonable. Overall, the borrower distribution performance is considered excellent.
- The bank's geographic lending distribution performance is considered reasonable in the Kingsport-Bristol-Bristol, TN-VA multistate assessment area, while its performance is excellent in the State of North Carolina and poor in the State of Tennessee and the Commonwealth of Virginia. Overall, the geographic distribution performance is considered reasonable.
- The bank's lending, investment, and service activities demonstrate a poor level of responsiveness to community development needs in the Kingsport-Bristol-Bristol, TN-VA multistate assessment area and the States of North Carolina and Tennessee, while the bank's community development performance in the Commonwealth of Virginia is adequate. Overall, the bank's community development performance is poor.
- According to the rating guidelines for Regulation BB, which implements the Community Reinvestment Act (CRA), a composite rating of at least satisfactory is applicable if both the lending and community development tests are rated at least satisfactory. Because the bank's community development test performance is less than satisfactory, the bank's overall rating is needs to improve.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

Highlands Union Bank (HUB) was evaluated using the interagency evaluation procedures for intermediate small institutions developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, HMDA loans reported by the bank from January 1, 2016, through December 31, 2017, were reviewed. HUB also voluntarily collects small business loan data. Given relative volume, the bank's small business loans are considered a primary product offered by the bank. Accordingly, the analysis includes all small business loans originated and purchased by the bank during 2016 and 2017.

Qualified community development loans and services are considered for activities since the previous evaluation (May 18, 2015). 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 specific assessment areas, the

CRA public evaluations of other financial institutions operating in these areas were reviewed. Also, contact with members of the community was made to discern information about local economic conditions, local credit needs, performance of banks in the assessment areas, as well as potential community development opportunities.

The bank serves five assessment areas located in southwestern Virginia, northwestern North Carolina, and eastern Tennessee. Based upon branch locations and relative market size as determined by loan activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the following four assessment areas:

- Kingsport-Bristol-Bristol, TN-VA
- Avery, NC NonMSA
- Sevier, TN NonMSA
- Smyth, VA NonMSA.

Because of the bank's branch locations, an overall rating and ratings for the Lending and Community Development Tests are required for the institution, the multistate Kingsport-Bristol-Bristol, TN-VA assessment area, the states of North Carolina and Tennessee, and the Commonwealth of Virginia. State ratings are based only on the performance in the assessment areas subject to full-scope review. The remaining assessment area was subject to the limited review procedures provided for by the FFIEC. For this assessment area, a determination was made as to whether performance was consistent with the assigned overall state rating. Appendix C includes information about the bank's performance in the limited scope assessment area.

The institution's overall rating is based on the ratings assigned to the multistate assessment area and each state. These ratings are weighted primarily according to bank activity as measured by relative lending volume, amount of deposits, and the number of branches. Appendix D includes information detailing the lending volume, branch locations, and deposit volume by assessment area. In all cases, conclusions also take into consideration relevant performance context factors. When assigning the institution's overall rating, the bank's performance in the Kingsport-Bristol-Bristol, TN-VA assessment area is given the most weight, as the majority of the bank's loans and deposit accounts are located within the multistate area. According to evaluation procedures, an institution must perform at least satisfactorily under both the Lending and Community Development Tests to be rated satisfactory or better overall.

DESCRIPTION OF INSTITUTION

HUB is headquartered in Abingdon, Virginia, and operates 14 full-service branches within Virginia, North Carolina, and Tennessee. The bank is a wholly-owned subsidiary of Highland Bankshares, Inc., a single-bank holding company, also headquartered in Abingdon, Virginia. This evaluation considers only the activities of the bank during the review period and does not include or consider the activities of any affiliates. The bank received a Satisfactory rating at its prior CRA evaluation dated May 18, 2015. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2018, HUB had \$596.1 million in assets, of which 72% were net loans and 12.4% were securities. Deposits totaled \$511.5 million as of the same time period. Various deposit and loan products are available through the institution including loans for residential mortgage, business, and consumer purposes. The composition of the loan portfolio (reflecting gross loans) is represented in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2018	
	\$(000s)	%
Secured by 1-4 Family dwellings	213,763	49.3
Multifamily	18,157	4.2
Construction and Development	16,933	3.9
Commercial & Industrial/ NonFarm NonResidential	155,322	35.8
Consumer Loans and Credit Cards	13,617	3.1
Agricultural Loans/ Farmland	15,979	3.7
All Other	0	0.0
Total	433,771	100.0

As indicated in the preceding table, HUB is an active residential mortgage and commercial/small business lender. The bank offers other loans, such as consumer and construction and development loans; however, the volume of such lending is relatively small in comparison to the residential mortgage and business lending.

The bank operates in five assessment areas located in southwestern Virginia, northwestern North Carolina, and eastern Tennessee. Within the Kingsport-Bristol-Bristol, TN-VA assessment area, the bank operates branches in both the Virginia and Tennessee portions of the MSA. The following table reflects the current composition of the bank's assessment areas.

Assessment Area Names	City/County	State	Census Tracts Included
Kingsport-Bristol-Bristol, TN-VA	Washington County	VA	All
	Bristol City	VA	All
	Sullivan County	TN	All
	Hawkins County	TN	All
Avery, NC NonMSA	Avery County	NC	All
	Watauga County	NC	All
Sevier, TN NonMSA	Sevier County	TN	All
Knoxville, TN	Knox County	TN	All
Smyth, VA NonMSA	Smyth County	VA	All

HUB has not opened or closed any bank branches since the previous CRA evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

An analysis of lending during the review period is discussed in greater detail in subsequent sections of this evaluation for the assessment areas reviewed using full-scope procedures. HMDA and CRA small business loan data from calendar years 2016 and 2017 were fully analyzed and considered in the evaluation; only bank and aggregate data from 2016 are presented in the assessment area analysis tables. In instances where the bank's HMDA performance during 2017 varies significantly from its performance during 2016, such variance and the corresponding impact on the overall performance is discussed.

When evaluating the bank’s performance for 2016, relevant area demographic data from the 2010 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. Dun & Bradstreet (D&B) business demographic data from 2016 is considered when evaluating the bank’s small business performance in 2016. The evaluation of the bank’s performance in 2017 utilized 2015 ACS data and D&B business demographic data from 2017.

When considering the geographic and borrower 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.

Overall, the bank’s lending test performance is rated Satisfactory. This rating considers the bank’s loan-to-deposit ratio, level of lending in its assessment areas, borrower lending distribution performance, and geographic lending distribution performance.

The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Loan-To-Deposit Ratio

The bank’s current loan-to-deposit ratio equals 83.9% and averaged 84.6% for the 12-quarter period ending March 31, 2018. In comparison, the quarterly average loan-to-deposit ratios for 16 similarly situated institutions that operate in at least one of HUB’s assessment areas ranged from 42.6% to 94.2% during the same 12-quarter period. Since March 31, 2015, HUB’s assets decreased by 2.4% and net loans and deposits have increased by 6.3% and 4.6%, respectively. 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, market conditions, 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 2016 and 2017 HMDA and small business loans were 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	158	40.3	22,780	31.0	234	59.7	50,622	69.0
Home Improvement	38	86.4	1,311	74.8	6	13.6	441	25.2
Refinancing	112	68.7	18,351	66.3	51	31.3	9,344	33.7
Multi-Family Housing	2	66.7	538	59.9	1	33.3	360	40.1
Total HMDA related	310	51.5	42,980	41.4	292	48.5	60,767	58.6
Small Business	828	80.5	56,357	75.3	201	19.5	18,520	24.7
TOTAL LOANS	1,138	69.8	99,337	55.6	493	30.2	79,287	44.4

As indicated in the preceding table, a majority of the combined number and dollar amount of residential mortgage and small business loans were originated in the bank's assessment areas.

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

Within the bank's market areas, a high level of small business lending activity has been reported by specialized lenders, who often originate small business loans in the form of credit cards. These loans, however, tend to be much smaller in size than traditional small business bank loans, and revenue data is often not reported for a majority of these loans. The presence of these lenders is reflected in a smaller market share for traditional lenders and tends to understate the percentage of loans to businesses with annual revenues of \$1 million or less. Consequently, the presence of these lenders was considered as an aspect of performance context when evaluating the level and distribution of bank lending. Therefore, to better gauge performance, HUB's lending is also compared to a group of traditional small business lenders that excludes the credit card/specialty lenders.

The bank's borrower distribution performance is considered excellent in the multistate metropolitan area (Kingsport-Bristol-Bristol, TN-VA), the State of North Carolina, and the Commonwealth of Virginia, while its performance is considered reasonable in the State of Tennessee. Overall, the bank's borrower distribution performance is excellent. In general, the bank's small business lending performance was stronger than its HMDA lending performance. The bank's performance, which varies by loan product and assessment area, is discussed in greater detail later in this evaluation.

Geographic Distribution of Loans

In general, the bank's geographic distribution performance is not as strong as its borrower distribution performance. The bank's performance is reasonable in its primary market, the Kingsport-Bristol-Bristol, TN-VA assessment area, and excellent in the State of North Carolina. Within the State of Tennessee and the Commonwealth of Virginia, the bank's overall geographic distribution performance is considered poor. Given that a majority of the bank's operations are located in the Kingsport-Bristol-Bristol, TN-VA assessment area, the performance in this area was given more weight when considering the bank's overall geographic distribution performance. HUB's overall geographic distribution performance is reasonable.

Community Development Loans, Investments, and Services

HUB supports community development initiatives and organizations that benefit its local assessment areas and larger regional areas by funding community development loans, making qualified investments and donations, and providing financial expertise and other support to local organizations providing community development services. During the evaluation period, the bank faced some constraints in originating community development loans and making qualified investments given the structure of its balance sheet; however, it faces no significant constraints relative to its size and business strategy in supporting community service activities.

The following qualified community development activities benefit multiple assessment areas:

- A bank officer provides financial expertise to the Mount Rogers Planning District Commission (MRPDC) loan review committee. The MRPDC is located in southwest Virginia and includes a portion of the Kingsport-Bristol-Bristol, TN-VA assessment area and Smyth, VA NonMSA assessment area.
- The bank contributes annually to EverFi, an organization that promotes financial literacy in area high schools. Since the previous evaluation, \$13,875 of the bank's donation has benefited schools where a majority of students are low- or moderate-income within the Kingsport-Bristol-Bristol, TN-VA and Smyth, VA NonMSA assessment areas.
- The bank offers free and low-cost checking accounts, which can benefit area low- and moderate-income residents and small businesses.

Details of community development loans and additional qualified investments, and other specific services are discussed in the assessment areas where the activities took place.

The bank's community development performance within the multistate assessment area, North Carolina, and Tennessee is considered poor. Within the Commonwealth of Virginia the bank's performance is considered adequate. Overall, the bank's community development performance is considered poor.

ASSESSMENT AREA DELINEATIONS

A review of the bank's assessment areas found that its delineations complied with the requirements of Regulation BB. Assessment area delineations included all of the bank's branches and deposit taking automated teller machines. While some of the bank's assessment area delineation includes less than an entire MSA, the delineated areas contained whole geographies, did not reflect illegal discrimination (e.g. through the exclusion of majority-minority census tracts), and did not arbitrarily exclude low- or moderate-income census tracts.

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.

KINGSPORT-BRISTOL-BRISTOL, TN-VA MULTISTATE METROPOLITAN AREA

CRA RATING FOR KINGSPORT-BRISTOL-BRISTOL, TN-VA¹: NEEDS TO IMPROVE

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Needs to Improve

Major factors supporting the rating include:

- The bank's borrower distribution performance (lending to low- and moderate-income borrowers and businesses and farms with annual revenues of \$1 million or less) is considered excellent.
- The bank's overall geographic distribution performance (lending in low- and moderate-income census tracts) is considered reasonable.
- The bank's lending, service, and investment activities demonstrate a poor level of responsiveness to community development needs of the assessment area.
- Rating guidelines for Regulation BB, which implements the CRA, state that a composite rating of at least satisfactory is applicable when both the Lending and Community Development Tests are rated at least satisfactory. Because the bank's Community Development Test performance is less than satisfactory, the overall rating specific to the multistate assessment area is Needs to Improve.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2016 and 2017 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Qualified community development loans and services are also considered for activities since the previous evaluation (May 18, 2015). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank operates branches in both the Virginia and Tennessee portions of the Kingsport-Bristol-Bristol, TN-VA assessment area. Ratings for the multistate assessment area are based solely on the bank's performance in that assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN KINGSPORT-BRISTOL-BRISTOL, TN-VA

The bank's assessment area is located in southwestern Virginia and northeastern Tennessee, and includes all of Washington County and the City of Bristol, Virginia, and Sullivan and Hawkins counties, Tennessee. These counties and city constitute a portion of the Kingsport-Bristol-Bristol, TN-VA MSA.

The bank operates eight branches within the assessment area and ranked 5th out of 26 financial institutions in deposit market share having 9% of the assessment area's available Federal Deposit Insurance Corporation (FDIC) insured deposits, as of June 2017. According to 2016 aggregate data, the institution ranked tenth out of 271 lenders in reported residential mortgage loans with a 1.9% market share and third out of 68 lenders in reported CRA (small business and small farm) loans with a 10.1% market share.

According to the 2010 ACS data, the assessment area has a population of 286,367 and a median housing value of \$110,656. The owner-occupancy rate for the assessment area equals 67.3%, which is similar to the owner-occupancy rate for the entire MSA (66.8%) and higher than the owner-occupancy rates for the State of Tennessee (61.4%) and the Commonwealth of Virginia (61.8%). Within the assessment area,

¹ This rating reflects performance within the multistate metropolitan area. The statewide evaluations are adjusted and do not reflect performance in the parts of those states contained in the multistate metropolitan area.

12.9% of families are considered below the poverty rate. This rate is similar to that of the overall MSA (12.9%) and the State of Tennessee (12.4%), but is substantially higher than the rate in the Commonwealth of Virginia (7.2%). The 2016 HUD estimated median family income for the MSA equals \$50,700. The following table includes pertinent demographic data for the 2016 assessment area:

Assessment Area Demographics

Kingsport-Bristol-Bristol, TN-VA <i>(Based on 2010 ACS Data and 2016 D&B Information)</i>								
Income Categories*	Tract Distribution		Families by Tract		Families < Poverty as a % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	2	2.9	1,706	2.1	686	40.2	17,989	21.7
Moderate	13	18.8	15,525	18.7	2,851	18.4	14,141	17.0
Middle	37	53.6	44,745	53.9	5,924	13.2	16,921	20.4
Upper	17	24.7	20,982	25.3	1,212	5.8	33,907	40.9
NA	0	0.0	0	0.0	0	0.0		
Total	69	100.0	82,958	100.0	10,673	12.9	82,958	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	1,402	1.6	2,721	2.3	1,017	37.4	29,222	24.2
Moderate	16,061	17.8	23,449	19.4	5,168	22.0	18,822	15.6
Middle	49,369	54.7	66,574	55.1	11,775	17.7	21,233	17.6
Upper	23,388	25.9	28,168	23.2	2,453	8.7	51,635	42.6
NA	0	0.0	0	0.0	0	0.0		
Total	90,220	100.0	120,912	100.0	20,413	16.9	120,912	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	215	2.1	194	2.1	19	2.3	2	1.9
Moderate	1,925	18.7	1,735	18.6	169	20.2	21	20.0
Middle	5,673	55.2	5,106	54.6	496	59.3	71	67.6
Upper	2,473	24.0	2,309	24.7	153	18.2	11	10.5
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	10,286	100.0	9,344	100.0	837	100.0	105	100.0
	Percentage of Total Businesses:			90.8		8.1		1.1

*NA-Tracts without household or family income as applicable

According to the 2015 ACS data, the assessment area has a population of 285,630 and a median housing value of \$121,583. The owner-occupancy rate for the assessment area equals 64.8%, which is similar to the owner-occupancy rate for the entire MSA (64.5%) and higher than the owner-occupancy rates for the State of Tennessee (58.6%) and the Commonwealth of Virginia (59.2%). Within the assessment area, 13% of families are considered below the poverty rate. This rate is similar to that of the overall MSA (13.3%) and the State of Tennessee (13.2%), but is substantially higher than the rate in the Commonwealth of Virginia (8.2%). The 2017 HUD estimated median family income for the MSA equals \$54,500. The following table includes pertinent demographic data for the 2017 assessment area.

Assessment Area Demographics

Kingsport-Bristol-Bristol, TN-VA (Based on 2015 ACS Data and 2017 D&B Information)								
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	16,466	20.6
Moderate	13	18.8	13,495	16.9	3,521	26.1	14,957	18.7
Middle	40	58.0	47,418	59.3	5,719	12.1	15,977	20.0
Upper	16	23.2	19,033	23.8	1,156	6.1	32,546	40.7
NA	0	0.0	0	0.0	0	0.0		
Total	69	100.0	79,946	100.0	10,396	13.0	79,946	100.0
					Households			
	Owner Occupied Units by Tract		HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	28,022	23.4
Moderate	13,504	15.4	23,016	19.2	6,484	28.2	20,043	16.7
Middle	52,671	60.1	70,006	58.3	11,297	16.1	20,658	17.2
Upper	21,491	24.5	26,957	22.5	2,577	9.6	51,256	42.7
NA	0	0.0	0	0.0	0	0.0		
Total	87,666	100.0	119,979	100.0	20,358	17.0	119,979	100.0
					Businesses by Tract and Revenue Size			
	Total Businesses by Tract		Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	2,053	22.4	1,788	21.7	241	28.9	24	23.3
Middle	4,942	53.9	4,463	54.2	419	50.3	60	58.3
Upper	2,169	23.7	1,977	24.1	173	20.8	19	18.4
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	9,164	100.0	8,228	100.0	833	100.0	103	100.0
			Percentage of Total Businesses:	89.8		9.1		1.1

*NA-Tracts without household or family income as applicable

The local economy has a diversified employment and industrial base. The area's major employers include Eastman, Food City, Mountain States Health Alliance, Utility Trailer Manufacturing, WalMart, Bristol Compressors International, Camac Corporation (fiber manufacturer), and local governments, including area school systems. Current and recent periodic unemployment rates are included in the following table.

Geographic Area	May 2015	May 2016	May 2017	May 2018
Washington County, VA	4.8%	4.1%	3.9%	3.2%
Bristol City, VA	5.5%	4.6%	4.4%	3.7%
Sullivan County, TN	5.6%	4.6%	3.5%	3%
Hawkins County, TN	6.4%	4.7%	3.6%	3.4%
Kingsport-Bristol-Bristol, TN-VA MSA	5.6%	4.5%	3.7%	3.2%
Commonwealth of Virginia	4.6%	3.8%	3.7%	2.9%
State of Tennessee	5.6%	4.1%	3.2%	3%

As indicated in the table, area unemployment rates have trended downward since 2015. Unemployment rates in Washington County and the City of Bristol are higher than the rates for the Commonwealth of Virginia, but generally lower than unemployment rates for the MSA. Unemployment rates for Sullivan County, Tennessee approximate the rates for the State of Tennessee and the MSA, but unemployment rates in Hawkins County generally exceed the Tennessee and MSA unemployment rates.

A local affordable housing official was contacted during the evaluation to discuss area economic conditions and community credit needs. The contact noted that there is a strong need for affordable housing in the market area. The contact also stated the area's economy would specifically benefit from more financial literacy programs and more programs to finance affordable housing. While noting such opportunities, the contact indicated that area financial institutions are reasonably serving the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2016 and 2017, HUB originated \$19.2 million in HMDA and \$28.2 million in small business loans within the assessment area. Consequently, the bank's small business lending performance was given more weight when considering its overall performance within this assessment area.

Lending to Borrowers of Different Incomes and to Business of Different Sizes

Overall, the bank's borrower distribution performance is considered reasonable for HMDA and excellent for small business lending within this assessment area. This level of lending is considered excellent overall due to the greater weight afforded to small business loans.

Distribution of HMDA Loans by Income Level of Borrower

Kingsport-Bristol-Bristol, TN-VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	10	8.5	398	3.0	440	8.5	28,157	4.1
Moderate	30	25.6	2,023	15.4	1,089	21.0	95,724	13.9
Middle	25	21.4	2,346	17.9	1,286	24.9	146,723	21.3
Upper	52	44.5	8,337	63.7	2,359	45.6	418,771	60.7
Total	117	100.0	13,104	100.0	5,174	100.0	689,375	100.0
<i>Unknown</i>	<i>1</i>		<i>170</i>		<i>1,058</i>		<i>178,865</i>	

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

Within the assessment area during 2016, 21.7% of families are considered low-income, while 17% of families are moderate-income. HUB's lending to low-income borrowers (8.5%) lagged the percentage of low-income families and equaled the aggregate level of lending to such borrowers (8.5%). The bank's lending to moderate-income borrowers (25.6%) exceeded both the percentage of such area families and the aggregate level of lending (21%). The bank's performance in 2016 is considered reasonable.

During 2017, the bank's performance was stronger. According to reported data, the bank originated 49 HMDA loans totaling \$5.7 million within the assessment area, for which borrower incomes were known. Of these loans, nine (18.4%) totaling \$700,000 (12.3%) were made to low-income borrowers and 12 (24.5%) totaling \$876,000 (15.4%) were made to moderate-income borrowers. According to 2015 ACS data, 20.6% and 18.7% of families were low-and moderate-income. As evidenced by the 2016 aggregate lending levels compared to the 2010 ACS demographic data for low-income borrowers, demographic data tends to significantly overstate the demand for credit to such borrowers. Conversely, for moderate-income borrowers, it slightly understates credit demand. Given the 2015 demographic data and the bank's 2017 lending performance, HUB's performance is considered excellent in 2017.

On a combined basis, the bank's performance is considered reasonable due to the larger dollar volume of loans originated in 2016.

Distribution of Lending by Loan Amount and Size of Business

Kingsport-Bristol-Bristol, TN-VA (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	231	86.8	12,465	72.0	1,474	50.2	69,066	44.2
Over \$1 Million	35	13.2	4,852	28.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size	Bank				Aggregate*			
\$100,000 or less	224	84.2	6,978	40.3	2,572	87.7	43,994	28.2
\$100,001-\$250,000	29	10.9	4,387	25.3	215	7.3	36,758	23.5
\$250,001-\$1 Million	13	4.9	5,952	34.4	147	5.0	75,386	48.3
Total	266	100.0	17,317	100.0	2,934	100.0	156,138	100.0

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

D&B data from 2016 indicates that 90.8% of all local businesses have revenues that do not exceed \$1 million per year. Aggregate lending data from 2016 indicates that 50.2% 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 had unknown revenues. 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, 60.3% were made to businesses having annual revenues of \$1 million or less. Of the 2016 small business loans considered in the evaluation, 86.8% were to businesses with annual revenues of \$1 million or less. HUB's small business lending during 2016 is considered excellent, and its performance during 2017 is similar.

Geographic Distribution of Loans

The 2016 assessment area, based on 2010 ACS data, contained two low-, 13 moderate-, 37 middle- and 17 upper income census tracts, while the 2017 assessment area, using 2015 ACS data, contained no low-, 13 moderate-, 40 middle- and 16 upper-income census tracts.

HUB's geographic distribution performance is considered excellent for HMDA and reasonable for small business lending within the Kingsport-Bristol-Bristol, TN-VA assessment area during 2016 and 2017. Overall, the geographic distribution of loans is considered reasonable and reflects the greater weight placed on small business loans due to the larger dollar volume of lending.

Distribution of HMDA Loans by Income Level of Census Tract

Kingsport-Bristol-Bristol, TN-VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(62)				Home Purchase (3,484)			
Low	1	1.6	130	2.0	51	1.5	5,568	1.1
Moderate	12	19.4	777	11.7	492	14.1	53,279	10.9
Middle	34	54.8	3,901	58.8	1,745	50.1	224,547	45.8
Upper	15	24.2	1,823	27.5	1,196	34.3	206,571	42.2
	(42)				Refinance (2,175)			
Low	2	4.8	118	1.9	31	1.4	2,421	0.8
Moderate	7	16.7	668	10.5	330	15.2	39,499	12.5
Middle	25	59.5	4,360	68.8	1,092	50.2	150,455	47.5
Upper	8	19.0	1,195	18.8	722	33.2	124,116	39.2
	(14)				Home Improvement (547)			
Low	0	0.0	0	0.0	15	2.7	349	0.9
Moderate	5	35.7	124	41.1	90	16.5	5,270	13.2
Middle	7	50.0	162	53.6	269	49.2	17,423	43.7
Upper	2	14.3	16	5.3	173	31.6	16,848	42.2
	(0)				Multi-Family (26)			
Low	0	0.0	0	0.0	1	3.8	630	2.9
Moderate	0	0.0	0	0.0	3	11.5	7,730	35.3
Middle	0	0.0	0	0.0	12	46.2	7,642	34.9
Upper	0	0.0	0	0.0	10	38.5	5,892	26.9
	HMDA Totals							
Low	3	2.5	248	1.9	98	1.6	8,968	1.0
Moderate	24	20.3	1,569	11.8	915	14.7	105,778	12.2
Middle	66	55.9	8,423	63.5	3,118	50.0	400,067	46.1
Upper	25	21.3	3,034	22.8	2,101	33.7	353,427	40.7
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	118	100.0	13,274	100.0	6,232	100.0	868,240	100.0

NA*-Tracts without household or family income as applicable

During 2016, home purchase and refinance lending represent the largest categories of HMDA lending for both the bank and aggregate lenders. When considering aggregate lending levels, the bank's home purchase and refinance lending are considered excellent. Home improvement and multi-family lending were given minimal weight when considering overall HMDA lending performance due to the nominal volume of loans extended by the bank in these categories.

On a combined basis, the bank's level of lending in low-income geographies (2.5%) was higher than both the aggregate lending level (1.6%) as well as the proportion of owner-occupied housing units located in such areas (1.6%). HUB's HMDA lending in moderate-income geographies (20.3%) is also higher than both the aggregate lending level (14.7%) as well as the proportion of owner-occupied housing units located in such areas (17.8%). Overall, this level of lending is considered excellent.

During 2017, HUB originated 51 HMDA loans totaling approximately \$5.9 million. As mentioned previously, the 2017 assessment area did not contain low-income census tracts. Within the moderate-income census tracts, HUB originated eight (15.7%) loans totaling \$669,000 (11.3%), while the proportion of owner-occupied housing units located in such areas was 15.4%, based on 2015 ACS data. While there were slight changes in the composition of area census tracts between the 2010 ACS and 2015 ACS, the total number of moderate-income tracts is consistent in both years. Since the 2010 ACS and 2016 aggregate data reflect a similar demand for credit (14.7%), the demographic proxy for credit demand does not appear to overestimate or underestimate credit demand from moderate-income tracts. Given this contextual element, and the bank's 2017 performance level, HUB's 2017 performance is considered reasonable.

Overall, the bank's performance is considered excellent due to the significantly larger dollar volume of HMDA loans originated during 2016.

Distribution of Small Business Loans by Income Level of Census Tract

Kingsport-Bristol-Bristol, TN-VA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	0	0.0	0	0.0	40	1.4	4,259	2.7
Moderate	39	14.7	3,335	19.3	492	17.0	29,068	18.6
Middle	173	65.0	11,061	63.9	1,627	56.1	93,100	59.7
Upper	54	20.3	2,921	16.8	740	25.5	29,450	19.0
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	266	100.0	17,317	100.0	2,899	100.0	155,877	100.0

*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

During 2016, the bank did not originate any loans in low-income census tracts, but the percentage of businesses located in such areas (2.1%) and the aggregate lending level (1.4%) indicates limited demand in these areas. HUB's lending in moderate-income census tracts (14.7%) also lagged the percentage of businesses located in moderate-income census tracts (18.7%) and the aggregate lending level (17%) in such areas. HUB's performance during 2016 is considered reasonable.

During 2017, the bank's performance was weaker. Per 2015 ACS data, there are no low-income census tracts within the assessment area and 22.4% of businesses are located in moderate-income census tracts. According to reported data, the bank originated 137 small business loans totaling \$10.9 million within the assessment area. Of these loans, 14 (10.2%) totaling \$863,000 (7.9%) were extended in moderate-income census tracts. The bank's performance during 2017 is considered poor.

Overall, the bank's performance is considered reasonable due to the larger dollar volume of loans originated in 2016.

Community Development Loans, Investments, and Services

Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that local community development opportunities are reasonably available within the assessment area. However, as previously noted the bank may have faced some constraints in funding community development loans and qualified investments during the evaluation period when considering its balance sheet structure and funding strategies. The bank faced no constraints, however, in providing community development services.

During the evaluation period, the bank supported community development initiatives by originating community development loans, making charitable donations, and by providing community development services. Specific to the Kingsport-Bristol-Bristol, TN-VA assessment area, HUB and its employees participated in the following community development activities:

- The bank originated five community development loans and lines of credit totaling \$512,259 that provided affordable housing targeted to low- and moderate-income people and supported small business development.
- Two bank employees participated in EverFi, a financial literacy program for high school students, at a local high school where a majority of students are low- or moderate-income.
- A bank employee serves on the board of directors for Keystone Dental Care, an organization that provides dental care for area residents meeting federal poverty guidelines.
- An in-kind charitable donation of approximately \$375 was provided to a local social service organization serving low- and moderate-income people.

As mentioned previously, additional community development activities which benefitted multiple assessment areas are discussed at the institution level. Overall, the bank's community development activities demonstrate a poor level of responsiveness to the local community's needs when considering the institution's capacity and available opportunities within the assessment area.

STATE OF NORTH CAROLINA

CRA RATING FOR NORTH CAROLINA: Needs to Improve

The Lending Test is rated: Outstanding

The Community Development Test is rated: Needs to Improve

Major factors supporting the rating include:

- The bank's lending to borrowers of different income levels and to businesses of different sizes is excellent for both HMDA and small business lending.
- The bank's geographic distribution performance is considered reasonable overall for HMDA and excellent for small business lending. Its overall geographic distribution performance is considered excellent.
- The bank's participation in qualified community development activities reflects a poor level of responsiveness to community development needs within the statewide assessment area.
- Rating guidelines for Regulation BB, which implements the CRA, state that a composite rating of at least satisfactory is applicable when both the Lending and Community Development Tests are rated at least satisfactory. Because the bank's Community Development Test performance is less than satisfactory, the overall rating specific to North Carolina is Needs to Improve.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2016 and 2017 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Qualified community development loans and services are also considered for activities since the previous evaluation (May 18, 2015). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank has delineated one assessment area (Avery, NC NonMSA) in North Carolina, and this assessment area was evaluated using the FFIEC's full-scope review procedures. Ratings for the State of North Carolina are based solely on the bank's performance in this assessment area.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN AVERY, NC NONMSA ASSESSMENT AREA

The bank's assessment area is located in the northwest portion of North Carolina and includes all of Avery and Watauga counties, North Carolina. The assessment area is located in a rural area within the state. The bank operates two branches within the assessment area and, as of June 2017, ranked 10th out of 14 institutions in local deposit market share by having 3% of the assessment area's available FDIC insured deposits. According to 2016 aggregate data, the institution ranked eighth out of 216 lenders in reported HMDA volume with a 2.2% market share and third out of 44 lenders in reported CRA (small business and small farm) loans with a 9.8% market share.

According to 2010 ACS data, the assessment area has a population of 68,876 and a median housing value of \$191,770. The owner-occupancy rate for the assessment area equals 37.6%, which is significantly lower than the rate in nonmetropolitan areas of the state (55.8%) and the overall statewide rate (58.4%). There is a large stock (36.2%) of vacant housing within the assessment area, many of which are second/vacation homes because the area is considered a tourist destination. Within the assessment area, 12% of families are considered below the poverty level, which is less than the statewide nonmetropolitan area rate of 14.7%, but higher than the statewide rate of 11.4%. The 2016 HUD estimated median family income for nonmetropolitan areas of North Carolina equaled \$47,600. The following table includes pertinent demographic data for the 2016 assessment area.

Assessment Area Demographics

Avery, NC NonMSA (Based on 2010 ACS Data and 2016 D&B Information)								
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	3,313	20.9
Moderate	1	5.6	831	5.2	189	22.7	2,605	16.4
Middle	9	50.0	8,972	56.6	1,229	13.7	2,605	16.4
Upper	8	44.4	6,046	38.2	480	7.9	7,326	46.3
NA	0	0.0	0	0.0	0	0.0		
Total	18	100.0	15,849	100.0	1,898	12.0	15,849	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	8,131	28.7
Moderate	1,115	6.7	1,452	5.1	395	27.2	4,956	17.5
Middle	9,028	54.1	15,338	54.1	3,522	23.0	4,286	15.1
Upper	6,532	39.2	11,557	40.8	3,502	30.3	10,974	38.7
NA	0	0.0	0	0.0	0	0.0		
Total	16,675	100.0	28,347	100.0	7,419	26.2	28,347	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	54	1.6	46	1.5	5	2.1	3	5.2
Middle	2,000	59.3	1,819	59.2	145	59.9	36	62.1
Upper	1,320	39.1	1,209	39.3	92	38.0	19	32.7
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	3,374	100.0	3,074	100.0	242	100.0	58	100.0
Percentage of Total Businesses:				91.1		7.2		1.7

*NA-Tracts without household or family income as applicable

According to 2015 ACS data, the assessment area has a population of 69,935 and a median housing value of \$204,787. The owner-occupancy rate for the assessment area equals 36.1%, which is significantly lower than the rate in nonmetropolitan areas of the state (53.3%) and the overall statewide rate (55.7%). There is a large stock (42.7%) of vacant housing within the assessment area, due to the large number of second or vacation homes. The remaining housing units (21.2%) are rental properties. Within the assessment area, 10.9% of families are considered below the poverty level, which is less than the statewide nonmetropolitan area rate of 16.1% and the statewide rate of 12.8%. The 2017 HUD estimated median family income for nonmetropolitan areas of North Carolina equaled \$48,700. The following table includes pertinent demographic data for the 2017 assessment area.

Assessment Area Demographics

Avery, NC NonMSA (Based on 2015 ACS Data and 2017 D&B Information)								
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	2,528	16.6
Moderate	1	5.6	897	5.9	168	18.7	2,456	16.1
Middle	8	44.4	7,224	47.3	797	11.0	2,808	18.4
Upper	9	50.0	7,141	46.8	705	9.9	7,470	48.9
NA	0	0.0	0	0.0	0	0.0		
Total	18	100.0	15,262	100.0	1,670	10.9	15,262	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	7,884	29.4
Moderate	1,032	6.1	1,305	4.9	264	20.2	3,588	13.4
Middle	7,799	46.2	12,231	45.6	3,220	26.3	3,986	14.9
Upper	8,046	47.7	13,261	49.5	3,590	27.1	11,339	42.3
NA	0	0.0	0	0.0	0	0.0		
Total	16,877	100.0	26,797	100.0	7,074	26.4	26,797	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	46	1.5	38	1.4	5	2.0	3	5.3
Middle	1,660	53.5	1,498	53.5	125	50.8	37	64.9
Upper	1,398	45.0	1,265	45.1	116	47.2	17	29.8
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	3,104	100.0	2,801	100.0	246	100.0	57	100.0
Percentage of Total Businesses:				90.2		7.9		1.9

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, during 2016 all nine middle-income census tracts within the assessment area were designated as being either underserved or distressed. In Avery County, three middle-income census tracts were designated as underserved, and in Watauga County, six middle-income tracts were designated as distressed due to high poverty rates. During 2017, all eight middle-income census tracts within the assessment area were distressed or underserved. In Avery County, four middle-income census tracts were designated as underserved and in Watauga County, four census tracts were designated as distressed due to high poverty rates. The underserved designation indicates that the local community may not have access to routine community services.

The local economy is based on tourism, education, health and social services, manufacturing, and retail trade. Major area employers include Department of Public Safety, Appalachian State University, Appalachian Regional Healthcare System, Samaritans Purse, local governments, and school systems. Current and recent periodic unemployment rates are included in the following table.

Geographic Area	May 2015	May 2016	May 2017	May 2018
Avery County	6.1%	4.7%	4%	3.5%
Watauga County	5.3%	4.4%	3.9%	3.3%
State of North Carolina	6%	4.8%	4.3%	3.7%

As indicated in the table, area unemployment rates have trended downward since 2015. The unemployment rate within Watauga County is less than the statewide rate, while the rate in Avery County approximates the statewide rate.

An economic development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that the local area would benefit from more variety in employment opportunities, as the local economy is heavily dependent on Appalachian State University for job opportunities. Additionally, the contact noted a need for start-up financing because local entrepreneurs have difficulty obtaining financing. While noting such opportunities, the contact indicated that area financial institutions are serving the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2016 and 2017, the bank originated \$16.3 million in HMDA and \$16.3 million in small business loans within the assessment area. Accordingly, the bank’s HMDA and small business lending performances were given equal weight when considering its overall performance within this assessment area.

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

The bank’s borrower distribution performance is considered excellent for both HMDA and small business lending within the Avery, NC NonMSA assessment area.

Distribution of HMDA Loans by Income Level of Borrower

Avery, NC NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	2	5.4	221	3.7	20	1.3	2,222	0.7
Moderate	3	8.1	208	3.5	126	8.2	14,459	4.2
Middle	10	27.0	1,173	19.9	224	14.5	33,371	9.8
Upper	22	59.5	4,303	72.9	1,176	76.0	290,778	85.3
Total	37	100.0	5,905	100.0	1,546	100.0	340,830	100.0
Unknown	1		220		158		63,167	

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

Within the assessment area, 20.9% of families are considered low-income, while 16.4% of families are moderate-income. During 2016, HUB’s lending to low-income borrowers (5.4%) lagged the percentage of low-income families, but substantially exceeded the aggregate level of lending to such borrowers (1.3%). The bank’s lending to moderate-income borrowers (8.1%) also lagged the percentage of moderate-income families and approximated the aggregate level of lending (8.2%). The bank's overall performance during 2016 is considered excellent, and its performance during 2017 is similar.

Distribution of Lending by Loan Amount and Size of Business

Avery, NC NonMSA (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	128	90.8	6,656	69.7	842	57.6	40,259	55.2
Over \$1 Million	13	9.2	2,888	30.3	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	119	84.4	2,711	28.4	1,330	91.0	26,682	36.6
\$100,001-\$250,000	11	7.8	1,851	19.4	67	4.6	11,550	15.8
\$250,001-\$1 Million	11	7.8	4,982	52.2	65	4.4	34,669	47.6
Total	141	100.0	9,544	100.0	1,462	100.0	72,901	100.0

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

D&B data from 2016 indicates that 91.1% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 57.6% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had revenues that were unknown. As part of the performance context, the aggregate data was also considered after excluding certain specialty lenders. Of the small business loans reported by traditional bank lenders, 66.5% were made to businesses having annual revenues of \$1 million or less. During 2016, 90.8% of the bank's small business loans were to businesses having annual revenues of \$1 million or less. The bank's performance during 2016 is considered excellent, and its performance during 2017 is similar.

Geographic Distribution of Loans

Based on both 2010 and 2015 ACS data, there is only one moderate-income tract in the assessment area. When considering the bank's performance by loan product, the geographic distribution performance is reasonable overall for HMDA and excellent for small business lending. When considering both the size and strength of the bank's performance by loan product, its overall geographic distribution performance is considered excellent.

Distribution of HMDA Loans by Income Level of Census Tract

Avery, NC NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(22)				(969)			
	Home Purchase							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	12	1.2	1,339	0.6
Middle	15	68.2	2,767	74.6	467	48.2	107,624	48.7
Upper	7	31.8	940	25.4	490	50.6	112,034	50.7
	(12)				(653)			
	Refinance							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	16	2.5	2,579	1.8
Middle	6	50.0	844	44.1	330	50.5	74,996	52.4
Upper	6	50.0	1,069	55.9	307	47.0	65,431	45.8
	(4)				(77)			
	Home Improvement							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	4	5.2	70	0.7
Middle	3	75.0	369	73.1	38	49.4	5,187	49.9
Upper	1	25.0	136	26.9	35	45.4	5,128	49.4
	(0)				(4)			
	Multi-Family							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	0	0.0	0	0.0
Middle	0	0.0	0	0.0	0	0.0	0	0.0
Upper	0	0.0	0	0.0	4	100.0	29,279	100.0
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	32	1.9	3,988	1.0
Middle	24	63.2	3,980	65.0	835	49.0	187,807	46.5
Upper	14	36.8	2,145	35.0	836	49.1	211,872	52.5
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	38	100.0	6,125	100.0	1,703	100.0	403,667	100.0

NA*-Tracts without household or family income as applicable

Given the limited volume of multi-family housing secured loans within the assessment area, the performance for this product received relatively small weight when considering HUB's overall performance. The bank did not originate any loans in the moderate-income census tract, which lagged the proportion of owner-occupied housing units located in such tracts (6.7%) and the aggregate lending level (1.9%). Despite the somewhat limited opportunities to lend in the moderate-income tract, the bank's performance during 2016 is considered poor.

During 2017, the bank reported originating 53 residential mortgage loans totaling \$10.2 million within the assessment area, of which three (5.7%) totaling \$469,000 (4.6%) were within the moderate-income census tract. Demographic data indicated 6.1% of owner-occupied units were located in this area. As reflected in the 2015 ACS data, the owner-occupied percentage appears to overstate the demand for credit when compared with the aggregate lending level. Given this contextual perspective, HUB's 2017 lending performance is considered excellent.

On a combined year basis, the bank's overall HMDA lending geographic distribution performance is considered reasonable. In reaching this conclusion, greater weight is given to the bank's 2017 performance given the larger dollar volume of lending.

Distribution of Small Business Loans by Income Level of Census Tract

Avery, NC NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	10	7.1	189	2.0	46	3.2	2,286	3.1
Middle	74	52.5	3,786	39.7	774	54.5	39,585	54.4
Upper	57	40.4	5,569	58.3	601	42.3	30,870	42.5
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	141	100.0	9,544	100.0	1,421	100.0	72,741	100.0

*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

During 2016, the bank's level of lending to businesses located in the moderate-income census tract (7.1%) substantially exceeded the percentage of businesses located in such areas (1.6%) and the aggregate lending level (3.2%). The bank's performance during 2016 is excellent, and its performance during 2017 is similar.

Community Development Loans, Investments, and Services

Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that limited community development opportunities exist within the assessment area. As previously noted, the structure of the bank's balance sheet and its related funding strategies may have been somewhat constrained during much of the evaluation period and may have limited the bank's ability to originate community development loans and make qualified investments. To the extent that such constraints existed, the institution was not precluded from reasonably taking advantage of available opportunities within the context of such constraints. The bank faces no constraints, however, in providing community development services.

Specific to the Avery, NC NonMSA assessment area and during the evaluation period, HUB provided or participated in the following qualified community development activity:

- The bank originated one community development loan equaling \$402,250 that financed the renovation of area affordable housing.

However, the bank's employees did not participate in qualified service activities during the evaluation period within the assessment area and did not make or maintain any qualified investments that benefit this assessment area during the evaluation period. Overall, the institution's community development performance demonstrates a poor level of responsiveness to the community development needs of its assessment area through its investment and lending activities and support of area organizations that facilitate community development.

STATE OF TENNESSEE

CRA RATING FOR TENNESSEE: Needs to Improve

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Needs to Improve

Major factors supporting the rating include:

- The bank's lending to borrowers of different income levels and businesses of different sizes varies between poor (HMDA lending) and excellent (small business lending) and is considered reasonable overall.
- The bank's geographic distribution performance is considered poor for both HMDA and small business lending.
- The bank's community development activities demonstrate a poor level of responsiveness to community development needs when considering both opportunities available within the market and the bank's capacity.
- Rating guidelines for Regulation BB, which implements the CRA, state that a composite rating of at least satisfactory is applicable when both the Lending and Community Development Tests are rated at least satisfactory. Because the bank's Community Development Test performance is less than satisfactory, the overall rating specific to Tennessee is Needs to Improve.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2016 and 2017 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Qualified community development loans and services are also considered for activities since the previous evaluation (May 18, 2015). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank has delineated the following assessment areas in the State of Tennessee:

- Sevier, TN NonMSA
- Knoxville, TN

On a combined basis, the Tennessee assessment areas account for 16.3% of the bank's lending (dollar volume), 21.4% of branches and 4.4% of deposit volume. Information about loan volume, branches, and deposits are included in Appendix D of this report.

Based upon relative size and concentration of banking activities, the Sevier, TN NonMSA assessment area was identified as the bank's primary market within Tennessee and was evaluated using the FFIEC's full-scope procedures. Consequently, the bank's performance ratings within Tennessee are based on its performance in this one assessment area. The remaining assessment area was subject to the limited review procedures, and a determination was made as to whether its performance exceeded, was consistent with, or was below the assigned state ratings.

As previously noted, the bank's performance within the Tennessee portion of the Kingsport-Bristol-Bristol, TN-VA assessment area is considered within the evaluation of that assessment area and is not considered as a factor for the State of Tennessee's performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

The institution operates three branches within two assessment areas in the state. The assessment areas are contiguous and are located in eastern Tennessee adjacent to the North Carolina state line. These three branch offices account for \$21.9 million of the bank's total deposit base.

Within its Tennessee assessment area (which does not include the multistate assessment area), HUB ranked 28th out of 34 institutions in local deposit market share by having .2% of the assessment area's available FDIC insured deposits, as of June 2017. According to 2016 aggregate data, the institution ranked 83rd out of 465 lenders in reported residential mortgage loans with a <.1% market share and 13th out of 102 lenders in reported small business and small farm loans with a 1.3% market share.

Based on 2010 ACS data, the Tennessee assessment areas served by the bank have a total population of 522,115, including 135,854 families. A majority of the families are middle-and upper-income (66.2%), while low-and moderate-income families each comprise 18.2% and 15.6% of the total, respectively. Within these assessment areas, the owner-occupancy rate equals 59.3%, and 9.4% of families live below the poverty level. Area median family incomes during 2016 and 2017 are detailed in the following table.

Area	Median Family Incomes	
	2016	2017
Tennessee Statewide Nonmetropolitan Area	\$46,400	\$47,900
Knoxville, TN MSA	\$58,900	\$61,600

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN TENNESSEE:

The bank's overall Tennessee state rating and the rating for each test for the state is based upon performance in the Sevier, TN NonMSA assessment area, which is discussed in detail in the next section of this evaluation.

TENNESSEE 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 SEVIER, TN NONMSA ASSESSMENT AREA

The bank's assessment area is located in eastern Tennessee and includes all of Sevier County, Tennessee. The bank operates two branches in the assessment area and, as of June 2017, ranked last out of ten institutions in local deposit market share with .7% of the FDIC insured deposits within Sevier County. According to 2016 aggregate data, the institution ranked 31st out of 317 lenders in reported residential mortgage loans with a .5% market share and fifth out of 60 lenders in reported small business and small farm loans with an 8.3% market share.

According to 2010 ACS data, the assessment area has a population of 89,889 and a median housing value of \$155,451. The owner-occupancy rate for the market (48.9%) is less than the rate for nonmetropolitan areas of Tennessee (62.2%) and the State of Tennessee (61.4%). Within the assessment area, 10.3% of families are considered below the poverty level, which is less than that of nonmetropolitan areas of Tennessee (14.6%) as well as the entire state (12.4%). The 2016 estimated median family income for nonmetropolitan areas of Tennessee equaled \$46,400. The following table includes pertinent demographic data for the assessment area.

Assessment Area Demographics

Sevier, TN NonMSA <i>(Based on 2010 ACS Data and 2016 D&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	4,608	17.0
Moderate	1	5.6	710	2.6	142	20.0	4,429	16.3
Middle	10	55.6	16,279	60.0	1,934	11.9	5,881	21.7
Upper	6	33.3	10,134	37.4	727	7.2	12,205	45.0
NA	1	5.5	0	0.0	0	0.0		
Total	18	100.0	27,123	100.0	2,803	10.3	27,123	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,916	18.4
Moderate	381	1.5	1,118	3.0	231	20.7	5,535	14.7
Middle	15,334	59.4	22,656	60.3	3,470	15.3	6,980	18.6
Upper	10,098	39.1	13,809	36.7	1,438	10.4	18,152	48.3
NA	0	0.0	0	0.0	0	0.0		
Total	25,813	100.0	37,583	100.0	5,139	13.7	37,583	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	327	7.4	288	7.1	31	9.7	8	27.6
Middle	2,794	63.3	2,561	63.0	217	67.6	16	55.2
Upper	1,287	29.2	1,210	29.8	72	22.4	5	17.2
NA	7	0.1	6	0.1	1	0.3	0	0.0
Total	4,415	100.0	4,065	100.0	321	100.0	29	100.0
Percentage of Total Businesses:				92.1		7.3		0.6

*NA-Tracts without household or family income as applicable

According to 2015 ACS data, the assessment area has a population of 93,617 and a median housing value of \$158,988. The owner-occupancy rate for the market (43.4%) is less than the rate for nonmetropolitan areas of Tennessee (59.6%) and the State of Tennessee (58.6%). Within the assessment area, 11.2% of families are considered below the poverty level, which is less than that of nonmetropolitan areas of Tennessee (15.4%) as well as the entire state (13.2%). The 2017 estimated median family income for nonmetropolitan areas of Tennessee equaled \$47,900. The following table includes pertinent demographic data for the 2017 assessment area.

Assessment Area Demographics

Sevier, TN NonMSA <i>(Based on 2015 ACS Data and 2017 D&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	4,325	16.7
Moderate	1	5.6	586	2.3	209	35.7	4,632	17.9
Middle	12	66.7	17,681	68.4	2,126	12.0	5,336	20.6
Upper	4	22.2	7,594	29.3	557	7.3	11,568	44.8
NA	1	5.5	0	0.0	0	0.0		
Total	18	100.0	25,861	100.0	2,892	11.2	25,861	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	6,857	18.7
Moderate	257	1.1	953	2.6	391	41.0	5,550	15.1
Middle	16,109	66.0	25,283	68.9	3,825	15.1	6,752	18.4
Upper	8,054	32.9	10,481	28.5	1,193	11.4	17,558	47.8
NA	0	0.0	0	0.0	0	0.0		
Total	24,420	100.0	36,717	100.0	5,409	14.7	36,717	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	288	7.2	249	6.9	33	10.1	6	23.1
Middle	2,932	73.6	2,666	73.5	252	77.3	14	53.8
Upper	754	19.0	708	19.5	40	12.3	6	23.1
NA	7	0.2	6	0.1	1	0.3	0	0.0
Total	3,981	100.0	3,629	100.0	326	100.0	26	100.0
Percentage of Total Businesses:				91.2		8.2		0.6

*NA-Tracts without household or family income as applicable

The assessment area's economy is primarily based on hospitality, retail services, construction industries, and local government. Major area employers include Dollywood Company, Wilderness at the Smokies, Leconte Medical Center, Wal-Mart, local government, and the area school system. Current and recent periodic unemployment rates are included in the following table.

Geographic Area	May 2015	May 2016	May 2017	May 2018
Sevier County	5.3%	3.7%	2.9%	2.5%
State of Tennessee	5.6%	4.1%	3.2%	3%

Unemployment rates within Sevier County have declined since May 2015, and the rates are consistently below the statewide rates.

A local economic development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that area small businesses benefit from a variety of educational resources that are available to them and noted the growth in several niche industries in the local area. Additionally, the contact stated that area businesses benefit from the small business support provided by local financial institutions. It was the opinion of the contact that local financial institutions are adequately serving the needs of the local market.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2016 and 2017, the bank originated \$5.4 million in HMDA and \$8.1 million in small business loans within the assessment area. Accordingly, the small business lending performance is given more weight when considering the bank’s combined product performance.

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

While HUB's borrower distribution performance is poor for HMDA lending, it is excellent for small business lending. When considering performance on a combined product basis, the bank's overall performance is reasonable.

Distribution of HMDA Loans by Income Level of Borrower

Sevier, TN NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	HMDA Totals							
Low	2	12.5	144	5.7	87	3.1	6,478	1.4
Moderate	1	6.3	121	4.8	378	13.6	42,499	9.2
Middle	1	6.3	164	6.5	525	18.9	70,931	15.4
Upper	12	74.9	2,108	83.0	1,781	64.4	342,141	74.0
Total	16	100.0	2,537	100.0	2,771	100.0	462,049	100.0
Unknown	0		0		693		130,883	

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

During 2016, the bank’s level of lending to low-income borrowers (12.5%) was less than the percentage of low-income families within the assessment area (17%), but substantially exceeded the aggregate lending level to such borrowers (3.1%). HUB’s lending to moderate-income borrowers (6.3%) was less than both the percentage of moderate-income families within the assessment area (16.3%) and the aggregate lending level (13.6%). On a combined basis, HUB’s lending level is considered reasonable.

During 2017, the bank originated 13 HMDA loans totaling approximately \$2.9 million. Of these loans, none were originated to low- or moderate-income borrowers. The 2015 ACS data indicates that 16.7% of area families are low-income and 17.9% of families are moderate-income. The bank’s performance in 2017 is considered poor, and HMDA performance is considered poor overall when considering the relative performance strength in each year.

Distribution of Lending by Loan Amount and Size of Business

Sevier, TN NonMSA (2016)								
by Revenue	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	108	100.0	3,611	100.0	746	53.6	32,158	50.2
Over \$1 Million	0	0.0	0	0.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
by Loan Size								
\$100,000 or less	100	92.6	2,311	64.0	1,257	90.2	16,578	25.9
\$100,001-\$250,000	8	7.4	1,300	36.0	68	4.9	11,503	18.0
\$250,001-\$1 Million	0	0.0	0	0.0	68	4.9	35,963	56.1
Total	108	100.0	3,611	100.0	1,393	100.0	64,044	100.0

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

During 2016, 53.6% of aggregate reported small business loans were to businesses with annual revenues of \$1 million or less. The remaining loans were to businesses that either had revenues exceeding \$1 million or had unknown revenues. D&B data from 2016 indicates that 92.1% of all local businesses have revenues that do not exceed \$1 million per year. Excluding large credit card lenders, 65% of the remaining reported small business loans were to businesses having revenues of \$1 million or less. HUB's level of lending to businesses having revenues of \$1 million or less (100%) is considered excellent, and its performance during 2017 is similar.

Geographic Distribution of Loans

As indicated in the demographic tables, there are no low-income tracts and only one moderate-income tract within the assessment area in 2016 and 2017. The 2016 assessment area also includes ten middle- and six upper-income census tract, as well as one tract that is not populated. The 2017 assessment area includes one moderate-, 12 middle- and four upper-income census tracts, as well as the one non-populated tract.

When considering the bank's performance by loan product, its geographic distribution performance is poor for both HMDA and small businesses lending.

Distribution of HMDA Loans by Income Level of Census Tract

Sevier, TN NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
	(7)				(2,117)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	15	0.7	2,245	0.6
Middle	6	85.7	712	89.1	1,358	64.1	232,086	63.3
Upper	1	14.3	87	10.9	744	35.2	132,577	36.1
	(8)				(1,156)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	7	0.6	1,483	0.7
Middle	5	62.5	1,131	69.9	685	59.3	127,607	62.0
Upper	3	37.5	487	30.1	464	40.1	76,599	37.3
	(1)				(181)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	3	1.7	72	0.5
Middle	1	100.0	120	100.0	116	64.1	8,574	58.8
Upper	0	0.0	0	0.0	62	34.2	5,939	40.7
	(0)				(9)			
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	1	11.1	710	12.6
Middle	0	0.0	0	0.0	3	33.3	1,680	29.9
Upper	0	0.0	0	0.0	5	55.6	3,228	57.5
	HMDA Totals							
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	0	0.0	0	0.0	26	0.8	4,510	0.8
Middle	12	75.0	1,963	77.4	2,162	62.4	369,947	62.4
Upper	4	25.0	574	22.6	1,275	36.8	218,343	36.8
NA*	0	0.0	0	0.0	1	0.0	132	0.0
Total	16	100.0	2,537	100.0	3,464	100.0	592,932	100.0

NA*-Tracts without household or family income as applicable

As indicated in the table, the bank reported a modest number of HMDA loans (16) within the assessment area during 2016, and none of these loans was within the moderate-income census tract. The aggregate lending level (0.8%) and the proportion of owner-occupied units within the moderate-income census tract (1.5%) indicate limited demand. Nonetheless, HUB's performance during 2016 is considered poor, and the performance was similar in 2017.

Distribution of Small Business Loans by Income Level of Census Tract

Sevier, TN NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	4	3.7	204	5.6	87	6.3	2,961	4.6
Middle	65	60.2	2,269	62.8	882	64.1	41,154	64.4
Upper	39	36.1	1,138	31.6	406	29.5	19,806	31.0
NA*	0	0.0	0	0.0	1	0.1	2	0.0
Total	108	100.0	3,611	100.0	1,376	100.0	63,923	100.0

*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 to businesses located in the moderate-income census tract (3.7%) during 2016 lagged the percentage of businesses located in such areas (7.4%) and the aggregate lending level (6.3%) and is considered poor. The bank's performance was similar during 2017 and is also considered poor.

Community Development Loans, Investments, and Services

Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are limited within the assessment area. As previously indicated, the structure of the bank's balance sheet and its related funding strategies had some impact on the bank's ability to fund community development loans and investments during much of the evaluation period. Nonetheless, the bank was not precluded from making community development loans or investments. In addition, the bank faced no constraints in providing community development services during the evaluation period.

Specific to this assessment area, the bank did not originate any community development loans or participate in other qualified service activities during the evaluation period. In addition, the bank did not make any qualified investments that benefit this assessment area, nor did it maintain any during the evaluation period.

Overall, the institution's community development performance demonstrates a poor level of responsiveness to the community development needs of its assessment area through its investment and lending activities and support of area organizations that facilitate community development.

TENNESSEE METROPOLITAN AREAS
(For each metropolitan area where no assessment areas were reviewed using full-scope review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE ASSESSMENT AREA

The Knoxville, TN assessment area was reviewed using the limited review examination procedures. Information detailing the composition of the market, including selected demographic data, is included in **APPENDIX C** of this report.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Facts and data reviewed for the assessment area, including performance and demographic information, can be found in **APPENDIX C** of this evaluation. Conclusions regarding performance, which did not impact the institution's overall rating, are included in the following table. The conclusion conveys whether performance in an assessment area was generally below, consistent with, or exceeded the institution's statewide ratings.

Assessment Area	Lending Test	Community Development Test
Knoxville, TN	Consistent	Consistent

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:

- The bank's borrower distribution performance is reasonable for HMDA and excellent for small business lending. The overall borrower distribution performance is considered excellent.
- The bank's geographic distribution performance is considered poor overall for both HMDA and small business lending.
- Relative to the available community development opportunities, bank capacity, and local market impact, the bank's lending, investment, and service activities reflects adequate performance.

SCOPE OF EXAMINATION

HMDA and small business loans from calendar years 2016 and 2017 were analyzed to determine the bank's performance regarding the borrower and geographic distribution of lending. Qualified community development loans and services are also considered for activities since the previous evaluation (May 18, 2015). All qualified investments made during this same period, and those outstanding as of the evaluation, regardless of when made, were also considered.

The bank has delineated one assessment area (Smyth, VA NonMSA) in the Commonwealth of Virginia. Statewide ratings for Virginia are based solely on the bank's performance in this assessment area. As previously noted, the bank's performance within the Virginia portion of the Kingsport-Bristol-Bristol, TN-VA assessment area is considered within that assessment area and is not considered as a factor for the Commonwealth of Virginia's performance.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN SMYTH, VA NONMSA ASSESSMENT AREA

The bank's assessment area is located in southwestern Virginia and includes all of Smyth County. The bank operates one branch office in this assessment area and, as of June 2017, ranked fourth out of six institutions in local deposit market share by having 10.2% of the FDIC insured deposits within Smyth County. According to 2016 aggregate data, the institution ranked sixth out of 61 lenders in reported residential mortgage loans with a 3.5% market share and fifth out of 25 lenders in reported small business and small farm loans with a 5.3% market share.

According to 2010 ACS data, the assessment area has a population of 32,208 and a median housing value of \$86,941. The owner-occupancy rate for the market (61.4%) is similar to the rate for nonmetropolitan areas of Virginia (59.9%) and the commonwealth (61.8%). Within the assessment area, 12.9% of families are considered below the poverty level, which exceeds the rate in nonmetropolitan areas of Virginia (11.8%) and the Commonwealth of Virginia (7.2%). The 2016 estimated median family income for nonmetropolitan areas of Virginia equaled \$52,300. The following table includes pertinent demographic data for the 2016 assessment area.

Assessment Area Demographics

Smyth, VA NonMSA <i>(Based on 2010 ACS Data and 2016 D&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	2,060	23.5
Moderate	1	11.1	816	9.3	243	29.8	1,747	19.9
Middle	8	88.9	7,962	90.7	891	11.2	1,983	22.6
Upper	0	0.0	0	0.0	0	0.0	2,988	34.0
NA	0	0.0	0	0.0	0	0.0		
Total	9	100.0	8,778	100.0	1,134	12.9	8,778	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	3,557	27.4
Moderate	739	7.8	1,313	10.1	469	35.7	2,252	17.3
Middle	8,735	92.2	11,679	89.9	1,905	16.3	2,430	18.7
Upper	0	0.0	0	0.0	0	0.0	4,753	36.6
NA	0	0.0	0	0.0	0	0.0		
Total	9,474	100.0	12,992	100.0	2,374	18.3	12,992	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	134	12.4	113	11.3	17	24.6	4	28.6
Middle	947	87.6	885	88.7	52	75.4	10	71.4
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	1,081	100.0	998	100.0	69	100.0	14	100.0
	Percentage of Total Businesses:			92.3		6.4		1.3

*NA-Tracts without household or family income as applicable

According to 2015 ACS data, the assessment area has a population of 31,734 and a median housing value of \$88,923. The owner-occupancy rate for the market (58.2%) is similar to the rates for nonmetropolitan areas of Virginia (57.3%) and the commonwealth (59.2%). Within the assessment area, 14.4% of families are considered below the poverty level, which exceeds the rate in nonmetropolitan areas of Virginia (13.4%) and the Commonwealth of Virginia (8.2%). The 2017 estimated median family income for nonmetropolitan areas of Virginia equaled \$53,300. The following table includes pertinent demographic data for the 2017 assessment area.

Assessment Area Demographics

Smyth, VA NonMSA <i>(Based on 2015 ACS Data and 2017 D&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	1,990	23.1
Moderate	2	22.2	1,848	21.5	360	19.5	1,620	18.8
Middle	7	77.8	6,750	78.5	879	13.0	1,984	23.1
Upper	0	0.0	0	0.0	0	0.0	3,004	35.0
NA	0	0.0	0	0.0	0	0.0		
Total	9	100.0	8,598	100.0	1,239	14.4	8,598	100.0
	Owner Occupied Units by Tract		Households					
			HHs by Tract		HHs < Poverty by Tract		HHs by HH Income	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	3,365	26.3
Moderate	2,238	25.0	2,969	23.2	546	18.4	2,172	17.0
Middle	6,704	75.0	9,826	76.8	1,753	17.8	2,318	18.1
Upper	0	0.0	0	0.0	0	0.0	4,940	38.6
NA	0	0.0	0	0.0	0	0.0		
Total	8,942	100.0	12,795	100.0	2,299	18.0	12,795	100.0
	Total Businesses by Tract		Businesses by Tract and Revenue Size					
			Less than or = \$1 Million		Over \$1 Million		Revenue not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	218	22.7	203	23.0	13	20.0	2	15.4
Middle	744	77.3	681	77.0	52	80.0	11	84.6
Upper	0	0.0	0	0.0	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	962	100.0	884	100.0	65	100.0	13	100.0
Percentage of Total Businesses:				91.9		6.8		1.3

*NA-Tracts without household or family income as applicable

According to data published by the FFIEC, all of the assessment area's middle-income census tracts have been designated as being underserved in 2016 and 2017. This indicates that the local community may not have access to routine community services.

The local economy is primarily based on a variety of manufacturing, service, and agricultural industries. Major area employers include Utility Trailer Manufacturing, Teleperformance USA, Southwest Virginia Mental Health Center, General Dynamics Armament, Royal Mouldings, Mountain States Health Alliance, and area school systems. Current and recent periodic unemployment rates are included in the following table.

Geographic Area	May 2015	May 2016	May 2017	May 2018
Smyth County	6.5%	5.4%	5.2%	4.1%
Commonwealth of Virginia	4.6%	3.8%	3.7%	2.9%

Although unemployment rates within Smyth County have declined since May 2015, the rates consistently exceed the statewide rates, suggesting that the local economy is not as strong as the commonwealth's economy.

An economic development official was contacted during the evaluation to discuss local economic conditions and community credit needs. The contact stated that economic conditions in the local area are becoming stronger and noted the plans for a new manufacturing facility within the county. The contact also suggested that opportunities for small business financing through local financial institutions and economic development programs are readily available. Additionally, the contact indicated that area financial institutions are reasonably serving the banking needs of the local community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

During 2016 and 2017, the bank originated \$1.4 million in HMDA and \$1.7 million in small business loans within the assessment area. Accordingly, the small business lending performance is given slightly more weight when considering the bank's combined product performance.

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

HUB's borrower distribution performance is considered reasonable for HMDA lending and excellent for small business lending. The overall borrower distribution performance is considered excellent and is driven by the strength of the small business lending performance.

Distribution of HMDA Loans by Income Level of Borrower

Smyth, VA NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
HMDA Totals								
Low	1	7.7	15	2.0	44	11.5	1,967	5.7
Moderate	4	30.8	272	36.4	120	31.4	9,015	26.0
Middle	3	23.1	102	13.7	97	25.4	9,409	27.2
Upper	5	38.4	358	47.9	121	31.7	14,263	41.1
Total	13	100.0	747	100.0	382	100.0	34,654	100.0
Unknown	2		533		51		11,843	

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

Within the 2016 assessment area, 23.5% of families were considered low-income, while 19.9% of families were moderate-income. HUB's lending to low-income borrowers (7.7%) lagged the percentage of low-income families and the aggregate level of lending to such borrowers (11.5%). The bank's lending to moderate-income borrowers (30.8%) exceeded the percentage of moderate-income families, and was comparable to the aggregate level of lending (31.4%). The bank's performance in 2016 is considered reasonable.

During 2017, the bank's volume of lending was less and its performance was weaker. According to reported data, the bank originated only two HMDA loans totaling \$137,000 within the assessment area. Neither of the two loans originated were to low- or moderate-income borrowers. According to 2015 ACS data, 23.1% and 18.8% of families were low-and moderate-income. The bank's performance during 2017 is considered poor.

Overall, the bank's performance is considered reasonable due to the larger dollar volume of loans originated in 2016.

Distribution of Lending by Loan Amount and Size of Business

Smyth, VA NonMSA (2016)								
<i>by Revenue</i>	Bank				Aggregate*			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$1 Million or Less	16	100.0	470	100.0	207	66.6	9,889	66.2
Over \$1 Million	0	0.0	0	0.0	NA	NA	NA	NA
Unknown	0	0.0	0	0.0	NA	NA	NA	NA
<i>by Loan Size</i>								
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
\$100,000 or less	16	100.0	470	100.0	273	87.8	4,854	32.5
\$100,001-\$250,000	0	0.0	0	0.0	25	8.0	3,802	25.4
\$250,001-\$1 Million	0	0.0	0	0.0	13	4.2	6,286	42.1
Total	16	100.0	470	100.0	311	100.0	14,942	100.0

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

D&B data from 2016 indicates that 92.3% of all local businesses have revenues that do not exceed \$1 million per year. According to 2016 aggregate small business data, 66.6% of reported loans were to businesses with annual revenues of \$1 million or less. The remaining loans were extended to businesses that either had revenues exceeding \$1 million or had revenues that were unknown. After excluding large credit card lenders that report small business loans, 81.9% of reported small business loans were to businesses having revenues of \$1 million or less. The bank's level of lending to businesses having annual revenues of \$1 million or less (100%) is considered excellent. The bank's performance during 2017 is similar to its performance during 2016 and is also considered excellent.

Geographic Distribution of Loans

As previously indicated, the 2016 assessment area includes one moderate- and eight middle-income census tracts, while the 2017 assessment area includes two moderate- and seven middle-income census tracts. There are no low- or upper-income census tracts within the county for 2016 or 2017.

When considering the bank's performance by loan product, the geographic distribution performance is poor for both HMDA and small business lending.

Distribution of HMDA Loans by Income Level of Census Tract

Smyth, VA NonMSA (2016)									
Income Categories	Bank				Aggregate				
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$	
	(2)				Home Purchase				(211)
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	0	0.0	0	0.0	20	9.5	1,638	7.6	
Middle	2	100.0	166	100.0	191	90.5	20,040	92.4	
Upper	NA	NA	NA	NA	NA	NA	NA	NA	
	(6)				Refinance				(158)
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	0	0.0	0	0.0	9	5.7	660	3.9	
Middle	6	100.0	532	100.0	149	94.3	16,139	96.1	
Upper	NA	NA	NA	NA	NA	NA	NA	NA	
	(6)				Home Improvement				(58)
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	0	0.0	0	0.0	3	5.2	35	1.5	
Middle	6	100.0	182	100.0	55	94.8	2,271	98.5	
Upper	NA	NA	NA	NA	NA	NA	NA	NA	
	(1)				Multi-Family				(6)
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	0	0.0	0	0.0	0	0.0	0	0.0	
Middle	1	100.0	400	100.0	6	100.0	5,714	100.0	
Upper	NA	NA	NA	NA	NA	NA	NA	NA	
	HMDA Totals								
Low	NA	NA	NA	NA	NA	NA	NA	NA	
Moderate	0	0.0	0	0.0	32	7.4	2,333	5.0	
Middle	15	100.0	1,280	100.0	401	92.6	44,164	95.0	
Upper	NA	NA	NA	NA	NA	NA	NA	NA	
NA*	NA	NA	NA	NA	NA	NA	NA	NA	
Total	15	100.0	1,280	100.0	433	100.0	46,497	100.0	

NA*-Tracts without household or family income as applicable

As indicated in the preceding table, the bank did not originate any loans in the moderate-income census tract during 2016. According to demographic data, 7.8% of owner-occupied housing units are located in the moderate-income tract, and 7.4% of the aggregate lenders' HMDA loans were extended in the moderate-income tract. The demographic and aggregate data indicate that there is viable demand for mortgage loans in the moderate-income census tract. Consequently, HUB's lack of lending in the moderate-income census tract reflects a poor performance during 2016.

During 2017, the bank originated two HMDA loans totaling \$137,000. Of these two loans, one (50%) was extended to a moderate-income census tract resident. Considering the percentage of owner-occupied housing units located in moderate-income census tracts during 2017 (25%), the bank's performance during 2017 is considered excellent. While the bank's performance improved in 2017, it is noted that such improvement was driven by only two loans.

On a combined year basis, the bank's performance is considered poor due to the significantly larger number of loans and dollar volume of lending in 2016.

Distribution of Small Business Loans by Income Level of Census Tract

Smyth, VA NonMSA (2016)								
Income Categories	Bank				Aggregate			
	#	%	\$(000s)	% \$	#	%	\$(000s)	% \$
Low	NA	NA	NA	NA	NA	NA	NA	NA
Moderate	5	31.3	155	33.0	40	13.2	2,790	18.7
Middle	11	68.7	315	67.0	264	86.8	12,136	81.3
Upper	NA	NA	NA	NA	NA	NA	NA	NA
NA*	NA	NA	NA	NA	NA	NA	NA	NA
Total	16	100.0	470	100.0	304	100.0	14,926	100.0

*NA-Tracts without household or family income as applicable

Loans where the geographic location is unknown are excluded from this table.

D&B data from 2016 indicates that 12.4% of all area businesses are located in the moderate-income census tract and during 2016, the aggregate lenders reported 13.2% of small business loans were in the moderate income census tract. When comparing the bank's lending performance (31.3%) in moderate-income tracts with relevant demographic and contextual data, HUB's level of small business lending is considered excellent.

During 2017, the bank originated nine small business loans totaling \$1.2 million within the Smyth, VA NonMSA assessment area. Of these loans, none were to businesses located in moderate-income census tracts. According to 2017 D&B data, 22.7% of area businesses were located in these tracts. The bank's performance during 2017 is considered very poor.

Due to the much larger dollar volume of lending in 2017, the bank's performance is considered poor overall.

Community Development Loans, Investments, and Services

Discussions with an individual knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are limited within the assessment area. In addition, the institution faced moderate constraints regarding community development lending and qualified investment activity when considering its balance sheet structure and funding strategies during much of the evaluation period. The bank faces no constraints, however, in providing community development services.

Specific to the Smyth, VA NonMSA assessment area and during the evaluation period, HUB provided or participated in the following qualified community development activities:

- The bank extended and twice renewed a line of credit, of which \$825,000 was extended during the review period that was used for affordable multi-family housing
- The bank holds a bond issued by the Mountain States Health Alliance of which \$5,372 benefits medical facilities in Smyth County. As mentioned previously, Smyth County is designated as underserved.
- A bank officer serves on the loan review committee of the Marion Small Business Loan Program (small business development).

As mentioned previously, additional community development activities which benefitted multiple assessment areas are discussed at the institution level. Overall, the bank's community development activities demonstrate an adequate level of responsiveness to the local community's needs when considering the institution's capacity and available opportunities within the assessment area.

CRA APPENDIX A
SCOPE OF EXAMINATION

LIST OF ASSESSMENT AREAS AND TYPE OF EXAMINATION		
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED²
Kingsport-Bristol-Bristol, TN-VA	Full-Scope	340 W. Main Street Abingdon, VA
Avery, NC NonMSA	Full-Scope	1013 NC Highway 105, Boone, NC
Sevier, TN NonMSA	Full-Scope	113 Hardin Lane, Sevierville, TN
Knoxville, TN	Limited-Scope	None
Smyth, VA NonMSA	Full-Scope	1425 N. Main Street, Marion, VA

² 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 METROPOLITAN AREA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Community Development Test Rating	Overall Rating
Kingsport-Bristol-Bristol, TN-VA multistate area	Satisfactory	Needs to Improve	Needs to Improve
State of North Carolina	Outstanding	Needs to Improve	Needs to Improve
State of Tennessee	Satisfactory	Needs to Improve	Needs to Improve
Commonwealth of Virginia	Satisfactory	Satisfactory	Satisfactory

CRA APPENDIX C

LIMITED REVIEW TABLES

Knoxville, TN Assessment Area

This assessment area includes all of Knox County, Tennessee, which is a portion of the Knoxville, TN MSA. The bank operates one branch in the assessment area, which contains nine low-, 20 moderate-, 42 middle-, and 39 upper-income census tracts according to 2015 ACS data. In addition, there are two census tracts without an income designation within the assessment area.

Performance Test Data for Knoxville, TN

Limited Review Lending Table

Knoxville, TN (2016)								
Income Categories	Bank		Aggregate	Demographic	Bank		Aggregate	Demographic
	#	%	%	%	#	%	%	%
	Home Purchase				Home Improvement			
<i>Geographic</i>	(2)				(1)			
Low	0	0.0	1.9	3.2	0	0.0	2.7	3.2
Moderate	0	0.0	8.7	11.3	0	0.0	11.5	11.3
Middle	0	0.0	44.9	45.2	1	100.0	45.1	45.2
Upper	2	100.0	44.5	40.3	0	0.0	40.7	40.3
	Refinance				Multi-Family			
<i>Geographic</i>	(0)				(0)			
Low	0	0.0	1.4	3.2	0	0.0	22.7	3.2
Moderate	0	0.0	7.5	11.3	0	0.0	27.3	11.3
Middle	0	0.0	40.7	45.2	0	0.0	34.1	45.2
Upper	0	0.0	50.4	40.3	0	0.0	15.9	40.3
	HMDA Totals				Consumer			
<i>Geographic</i>	(3)				(NA)			
Low	0	0.0	1.9	3.2	NA	NA	NA	NA
Moderate	0	0.0	8.6	11.3	NA	NA	NA	NA
Middle	1	33.3	43.4	45.2	NA	NA	NA	NA
Upper	2	66.7	46.1	40.3	NA	NA	NA	NA
<i>Borrower</i>	(3)				(NA)			
Low	0	0.0	7.2	18.5	NA	NA	NA	NA
Moderate	1	33.3	19.2	15.4	NA	NA	NA	NA
Middle	1	33.3	22.9	20.1	NA	NA	NA	NA
Upper	1	33.3	50.7	46.0	NA	NA	NA	NA
	Small Business				Small Farm			
<i>Geographic</i>	(10)				(NA)			
Low	0	0.0	5.4	6.6	NA	NA	NA	NA
Moderate	0	0.0	15.2	15.7	NA	NA	NA	NA
Middle	6	60.0	32.8	33.2	NA	NA	NA	NA
Upper	4	40.0	46.6	44.2	NA	NA	NA	NA
<i>Revenue</i>								
Busn/ Farms with revenues <=\$1 M	10	100.0	44.1	88.6	NA	NA	NA	NA

Geographic () represents the total number of bank loans for the specific Loan Purpose where geography is known
Borrower () represents the total number of bank loans for the specific Loan Purpose where income is known
NA represents no activity in the income category

The bank's HMDA and small business lending performance during 2017 is similar to its performance during 2016.

Community Development Loans, Investments, and Services

Qualified community development activities benefiting this assessment area include a bank officer providing financial education programs through Junior Achievement at a local elementary school where a majority of students are low- and moderate-income. Additionally, consistent with the other assessment areas, the bank provides free and low-cost checking accounts.

CRA APPENDIX D

LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table reflects the distribution of branch offices and deposit and loan volume by assessment area. The deposit volume includes all bank deposits and is current as of June 30, 2017, while the loan volume includes all reported HMDA and small business loans considered in the evaluation.

Assessment Area	Combined HMDA/CRA Loan Volume				Full Service Branches		Deposit Volume	
	#	%	\$(000s)	%	#	%	\$(000s)	%
Kingsport-Bristol-Bristol, TN-VA	572	50.3%	\$47,401	47.7%	8	57.2%	\$397,296	79.8%
Avery, NC NonMSA	328	28.8%	\$32,586	32.8%	2	14.3%	\$37,762	7.6%
Sevier, TN NonMSA	177	15.5%	\$13,537	13.6%	2	14.3%	\$17,015	3.4%
Knoxville, TN	19	1.7%	\$2,679	2.7%	1	7.1%	\$4,910	1%
Smyth, VA NonMSA	42	3.7%	\$3,134	3.2%	1	7.1%	\$40,970	8.2%
Total	1,138	100%	\$99,337	100%	14	100%	497,953	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.