

PUBLIC DISCLOSURE

February 8, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Providence Bank

Certificate Number: 58239

450 North Winstead Avenue
Rocky Mount, North Carolina, 27804

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

10 10th Street NE, Suite 800
Atlanta, Georgia 30309-3849

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**.

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of its small business and home mortgage loans in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of loans reflects reasonable penetration among businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment areas.

DESCRIPTION OF INSTITUTION

Providence Bank is a state-chartered community bank established in 2006 and headquartered in Rocky Mount, North Carolina. The bank is a wholly-owned subsidiary of PB Financial Corporation, a one-bank holding company. The bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated May 28, 2019, based on Intermediate Small Bank Examination Procedures.

Providence Bank operates six full-service branches across four contiguous counties in North Carolina: Nash, Edgecombe, Wilson and Wake. The bank maintains two locations in Rocky Mount, including the main office. The bank also operates branches in Tarboro, Nashville, and Wilson. On December 8, 2020, the bank opened a new branch in Raleigh (Wake County). The main office and Raleigh Branch are located in upper-income census tracts. The other branches are located within middle-income census tracts. Operating hours are generally consistent, and there are no differences in the provision or cost of products or services among the branches. Drive-thru facilities and non-deposit taking automated teller machines are available at each location with the exception of the Nashville branch.

Providence Bank offers a wide variety of traditional deposit products for consumer and commercial customers. Though the bank's primary lending focus is commercial, the institution also offers traditional consumer loan programs. These programs include home equity lines of credit and consumer installment loans. The bank does not offer in-house consumer home mortgage products. However, traditional fixed and adjustable-rate mortgage loans are available through a third-party arrangement where the bank serves as a mortgage broker. Alternative banking services include internet banking, mobile banking, and electronic bill payment services.

Assets totaled approximately \$702.0 million as of December 31, 2021, including total loans of \$550.7 million and securities totaling \$83.9 million. Deposits totaled \$575.5 million. The loan portfolio distribution as of December 31, 2021, is illustrated in the following table.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$(000s)	%
Construction and Land Development	122,698	22.2
Secured by Farmland	6,322	1.2
Secured by 1-4 Family Residential Properties	61,679	11.2
Secured by Multi-family (5 or more) Residential Properties	58,028	10.5
Secured by Nonfarm Nonresidential Properties	240,054	43.6
Total Real Estate Loans	488,781	88.7
Commercial and Industrial Loans	55,008	10.0
Agricultural Loans	1,226	0.2
Consumer Loans	5,017	1.0
Other Loans	628	0.1
Total Loans	\$550,660	100.0
<i>Source: Call Report as of December 31, 2021</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Providence Bank has three assessment areas. The first assessment area includes all of Edgecombe and Nash Counties, which comprise the entire Rocky Mount, NC Metropolitan Statistical Area (MSA) (Rocky Mount MSA assessment area). The second assessment area consists of adjoining Wilson County and is located in a Non-MSA area (Non-MSA assessment area). The third assessment area is new since the previous CRA evaluation and consists of Wake County in the Raleigh-Cary, NC MSA (Raleigh MSA assessment area). Refer to the individual assessment area sections for demographic, economic, and other performance context information relevant to evaluating the bank's CRA performance within each assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated May 28, 2019, to the current evaluation dated February 8, 2022. Examiners used the Interagency Intermediate Small Bank Examination Procedures to evaluate Providence Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

The Rocky Mount MSA and Non-MSA assessment areas were analyzed using full-scope review procedures given the level of banking operations, including lending, deposits, and branches within the two assessment areas. The Rocky Mount MSA will carry the most weight as a majority of branches, deposits, and loans are in this assessment area. The Raleigh MSA assessment area was evaluated using limited-scope review procedures due to limited overall volume of lending and deposits over the evaluation period given the assessment was only included for 2021.

The tables below show the breakdown of small business loans, Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans, residential mortgage loans, deposits and branches by assessment area and by year.

Assessment Area Breakdown of Loans, Deposits, and Branches (2019)								
Assessment Area	Small Business Loans		HMDA* Loans		Deposits		Branches	
	#	%	#	%	\$(000s)	%	#	%
Rocky Mount MSA	50	69.0	37	74.0	280	76.7	4	80.0
Non-MSA	22	31.0	13	26.0	85	23.3	1	20.0
Total	72	100.0	50	100.0	365	100.0	5	100.0
Source: Bank Data; FDIC Summary of Deposits (06/30/2019); and, 2019 HMDA Data								
*Home Mortgage Disclosure Act								

Assessment Area Breakdown of Loans, Deposits, and Branches (2020)										
Assessment Area	Small Business Loans		PPP Loans		HMDA Loans		Deposits		Branches	
	#	%	#	%	#	%	\$(000s)	%	#	%
Rocky Mount MSA	44	64.7	105	69.1	52	83.9	325	75.2	4	80.0
Non-MSA	24	35.3	47	30.9	10	16.1	107	24.8	1	20.0
Total	68	100.0	152	100.0	62	100.0	432	100.0	5	100.0
Source: Bank Data; FDIC Summary of Deposits (06/30/2020); and, 2020 HMDA Data										

Assessment Area Breakdown of Loans, Deposits, and Branches (2021)										
Assessment Area	Small Business Loans		PPP Loans		Home Mortgage Loans		Deposits		Branches	
	#	%	#	%	#	%	\$(000s)	%	#	%
Rocky Mount MSA	51	56.7	69	50.7	42	56.0	375	75.3	4	66.8
Non-MSA	18	20.0	49	36.1	26	34.7	117	23.5	1	16.6
Raleigh MSA	21	23.3	18	13.2	7	9.3	6	1.2	1	16.6
Total	90	100.0	136	100.0	75	100.0	498	100.0	6	100.0
Source: Bank Data and FDIC Summary of Deposits (06/30/2021)										

Activities Reviewed

Examiners determined that the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's predominant business strategy as a commercial lender and the number and dollar volume of loans originated during the evaluation period. Additionally, the commercial and industrial loans include loans originated under the SBA's PPP, which is not part of the bank's core business lending. Home mortgage lending continues to consist primarily of loans made for investor and/or rental properties. Bank records indicate the lending focus and product mix remained relatively consistent throughout the evaluation period.

The bank's record of originating small business loans contributed more weight to overall conclusions due to the larger number and dollar volume when compared to home mortgage lending over the evaluation period. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Although the bank does not report small business lending data, loan geocoding and borrower revenue information is collected and maintained. Since the information was readily available and validated as accurate during the evaluation, examiners reviewed the universe of small business loans originated for 2019, 2020, and 2021. The bank originated 725 small business loans totaling \$91.4 million during this three-year period. D&B data provided a standard of comparison for the small business lending analysis.

In addition, Providence Bank was a Home Mortgage Disclosure Act (HMDA) reporter in 2019 and 2020, and this evaluation considered home mortgage loans reported on the bank's HMDA Loan Application Registers. For 2019, the bank reported 80 loans totaling \$18.0 million, and for 2020, the bank reported 82 loans totaling \$17.4 million. Although the bank was not a HMDA reporter for 2021, loan geocoding information was collected. Since this information was readily available and validated as accurate during the evaluation, examiners reviewed the universe of home mortgage lending originated in 2021, which included 85 loans totaling \$20.5 million. All the home mortgage lending is to finance non-owner occupied rental properties, and borrower income information was not reported or collected on a substantial majority of home mortgage loans as the borrowers are business entities. Thus, a borrower income distribution analysis was not conducted. The geographic distribution analysis used the 2015 United States Census Bureau American Community Survey (ACS) data on occupied rental units as a standard of comparison for the originated home mortgage loans given the loans are non-owner occupied investor loans. In addition, for 2019 and 2020, the HMDA aggregate performance data for occupied rental units was also used.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans were analyzed, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served. In addition, the analysis of loans by dollar volume did not indicate any anomalies; thus, is not presented.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services from the last CRA evaluation through December 31, 2021. The bank did not provide any community development activities to be considered for 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. The reasonable Geographic Distribution and reasonable Borrower Profile along with a majority of loans in the assessment areas and a more than reasonable Loan-to-Deposit ratio support this conclusion.

Loan-to-Deposit Ratio

The average quarterly loan-to-deposit ratio of 100.6 percent is more than reasonable. The average loan-to-deposit ratio is calculated using Call Report data for the 11 quarters from June 30, 2019, to December 31, 2021. The net loan-to-deposit ratio was 102.3 percent as of June 30, 2019, and

remained above 100.0 percent for most of the evaluation period through the first quarter of 2021. During the evaluation period, the highest ratio was 106.5 percent as of December 31, 2019, and the lowest ratio was 94.7 percent as of December 31, 2021.

As shown in the table below, three similarly-situated institutions in terms of asset size, location, and loan products are compared to the bank's average loan-to-deposit ratio. Providence Bank's loan-to-deposit ratio compares favorably to each of the similarly-situated banks. Given the bank's asset size and the moderate level of competition and economic conditions within the assessment area, the average loan-to-deposit ratio reflects more than reasonable responsiveness to the assessment areas' credit needs.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2021 (\$000s)	Average Net Loan-to- Deposit Ratio (%)
Providence Bank	702.0	100.6
KS Bank, Inc.	571.0	86.9
Union Bank	1,158	78.6
First Carolina Bank	1,418	87.8
<i>Source: Call Reports 06/30/2019 through 12/31/2021</i>		

Assessment Area Concentration

The bank originated a majority of its loans in the assessment areas. In addition, increasing trends in the percentages of loans by both number and dollar volume are evident over the three years analyzed. However, in 2019 and 2020, less than a majority of home mortgage loans by dollar volume were originated inside the assessment areas.

Wake County was part of the assessment areas for 2019 and 2020. Several of the home mortgage loans originated outside the assessment areas in 2019 and 2020 were within Wake County, specifically 8 totaling \$2,347,000 in 2019 and 10 loans totaling \$3,420,000 in 2020. Based on 2015 ACS data, the median housing value in Wake County is much higher at \$247,494 compared to the Rocky Mount MSA assessment area median housing value of \$106,006 and the Non-MSA assessment area median housing value of \$114,226. Due to the higher median housing value in Wake County, the loan amounts were also higher resulting in less than a majority by dollar volume inside the assessment area. In 2019, the average amount for a loan originated in Wake County was \$280,922 whereas the average amount for a loan originated inside the assessment areas was \$153,379. In 2020, the average amount for a loan originated in Wake County was \$342,020 whereas the average amount for a loan originated inside the assessment areas was \$127,312. In 2021, when Wake County became an assessment area, the percentage of home mortgage loans by dollar volume inside the assessment area was more than a majority at 77.3 percent.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	50	62.5	30	37.5	80	7,669	42.6	10,354	57.4	18,023
2020	62	75.6	20	24.4	82	7,893	45.4	9,490	54.6	17,383
2021	75	88.2	10	11.8	85	15,889	77.3	4,639	22.6	20,528
Subtotal	187	75.7	60	24.3	247	31,451	56.2	24,483	43.8	55,934
Small Business										
2019	72	63.7	41	36.3	113	8,466	52.2	7,740	47.8	16,206
2020	220	67.3	107	32.7	327	21,883	64.1	12,230	35.9	34,113
2021	226	79.3	59	20.7	285	28,831	70.2	12,240	29.8	41,071
Subtotal	518	71.4	207	28.6	725	59,180	64.8	32,210	35.2	91,390
Total	705	72.5	267	27.5	972	90,631	61.5	56,693	38.5	147,324
Source: 2019 and 2020 HMDA Data and Bank Records.										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. The reasonable dispersion of small business loans and home mortgage loans supports this conclusion. Performance is relatively consistent throughout the assessment areas.

Borrower Profile

The distribution of loans reflects reasonable penetration among businesses of different sizes. Performance is relatively consistent throughout the assessment areas.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 65 community development loans totaling \$26.8 million during the evaluation period. Community development loans represent 5.6 percent of average net loans. This is a substantial increase from the volume at the prior evaluation when community development loans represented 1.1 percent of average total loans. The loans have been responsive to identified community credit needs of affordable housing, economic development, and community services. The tables below detail the community development loans by year, purpose, and assessment area.

Community Development Loans										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
05/29/2019 – 12/31/2019	6	710	1	175	3	579	0	0	10	1,464
2020	20	4,478	1	300	7	2,859	0	0	28	7,637
2021	14	8,602	0	0	13	9,066	0	0	27	17,668
Total	40	13,790	2	475	23	12,504	0	0	65	26,769
<i>Source: Bank Data</i>										

Community Development Loans										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Rocky Mount MSA	3	1,400	2	475	13	4,495	0	0	18	6,370
Non-MSA	6	793	0	0	4	1,713	0	0	10	2,506
Raleigh MSA	3	555	0	0	6	6,296	0	0	9	6,851
Regional (Centrant)	28	11,042	0	0	0	0	0	0	28	11,042
Total	40	13,790	2	475	23	12,504	0	0	65	26,769
<i>Source: Bank Data</i>										

The bank is a member of Centrant Community Capital, which is a lending consortium of financial institutions across the Southeast. The consortium provides long-term financing for the development of multi-family housing properties offering rents that are affordable to households earning 60.0 percent or less of the area median income. During the review period, the bank participated in 30 loans totaling \$11.4 million throughout North Carolina and South Carolina. Two loans totaling \$405,000 are included in the Raleigh MSA assessment area in 2021.

Qualified Investments

The bank made 54 qualified investments and donations totaling \$9.7 million during this evaluation period. This dollar amount of qualified investments equates to 1.7 percent of total average assets and 26.4 percent of average securities and represents a significant increase from the previous CRA evaluation. The investments and donations were particularly responsive to affordable housing and community service needs. Most of the investments by dollar volume are mortgage-backed securities

collateralized by properties located in the Raleigh MSA assessment area. The tables below present the qualified investments by year and purpose and by assessment area.

Community Development Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
05/29/2019 – 12/31/2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	1	1,000	0	0	0	0	1	1,000
2021	6	7,679	4	984	0	0	0	0	10	8,663
Subtotal	6	7,679	5	1,984	0	0	0	0	11	9,663
Grants & Donations	0	0	41	39	2	3	0	0	43	42
Total	6	7,679	46	2,023	2	3	0	0	54	9,705
<i>Source: Bank Data</i>										

Community Development Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Rocky Mount MSA	1	262	37	36	1	1	0	0	39	299
Non-MSA	1	215	3	2	1	2	0	0	5	219
Raleigh MSA	4	7,202	0	0	0	0	0	0	4	7,202
Statewide Activities	0	0	5	985	0	0	0	0	5	985
Nationwide Activity	0	0	1	1,000	0	0	0	0	1	1,000
Total	6	7,679	46	2,023	2	3	0	0	54	9,705
<i>Source: Bank Data</i>										

Statewide investments are detailed below.

- Certificates of deposits totaling \$984,000 in four Community Development Financial Institutions in North Carolina that serve the needs of low- and moderate-income areas and individuals.
- A \$1,000 donation to a statewide organization that provides educational and recreational activities for children from low- and moderate-income families.

The nationwide activity is a \$1 million investment in a minority-depository institution in Houston, Texas.

Community Development Services

The bank conducted 1,429 hours of community development service with 24 organizations. The types and nature of the community services provided were responsive to the assessment areas' needs and benefited affordable housing, small businesses, and low- and moderate-income individuals and/or areas. The service hours show particular responsiveness to workforce development needs as bank employees are active in several organizations in the Rocky Mount MSA

and Non-MSA assessment areas that provide scholarship funds based on financial need to local community colleges that provide job skills and developmental education. The tables below presents the community development services by year, purpose, and assessment area.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
05/29/2019 – 12/31/2019	36	287	115	0	438
2020	36	287	115	0	438
2021	36	402	115	0	553
Total	108	976	345	0	1,429
<i>Source: Bank Data.</i>					

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Rocky Mount MSA	0	756	309	0	1,065
Non-MSA	0	180	36	0	216
Raleigh MSA	0	40	0	0	40
Regional Activities	108	0	0	0	108
Total	108	976	345	0	1,429
<i>Source: Bank Data.</i>					

The regional community development service is a bank officer that serves as a Board member for a regional affordable housing lending consortium.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

ROCKY MOUNT MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE ROCKY MOUNT MSA

This assessment consists of Nash and Edgecombe Counties which comprise the entire Rocky Mount, NC MSA. The bank operates four full-service branches in this assessment area: three in Nash County and one in Edgecombe County. The main branch is located in Rocky Mount, Nash County, in an upper-income census tract. The bank operates one other branch in Rocky Mount in a middle-income census tract. In addition, the bank operates one branch in the Nashville, Nash County, in a middle-income census tract. In Edgecombe County, the bank’s branch is located in a middle-income census tract in Tarboro. This assessment area accounted for 75.3 percent of bank-wide deposits in 2021 and 63.8 percent of loans reviewed within the assessment areas for all three years.

Economic and Demographic Data

The Rocky Mount MSA assessment area consists of 32 census tracts. According to 2015 ACS Data, 7 tracts are moderate-income, 19 are middle-income, and 6 are upper-income. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Rocky Mount MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	0.0	21.9	59.4	18.8	0.0
Population by Geography	150,002	0.0	20.5	58.1	21.4	0.0
Housing Units by Geography	67,094	0.0	21.4	59.4	19.2	0.0
Owner-Occupied Units by Geography	36,218	0.0	15.7	58.5	25.8	0.0
Occupied Rental Units by Geography	21,519	0.0	26.8	61.8	11.4	0.0
Vacant Units by Geography	9,357	0.0	30.6	57.7	11.7	0.0
Businesses by Geography	10,022	0.0	13.9	65.2	20.9	0.0
Farms by Geography	572	0.0	7.2	68.4	24.5	0.0
Family Distribution by Income Level	38,088	22.5	16.8	19.4	41.3	0.0
Household Distribution by Income Level	57,737	24.9	16.3	16.8	42.0	0.0
Median Family Income - Rocky Mount, NC MSA		\$48,812	Median Housing Value			\$106,006
			Median Gross Rent			\$676
			Families Below Poverty Level			16.5%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.						

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

moderate-, middle-, and upper-income census tracts. The majority of the population, occupied rental units, and businesses are located within middle-income geographies, which suggests greater lending opportunities. Aggregate data for 2019 and 2020 are also included.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue level. According to 2021 D&B data, there are 10,022 businesses in the assessment area. The high percentage of businesses with revenues of \$1 million or less indicates an opportunity for lending to small businesses within the assessment area. The gross annual revenue breakdown of these businesses are as follows:

- 84.4 percent have revenues of \$1 million or less;
- 4.3 percent have revenues greater than \$1 million, and
- 11.3 percent have unknown revenues.

According to the North Carolina Department of Commerce, the largest employers in Nash County are Hospira, Inc.; Nash General Hospital; Consolidated Diesel Company; Nash County Public Schools; Mclane Mid-Atlantic Inc.; Nash County; Wal-Mart Associates, Inc.; and, PNC Bank NA. The largest employers in Edgecombe County are QVC Rocky Mount, Inc.; Edgecombe Tarboro Board of Education; City of Rocky Mount; Sarah Lee Frozen Bakery; Vidant Medical Center; Edgecombe County; and, Air Systems Components, Inc.

Unemployment data obtained from the U.S. Bureau of Labor Statistics for 2019, 2020, and 2021 indicates that the assessment area rates exceed the statewide and national rates. The following chart depicts the unemployment rates for the review period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Rocky Mount, NC MSA	4.1	8.1	5.0
North Carolina	3.5	6.1	3.7
National Average	3.6	6.7	3.9
<i>Source: Bureau of Labor Statistics</i>			

Competition

According to the FDIC Deposit Market Share data as of June 30, 2021, 11 financial institutions operate 33 full-service branches within this assessment area indicating a good level of competition. Of these institutions, Providence Bank ranks 5th, with a 13.0 percent deposit market share. The top four financial institutions are Southern Bank and Trust Company with 20.8 percent, Truist Bank with 16.0 percent, First Carolina Bank with 15.1 percent, and PNC Bank, N.A. with 14.8 percent.

The bank is not required to report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business lending under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, provides an indication of the competition and the level of demand for small business loans and is therefore included for context.

Aggregate lending data for 2020 (most recent year available) shows that 71 institutions reported 2,478 small business loans originated or purchased in the Rocky Mount MSA assessment area, indicating a significant degree of competition for this product. The five most prominent small business lenders (Southern Bank and Trust Company, Truist, Synchrony Bank, American Express National Bank, and PNC Bank, N.A) account for 57.5 percent of total market share by number of small business loans originated.

Community Contact

As part of the CRA evaluation process, examiners conduct community contact interviews in the assessment area to ascertain credit needs, demographics, and economic conditions. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

During the evaluation, examiners conducted a community contact with a community development organization and reviewed an existing community contact with an economic development organization. With regard to the economic conditions, both contacts indicated that the Covid-19 pandemic has adversely affected local businesses, particularly retail and service establishments and those located in downtown Rocky Mount. Primary credit needs identified by the contacts include small business development and financing, especially now that the SBA's PPP has ended, affordable housing, and consumer loans for emergency expenses.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion. Bank management and the community contacts also noted that the moderate-income areas of downtown Rocky Mount were disproportionately impacted by the pandemic induced economic recession, and the area is in need of economic and community development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN ROCKY MOUNT MSA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the assessment area, and the Borrower Profile reflects reasonable penetration to businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The reasonable dispersion of small business loans and home mortgage loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. In 2019, lending in moderate-income geographies exceeded the percentage of businesses. The bank's participation in the SBA PPP resulted in a significant increase in lending in 2020 and 2021. In 2020 and 2021, lending in moderate-income geographies was significantly below the percentage of businesses. The number of small business loans originated during 2020 and 2021 excluding PPP lending were 44 and 51, respectively. The percentage of small business loans originated in moderate-income geographies considering only the core lending (excluding PPP loans) was moderately higher at 4.5 percent in 2020 and 7.8 percent in 2021 but still well below demographics.

Geographic Distribution of Small Business Loans Rocky Mount MSA Assessment Area			
Tract Income Level	% of Businesses	#	%
Moderate			
2019	13.5	8	16.0
2020	13.4	2	1.3
2021	13.9	4	3.3
Middle			
2019	66.4	30	60.0
2020	65.9	120	80.5
2021	65.2	98	81.7
Upper			
2019	20.1	12	24.0
2020	20.7	27	18.2
2021	20.9	18	15.0
Total			
2019	100.0	50	100.0
2020	100.0	149	100.0
2021	100.0	120	100.0
<i>Source: 2019-2021 D&B Data and Bank Data</i>			

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion. Lending was significantly above the demographic and aggregate data for 2019 in moderate-income tracts. Lending in 2020 declined but remained well above the aggregate lending data and exceeded demographics. In 2021, lending in moderate-income tracts continued to decline and was below demographics.

Geographic Distribution of Home Mortgage Loans Rocky Mount MSA Assessment Area				
Tract Income Level	% of Occupied Rental Units	Aggregate Performance % of #	#	%
Moderate				
2019	26.8	29.7	19	51.4
2020	26.8	20.3	16	30.8
2021	26.8	--	9	21.4
Middle				
2019	61.8	59.4	14	37.8
2020	61.8	67.3	27	51.9
2021	61.8	--	26	61.9
Upper				
2019	11.4	10.9	4	10.8
2020	11.4	12.4	9	17.3
2021	11.4	--	7	16.7
Total				
2019	100.0	100.00	37	100.0
2020	100.0	100.0	52	100.0
2021	100.0	--	42	100.0
Source: 2015 ACS Data; 2019 and 2020 HMDA Data; and 2019 and 2020 HMDA Aggregate Data "--" data not available				

Borrower Profile

The distribution of loans reflects reasonable penetration among businesses of different sizes.

Small Business Loans

The distribution of small business loans reflects reasonable distribution to businesses with gross annual revenue of \$1 million or less. In 2019, lending to small businesses was below the demographics but considered reasonable. In 2020 and 2021, the volume of small business lending substantially increased due to participation in the SBA's PPP. PPP loans comprised a significant portion of 2020 and 2021 small business loans and revenue information was not available given the program requirements. As the table indicates, there is a significant volume of loans with no revenue data available, which impacts the analysis. Of the loans with no revenue available, 105 in 2020 and 69 in 2021 were PPP loans. Excluding the PPP loans for which no revenue is available, the analysis reflects that 33 loans or 75.0 percent of the 44 core small business loans were made to small businesses in 2020. In 2021, 36 loans or 70.6 percent of the core small business loans were made to small businesses. Additionally, a review of the PPP loans determined that 79.0 percent and 76.8 percent in 2020 and 2021, respectively, had origination amounts of \$100,000 or less, indicating assistance to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category Rocky Mount MSA Assessment Area			
Gross Revenue Level	% of Businesses	#	%
≤ \$1,000,000			
2019	81.0	35	70.0
2020	82.6	33	22.2
2021	84.4	36	30.0
> \$1,000,000			
2019	5.4	11	22.0
2020	4.8	9	6.0
2021	4.3	13	10.8
Subtotal			
2019	86.4	46	92.0
2020	87.4	42	28.2
2021	88.7	49	40.8
Revenue Not Available			
2019	13.6	4	8.0
2020	12.6	107	71.8
2021	11.3	71	59.2
Total			
2019	100.0	50	100.0
2020	100.0	149	100.0
2021	100.0	120	100.0
<i>Source: 2019-2021 D&B Data and Bank Data</i>			

Distribution of PPP Loans by Loan Size (2020) Rocky Mount MSA Assessment Area		
Loan Size	#	%
< \$100,000	83	79.0
\$100,000 - \$249,999	14	13.3
\$250,000 - \$449,999	7	6.7
\$500,000 - \$1,000,000	1	1.0
Total	105	100.0
<i>Source: Bank Data</i>		

Distribution of PPP Loans by Loan Size (2021) Rocky Mount MSA Assessment Area		
Loan Size	#	%
< \$100,000	53	76.8
\$100,000 - \$249,999	11	16.0
\$250,000 - \$449,999	5	7.2
\$500,000 - \$1,000,000	0	0
Total	69	100.0
<i>Source: Bank Data</i>		

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 18 community development loans totaling \$6.4 million in the assessment area. Refer to the overall Community Development Lending section for details on the number and dollar volume of lending by community development purpose.

Following are examples of the community development loans.

- In 2019, the bank originated a loan for \$175,000 to a non-profit organization that provides employment training, education, medical, and other services to low- and moderate-income individuals.
- In 2020, the bank originated three loans totaling \$1.4 million to purchase three multi-family affordable housing properties.
- In 2021, the bank originated a loan totaling \$225,000 in a moderate-income geography to finance small farm operations. The farm employs low- and moderate-income individuals.

Qualified Investments

The bank made an investment and 38 donations totaling \$299,000 in this assessment area. Refer to the overall Qualified Investment section for details on the number and dollar volume by purpose.

Following are examples of the qualified investments.

- In 2021, the bank invested \$262,000 in an affordable housing mortgage backed security that benefited Nash County.
- In 2020 and 2021, the bank donated \$1,500 to a healthcare organization that serves low- and moderate-income people.
- In 2021, the bank donated \$5,000 to a non-profit organization that provides education, health, and financial services to low- and moderate-income individuals.

Community Development Services

The bank provided 1,065 community development service hours to 16 organizations in this assessment area. Refer to the overall Community Development Services section for details on the number hours provided by purpose.

Following are examples of the community development services.

- In 2021, a bank executive served 24 hours as a Board member on a community college

foundation in that provides scholarships based on financial need.

- In 2019-2021, a bank officer provided 120 hours as the chair of the finance committee for an organization that provides educational and social support for low- and moderate-income youth.
- In 2019-2021, a bank officer provided 54 hours as a Board member for a healthcare foundation that provides patient assistance funds to low- and moderate-income individuals.

NON-MSA ASSESSMENT AREA – Full-Scope Review

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

This assessment consists of Wilson County in a Non-MSA area of North Carolina. The bank operates one full-service branch in a middle-income census tract. This assessment area accounted for 23.5 percent of bank-wide deposits in 2021 and 29.7 percent of all loans reviewed within the assessment areas for all three years.

Economic and Demographic Data

The Non-MSA assessment area consists of 19 census tracts. According to 2015 ACS, 2 tracts are low-income, 4 are moderate-income, 8 are middle-income, and 5 are upper-income. All 8 middle-income tracts are designated as distressed due to poverty and unemployment. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information for the Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	10.5	21.1	42.1	26.3	0.0
Population by Geography	81,581	3.3	19.1	43.2	34.4	0.0
Housing Units by Geography	35,671	4.1	18.9	44.8	32.2	0.0
Owner-Occupied Units by Geography	19,213	1.2	11.1	47.5	40.2	0.0
Occupied Rental Units by Geography	12,790	6.0	28.0	40.9	25.1	0.0
Vacant Units by Geography	3,668	12.7	27.8	44.5	14.9	0.0
Businesses by Geography	6,181	5.7	16.5	42.7	35.1	0.0
Farms by Geography	278	0.4	6.5	49.3	43.9	0.0
Family Distribution by Income Level	21,179	21.9	16.7	19.7	41.8	0.0
Household Distribution by Income Level	32,003	24.1	13.6	19.7	42.6	0.0
Median Family Income Non-MSAs		\$47,217	Median Housing Value			\$114,226
			Median Gross Rent			\$721
			Families Below Poverty Level			17.5%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares home mortgage loans to the distribution of occupied rental units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The vast majority of the population and businesses are located within middle- and upper-income geographies, which suggests a greater opportunity to lend within these areas. Significantly lower levels are noted in the low-income tracts, which could impact lending levels in those areas. Additionally, the highest level of occupied

rental units are within the middle-income tracts with moderate levels in the moderate-income and upper-income tracts and significantly lower levels in the two low-income tracts. Aggregate data for 2019 and 2020 are also included.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue level. The high percentage of businesses with revenues of \$1 million or less indicates an opportunity for lending to small businesses within the assessment area.

According to 2021 D&B data, there are 6,181 businesses in the assessment area. The gross annual revenue breakdowns are as follows:

- 84.7 percent have revenues of \$1 million or less;
- 4.5 percent have revenues greater than \$1 million, and
- 10.8 percent have unknown revenues.
-

According to the North Carolina Department of Commerce, the largest employers in Wilson County are Truist Financial; Bridgestone Americas Tire Operation; Wilson County Schools; S T Wooten Construction Corporation; Kiddie Aerospace; City of Wilson; County of Wilson; Rutherford Regional Health System; Smithfield Foods, Inc.; and NC Department of Health and Human Services.

Unemployment data obtained from the U.S. Bureau of Labor Statistics for 2019, 2020, and 2021 indicates that assessment area rates significantly exceed the statewide and national rates. The following chart depicts the unemployment rates for the review period as of year-end.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Wilson County	5.1	8.5	5.4
North Carolina	3.5	6.1	3.7
National Average	3.6	6.7	3.9
<i>Source: Bureau of Labor Statistics</i>			

Competition

According to the FDIC Deposit Market Share data as of June 30, 2021, 10 financial institutions operate 16 full-service branches within the assessment area indicating a good level of competition. Of these institutions, Providence Bank ranked 5th, with a 6.4 percent deposit market share. The top four financial institutions are Truist Financial with 56.8 percent, Wells Fargo Bank, N.A. with 11.3 percent, First Citizens Bank and Trust Company with 10.6 percent, and Southern Bank and Trust Company with 6.5 percent.

The bank is not required to report its small business loan data, and it has not elected to do so. Therefore, the analysis of the bank's small business lending under the Lending Test does not

include comparisons to aggregate data. The aggregate data, however, provides an indication of the competition and the level of demand for small business loans and is therefore included here context. Aggregate lending data for 2020 (most recent available) shows that 65 institutions reported 1,716 small business loans originated or purchased in Wilson County, indicating a significant degree of competition for this product. The five most prominent small business lenders (Truist Financial, First Citizens Bank and Trust Company, Southern Bank and Trust Company, Wells Fargo Bank, N.A., and American Express National Bank) accounted for 64.1 percent of total market share by number of small business loans originated.

Credit and Community Development Needs and Opportunities

Considering economic and demographic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families and households support this conclusion. In addition, the presence of distressed census tracts due to high levels of poverty and unemployment indicate a need for community development services and economic development and workforce development to support job creation.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA ASSESSMENT AREA

LENDING TEST

The bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the assessment areas, and the Borrower Profile reflects reasonable penetration to businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The reasonable dispersion of small business loans and of home mortgage loans supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. Small business lending in low-income geographies exceeded the percentage of businesses in 2020 and was well above demographics in 2021. However, in 2019 the bank did not originate any small business loans in low-income geographies. In moderate-income geographies, a declining trend is evident. Small business lending in 2019 exceeded the percentage of businesses by a significant margin. In 2020, small business lending in moderate-income geographies was slightly above the percentage of businesses, and in 2021, lending was moderately below the percentage of businesses.

Geographic Distribution of Small Business Loans Non-MSA Assessment Area			
Tract Income Level	% of Businesses	#	%
Low			
2019	6.4	0	0
2020	6.0	5	7.1
2021	5.7	7	10.4
Moderate			
2019	16.0	7	31.8
2020	16.5	13	18.3
2021	16.5	6	9.0
Middle			
2019	43.0	5	22.7
2020	42.8	24	33.8
2021	42.7	23	34.3
Upper			
2019	34.6	10	45.5
2020	34.7	29	40.8
2021	35.1	31	46.3
Total			
2019	100.0	22	100.0
2020	100.0	71	100.0
2021	100.0	67	100.0
<i>Source: 2019-2021 D&B Data and Bank Data</i>			

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion. Lending in income-tracts in 2020 was above demographics and more than double the aggregate lending. For 2020, lending was below demographics. For moderate-income tracts, lending in 2019 was just above the demographics but more than double the aggregate lending data. Lending declined in 2020 in moderate-income tracts and was substantially below demographics and well below aggregate lending. Lending in moderate-income tracts rebounded in 2021 and was just below demographics.

Geographic Distribution of Home Mortgage Loans Non-MSA Assessment Area				
Tract Income Level	% of Occupied Rental Units	Aggregate Performance % of #	#	%
Low				
2019	6.0	3.9	0	0
2020	6.0	4.4	1	10.0
2021	6.0	--	1	3.9
Moderate				
2019	28.0	14.0	4	30.8
2020	28.0	19.3	1	10.0
2021	28.0	--	7	26.9
Middle				
2019	40.9	45.7	4	30.8
2020	40.9	30.7	4	40.0
2021	40.9	--	7	26.9
Upper				
2019	25.1	36.4	5	38.4
2020	25.1	45.6	4	40.0
2021	25.1	--	11	42.3
Total				
2019	100.0	100.0	13	100.0
2020	100.0	100.0	10	100.0
2021	100.0	--	26	
Source: 2015 ACS Data; 2019 and 2020 HMDA Data; and 2019 and 2020 HMDA Aggregate Data. "--" data not available				

Borrower Profile

The distribution of loans reflects reasonable penetration among businesses of different sizes.

Small Business Loans

The distribution of small business loans reflects reasonable distribution to businesses with gross annual revenue of \$1 million or less. In 2019, lending to small businesses was below the demographics but considered reasonable. In 2020 and 2021, the volume of small business lending substantially increased due to participation in the SBA's PPP. PPP loans comprised a significant portion of 2020 and 2021 small business loans and revenue information was not available given the program requirements. As the table indicates, there is a significant volume of loans with no revenue data available, which impacts the analysis. Of the loans with no revenue available, 47 in 2020 were PPP loans with all the not available revenue loans (49 loans) in 2021 comprised of PPP loans. Excluding the PPP loans for which no revenue is available, the analysis reflects that 21 loans or 87.5 percent of the 24 core small business loans were made to small businesses in 2020. In 2021, 15 loans or 83.3 percent of the core small business loans were made to small businesses. Additionally, a review of the PPP loans determined that 76.6 percent and 71.4 percent in 2020 and

2021, respectively, had origination amounts of \$100,000 or less, indicating assistance to small businesses.

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA Assessment Area			
Gross Revenue Level	% of Businesses	#	%
≤ \$1,000,000			
2019	80.9	14	63.6
2020	83.3	21	29.6
2021	84.7	15	22.4
> \$1,000,000			
2019	5.9	7	31.8
2020	5.0	2	2.8
2021	4.5	3	4.5
Subtotal			
2019	86.8	21	95.4
2020	88.3	23	32.4
2021	89.2	18	26.9
Revenue Not Available			
2019	13.2	1	4.6
2020	11.7	48	67.6
2021	10.8	49	73.1
Total			
2019	100.0	22	100.0
2020	100.0	71	100.0
2021	100.0	67	100.0
<i>Source: 2019-2021 D&B Data and Bank Data</i>			

Distribution of PPP Loans by Loan Size (2020) Non-MSA Assessment Area		
Loan Size	#	%
< \$100,000	36	76.6
\$100,000 - \$249,999	9	19.1
\$250,000 - \$449,999	2	4.3
\$500,000 - \$1,000,000	0	0
Total	47	100.0
<i>Source: 2020 Bank Data</i>		

Distribution of PPP Loans by Loan Size (2021) Non-MSA Assessment Area		
Loan Size	#	%
< \$100,000	35	71.4
\$100,000 - \$249,999	10	20.4
\$250,000 - \$449,999	4	8.2
\$500,000 - \$1,000,000	0	0
Total	49	100.0
<i>Source: 2021 Bank Data</i>		

COMMUNITY DEVELOPMENT TEST

The bank demonstrates adequate responsiveness to the community development needs of the assessment area through community development loans, qualified investments, and community development services.

Community Development Loans

The bank originated 10 community development loans totaling \$2.5 million in the assessment area. Refer to the overall Community Development Lending section for details on the number and dollar volume of lending by community development purpose.

Following are examples of community development loans.

- In 2019, the bank originated two loans totaling \$425,000 to purchase affordable housing multi-family properties.
- In 2020, the bank originated a loan totaling \$50,000 to a small business that employs low- and moderate-income individuals.
- In 2021, the bank originated a SBA 504 loan totaling \$213,000 to finance a restaurant.

Qualified Investments

The bank made an investment and four donations totaling \$219,000 in the assessment area. Refer to the overall Qualified Investment section for details on the number and dollar volume by purpose.

Following are examples of the qualified investments.

- In 2021, the bank invested \$215,000 in an affordable housing mortgage backed security that benefited Wilson County.
- In 2021, the bank donated \$2,000 to an economic development organization with a primary purpose of bringing more industries and jobs to Wilson County.
- In 2020, the bank donated \$1,000 to a homeless shelter.

Community Development Services

The bank provided 216 community development service hours to 6 organizations in the assessment area. Refer to the overall Community Development Service section for details on services provided by purpose.

Following are examples of the community development services.

- In 2019-2021, a bank officer provided 120 hours as the finance chairman for a community college foundation that provides scholarships based on financial need.
- In 2019-2021, an employee provided 36 hours as a Board member for an organization that provides meals to low-income senior citizens.
- In 2019-2021, a bank officer provided 36 hours as a board member for an economic

development organization responsible for bringing jobs to the distressed areas of Wilson.

RALEIGH MSA ASSESSMENT AREA – Limited-Scope Review

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

This assessment consists of Wake County in the Raleigh-Cary, NC MSA. The Raleigh-Cary, NC MSA also includes Johnston and Franklin Counties; however, the bank did not include those counties in the assessment area. The bank operates one full-service branch in an upper-income census tract. The bank added Wake County as an assessment area in December 2020 with the opening of a new branch in Raleigh. This assessment area accounted for 1.2 percent of bank-wide deposits in 2021 and 6.5 percent of all loans reviewed within the assessment areas in all three years.

The following table presents demographic information from the 2015 ACS Census data and 2021 D&B data.

Demographic Information for the Raleigh MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	187	6.4	19.3	30.5	42.2	1.6
Population by Geography	976,019	6.2	22.8	31.8	38.8	0.5
Housing Units by Geography	392,813	5.6	22.7	33.1	38.5	0.0
Owner-Occupied Units by Geography	234,084	2.1	19.2	34.3	44.5	0.0
Occupied Rental Units by Geography	130,585	11.5	29.1	30.9	28.4	0.0
Vacant Units by Geography	28,144	7.6	22.9	33.3	36.1	0.0
Businesses by Geography	134,888	3.9	19.7	32.0	44.2	0.2
Farms by Geography	2,797	3.0	18.3	40.8	37.9	0.0
Family Distribution by Income Level	243,940	19.9	16.2	18.8	45.1	0.0
Household Distribution by Income Level	364,669	20.9	16.6	17.8	44.7	0.0
Median Family Income Raleigh-Cary, NC MSA		\$78,057	Median Housing Value			\$247,494
			Median Gross Rent			\$966
			Families Below Poverty Level			7.9%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0 percent. (*) The NA category consists of geographies that have not been assigned an income classification.						

Unemployment data obtained from the U.S. Bureau of Labor Statistics for 2019, 2020, and 2021 indicates that the assessment area rates are slightly lower than the statewide and national rates. The following chart depicts the unemployment rates for the review period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Wake County	2.8	5.2	2.5
North Carolina	3.5	6.1	3.7
National Average	3.6	6.7	3.9
<i>Source: Bureau of Labor Statistics</i>			

CONCLUSIONS ON PERFORMANCE CRITERIA IN WAKE COUNTY

LENDING TEST

The institution's lending performance in this assessment area is consistent with the lending performance for the institution.

Tables demonstrating the Geographic Distribution and Borrower Profile performance are detailed in the Appendices.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

In low-income geographies, lending was slightly higher than the percentage of businesses. In moderate-income geographies, lending was significantly below the percentage of businesses.

Home mortgage lending in low- and moderate-income geographies significantly exceeded the demographics.

Borrower Profile

The borrower distribution of small business loans reflects reasonable distribution of loans to small businesses.

As revenues were not available for 18 PPP loans, examiners reviewed the lending by loan size and determined that 16 PPP loans, or 88.9 percent, were originated in amounts of \$100,000 or less. In addition, a review of the bank's core small business loans (excluding PPP loans) indicated that 61.9 percent were originated to businesses with gross annual revenues of \$1 million or less.

COMMUNITY DEVELOPMENT TEST

The bank's community development performance in this assessment area exceeds the performance for the institution. The bank originated 9 community development loans totaling \$6.9 million during this evaluation period. Three loans totaling \$555,000 were for affordable housing and 6 loans totaling \$6.3 million were for economic development. The bank purchased 4 affordable housing

mortgage backed security investments totaling \$7.2 million. Bank employees provided 40 hours of community development service in 2021.

APPENDICES

LIMITED SCOPE LENDING PERFORMANCE TABLES

Geographic Distribution of Small Business Loans (2021) Raleigh MSA Assessment Area			
Tract Income Level	% of Businesses	#	%
Low	3.9	2	5.1
Moderate	19.7	4	10.3
Middle	32.0	11	28.2
Upper	44.2	22	56.4
Not Applicable	0.2	0	0.0
Total	100.0	39	100.0
<i>Source: 2021 D&B Data and Bank Data</i>			

Geographic Distribution of Home Mortgage Loans (2021) Raleigh MSA Assessment Area			
Tract Income Level	% of Occupied Rental Units	#	%
Low	11.5	1	14.2
Moderate	29.1	3	42.9
Middle	30.9	3	42.9
Upper	28.5	0	0
Total	100.0	7	100.0
<i>Source: 2015 ACS Data and Bank Data.</i>			

Distribution of Small Business Loans by Gross Annual Revenue Category (2021) Raleigh MSA Assessment Area			
Gross Revenue Level	% of Businesses	#	%
≤ \$1,000,000	89.3	13	33.3
> \$1,000,000	3.1	8	20.5
Revenue Not Available	7.6	18	46.2
Total	100.0	39	100.0
<i>Source: 2021 D&B Data and Bank Data</i>			

Distribution of PPP Loans by Loan Size (2021) Raleigh MSA Assessment Area		
Loan Size	#	%
< \$100,000	16	88.9
\$100,000 - \$249,999	2	11.1
\$250,000 - \$449,999	0	0
\$500,000 - \$1,000,000	0	0
Total	18	100.0
<i>Source: 2021 Bank Data</i>		

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

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

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

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

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

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

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

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

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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

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

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

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

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

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

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

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

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

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

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

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