

PUBLIC DISCLOSURE

January 23, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

TowneBank
Certificate Number: 35095

5716 High Street
Portsmouth, Virginia 23703

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

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Atlanta, Georgia 30309-3849

This document is an evaluation of this bank'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

BANK’S CRA RATING: This institution is rated **Outstanding**.

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

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

The Lending Test is rated Outstanding.

- Lending levels reflect excellent responsiveness to the assessment areas’ credit needs.
- A majority of loans were made in the assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of loans reflects good penetration among customers of different incomes and businesses of different sizes.
- The institution makes extensive use of innovative and/or flexible lending practices in order to serve the assessment areas’ credit needs. The bank uses multiple innovative and/or flexible products. The level of lending in these programs is substantial and enhances CRA performance.
- The institution is a leader in making community development loans. The bank has a substantial volume of community development loans with significant impact to the communities it serves and greatly enhances the bank’s performance.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.

- The institution exhibits excellent responsiveness to credit and community economic development needs.
- The institution makes extensive use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated Outstanding.

- Delivery systems are accessible to essentially all portions of the assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- or moderate-income geographies or to low- and moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals.
- The institution is a leader in providing community development services. The level of community development services provided is substantial and impactful; thus, enhancing the overall Service Test Performance.

DESCRIPTION OF INSTITUTION

TowneBank is a state non-member commercial bank established in 1999 and headquartered in Portsmouth, Virginia. TowneBank is one of the largest community banks operating in Virginia and North Carolina. The bank is locally owned and operates independently of any holding company. The institution received an “Outstanding” rating at the October 21, 2019, FDIC Performance Evaluation based on Large Institution Examination Procedures.

TowneBank currently operates 43 full-service branch office locations in eastern Virginia (33 offices), central North Carolina (3 offices), southwestern North Carolina (3 offices), and eastern North Carolina (4 offices). Since the previous evaluation, the bank has opened four branches, closed two branches, and relocated one branch. The three opened branches include two branches in the Charlotte-Concord-Gastonia, NC-SC Multi-state Metropolitan Statistical Area (MMSA), which opened in March 2021 and February 2022, one branch in Duck, Dare County, North Carolina (Non-Metropolitan Statistical Area (MSA)) in March 2020, and one branch in Greensboro, North Carolina (Greensboro, NC MSA) in November 2019. One branch closed in the Richmond, VA MSA in February 2020, and another branch closed in Corolla, Currituck County, North Carolina (Virginia Beach-Norfolk-Newport News, VA-NC MMSA) in May 2021. In October 2020, the bank relocated the Ironbridge Branch in Chesterfield, Virginia (a temporary location opened in February 2019) to the newly-constructed Chesterfield Financial Center.

TowneBank’s business focus is to serve the financial needs of individuals, commercial enterprises, and professionals throughout its footprint. The bank offers a full range of banking and financial services including deposit accounts, commercial, real estate, consumer loan products, mortgage brokerage services, a full line of commercial and consumer insurance, and investment products. TowneBank has 90 wholly-owned subsidiaries established to hold bank-owned real estate and tax credit investments, to provide insurance and other financial services, and to hold, manage, and/or sell real estate. These subsidiaries are aligned under the three lines of business: Banking, Realty, and Investment and Insurance. In addition, TowneBank also continues to operate its Automobile Dealer Division located in Virginia Beach, Virginia, which began making indirect loans in April 2014.

The bank continues to operate a mortgage division (TowneBank Mortgage), which originates loans for the secondary market. The bank makes the credit decision and reports the loan applications under Home Mortgage Disclosure Act (HMDA) reporting requirements. Through the mortgage division, TowneBank operates 44 mortgage offices, with 27 located within the bank’s assessment areas, and 17 located in Maryland, Delaware, Northern Virginia, and Wilmington and Plymouth, North Carolina.

In addition, TowneBank Mortgage has a business strategy that includes seven affiliated partnerships in Joint Ventures with various real estate agencies and residential home builders. All mortgage loans originated by the Joint Ventures are underwritten to secondary market and investor guidelines. In addition, each Joint Venture reports HMDA loan application activity, and the bank determined to exclude the Joint Venture activities from the CRA analysis. These affiliated partnerships provide consumers with an additional avenue to meet their mortgage lending needs.

According to the December 31, 2022, Call Report, TowneBank had total assets of \$15.9 billion, total loans of \$10.8 billion, and total deposits of \$13.4 billion. As shown in the following table, commercial real estate loans and commercial and industrial loans comprise 52.3 percent of total loans, while one-to-four family residential loans comprise 19.6 percent of total portfolio loans.

Loan Portfolio Distribution as of December 31, 2022		
Loan Category	\$(000s)	%
Construction and Land Development	1,428,376	13.1
Secured by Farmland	22,768	0.2
1-4 Family Residential	2,131,927	19.6
Multi-family (5 or more) Residential	496,190	4.5
Commercial Real Estate	4,387,951	40.3
Total Real Estate Loans	8,467,212	77.7
Commercial and Industrial	1,309,207	12.0
Agricultural	434	0.0
Consumer	575,064	5.3
Other	545,480	5.0
Total Loans	10,897,397	100.0
<i>Source: 12/31/2022 Call Report.</i>		

There are no financial or legal impediments, other than legal lending limits, to prevent the bank from meeting the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

TowneBank operates in seven assessment areas, which comprise three rated areas, namely the Virginia Beach-Norfolk-Newport News, VA-NC MMSA, North Carolina, and Virginia. The seven assessment areas and their compositions are outlined in the table below. The Greensboro MSA is new since the last CRA evaluation as the bank added a branch in Guilford County in November 2019. Additionally, the bank added York County, South Carolina, which is part of the Charlotte-Concord-Gastonia, NC-SC MMSA to the Charlotte MSA assessment area. The bank does not operate a branch in York County. Camden County was moved from the Non-MSA assessment area to the Virginia Beach MSA assessment area with the OMB revisions to MSA boundaries. Refer to the rated areas and individual assessment area sections for additional information.

Description of Assessment Areas	
Assessment Area	Description
Virginia Beach-Norfolk-Newport News, VA-NC MMSA (Virginia Beach MSA)	All 9 counties and 10 independent cities in the MMSA except for Gates County, NC
North Carolina	
Raleigh-Cary, NC MSA (Raleigh MSA)	All counties in the MSA
Charlotte-Concord-Gastonia, NC-SC MMSA (Charlotte MSA)	Cabarrus, Gaston, Mecklenburg, Union Counties in North Carolina and York County, South Carolina
NC Non-MSA (Non-MSA)	Dare and Pasquotank Counties
Greenville, NC MSA (Greenville MSA)	Pitt County (Only county in the MSA)
Greensboro-High Point, NC MSA (Greensboro MSA)	Guilford County
Virginia	
Richmond, VA MSA (Richmond MSA)	All 13 counties and 4 independent cities in the MSA
<i>Source: Bank Records.</i>	

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 21, 2019, through the current evaluation, dated January 23, 2023. The Large Institution CRA Examination Procedures were used which consist of three tests: Lending, Investment, and Service.

The bank has three rated areas: Virginia Beach-Norfolk-Newport News, VA-NC MMSA, North Carolina, and Virginia. The Virginia Beach-Norfolk-Newport News, VA-NC MMSA is given the most weight in the overall analysis, conclusions, and ratings given the significant level of bank operations within the rated area. The Virginia Beach, VA-NC MMSA accounts for 51.8 percent of bank-wide loans by dollar volume, 59.1 percent of bank-wide lending by number of loans, 64.6 percent of bank-wide deposits, and 58.1 percent of branch locations. North Carolina will carry secondary weight due to the percentage of lending for the review period at 35.8 percent of bank-wide lending by dollar volume and 28.8 percent of bank-wide lending by number of loans. North Carolina also accounts for 24.7 percent of bank-wide deposits and 23.3 percent of bank-wide branches. Finally, the performance in Virginia will carry the least weight with overall lending activity at 12.4 percent by dollar volume of bank-wide lending, 12.1 percent by number of bank-wide loans, 10.7 percent of bank-wide deposits, and 18.6 percent of total branching.

The seven assessment areas, with the exception of the Greenville and Greensboro MSA assessment areas, will be evaluated using full-scope procedures given the level of operations in each assessment area. Overall, the Virginia Beach MSA assessment area accounts for a significant portion of the operations and represents the entire Virginia Beach-Norfolk-Newport News, VA-NC MMSA rated area. The Raleigh and Charlotte MSA assessment areas each represent the majority of state-wide lending (77.2 percent), state-wide deposits (74.4 percent), and state-wide branches (50.0 percent) in North Carolina. The Non-MSA assessment area was evaluated using limited-scope procedures the last evaluation and accounts for 15.9 percent state-wide lending by dollar volume, 19.3 percent of state-wide lending by number of loans, 16.3 percent of state-deposits, 30.0 percent of state-wide branches. In addition, the bank is a market leader in the Non-MSA assessment area. Both the

Greenville and Greensboro MSA assessment areas account for limited operations in North Carolina. The Richmond MSA assessment area is the only assessment area within the Virginia rated area.

Assessment Area Breakdown of Loans, Deposits, and Branches												
Rated Area/ Assessment Area	Loans						Deposits			Branches		
	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area
Virginia Beach MSA	3,652,163	51.8		18,165	59.1		9,140,266	64.6		25	58.1	
Raleigh MSA	1,001,858	14.2	39.7	3,181	10.3	36.0	1,397,420	9.9	39.9	2	4.7	20.0
Charlotte MSA	945,586	13.4	37.5	3,121	10.2	35.3	1,206,688	8.5	34.5	3	7.0	30.0
Non-MSA	402,313	5.7	15.9	1,705	5.5	19.3	569,172	4.0	16.3	3	7.0	30.0
Greenville MSA	116,154	1.7	4.6	602	2.0	6.8	152,144	1.1	4.3	1	2.3	10.0
Greensboro MSA	56,734	0.8	2.2	230	0.8	2.6	175,466	1.2	5.0	1	2.3	10.0
North Carolina Subtotal	2,522,645	35.8	100.0	8,839	28.8	100.00	3,500,890	24.7	100.0	10	23.3	100.0
Richmond MSA	876,639	12.4		3,732	12.1		1,513,663	10.7		8	18.6	
Virginia Subtotal	876,639	12.4		3,732	12.1		1,513,663	10.7		8	18.6	
Total	7,051,447	100.0		30,736	100.0		14,154,819	100.0		43	100.0	

Source: 2019 - 2021 HMDA and CRA Data and FDIC Summary of Deposits (06/30/2022).
Branches are as of 12/31/2022.

Activities Reviewed

This evaluation included a review of home mortgage and small business lending as these two loan types represent the bank's major product lines based on a review of call report data, loan originations, and discussions with bank management. Loans reported pursuant to HMDA and CRA reporting requirements for 2019, 2020, and 2021 were included in the evaluation. However, only lending data for 2021 is presented as lending performance was generally consistent across the years, with the exception of the Borrower Profile for small business lending. The Borrower Profile for small business lending was impacted by the bank's participation in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) lending resulting in significant anomalies between 2019 lending performance and 2020 and 2021 lending performance. Therefore, all three years are presented for the small business lending Borrower Profile criterion. Additionally, any other anomalies from the 2021 performance in the remaining areas for home mortgage and small business lending are discussed under the appropriate criterion.

Significantly more weight was placed on the performance for home mortgage lending in the analysis and conclusions for the assessment areas, with the exception of the Virginia Beach MSA and Greensboro MSA assessment areas. In the Virginia Beach MSA assessment area, small business lending accounted for 55.5 percent of the lending by number of loans and 35.9 percent by dollar volume. As a result, small business lending received slightly more weight in the overall analysis, conclusions, and rating for the Virginia Beach MSA assessment area. Additionally, small business lending accounted for 57.4 percent by number and 46.9 percent by dollar volume of loans in the Greensboro MSA assessment area; thus, slightly more weight was assigned to small business

lending performance. In all other assessment areas, the bank originated significantly higher volumes of home mortgage loans than small business loans. Small farm loans were not analyzed due to a nominal volume originated during the evaluation period. Comparable data used in the analysis included the American Community Survey (ACS), D&B data, and aggregate lending data. Only loans originated or purchased within the assessment areas are considered in the analysis for Geographic Distribution and Borrower Profile. In addition, lending analysis primarily considers the number of loans rather than the dollar amount for CRA evaluations, given the number of loans reflects the number of persons and businesses impacted. However, evaluation also consider the qualitative aspects of the dollar amount of lending.

Additionally, a review of the delivery systems for retail banking services and the impact of any branch openings or closures was completed. The impact of branch openings and closings is discussed under the overall Conclusions on Performance Criteria as well as in each rated area and assessment area where branch changes occurred. The branch distribution by income of the geography is based on the 2020 U.S. Census data. The demographic tables in each assessment area are based on the 2015 ACS data. Given the use of two different data sets, the number and income level of the census tracts may differ between the branching tables and the demographic tables. Retail banking services were reviewed to ensure that the needs of the assessment areas are being met, especially for low- and moderate-income borrowers, small businesses, and small farms.

Community development activity, including community development loans, qualified investments, and community development services conducted from the prior evaluation through December 31, 2022, as provided by bank management, was evaluated. The Investment Test also included a review of qualified investments made prior to but still outstanding as of the current evaluation period.

TowneBank participated in the PPP in 2020 and 2021. In 2020, the bank originated 6,714 PPP loans totaling \$1.1 billion. In 2021, the bank originated 3,156 PPP loans totaling \$446.6 million. This volume comprised a significant portion of small business loans, 84.4 percent and 63.1 by number for 2020 and 2021, respectively. Due to the SBA PPP program requirements, revenue was not available for the PPP loans. Therefore, examiners supplemented the analysis of lending to small businesses under the Borrower Profile with an analysis of size of loans originated.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The overall Lending Test is rated Outstanding. Lending levels reflect excellent responsiveness to the assessment areas' credit needs. An overall majority of loans were made in the assessment areas. The geographic distribution of loans reflects good penetration throughout the assessment areas, and the distribution of borrowers reflects good lending penetration to borrowers of different incomes and businesses of different sizes. While these performance criteria are good, the institution's level of community development loans and flexible and/or innovative products are substantial and significantly enhance the CRA performance resulting in the Outstanding rating. The institution makes extensive use of innovative and/or flexible lending practices in order to serve the assessment

areas' credit needs and is a leader in making community development loans. Conclusions regarding the overall Lending Test performance are consistent with the conclusions for each rated area.

Lending Activity

Lending levels reflect excellent responsiveness to the assessment areas' credit needs. The bank's lending levels increased from \$8.8 billion at year-end 2019 to \$10.8 billion at year-end 2022. According to the December 31, 2022, Call Report, TowneBank had an 80.6 percent net loan-to-deposit ratio. The bank's average ratio over the last 13 quarters since the last examination is 82.0 percent. As of the December 31, 2022, Consolidated Report of Condition and Income, the Uniform Bank Performance Report (UBPR) peer group loan-to-deposit ratio was 80.5 percent. The bank's UBPR peer group includes all insured commercial banks having assets between \$10.0 billion and \$100.0 billion.

Assessment Area Concentration

An overall majority of loans by number were made in the assessment areas with the dollar volume of lending just below a majority at 49.2 percent. As shown in the table, the bank made a substantial majority of small business loans inside the assessment areas; however, the majority of home mortgage loans are outside the assessment areas. The higher percentage of home mortgage loans originated outside the assessment areas is due to the lending by mortgage division offices outside of the assessment areas.

While the bank made a majority of home mortgage loans outside the assessment areas, the bank is a market leader in originating home mortgage loans in the assessment areas. For the Virginia Beach MSA, Richmond MSA, and Non-MSA assessment areas, the bank was top lender among community bank lenders. In the Raleigh and Charlotte MSA assessment areas, the bank was among the top community banks in the assessment areas. The financial institutions with greater market share were mortgage companies, most of which are online only lenders, credit unions, and banks with a National presence. Thus, the bank is considered to have addressed the home mortgage credit needs in its assessment areas with the level of lending provided.

The following table presents lending inside and outside of the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	4,404	48.5	4,677	51.5	9,081	1,202,649	45.2	1,459,932	54.8	2,662,582
2020	6,091	40.6	8,921	59.4	15,012	1,799,078	37.2	3,036,703	62.8	4,835,781
2021	6,187	45.9	7,305	54.1	13,492	2,002,407	43.2	2,635,702	56.8	4,638,109
Subtotal	16,682	44.4	20,903	55.6	37,585	5,004,134	41.2	7,132,338	58.8	12,136,471
Small Business										
2019	1,828	93.4	129	6.6	1,957	345,757	92.0	29,900	8.0	375,657
2020	7,638	96.0	316	4.0	7,954	1,012,238	95.4	48,916	4.6	1,061,154
2021	4,588	91.8	412	8.2	5,000	689,318	91.4	64,666	8.6	753,984
Subtotal	14,054	94.3	857	5.7	14,911	2,047,313	93.5	143,482	6.5	2,190,795
Totals	30,736	58.5	21,760	41.5	52,496	7,051,447	49.2	7,275,820	50.8	14,327,266

Source: 2019, 2020, and 2021 HMDA and CRA Data.

Geographic Distribution

The overall geographic distribution is good with both home mortgage and small business lending performance considered overall good. Performance for each rated area was consistent with the overall institution.

Borrower Profile

The overall distribution of loans reflects good penetration to borrowers of different incomes and businesses of different sizes. Lending penetration for both home mortgage and small business lending was good. Performance was generally consistent among the rated areas, with the exception of Virginia which was considered excellent.

Innovative and/or Flexible Lending Practices

The institution makes extensive use of innovative and/or flexible lending practices in order to serve assessment areas’ credit needs. The bank originated 20,753 loans totaling \$4.8 billion under various programs that provide for innovative and/or flexible lending practices. The bank’s use of housing and small business lending programs especially demonstrates its responsiveness to identified community credit needs.

The bank made extensive use of the PPP originating 9,870 loans totaling \$1.6 billion in 2020 and 2021. These SBA-backed loans helped businesses keep their workforce employed during the

COVID-19 pandemic. In addition to the PPP loans, the bank also extended 2,500 loan modifications totaling \$1.8 million.

TowneBank offers small business loans through the SBA 504 program, working closely with a local community development corporation in the origination of the loans. TowneBank has been a very active and top lender throughout the assessment period in SBA 504 lending and ranked 1st in Virginia and 3rd in North Carolina for SBA 504 lending in 2021.

TowneBank makes extensive use of numerous affordable and flexible housing loan programs. The bank offers Federal Housing Administration (FHA) 203K fixed and adjustable rate loans that provide for the acquisition and rehabilitation of eligible properties. These loans are more flexible as they combine the initial acquisition and rehabilitation of affordable homes into a single low-cost loan. The bank offers Fannie Mae HomeReady and Home Possible Loans. These loans are competitive with low down-payments and contain income limits except in designated low-income neighborhoods. Additionally, the Home Possible Loan program assists low-to moderate-income borrowers with loans made for certain low-income areas.

The bank offers flexible loans products through the Virginia Housing Development Authority (VHDA), North Carolina Housing Finance Agency (NCHFA), Federal Home Loan Bank Atlanta (FHLB), and first-time homebuyer programs through the VHDA. The loans include a mix of flexible underwriting terms for low- and moderate-income residents, closing cost and down-payment assistance, and homebuyer education.

TowneBank also offers flexible home mortgage loans through the FHA, Veterans Administration (VA), and the US Department of Agriculture (USDA). These programs provide affordable home ownership opportunities to low- and moderate-income families. The programs offer flexible underwriting criteria, government guaranties, lower down-payment requirements, and closing cost assistance.

The bank partners with the FHLB to support affordable housing in the Virginia Beach assessment area. The Affordable Housing Program (AHP) awards grants to support the development and rehabilitation of affordable single- and multi-family housing projects. Grants are awarded through an annual competitive application process. Bank staff has spent numerous hours reviewing and underwriting potential developments and sponsoring and creating application packages.

TowneBank Commercial Mortgage (TBCM), a wholly-owned subsidiary of TowneBank, brokers commercial mortgages, many of which support community development. The president of TBCM acts as the project's financial advisor working to obtain the necessary funding to get the projects completed. The affordable housing projects have rent constrained units or income limits for residents. TBCM works with such financing agencies as HUD, VHDA, Fannie Mae, Freddie Mac, Virginia Community Capital, SBA, USDA, and the FHLB to secure the necessary capital, grants, and guaranties that provide the leverage necessary to close on these projects.

Innovative and Flexible Lending										
Type	2019*		2020		2021		2022		2023**	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
PPP Loans	-	-	6,714	1,139,839	3,156	446,588	-	-	-	-
SBA 504	1	472	28	20,456	36	19,833	19	10,196	-	-
FHA	197	53,874	964	282,002	954	284,571	638	205,139	11	3,496
FHA (203K)	2	428	14	3,142	15	4,248	7	2,553	1	168
FHLB	1	5	115	678	78	655	92	784	6	52
Home Possible	68	15,981	708	174,180	601	162,691	242	68,248	9	2,538
Home Ready	38	9,639	264	67,185	313	81,441	119	30,253	7	1,552
USDA	36	8,378	247	62,383	208	54,329	64	17,598	-	-
VA	151	52,894	1,372	550,038	1,248	520,097	570	251,579	11	5,440
VHDA	77	10,931	406	52,895	382	56,696	130	18,302	6	885
NCHFA	28	3,233	214	24,900	107	12,129	74	8,438	-	-
TBCM	1	6,291	-	-	1	4,500	2	18,100	-	-
Totals	600	\$162,127	11,046	\$2,377,699	7,099	\$1,647,779	1,957	\$631,191	51	\$14,131

Source: Bank Records
*Includes activity from 10/21/2019 to 12/31/2019.
**Includes activity from 01/01/2023 to 01/23/2023.

TowneBank provides these innovative and/or flexible lending programs primarily throughout all assessment areas. Therefore, the Lending Test conclusions pertaining to rated areas and full-scope assessment areas will not address performance under this criterion.

Community Development Loans

TowneBank is a leader in making community development loans. From the prior evaluation through December 31, 2022, the bank extended 806 community development loans totaling \$657.5 million. This activity accounts for 6.5 percent of average total loans and 4.3 percent of average total assets. Community development lending was substantially higher than the prior evaluation by both number and dollar volume. Community development lending was greatest within the economic development and affordable housing categories, which illustrates the bank’s leadership, use of innovative and/or complex lending programs, and overall strong response to small business needs during the pandemic and affordable housing needs throughout the assessment areas as identified by demographic data and community contacts. The bank maintains numerous partnerships with housing, economic development, and non-profit community service organizations, which enables them to identify and respond effectively to community development credit needs. In addition, the community development lending also includes 87 PPP loans totaling \$166.0 million for economic development and revitalization and stabilization.

The bank also originated 33 community development loans totaling \$50.0 million in the broader state-wide areas of North Carolina and Virginia that are included in the states’ community development analyses. Twelve community development loans totaling \$1.2 million were originated outside the bank’s assessment areas but in the broader regional area. The loans were to support multi-family affordable housing properties and loan participations through an affordable housing consortium that serves the Southeast region. The community development loans within the broader

state-wide and regional areas are included as the bank addressed the community development lending needs of its assessment areas.

The following tables reflect the community development lending by type within each rated area, assessment area, and activity year.

Community Development Lending by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	10	17,676	0	0	1	1,550	0	0	11	19,226
2020	28	38,488	10	107,666	275	122,011	118	89,134	431	357,299
2021	42	43,096	8	7,329	185	68,530	68	49,206	303	168,161
2022	35	89,816	10	7,530	14	15,158	2	275	61	112,779
Total	115	189,076	28	122,525	475	207,249	188	138,615	806	657,465

*Source: Bank Records
Includes activity from 10/21/2019 through 12/31/2022.
Totals may not match due to rounding.*

Community Development Lending by Area										
Rated Area/Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Virginia Beach	28	65,319	9	102,459	342	129,313	136	86,490	515	383,581
Raleigh	18	13,468	3	4,085	47	23,689	14	8,853	82	50,095
Charlotte	18	12,630	2	300	36	24,018	6	3,688	62	40,636
Non-MSA	2	447	1	126	8	1,597	2	1,517	13	3,687
Greenville	3	17,850	0	0	4	607	3	4,485	10	22,942
Greensboro	4	17,725	1	100	1	1,000	1	94	7	18,919
State-wide	19	16,111	2	2,896	7	7,427	0	0	28	26,434
North Carolina	64	78,231	9	7,507	103	58,338	26	18,637	202	162,714
Richmond	9	36,753	10	12,559	28	16,394	25	21,738	72	87,443
State-wide	2	7,582	0	0	2	3,202	1	11,750	5	22,534
Virginia	11	44,335	10	12,559	30	19,596	26	33,488	77	109,978
Regional	12	1,190	0	0	0	0	0	0	12	1,190
Totals	115	189,075	28	122,525	475	207,247	188	138,615	806	657,461

*Source: Bank Records
Includes activity from 10/21/2019 through 12/31/2022.
Totals may not match due to rounding.*

Below are examples of the regional community development loans.

- \$80,000 loan to finance a multi-family housing complex for low-income individuals.
- \$100,000 loan participation to finance a multi-family development through an affordable housing consortium.
- \$150,000 loan to finance a multi-family housing complex where the units are available to households with incomes of 60.0 percent or less of the median area income.

Refer to the analysis provided in the rated areas and full-scope assessment areas for additional detail regarding community development lending.

INVESTMENT TEST

The Investment Test is rated High Satisfactory. TowneBank maintains a significant level of qualified investments and donations, occasionally in a leadership position, and particularly those that are not routinely provided by private investors. Qualified investments demonstrate excellent responsiveness to credit and community development needs, and the bank makes extensive use of innovative and/or complex investments to support community development initiatives. The bank's overall performance is consistent with the conclusions for North Carolina and Virginia, with the performance in the Virginia Beach-Norfolk-Newport News, VA-NC MMSA considered Outstanding.

Investment and Grant Activity

The institution has a significant level of qualified investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank primarily fulfills its community development objectives through the combination of low-income housing tax credits (LIHTCs), state-issued affordable housing bonds, and charitable contributions. Investments and donations totaled \$207.4 million or 1.3 percent of average total assets, 11.8 percent of average total investments, and 11.0 percent of equity capital as of year-end 2022. This level of investments represents a significant increase by dollar volume from the prior examination when CRA qualified investments totaled \$164.0 million, and this increase is consistent amongst the rated areas. However, the level of investments is lower than the prior evaluation as a percentage of average assets at 1.8 percent and total investments of 12.5 percent.

Qualified investments made during the evaluation period primarily include LIHTCs and housing bonds, which are designed to provide funding and liquidity to the affordable housing markets. The following tables show qualified investment totals by activity year and purpose and by assessment area and rated area. Of the \$207.4 million total qualified investments, \$176.1 million were new qualified investments, \$17.7 million were prior period investments, and \$13.6 million were donations. The table also reflects investments in the broader state-wide Virginia and North Carolina rated areas. Additionally, regional investments totaling \$358,000 are included as the bank was responsive to the needs of the assessment areas. Please refer to each rated area and full-scope assessment area for additional information on qualified investments.

Qualified Investments By Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	13	17,659	0	0	0	0	0	0	13	17,659
10/21/2019 -12/31/2019	10	27,383	0	0	0	0	0	0	10	27,383
2020	19	43,137	0	0	0	0	0	0	19	43,137
2021	20	28,095	0	0	0	0	0	0	20	28,095
2022	25	77,520	0	0	0	0	0	0	25	77,520
Subtotal	87	193,794	0	0	0	0	0	0	87	193,794
Qualified Donations	52	488	909	11,381	78	1,656	15	33	1,054	13,558
Total	139	194,282	909	11,381	78	1,656	15	33	1,141	207,352

Source: Bank Records.

Qualified Investments by Area										
Assessment Area/Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Virginia Beach MSA	63	114,077	541	7,814	45	995	5	9	654	122,895
Raleigh MSA	8	8,453	86	874	7	26	2	4	103	9,357
Charlotte MSA	7	19,737	46	682	5	113	0	0	58	20,532
Non-MSA	2	251	1	1	0	0	1	2	4	254
Greenville MSA	3	3,938	32	425	4	400	0	0	39	4,763
Greensboro MSA	3	3,982	22	259	2	5	0	0	27	4,246
State-wide	10	8,922	55	170	2	2	1	<1	68	9,094
North Carolina	33	45,283	242	2,411	20	546	4	6	299	48,246
Richmond MSA	18	18,550	103	1,133	13	115	0	0	134	19,798
State-wide	14	16,038	18	14	0	0	4	3	36	16,055
Virginia	32	34,588	121	1,147	13	115	4	3	170	35,853
Regional	11	334	5	9	0	0	2	15	18	358
Totals	139	194,282	909	11,381	78	1,656	15	33	1,141	207,352

Source: Bank Records.

Below are examples of the regional qualified investments.

- \$2,500 donation to a non-profit that provides financial literacy education to low- and moderate-income individuals.
- \$500 donation to a non-profit that provides community services targeted to low- and moderate-income individuals.
- \$1,000 donation to a non-profit that provides community services targeted to low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

TowneBank exhibits excellent responsiveness to credit and community development needs of the assessment areas. The bank continues to be very responsive regarding affordable housing needs as

the qualified investments, with the exception of donations, are LIHTCs and affordable housing bonds.

TowneBank invested in both direct and indirect LIHTCs over the evaluation period, which are managed by the Virginia Community Development Corporation (VCDC). VCDC is the oldest and largest manager of LIHTCs in Virginia. VCDC functions as an Equity Fund Manager (or syndicator) of tax credit investments and raises capital from multiple investors, organizes the capital into equity funds, and deploys the capital as equity investments into tax credit producing properties that provide LIHTCs. The tax credits from each program provide a dollar-for-dollar reduction in the investor's federal tax liability.

LIHTCs are particularly responsive to affordable housing needs as they enable developers to gain access to capital markets to complete projects that would not otherwise be financially feasible. The community gains quality affordable housing, which attracts residents and businesses that would not traditionally attract such investment without enhanced incentives. The direct LIHTCs are especially noteworthy as they are not typically provided by other investors or institutions of this size.

TowneBank also invested \$1.5 million in two affordable housing bonds issued by the VHDA, one issued for \$5.0 million by the NCHDA, two FRESB bonds for \$13.0 million, and two FHLMC bonds for \$5.6 million. While the VHDA bonds support state-wide affordable housing projects, the NCHFA, FRESB and FHLMC housing bonds are specific to affordable housing projects in the Raleigh MSA, Charlotte MSA, and Virginia Beach MSA assessment areas. Affordable housing was noted as one of the top needs in these areas.

Additionally, qualified donations are very responsive to charitable or community-based organizations serving local residents. Many organizations rely on these contributions to continue services. The bank made 1,054 qualified donations during the evaluation period totaling \$13.6 million. The majority of the donations went to organizations that provide community services.

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

Community Development Initiatives

TowneBank makes extensive use of innovative and/or complex qualified investments to support community development initiatives. While none of the bank's qualified investments or donations are considered innovative, the direct LIHTCs are very complex investments and not routinely made by financial institution investors.

The bank continues to operate with a Division of Public Finance and Community Investment. The primary focus of the division is to identify and participate in community development investment opportunities that are not routinely provided by financial institutions and responsive to community needs. The division has concentrated efforts on LIHTC investments given their ability to support affordable housing developments that would not qualify for conventional financing.

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

SERVICE TEST

The Service Test is rated Outstanding. Delivery systems are accessible to essentially all portions of the assessment areas, and opening and closing of branches has not adversely affected the accessibility of its delivery systems. Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies or individuals. TowneBank is a leader in providing community development services. The bank's overall performance is consistent with the conclusions for each rated area, with the exception of North Carolina.

Accessibility of Delivery Systems

TowneBank's delivery systems are accessible to essentially all portions of the assessment areas. As of December 31, 2022, TowneBank operated 43 branches among 7 assessment areas in Virginia and North Carolina. In addition, the bank maintains 42 ATMs throughout the assessment areas, including 38 on-site locations and 4 off-site locations. All ATMs are deposit-taking with the exception of one off-site location located in the Virginia Beach MSA assessment area.

There are no branches located in low-income census tracts; however, only 6.4 percent of the population live in these areas, and the low-income tracts account for only 3.2 percent of owner-occupied housing units. As a result of the 2015 ACS, one low-income census tract where a branch continues became a moderate-income tract, and one low-income census tract where a branch continues became an NA tract. There are 6 branches, or 14.0 percent, located within moderate-income census tracts, and the percent of branches is below the population within those census tracts. Since the previous evaluation, the number of branches within moderate-income census tracts increased from 4 branches to 6, or 10.0 percent of total branches, due to the changes in the moderate-income census tracts with the release of the 2020 U.S. Census data. The percentage of branches in moderate-income areas is comparable to the percentage of owner-occupied housing units in those areas at 17.6 percent. In addition, the bank maintains 5 ATMs in moderate-income census tracts to supplement delivery systems. A review of the bank's branch distribution revealed that 27 out of 37 branches located in middle-, upper-, and NA-income census tracts are accessible to surrounding low- and moderate-income areas.

TowneBank also operates a mortgage division with 44 mortgage loan offices as of the examination date. Twenty-seven of the mortgage loan offices are located within the assessment areas with 17 located at TowneBank branch locations. The distribution of the mortgage loan offices reflects penetration in low- and moderate-income tracts is comparable to the level of branching and ATMs. Additionally, of the 24 mortgage loan offices located in middle-, upper-, and NA-income census tracts, 18 are reasonably accessible to surrounding low- and moderate-income census tracts. The distribution reflected below is based on the 2020 U.S. Census Data and categorization of the census tracts; however, the updated census changed several census tract income levels where the mortgage loan offices are located. Three of the mortgage loan offices that are currently in middle- and upper-

income tracts were located in moderate-income tracts based on the 2015 ACS data and categorizations. Additionally, two mortgage loan offices transitioned from middle- and upper-income tracts to moderate-income tracts.

Branch and ATM Distribution by Geography Income Level										
Tract Income Level	Census Tracts		Population		Branches		ATMs		Mortgage Loan Offices	
	#	%	#	%	#	%	#	%	#	%
Low	143	7.7	472,606	6.4	0	0.0	0	0.0	0	0.0
Moderate	441	23.9	1,634,970	22.1	6	14.0	5	11.9	3	11.1
Middle	624	33.7	2,656,436	35.9	13	30.2	14	33.3	9	33.3
Upper	584	31.6	2,538,363	34.3	22	51.2	20	47.6	13	48.2
NA	57	3.1	93,848	1.3	2	4.6	3	7.2	2	7.4
Total	1,849	100.0	7,396,223	100.0	43	100.0	42	100.0	27	100.0

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

The bank also offers several other delivery systems for its customers. In addition to the extensive branch network, the bank provides an ATM network, online banking and bill pay, mobile banking (text messaging, mobile web, mobile deposit, and mobile app), and a toll-free telephone banking call center. These services are offered at no cost 24 hours a day, allowing customers to check account balances, transfer money, make loan payments, and pay bills for after-hours banking accessibility.

Overall, the additional alternative delivery systems are consistent throughout each rated area and assessment area. Therefore, the Service Test conclusions for each rated area and full-scope assessment area omit further discussion of the additional alternative delivery systems. Refer to the rated-areas and full-scope assessment areas for more information on branching accessibility.

Changes in Branch Locations

To the extent changes have been made, TowneBank’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Since the previous evaluation, the bank opened four branches and added two on-site ATMs and an off-site ATM. One of the branches opened in a moderate-income census tract located in Chesterfield, VA. During the evaluation period, the bank opened a branch in a separate location and relocated the branch to the current Chesterfield Branch. Both branches were located within the same census tract resulting in no changes to the area, individuals, and businesses served. The other three branches opened in upper-income census tracts, with two branches located in the Charlotte, North Carolina and one branch in Duck, North Carolina (part of the Non-MSA assessment area).

In addition, the bank closed one branch in Corolla, North Carolina (part of the Virginia Beach MSA assessment area) and closed one branch in Richmond, Virginia, both located in middle-income census tracts. The Corolla branch was adjacent to a moderate-income census tract, and the newly opened branch is nearby in Duck, North Carolina, which is accessible to the moderate-income census tract.

The changes in branch locations are only discussed within the rated areas and full-scope assessment areas in which changes occurred.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and individuals. Branches with drive-thru services generally operate from 9:00 a.m. to 5:00 p.m. on Monday through Thursday and 9:00 a.m. to 6:00 p.m. on Friday; while, branches without drive-thru services generally operate from 9:00 a.m. to 5:00 p.m. on Monday through Friday. All but 10 of the offices offer drive-up facilities with extended business hours. A substantial majority of the branches offering drive-thru services operate from 9:00 a.m. to 6:00 p.m. on Monday through Friday. All but six branches operate with a full-service ATM, accepting deposits and loan payments as well as providing cash and balance inquiries. The bank also operates four off-site ATMs.

TowneBank offers a full range of consumer and commercial loan and deposit products through its branch network designed to meet the banking needs of local communities. All branches offer the same lending services, which include government loan sponsored programs for home mortgages and small businesses, affordable deposit products for small businesses, and low-cost consumer deposit products. All branches offer the same deposit services, which include savings accounts, checking accounts with free access to ATMs, free debit card, free mobile banking and mobile deposit, and online banking and bill pay.

The bank offers two flexible retail deposit products. The HomeTowne Partners Checking Account and Community Partners Checking and Savings Accounts provide affordable, no-cost basic banking services to low- and moderate-income customers, servicemembers, and community non-profit organizations. Products include checking and savings accounts with no minimum balance requirements, no monthly maintenance fees, unlimited check writing, and free checks. Overall, these delivery systems enhance the accessibility of the bank's financial services. During the review period, the bank opened 869 new HomeTowne Partners Checking Accounts, 1,286 new Community Partners Checking Accounts, and 135 new Community Partner Savings Accounts.

The bank participates in the Interest on Lawyer's Trust Account (IOLTA) programs, which provide free or reduced fee legal services for low- and moderate-income individuals. Interest earned on these accounts funds improvements in the administration of justice and delivery of legal services to low-income clients. Since the previous evaluation, the bank opened 73 accounts in Virginia and 68 accounts in North Carolina.

The bank provides guardian and conservator deposit accounts to two organizations, one that serves Eastern Virginia and one that serves the Virginia Beach area. These organizations are approved by the Neighborhood Assistance Program (NAP), which is a Virginia Department of Social Services designation for organizations that benefit low-income persons. There are no fees associated with the deposit accounts. The bank maintains and services 1,557 accounts for these two organizations.

Business hours and services are consistent throughout the institution’s operations. Therefore, the Service Test conclusions for each rated area or full-scope assessment area omit further discussion of performance under this criterion.

Community Development Services

TowneBank is a leader in providing community development services. Directors, bank management, and employees provide financial advice and assistance to various community development organizations. These organizations provide an array of community development services to low- and moderate-income individuals and small businesses. The bank’s involvement exhibits responsiveness to identified community credit and development needs. The type and level of assistance provided varies with each employee and organization but is often long-term from year-to-year. Employees use financial and business experience to further an organization’s goals and community development. The organizations’ missions include affordable housing, small business development, financial education, services for at-risk youths, economic revitalization and stabilization, and services tailored to low- and moderate-income individuals and areas.

The bank provided 1,565 community development service activities for 7,972 hours. This level represents a significant increase from the previous CRA evaluation. Additionally, it is especially noteworthy considering that the pandemic resulted in limitations on in-person service activities. The bank continued many service activities virtually and identified new service activities related to needs, such as food services, for which to provide assistance. With the bank’s 43 branches, the bank provided an average of 11.2 community development services for 57.0 community development hours per branch per year.

Eight community development services for 15 hours were conducted in the broader state-wide areas in North Carolina and Virginia. Additionally, community development services conducted outside the bank’s assessment areas, 3 activities for 285 hours, are also considered given the bank’s responsiveness to the rated areas and assessment areas.

Community Development Services by Year										
Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
2019	6	29	78	207	3	6	0	0	87	242
2020	38	234	448	1,609	135	513	2	5	623	2,361
2021	43	109	335	2,574	132	272	32	40	542	2,995
2022	60	476	197	1,571	54	324	2	3	313	2,374
Totals	147	848	1,058	5,961	324	1,115	36	48	1,565	7,972

Source: Bank Records.

Community Development Services by Area										
Rated Area and Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
Virginia Beach MSA	42	439	561	3,979	283	1,031	35	46	921	5,495
Raleigh MSA	52	277	89	273	6	9	0	0	147	559
Charlotte MSA	22	54	18	179	0	0	0	0	40	233
Non-MSA	0	0	32	71	0	0	0	0	32	71
Greenville MSA	0	0	19	25	21	35	0	0	40	60
Greensboro MSA	4	6	30	46	5	9	0	0	39	61
State-wide	1	3	1	2	0	0	0	0	2	5
North Carolina	79	340	189	596	32	53	0	0	300	989
Richmond MSA	26	70	301	1,090	7	26	1	2	335	1,188
State-wide	0	0	4	12	2	3	0	0	6	15
Virginia	26	70	305	1,102	9	29	1	2	341	1,203
Regional	0	0	3	285	0	0	0	0	3	285
Totals	147	848	1,058	5,961	324	1,115	36	48	1,565	7,972

Source: Bank Records.

Below is an example of the regional community development services.

- Two employees managed fund raising programs for a non-profit organization that works to provide hunger relief to low- and moderate-income families.

Community Financial Engagement Program

The bank demonstrated responsiveness to the community development need of financial literacy through their Community Financial Engagement Program that provides extensive and tailored financial literacy training and programs by partnering with businesses, schools, and community groups. Depending on the needs, circumstances, and background of the audience served, the bank offers a variety of existing programs, or can design one for customized needs. The financial literacy program remained very active during the COVID-19 pandemic via the use of virtual tools and materials. Some frequent topics of focus are basic financial literacy, creating a budget and savings strategy, becoming creditworthy, developing a banking relationship, planning for the success of your business, and homeownership and mortgage basics. The financial literacy programs that served low- and moderate-income people and small businesses are highlighted in the assessment area sections.

Other Services and Programs

As discussed in detail under Reasonableness of Business Hours and Services, the bank provides several deposit accounts and services to help provide banking access to low- and moderate-income individuals as well as supporting legal assistance and the operations of NAP organizations. The bank offers two flexible retail deposit products that provide affordable, no-cost basic banking services to low- and moderate-income customers, servicemembers, and community non-profit organizations. Products include checking and savings accounts with no minimum balance

requirements, no monthly maintenance fees, unlimited check writing, and free checks. The bank participates in the IOLTA program, which provides free or reduced fee legal services for low-and moderate-income individuals. The bank provides guardian and conservator deposit accounts to two NAP approved organizations that include no fees. Please refer to the Reasonableness of Hours and Services section for details on each program.

The bank also participates in the BankOn Program in the Virginia Beach MSA assessment area and provides a proprietary financial literacy program in the Richmond MSA assessment area. Please refer to the individual assessment areas for details on the programs.

Refer to the analysis provided in the rated areas and full-scope assessment areas for additional community development services provided.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MMSA

CRA RATING FOR THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MMSA: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: Outstanding

The Service Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MMSA

The bank delineated the entire Virginia Beach-Norfolk-Newport News, VA-NC MMSA as the assessment area, with the exception of Gates County, North Carolina. The assessment area was revised since the last evaluation with the inclusion of Camden County, North Carolina which was moved from the Non-MSA assessment area in North Carolina due to the Office of Management and Budget (OMB) MSA revisions. This assessment area consists of 8 counties and 10 independent cities. The bank operates 25 or 58.1 percent of bank-wide branch offices in the Virginia Beach MSA assessment area. The Virginia Beach MSA assessment area also accounts for 64.6 percent of bank-wide deposits, 51.8 percent of bank-wide loans by dollar volume, and 59.1 percent of bank-wide lending by number of loans.

The following data is from the 2015 ACS and 2021 D&B, unless otherwise noted.

Economic and Demographic Data

The 2015 ACS shows that owner-occupied housing units and businesses are primarily located in middle- and upper-income tracts, with a fair amount in moderate-income tracts. Therefore, most of the lending opportunities for this assessment area are in the middle- and upper-income geographies. Lending opportunities to low-income maybe lower with a minimal level of owner-occupied housing units and businesses. Additionally, lending opportunities to low- and moderate-income borrowers is also impacted by the poverty level and the high median housing value compared to the median family income.

Demographic Information for the Virginia Beach MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	428	7.2	26.6	35.7	27.1	3.3
Population by Geography	1,732,182	5.7	26.3	36.6	31.0	0.3
Housing Units by Geography	711,777	5.7	26.2	36.9	30.9	0.4
Owner-Occupied Units by Geography	394,632	2.4	18.1	39.8	39.5	0.1
Occupied Rental Units by Geography	246,195	10.4	38.7	33.3	17.2	0.5
Vacant Units by Geography	70,950	7.7	28.1	32.9	30.4	0.9
Businesses by Geography	179,331	4.3	23.2	36.4	35.0	1.0
Farms by Geography	4,403	2.1	17.4	39.2	40.9	0.4
Family Distribution by Income Level	432,051	21.3	17.5	20.2	41.0	0.0
Household Distribution by Income Level	640,827	22.7	16.6	19.0	41.6	0.0
Median Family Income - Virginia Beach-Norfolk-Newport News, VA-NC MMSA (2015)	\$69,773	Median Housing Value				\$236,943
Estimated FFIEC Median Family Income - Virginia Beach-Norfolk-Newport News, VA-NC MMSA (2022)	\$93,200	Median Gross Rent				\$1,093
		Families Below Poverty Level				9.5%

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.

According to the Bureau of Labor Statistics, the assessment area rates were higher than the state rates but lower than the National rates for all years. The following table reflects the average unemployment rates and trends for the assessment area, state, and Nation.

Unemployment Rates				
Area	2019	2020	2021	2022
	%	%	%	%
Virginia Beach VA-NC MMSA	3.1	7.1	4.5	3.2
Virginia	2.8	6.2	3.9	2.8
National Average	3.7	8.1	5.3	3.6

Source: Bureau of Labor Statistics

The assessment area is known for its numerous military installations, retail trade shipping ports, and tourism. In 2021, the top industries included government, professional and business services, education and health services, retail trade, and leisure and hospitality. The top employers according to Hampton Roads Alliance were the public school systems, U.S. Department of Defense, Huntington Ingalls Industries, Sentara Healthcare, Wal-Mart Services Inc., and Riverside Regional Medical Center.

Competition

The assessment area presents a high level of competition for deposits. According to the FDIC Summary of Deposits as of June 30, 2022, there were 222 FDIC-insured financial institutions

operating 246 branch offices in the assessment area. The bank is the market leader with a 25.7 percent market share. Truist Bank ranked second with a market share of 24.4 percent followed by Wells Fargo Bank, N.A. and Bank of America, N.A. at 19.0 percent and 12.6 percent, respectively.

The assessment area presents a very high level of competition for home mortgage loans. In 2019, the bank ranked 8th out of 564 lenders with a market share of 2.9 percent. The top five lenders were Atlantic Bay Mortgage Group, LLC (7.2 percent), Wells Fargo Bank, N.A. (7.1 percent), Navy Federal Credit Union (5.5 percent), PennyMac Loan Services, LLC (5.3 percent), and OVM Financial, Inc. (3.7 percent).

In 2020, the bank ranked 10th out of 612 lenders with a market share of 2.4 percent. The top five lenders were Freedom Mortgage Corporation (7.7 percent), Atlantic Bay Mortgage Group, LLC (6.4 percent), Wells Fargo Bank, N.A. (6.3 percent), PennyMac Loan Services, LLC (5.7 percent), and Quicken Loans, LLC (5.4 percent).

In 2021, the bank ranked 11th out of 679 lenders with a market share of 2.4 percent. The top five lenders were PennyMac Loan Services, LLC (6.9 percent), Freedom Mortgage Corporation (6.0 percent), Rocket Mortgage (5.9 percent), Atlantic Bay Mortgage Group, LLC (5.5 percent), Wells Fargo Bank, N.A. (4.2 percent).

The assessment area presents a high level of competition for small business loans. In 2019, the bank ranked 10th out of 120 lenders with a market share of 4.2 percent by number of loans. The top lenders by number of loans were American Express National Bank (20.2 percent), Truist Bank (10.1 percent), and JP Morgan Chase Bank, N.A. (9.8 percent). However, by dollar volume of small business loans, TowneBank ranked 1st in the assessment area with a market share of 20.8 percent followed by Truist Financial at 15.0 percent and Wells Fargo Bank, N.A. at 9.5 percent.

In 2020, the bank ranked 1st out of 171 lenders with a market share of 17.2 percent by number and 34.8 percent by dollar volume of loans. Other top lenders by number of loans were American Express National Bank (13.8 percent), Truist Bank (12.0 percent), and Wells Fargo Bank, N.A. (9.2 percent). Other top lenders by dollar volume of loans were Truist Bank (16.0 percent) and Atlantic Union Bank (9.4 percent).

In 2021, the bank ranked 3rd out of 159 lenders with a market share of 8.9 percent by number of loans and ranked 1st by dollar volume of lending with a market share of 30.6 percent. The top two lenders by number of loans were American Express National Bank (19.0 percent) and Truist Bank (9.7 percent). Other top lenders by dollar volume of lending were Truist Bank (13.9 percent) and Atlantic Union Bank (8.4 percent).

Community Contacts

As part of the evaluation process, examiners contact third parties that are active in a bank's assessment area or rely on recent contacts to help identify credit and community development needs. This information also shows what credit and community development opportunities are available and helps determine local financial institutions' responsiveness to those needs. During this evaluation, a contact was conducted with an economic development organization. The contact

noted that economic conditions in the Virginia Beach-Norfolk-Newport News, VA-NC MMSA are doing well. The contact stated small business start-up loans and working capital funding are needs in the area. Additionally, the contact noted that the main issue small businesses are encountering is a lack of working capital.

Credit and Community Development Needs and Opportunities

Considering demographic, economic, and community contact data, examiners determined that small business loans and working capital funding represent primary credit and community development needs and opportunities. In addition to the community contact, the significant percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 89.0 percent and businesses with less than ten employees at 91.2 percent supports this conclusion. Affordable housing represents an additional need as 38.8 percent of the families are low- or moderate-income, and the median housing value is nearly \$237,000 according to the 2015 ACS data compared to a 2015 median family income for low-families of less than \$34,886 and for moderate-income families of less than \$55,818.

SCOPE OF EVALUATION – VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MMSA

Refer to the overall Scope of Evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE VIRGINIA BEACH-NORFOLK-NEWPORT NEWS, VA-NC MMSA

LENDING TEST

The Lending Test is rated Outstanding. Lending levels reflect excellent responsiveness to the Virginia Beach MSA assessment area's credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good penetration of lending among businesses of different sizes and borrowers of different incomes. The bank makes extensive use of innovative and/or flexible lending practices. The bank is a leader in making community development loans with a substantial volume that impacted the overall Lending Test rating.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the Virginia Beach MSA assessment area, the bank originated 10,080 small business loans totaling \$1.3 billion and 8,085 home mortgage loans totaling \$2.3 billion during the evaluation period in Virginia Beach MSA assessment area. Additionally, as discussed in the Assessment Area Concentration, TowneBank was the market community bank leader for home mortgage lending, and the Competition section reflects the bank as the top small business lender by dollar volume of lending each year.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area given the higher weight placed on the small business lending performance.

Small Business Loans

The geographic distribution of small business loans is good. In low-income tracts, the performance was similar to the aggregate lending and just below demographic data. In moderate-income tracts, performance was similar to the demographics and exceeded aggregate lending.

Geographic Distribution of Small Business Loans Virginia Beach MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.3	3.6	102	3.1	17,620	4.0
Moderate	23.2	21.4	798	24.5	115,245	26.5
Middle	36.4	36.8	1,106	34.0	156,037	35.8
Upper	35.0	36.8	1,148	35.3	130,668	30.0
Not Available	1.0	1.4	102	3.1	16,134	3.7
Totals	100.0	100.0	3,256	100.0	435,704	100.0

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

Home Mortgage Loans

The geographic distribution of home mortgage loans is adequate. In low-income tracts, performance was similar to the aggregate and the demographic data. For moderate-income tracts, lending was below, but considered within a reasonable range of, aggregate lending and demographic data.

Geographic Distribution of Home Mortgage Loans Virginia Beach MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.4	2.2	51	1.7	8,718	0.9
Moderate	18.1	17.7	413	13.7	90,315	9.9
Middle	39.8	38.3	983	32.7	242,118	26.4
Upper	39.5	41.5	1,548	51.5	569,886	62.3
Not Available	0.1	0.2	13	0.4	4,231	0.5
Totals	100.0	100.0	3,008	100.0	915,268	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of small business and home mortgage loans reflects good penetration to businesses of different sizes and borrowers of different incomes, given the higher weight placed on the small business lending performance.

Small Business Loans

The distribution of small business loans to businesses of different sizes is good. In 2019, the bank's lending to small businesses was adequate with lending to small businesses below, but within a reasonable range, of aggregate data, while significantly below demographics. For 2020 and 2021, lending to small businesses dropped substantially. However, as the table indicates, there is a significant volume of loans with no revenue data available in 2020 and 2021, which impacts the analysis of small business loans by gross annual revenue. As a result, an analysis of the loans without revenue available by size of the loan was conducted. The analysis determined that 7,207 or 70.3 percent of loans without revenue had origination amounts of \$100,000 or less, indicating assistance to small businesses. The average loan amount for loans with revenue not available was \$153,931. As previously stated, the bank originated a substantial level of PPP loans in 2020 and 2021, and the vast majority of the loans with no revenue available were PPP loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Virginia Beach MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.3	47.7	390	32.2	77,690	38.5
2020	87.9	39.2	329	5.9	63,425	9.4
2021	89.0	46.2	322	9.9	70,054	16.1
>\$1,000,000						
2019	4.0	--	613	50.5	114,020	56.6
2020	3.4	--	526	9.4	105,930	15.7
2021	2.9	--	483	14.8	106,737	24.5
Revenue Not Available						
2019	9.7	--	210	17.3	9,809	4.9
2020	8.7	--	4,756	84.7	504,322	74.9
2021	8.2	--	2,451	75.3	258,913	59.4
Totals						
2019	100.0	100.0	1,213	100.0	201,519	100.0
2020	100.0	100.0	5,611	100.0	673,677	100.0
2021	100.0	100.0	3,256	100.0	435,704	100.0
<i>Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent. "--"Data not available.</i>						

Distribution of Small Business Loans with NA Revenues by Loan Size Virginia Beach MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	3,348	70.4	1,719	70.1	5,067	70.3
> \$100,000 - <= \$250,000	883	18.5	455	18.5	1,338	18.6
> \$250,000 - <= \$500,000	360	7.6	206	8.4	566	7.8
> \$500,000 - <= \$1 Million	165	3.5	71	3.0	236	3.3
Total	4,756	100.0	2,451	100.0	7,207	100.0

Source: 2020 and 2021 CRA Data.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is adequate. Bank performance for low-income borrowers was significantly below demographics but comparable to aggregate lending data. Lending to moderate-income borrowers was slightly below aggregate lending and below demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level Virginia Beach MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.3	4.4	125	4.1	18,173	2.0
Moderate	17.5	16.0	420	14.0	80,684	8.8
Middle	20.2	18.8	587	19.5	152,531	16.7
Upper	41.0	28.4	1,461	48.6	542,017	59.2
Not Available	0.0	32.4	415	13.8	121,864	13.3
Totals	100.0	100.0	3,008	100.0	915,269	100.0

Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.

Community Development Loans

TowneBank is a leader in making community development loans in the Virginia Beach MSA assessment area. The bank originated 515 community development loans totaling \$383.5 million, which is a substantial increase from the prior evaluation. This performance represents 63.9 percent by number and 58.3 percent by dollar volume of bank-wide community development loans.

Examples of community development loans follow.

- \$6.2 million loan to finance 120 affordable housing units. This affordable housing project was made possible by the bank's loan and exhibits leadership, responsiveness, and complexity due to a partnership with the VHDA, some equity financing by the bank, and the use of low-income housing tax credits.
- \$4.8 million PPP loan originated in a moderate-income tract to support revitalization and stabilization.
- \$1.0 million SBA 504 program loan for economic development.

INVESTMENT TEST

The Investment Test is rated Outstanding. The bank has an excellent level of qualified investments and donations of in the Virginia Beach MSA assessment area, exhibiting excellent responsiveness to credit and community development needs. The bank makes extensive use of complex investments to support community development initiatives.

Investment and Grant Activity

Qualified investments totaled \$122.9 million or 59.3 percent of bank-wide qualified investments. The investments include new LIHTCs for \$102.9 million, affordable housing bonds for \$11.0 million, and donations totaling \$9.0 million. Of the donations, \$196,000 benefitted affordable housing, \$7.8 million benefitted community services, \$995,000 benefitted economic development, and \$9,000 benefitted revitalization and stabilization.

Provided below are examples of donations that benefitted the assessment area.

- \$100,000 to a nonprofit economic development agency that provides business attraction, expansion, and business intelligence to small businesses.
- \$95,000 to a NAP approved organization that allows businesses to receive state tax credits for donations to approved non-profit organizations.

SERVICE TEST

The Service Test is rated Outstanding. TowneBank's delivery systems are accessible to essentially all portions of the Virginia Beach MSA assessment area. To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. The bank is a leader in providing community development services with a substantial volume that impacted the overall Service Test rating.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the assessment area. The conclusions regarding the branch distribution and alternative delivery systems for the rated area are consistent with the institution overall. The bank operates 25 branches in the assessment area. None of the branches are located in low-income areas; however, only 5.7 percent of the population resides in the low-income tracts. Three branches, or 12.0 percent, are in moderate-income tracts, which is well below the population at 24.3 percent. The bank also operates an ATM at each moderate-income tract branch. A review of the bank's branch distribution revealed that 15 of 20 branches located in middle- and upper-income census tracts were accessible to surrounding low- and moderate-income areas. The bank also has 2 branches in census tracts with no income designation. Additionally, the bank operates 14 mortgage loan offices within the assessment area, with 6 located with branch offices. Five each of the mortgage loan offices are within middle-income and upper-income census

tracts, and 2 each are within moderate-income census tracts and no income designated tracts. Ten of the mortgage loan offices in the middle-, upper- and no-income tracts are reasonably accessible to surrounding low- and moderate-income tracts.

Since the previous examination, the number of branches within moderate-income census tracts increased from only one branch to three branches, due to the changes in the moderate-income census tracts with the release of the 2020 U.S. Census data.

The Virginia Enterprise Zone Program, a partnership between state and local government, has designated Enterprise Zones within Virginia to encourage job creation and private investment. Within the Virginia Beach MSA assessment area, there are six branches and one mortgage loan office are located in designated Enterprise Zones. This further supports the conclusion that branches are accessible to essentially all portions of the assessment area, including communities that are most in need of banking services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate- income individuals. Since the last evaluation, the bank closed one branch in the assessment area, which was located in an upper-income census tract.

Community Development Services

The bank is a leader in providing community development services in this assessment area. Specifically, the bank provided 921 community development services totaling 5,495 hours, which is a significant increase from the previous CRA evaluation. This level represents 58.8 percent of bank-wide community development services by number and 68.9 percent by hours. The community development services equate to 11.3 activities and 67.6 hours per branch per year during the evaluation period.

The following are examples of community development services.

- An officer provided financial literacy training at an affordable housing organization.
- An officer serves on the Board of a housing organization that works to end homelessness by expanding affordable housing.
- An officer serves in a leadership role for a foundation that provides college scholarships for students from low-and moderate-income households.
- A Board member serves on the Board of a community development corporation focused on redevelopment of low- and moderate-income areas.

BankOn Program

TowneBank has been involved with the BankOn Program since June 2011 and was one of the first financial institutions to offer assistance through this program in the Virginia Beach MSA assessment area. Established as a community partnership, BankOn provides greater access to traditional financial products and services for the unbanked and underbanked and promotes

financial stability among low- and moderate-income individuals and households. The BankOn program is designed to promote the benefits of bank accounts and reduce dependence on high-cost alternative financial services such as payday lenders, check cashing services, and title loans. BankOn Hampton Roads is a 5-month financial empowerment program organized for citizens to improve financial security. The program provides education and individualized coaching to prepare unbanked and underbanked individuals to successfully connect to and use the low-cost or no-cost financial products such as the ones offered at TowneBank and partner financial institutions. This innovative combination of access to products, instruction, coaching, and opportunity creates significant improvements in financial well-being for the graduates. Since 2019, five TowneBank employees have served as Board members and coaches for the BankOn Program in this assessment area.

NORTH CAROLINA

CRA RATING FOR NORTH CAROLINA: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH CAROLINA

The evaluation of performance in North Carolina considered the operations of TowneBank in five assessment areas, which are detailed in the Description of Assessment Areas. Since the prior evaluation, York County, South Carolina was added to the Charlotte MSA assessment area. Additionally, Camden County was removed from the Non-MSA assessment area and added to the Virginia Beach MSA assessment area as a result of OMB changes to the MSA designations. The Greensboro MSA assessment area is new since the last evaluation with a new branch opening in November 2019. The bank operates 10 or 23.3 percent of its total branch offices in North Carolina. North Carolina accounts for 35.8 percent of bank-wide loans by dollar volume, 28.8 percent of bank-wide lending by number of loans, and 24.7 percent of the bank-wide deposits.

SCOPE OF EVALUATION – NORTH CAROLINA

Examiners conducted full-scope reviews of performance in the Raleigh MSA, Charlotte MSA, and Non-MSA assessment areas. A substantial portion of the state-wide lending (90.6 percent by number of loans and 93.1 percent by dollar volume), deposits (90.7 percent), and branches (80.0 percent) in North Carolina are concentrated in these assessment areas. Equal and most weight was placed on the on the Raleigh MSA and Charlotte MSA assessment areas given the similar level of operations in each assessment area. Lesser weight was placed on the Non-MSA assessment area. Examiners conducted limited-scope reviews for the Greenville MSA and Greensboro MSA assessment areas, which received limited weight in the overall analysis, conclusions, and ratings for North Carolina.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA

LENDING TEST

The Lending Test is rated Outstanding. Lending levels reflect excellent responsiveness to the North Carolina assessment areas' credit needs. The geographic distribution reflects good penetration throughout the assessment areas, and the borrower profile reflects good lending penetration among borrowers of different incomes and businesses of different sizes. The bank makes extensive use of innovative and/or flexible lending practices. The bank is a leader in making community development loans with a substantial volume that impacted the overall Lending Test rating. Lending performance in the full-scope assessment areas varied.

Lending Activity

Lending levels reflect excellent responsiveness to the North Carolina assessment areas' credit needs. In the North Carolina assessment areas, the bank originated 5,831 home mortgage loans totaling \$2.0 billion and 3,008 small business loans totaling \$555.8 million. The tables presented in each assessment area detail the number and dollar volume of home mortgage and small business loans originated in 2021 unless otherwise noted.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects good penetration throughout the assessment areas. Overall performance was consistent in the full-scope assessment areas.

Borrower Profile

The distribution of home mortgage and small business loans reflects good penetration to borrowers of different incomes and businesses of different sizes. Performance varied in the full-scope assessments with the Raleigh and Charlotte MSA assessment areas considered good and the Non-MSA assessment area noted as adequate.

Community Development Loans

TowneBank is a leader in making community development loans in North Carolina. The bank originated 174 community development loans totaling \$136.3 million within the assessment areas, which is a substantial increase from the prior evaluation. Additionally, the bank originated 28 community development loans totaling \$26.4 million in the broader state-wide area that are included in the analysis as the bank has been responsive to the community development lending needs within the assessment areas. Combined community development lending in North Carolina totaled 202 loans for \$162.7 million. This performance represents 25.1 percent by number and 24.7 percent by dollar volume of bank-wide community development loans. Performance varied across the full-scope assessment areas, with the bank considered a leader in the Raleigh and Charlotte MSA assessment areas. Performance in the Non-MSA assessment area was considered adequate. Refer to each full-scope assessment area for additional details and examples of community development loans related to those areas.

Examples of community development loans in the broader state-wide area are provided below.

- \$4.4 million loan to finance a property where all 55 units qualify as affordable housing.
- \$2.5 million loan to an organization that develops, promotes, and implements economic strategies to improve the quality of life in rural North Carolina. The organization serves 78 rural counties in North Carolina with a focus on individuals with low- and moderate-incomes and communities with limited resources.
- \$1.1 million PPP loan to a small business that employs primarily low- and moderate-income workers to help maintain employment during the COVID-19 pandemic.

INVESTMENT TEST

The Investment Test is rated High Satisfactory. TowneBank has a significant level of qualified investments and donations of in North Carolina, exhibiting excellent responsiveness to credit and community development needs. The bank occasionally uses complex investments to support community development initiatives. Performance varied across the full-scope assessment areas.

Investment and Grant Activity

Qualified investments total \$48.2 million and account for 23.3 percent of bank-wide qualified investments. The total includes affordable housing bonds totaling \$30.4 million, LIHTCs totaling \$14.8 million, and donations totaling \$3.0 million. Of the \$48.2 million, \$8.8 million benefit the broader state-wide area that includes the bank's assessment areas. The broader state-wide qualified investments include investments in affordable housing equity funds, LIHTCs, and donations. Additionally, a \$250,000 qualified investment in an affordable housing fund is outside the bank's assessment areas but within North Carolina and is considered as the bank was responsive to the needs of the assessment areas. Refer to each full-scope assessment area for additional details and examples of qualified investments.

SERVICE TEST

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

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment areas. The conclusions regarding the branch distribution and alternative delivery systems for the rated area are less favorable than the institution overall. The bank operates 10 branches (23.3 percent) in North Carolina. None of the branches are in a low- or moderate-income areas, which account for 6.1 percent and 21.6 percent, respectively, of the population. However, a review of the bank's branch distribution revealed that 6 of the 10 branches located in middle- and upper-income census tracts were accessible to surrounding low- and moderate-income areas. The bank also operates 10 mortgage loan offices in North Carolina with 8 of the offices located within the assessment areas. Of the 8 mortgage loan offices in the assessment areas, 4 are located with branch offices. Based upon the 2020 U.S. Census data, none of the mortgage loan offices in the assessment areas are within low- or moderate-income tracts; however, two mortgage loan offices were in moderate-income tracts based on the prior 2015 ACS and transitioned to middle-income tracts. Five of the mortgage loan offices in the assessment areas are reasonably accessible to surrounding low- and moderate-income tracts.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the last evaluation, the bank opened three branches, and all were located in upper-income census tracts.

Community Development Services

The bank is a leader in providing community development services in North Carolina. Specifically, the bank provided 298 community development services totaling 984 hours within the North Carolina assessment areas. Additionally, the bank provided 2 community development services for 5 hours in the broader state-wide area that are considered as the bank was responsive to the assessment areas' needs. Combined community development services total 300 services for 989 hours, which is below the level of community development services provided at the previous CRA evaluation. This level represents 19.2 percent of bank-wide community development services by number and 12.4 percent by hours. The community development services equate to 9.2 activities and 30.4 hours per branch per year during the evaluation period. Refer to the Community Development Services section in each full-scope assessment area for examples.

The following are the community development services provided in the broader state-wide area.

- A bank officer presented financial literacy training focused on affordable housing for first-time homebuyers.
- A bank officer presented financial literacy training focused on work readiness and entrepreneurship to at-risk young adults in a moderate-income tract.

RALEIGH MSA ASSESSMENT AREA – Full-Scope Review

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

The bank delineated the entire Raleigh-Cary, NC MSA as the assessment area. The bank operates two or 20.0 percent of its state-wide branch offices in the Raleigh MSA assessment area. This assessment area also accounts for 39.9 percent of state-wide deposits, 39.7 percent of state-wide loans by dollar volume, and 36.0 percent of state-wide lending by number of loans.

The following data is from the 2015 ACS and D&B unless otherwise noted.

Economic and Demographic Data

The 2015 ACS shows that owner-occupied housing units and businesses are well disbursed among the moderate-, middle-, and upper-income tracts, providing for lending opportunities in each category. Owner-occupied housing and businesses in low-income tracts are limited, indicating less opportunity for lending in those tracts.

Demographic Information for the Raleigh MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	224	7.6	26.3	29.5	35.3	1.3
Population by Geography	1,216,711	6.5	29.6	32.5	31.1	0.4
Housing Units by Geography	489,031	6.1	29.7	33.2	30.9	0.0
Owner-Occupied Units by Geography	295,478	3.0	26.6	35.2	35.2	0.0
Occupied Rental Units by Geography	154,647	11.5	34.3	30.3	24.0	0.0
Vacant Units by Geography	38,906	8.7	34.8	30.3	26.1	0.0
Businesses by Geography	155,295	4.3	23.8	33.4	38.4	0.1
Farms by Geography	3,852	4.6	28.4	39.5	27.5	0.0
Family Distribution by Income Level	306,186	22.3	17.4	19.2	41.2	0.0
Household Distribution by Income Level	450,125	23.1	17.2	17.8	41.9	0.0
Median Family Income - Raleigh-Cary, NC MSA (2015)	\$78,057	Median Housing Value				\$226,048
Estimated FFIEC Median Family Income – Raleigh-Cary, NC MSA (2022)	\$110,010	Median Gross Rent				\$937
		Families Below Poverty Level				8.6%

*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.*

According to the Bureau of Labor Statistics, the assessment area rates were lower than the state and National rates for all years. The following table reflects the average unemployment rates and trends for the assessment area, state, and Nation.

Unemployment Rates				
Area	2019	2020	2021	2022
	%	%	%	%
Raleigh MSA assessment area	3.4	6.2	4.0	3.1
North Carolina	3.8	7.1	4.8	3.6
National Average	3.7	8.1	5.3	3.6
<i>Source: Bureau of Labor Statistics</i>				

In 2021, the top industries included professional and business services, finance and insurance, retail trade, and construction. The top employers according to Triangle Business were Duke University and Health System, Walmart, Wakemed Health and Hospitals, IBM/Red Hat, and Target Corporation.

Competition

The assessment area presents a high level of competition for deposits. According to the FDIC Summary of Deposits as of June 30, 2022, there were 37 FDIC-insured financial institutions operating 283 branches in this assessment area. The bank ranked 7th with a market share of 2.5 percent. First Citizens Bank & Trust Company was ranked 1st with a market share of 32.4 percent, followed by Wells Fargo Bank, N.A. at 17.0 percent and Truist Bank at 14.3 percent.

The assessment area presents a high level of competition for home mortgage loans. In 2019, the bank ranked 33rd out of 629 lenders with a market share of 0.8 percent. The top five lenders were Wells Fargo Bank, N.A. (8.7 percent), State Employees Credit Union (8.4 percent), Coastal Federal Credit Union (5.0 percent), Quicken Loans, LLC (4.7 percent), and Truist Bank (3.4 percent).

In 2020, the bank ranked 39th out of 716 lenders with a market share of 0.8 percent. The top five lenders were Quicken Loans, LLC (7.1 percent), Wells Fargo Bank, N.A. (6.9 percent), State Employees Credit Union (5.6 percent), Truist Bank (5.1 percent), and Coastal Federal Credit Union (2.8 percent).

In 2021, the bank ranked 34th out of 749 lenders with a market share of 0.7 percent. The top five lenders Rocket Mortgage (7.8 percent), State Employees Credit Union (6.8 percent), Wells Fargo Bank, N.A. (5.0 percent), Truist Bank (4.3 percent), and Coastal Federal Credit Union (3.4 percent).

The assessment area presents a high level of competition for small business loans. In 2019, the bank ranked 20th out of 121 lenders with a market share of 0.6 percent by number of loans. The top three lenders by number of loans were American Express National Bank (19.4 percent), JP Morgan Chase Bank, N.A. (12.7 percent), and Truist Bank (10.9 percent). By dollar volume of small business loans, TowneBank ranked 9th with a 3.6 percent market share. The top lenders by dollar volume were Truist Bank (17.5 percent), Wells Fargo Bank, N.A. (9.7 percent), First-Citizens Bank & Trust Company (7.9 percent), and American Express National Bank (7.3 percent).

In 2020, the bank ranked 19th out of 201 lenders by number of loans with a market share of 1.3 percent. The top three lenders were American Express National Bank (13.1 percent), Truist Bank (12.1 percent), and Wells Fargo Bank, N.A. (10.3 percent). By dollar volume of small business loans, TowneBank ranked 7th with a 4.4 percent market share. The top lenders by dollar volume

were Truist Bank (19.6 percent), First-Citizens Bank & Trust Company (11.5 percent), The Fidelity Bank (7.7 percent), and Wells Fargo Bank, N.A. (7.0 percent).

In 2021, the bank ranked 22nd out of 179 lenders with a market share of 0.8 percent by number of loans. The top three lenders by number of loans were American Express National Bank (17.7 percent), Wells Fargo Bank, N.A. (9.6 percent), and Bank of America, N.A. (8.8 percent). By dollar volume of small business loans, TowneBank ranked 7th with a 4.1 percent market share. The top lenders by dollar volume were Truist Bank (14.7 percent), First-Citizens Bank & Trust Company (11.9 percent), and The Fidelity Bank (8.2 percent).

Community Contact

As part of the evaluation process, examiners contact third parties or rely on recent contacts that are active in the assessment area to help identify credit and community development needs. This information also shows what credit and community development opportunities are available and helps determine local financial institutions' responsiveness to those needs.

During this evaluation, an existing contact with an economic development organization within the Raleigh MSA assessment area was reviewed. The contact stated that certain business sectors in the area grew due to the COVID-19 pandemic while others struggled, and some eventually closed. The contact noted that although the PPP loans offered by some financial institutions helped businesses in the community, small businesses are still in need of loans to help start or expand businesses.

Credit and Community Development Needs and Opportunities

Considering demographic, economic, and community contact data, examiners determined that small business loans and financial counseling, especially for new businesses, represent primary credit and community development needs and opportunities within the Raleigh MSA assessment area. The significant percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 89.5 percent supports this conclusion. A significant majority of businesses within the assessment area at 91.9 percent operate with less than ten employees, which further supports this conclusion. Affordable housing represents an additional need as 39.7 percent of the families are low- or moderate-income, and the median housing value is approximately \$226,000 according to the 2015 ACS data compared to a 2015 median family income for low-families of less than \$39,028 and for moderate-income families of less than \$62,445.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE RALEIGH MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Raleigh MSA assessment area reflect excellent responsiveness to the assessment area's credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good distribution of loans among borrowers of different incomes and businesses of different sizes. The bank makes extensive use of innovative and/or flexible lending practices and is a leader in providing community development loans.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the Raleigh MSA assessment area, the bank originated 2,109 home mortgage loans totaling \$775.7 million and 1,072 small business loans totaling \$226.1 million. The tables presented below detail the number and dollar volume of 2021 home mortgage loans and small business loans in this assessment area, unless otherwise noted.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the assessment area, given the significant weight given to home mortgage lending performance.

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. Lending in low-income tracts was above both aggregate data and demographics. Lending in moderate-income tracts was below both aggregate lending and demographics for 2021. For 2019 and 2020, lending in moderate-income tracts was comparable to or above aggregate data, while remaining slightly below demographics.

Geographic Distribution of Home Mortgage Loans Raleigh MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.0	2.1	26	3.3	16,072	5.3
Moderate	26.6	21.8	137	17.4	40,569	13.3
Middle	35.2	37.2	392	49.7	131,997	43.4
Upper	35.2	38.9	234	29.6	115,531	38.0
Totals	100.0	100.0	789	100.0	304,169	100.0

Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans is adequate. Lending in low-income tracts was less than aggregate lending and demographics in 2021; however, for 2019 and 2020, lending in low-income tracts exceeded or was comparable to aggregate lending and demographic data. In moderate-income tracts, lending was slightly above aggregate lending and demographic data. However, for 2019 and 2020, lending in moderate-income tracts was below both aggregate lending and demographic data.

Geographic Distribution of Small Business Loans Raleigh MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.3	4.0	10	2.8	3,308	4.4
Moderate	23.8	23.6	91	25.5	19,271	25.3
Middle	33.4	34.8	106	29.7	24,777	32.6
Upper	38.4	37.6	149	41.7	27,715	36.4
Not Available	0.1	0.0	1	0.3	1,000	1.3
Totals	100.0	100.0	357	100.0	76,071	100.0

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

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. Lending to low-income borrowers was substantially below the demographic data but slightly below aggregate lending for 2021. For 2019 and 2020, lending to low-income borrowers was also substantially below demographic data but was comparable to or exceeded aggregate lending. Lending to moderate-income borrowers was above aggregate and demographic data.

Distribution of Home Mortgage Loans by Borrower Income Level Raleigh MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	22.3	6.6	37	4.7	6,696	2.2
Moderate	17.4	17.1	159	20.2	39,870	13.1
Middle	19.2	20.9	177	22.4	53,551	17.6
Upper	41.2	40.2	334	42.3	150,580	49.5
Not Available	0.0	15.3	82	10.4	53,472	17.6
Totals	100.0	100.0	789	100.0	304,169	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The distribution of small business loans to businesses of different sizes is good. In 2019, lending to small businesses exceeded aggregate data, while being significantly below demographics. For 2020 and 2021, lending to small businesses dropped substantially. However, as the table indicates, there is a significant volume of loans with no revenue data available in 2020 and 2021, which impacts the analysis of small business loans by gross annual revenue. As a result, an analysis of the loans

without revenue available by size of the loan was conducted. The analysis determined that 414 or 65.6 percent of loans without revenue had origination amounts of \$100,000 or less, indicating assistance to small businesses. The average loan amount for loans with revenue not available was \$131,564. As previously stated, the bank originated a substantial level of PPP loans in 2020 and 2021, and the vast majority of the loans with no revenue available were PPP loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Raleigh MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	87.5	47.6	101	53.4	25,081	51.2
2020	88.6	41.5	60	11.4	19,248	19.0
2021	89.5	46.7	66	18.5	24,249	31.9
>\$1,000,000						
2019	3.8	--	81	42.9	23,674	48.4
2020	3.4	--	59	11.2	23,410	23.2
2021	3.0	--	67	18.8	27,272	35.8
Revenue Not Available						
2019	8.7	--	7	3.7	174	0.4
2020	8.0	--	407	77.4	58,467	57.8
2021	7.6	--	224	62.7	24,550	32.3
Totals						
2019	100.0	100.0	189	100.0	48,929	100.0
2020	100.0	100.0	526	100.0	101,125	100.0
2021	100.0	100.0	357	100.0	76,071	100.0

Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.
"--"Data not available.

Distribution of Small Business Loans with NA Revenues by Loan Size Raleigh MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	251	61.7	163	72.8	414	65.6
> \$100,000 - <= \$250,000	73	17.9	33	14.7	106	16.8
> \$250,000 - <= \$500,000	57	14.0	20	8.9	77	12.2
> \$500,000 - <= \$1 Million	26	6.4	8	3.6	34	5.4
Total	407	100.0	224	100.0	631	100.0

Source: 2020 and 2021 CRA Data.

Community Development Loans

TowneBank is a leader in making community development loans in the Raleigh MSA assessment area. The bank originated 82 community development loans totaling \$50.1 million, which is a

substantial increase from the prior evaluation. This performance represents 40.6 percent by number and 30.8 percent by dollar volume of state-wide community development loans.

Examples of community development loans follow.

- Two loans totaling \$2.2 million to a non-profit that provides essential services to low-and moderate-income youth, including housing, counseling, and violence prevention. The bank participated with the NC Rural Center to help make this loan possible.
- \$1.0 million loan for a 48-unit affordable housing senior living apartment complex.
- \$4.3 million loan to a small business loan participation program that increases small business lending by reducing the lender's risk and lowering loan-to-value through the purchase of a subordinate lien position.

INVESTMENT TEST

TowneBank has a significant level of qualified investments in the Raleigh MSA assessment area, the qualified investments exhibit good responsiveness to the credit and community development needs. The bank did not use innovative and/or complex investments to support community development initiatives in the assessment area.

Investment and Grant Activity

Qualified investments totaled \$9.4 million or 19.4 percent of total North Carolina qualified investments. This total includes affordable housing bonds totaling \$8.4 million and donations totaling \$1.0 million. Of the donations, \$96,000 benefitted affordable housing, \$874,000 benefitted community services, \$26,000 benefitted economic development, and \$4,000 benefitted revitalization and stabilization.

The following are examples of donations provided.

- Two \$10,000 donations to a non-profit that provides affordable housing for low- and moderate-income individuals
- \$10,000 to a small business development fund that provides targeted services, including capital, technical assistance, and policy research for small businesses.

SERVICE TEST

TowneBank's delivery systems are reasonably accessible to essentially all portions of the Raleigh MSA assessment area. The institution did not open or close any branches in the assessment area during the evaluation period. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. The bank is a leader in providing community development services.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The conclusions regarding the branch distribution and alternative delivery systems for the Raleigh MSA area are less favorable than the institution overall and consistent with the North Carolina rated area. The bank operates two branches in the assessment area, representing 20.0 percent of the branches in North Carolina. Neither branch is in a low- or moderate-income area, which accounts for 7.3 percent and 21.0 percent of the population, respectively. A review of the bank's branch distribution revealed that both branches are accessible to surrounding low- and moderate-income areas. The bank also operates two mortgage loan offices in the assessment area located within a middle-income and an upper-income census tract. One is located with a branch location. The non-branch location was within a moderate-income census tract under the 2015 ACS but transitioned to a middle-income census tract with the 2020 U.S. Census. Both are reasonably accessible to surrounding low- and moderate-income census tracts.

Community Development Services

TowneBank is a leader in providing community development services in the Raleigh MSA assessment area. Bank employees and Board members provided 147 community development services accounting for 559 hours in the assessment area. This performance accounts for 49.0 percent by number and 56.5 percent of hours of state-wide community development services. Community development services equate to 22.6 services and 86.0 hours per branch per year.

The following are examples of community development services provided.

- An officer serves as a Board member for an affordable housing organization.
- A Board member provided financial literacy training at a small business center.
- An officer serves as a Board member for an organization that provides educational and recreational services for youth from low- and moderate-income households.

CHARLOTTE MSA ASSESSMENT AREA – Full-Scope Review

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

The bank delineated Cabarrus, Gaston, Mecklenburg, and Union Counties in North Carolina and York County, South Carolina as the assessment area. These counties are part of the much larger Charlotte-Concord-Gastonia, NC-SC MMSA, and the bank only operates branches in the North Carolina portion of the MMSA. Additionally, York County, South Carolina was added since the last evaluation. The bank operates three or 30.0 percent of state-wide branch offices in the Charlotte MSA assessment area. This assessment area also accounts for 34.5 percent of state-wide deposits, 37.5 percent of state-wide loans by dollar volume, and 35.3 percent of state-wide lending by number of loans.

The following data is from the 2015 ACS and D&B, unless otherwise noted.

Economic and Demographic Data

The 2015 ACS shows that owner-occupied housing units and businesses are primarily located in middle- and upper-income tracts, with a fair amount in moderate-income tracts. Therefore, most of the lending opportunities for this assessment area are in the middle- and upper-income tracts. Significantly lower levels are noted in the low-income tracts.

Demographic Information for the Charlotte MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	422	8.5	25.4	30.3	34.6	1.2
Population by Geography	1,841,968	7.2	22.9	31.9	37.6	0.4
Housing Units by Geography	749,951	7.4	23.6	32.2	36.7	0.1
Owner-Occupied Units by Geography	439,326	2.9	18.3	34.9	43.9	0.0
Occupied Rental Units by Geography	247,820	14.2	31.7	27.8	26.1	0.2
Vacant Units by Geography	62,805	11.5	29.4	31.4	27.4	0.2
Businesses by Geography	215,368	6.9	17.9	27.9	46.6	0.7
Farms by Geography	4,392	4.8	16.6	41.8	36.5	0.3
Family Distribution by Income Level	459,102	21.6	16.5	18.5	43.4	0.0
Household Distribution by Income Level	687,146	22.7	15.8	17.2	44.2	0.0
Median Family Income - Charlotte-Concord-Gastonia, NC-SC MMSA (2015)	\$64,187	Median Housing Value				\$190,954
Estimated FFIEC Median Family Income – Charlotte-Concord-Gastonia, NC-SC MMSA (2022)	\$91,700	Median Gross Rent				\$915
		Families Below Poverty Level				11.0%

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.*

According to the Bureau of Labor Statistics, the assessment area rates were generally comparable to or above the state levels and below the National rates. The following table reflects the average unemployment rates and trends for the assessment area, state, and Nation.

Unemployment Rates				
Area	2019	2020	2021	2022
	%	%	%	%
Cabarrus County	3.6	6.9	4.5	3.4
Gaston County	3.9	7.9	5.2	3.7
Mecklenburg County	3.7	7.6	4.9	3.5
Union County	3.5	5.9	4.0	3.2
York County	2.7	5.9	3.7	3.1
North Carolina	3.8	7.1	4.8	3.6
South Carolina	2.8	6.0	4.0	3.2
National Average	3.7	8.1	5.3	3.6

Source: Bureau of Labor Statistics

In 2021, the top industries included professional and business services, finance and insurance, retail trade, and construction. The top employers according to the Charlotte Business Journal were Atrium Health, Wells Fargo Bank, NA, Walmart, Inc., Bank of America, NA, and Novant Health.

Competition

The assessment area presents a very high level of competition for deposits. According to the FDIC Summary of Deposits as of June 30, 2022, there were 41 FDIC-insured financial institutions operating 408 branches in this assessment area. The bank was ranked 9th with a market share of 0.4 percent. Bank of America, N.A. is the market leader at 60.3 percent, followed by Truist Bank at 20.2 percent and Wells Fargo Bank, N.A. at 12.6 percent.

The assessment area presents a very high level of competition for home mortgage loans. In 2019, the bank ranked 38th out of 717 lenders with a market share of 0.5 percent. The top five lenders were Wells Fargo Bank, N.A. (9.2 percent), Quicken Loans, LLC (6.3 percent), Bank of America, N.A. (5.1 percent), Movement Mortgage, LLC (4.5 percent), and State Employees Credit Union (3.3 percent).

In 2020, the bank ranked 35th out of 790 lenders with a market share of 0.6 percent. The top five lenders were Quicken Loans, LLC (9.2 percent), Wells Fargo Bank, N.A. (7.3 percent), Movement Mortgage, LLC (4.8 percent), Truist Bank (4.1 percent), and Bank of America, N.A. (3.3 percent).

In 2021, the bank ranked 39th out of 826 lenders with a market share of 0.5 percent. The top five lenders were Rocket Mortgage, LLC (9.3 percent), Wells Fargo Bank, N.A. (5.6 percent), Movement Mortgage, LLC (4.5 percent), Truist Bank (3.4 percent), and Bank of America, N.A. (3.25 percent).

The assessment area presents a high level of competition for small business loans. In 2019, the bank ranked 24th out of 163 lenders by number of loans with a market share of 0.3 percent. The top

three lenders by number of loans were American Express National Bank (17.8 percent), Bank of America, N.A. (12.7 percent), and Wells Fargo Bank, N.A. (9.9 percent). By dollar volume of small business loans, TowneBank ranked 11th with a 2.3 percent market share. The top lenders by dollar volume were Truist Bank (13.4 percent) and Wells Fargo Bank, N.A. (11.8).

In 2020, the bank ranked 22nd out of 240 lenders by number of loans with a market share of 0.9 percent. The top three lenders by number of loans were Bank of America, N.A. (13.9 percent), American Express National Bank (12.3 percent), and Wells Fargo Bank, N.A. (11.1 percent). By dollar volume of small business loans, TowneBank ranked 10th with a market share of 3.1 percent. The top lenders by dollar volume were Truist Bank (15.5 percent), First-Citizens Bank & Trust Company (9.6 percent), and Bank of America, N.A. (9.5 percent).

In 2021, the bank ranked 24th out of 215 lenders by number of loans with a market share of 0.5 percent. The top three lenders by number of loans were American Express National Bank (16.1 percent), Bank of America, N.A. (12.9 percent), and Wells Fargo Bank, N.A. (9.6 percent). By dollar volume of small business loans, TowneBank ranked 11th with a market share of 2.5 percent. The top lenders by dollar volume were Truist Bank (12.8 percent) and First-Citizens Bank & Trust Company (11.0 percent).

Community Contact

As part of the evaluation process, examiners contact third parties or rely on recent contacts that are active in the assessment area to help identify credit and community development needs. This information also shows what credit and community development opportunities are available and helps determine local financial institutions' responsiveness to those needs.

During this evaluation, an existing contact with a community development organization within the Charlotte MSA assessment area was reviewed. The contact noted that the assessment area is a higher-cost area with a need for well-built affordable housing, which is more sustainable for low- and moderate-income individuals with lower maintenance and energy requirements. The contact also indicated there was a need for homeownership counseling, closing cost assistance, and affordable mortgage loans.

Credit and Community Development Needs and Opportunities

Considering demographic, economic, and community contact data, examiners determined that homeownership counseling, closing cost assistance programs, affordable home loans, and small business lending represent primary credit and community development needs and opportunities within the Charlotte MSA assessment area. In addition to the community contact information, affordable housing represents a need as 38.1 percent of the families are low- or moderate-income, and the median housing value is nearly \$191,000 according to the 2015 ACS data compared to a 2015 median family income for low-families of less than \$32,594 and for moderate-income families of less than \$51,350. Finally, the significant percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 88.8 percent supports the need for small business lending.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHARLOTTE MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Charlotte MSA assessment area reflect excellent responsiveness to assessment area’s credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects good distribution of lending among borrowers of different incomes and businesses of different sizes. The bank makes extensive use of innovative and/or flexible lending practices and is a leader in providing community development loans.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the Charlotte MSA assessment area, the bank originated 2,080 home mortgage loans totaling \$730.3 million and 1,041 small business loans totaling \$215.3 million. The tables presented below detail the number and dollar volume of 2021 home mortgage and small business loans in this assessment area, unless otherwise noted.

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans is adequate. Lending in low-income census tracts, was comparable to aggregate lending and demographic data. For moderate-income tracts, lending was below aggregate data and demographics.

Geographic Distribution of Home Mortgage Loans Charlotte MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.9	2.6	19	2.6	9,411	3.2
Moderate	18.3	14.4	89	12.0	22,198	7.4
Middle	34.9	30.8	185	25.0	57,876	19.3
Upper	43.9	52.2	446	60.3	209,672	70.0
Not Available	0.0	0.1	1	0.1	274	0.1
Totals	100.0	100.0	740	100.0	299,431	100.0

Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.

Small Business Loans

The geographic distribution of small business loans is excellent. Lending in low-income tracts was more than double the aggregate lending and demographic data. Within moderate-income tracts, lending was below demographic and aggregate lending data.

Geographic Distribution of Small Business Loans Charlotte MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.9	6.8	56	16.5	13,311	19.5
Moderate	17.9	17.6	49	14.5	13,574	19.8
Middle	27.9	28.8	49	14.5	7,761	11.3
Upper	46.6	46.3	177	52.2	32,660	47.8
Not Available	0.7	0.5	8	2.3	1,088	1.6
Totals	100.0	100.0	339	100.0	68,394	100.0

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

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among borrowers of different incomes. Lending to low-income borrowers was significantly below demographic data but exceeded aggregate lending performance. Lending to moderate-income borrowers was below demographics but mirrored aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level Charlotte MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.6	4.4	41	5.5	7,344	2.4
Moderate	16.5	14.0	103	13.9	22,521	7.5
Middle	18.5	18.9	125	16.9	32,829	11.0
Upper	43.4	47.0	433	58.5	193,581	64.7
Not Available	0.0	15.8	38	5.2	43,155	14.4
Totals	100.0	100.0	740	100.0	299,431	100.0

Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans to businesses of different sizes is good. In 2019, lending to small businesses was below, but within a reasonable range, of aggregate data, while significantly below demographics. For 2020 and 2021, lending to small businesses dropped substantially. However, as the table indicates, there is a significant volume of loans with no revenue data available in 2020 and 2021, which impacts the analysis of small business loans by gross annual

revenue. As a result, an analysis of the loans without revenue available by size of the loan was conducted. The analysis determined that 357 or 57.2 percent of loans without revenue had origination amounts of \$100,000 or less, indicating assistance to small businesses. The average loan amount for loans with revenue not available was \$158,333. As previously stated, the bank originated a substantial level of PPP loans in 2020 and 2021, and the vast majority of the loans with no revenue available were PPP loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Charlotte MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.1	47.5	71	42.3	15,704	36.6
2020	87.7	40.9	48	9.0	14,943	14.4
2021	88.8	46.9	55	16.2	17,314	25.3
>\$1,000,000						
2019	4.6	--	94	55.9	27,127	63.1
2020	3.9	--	69	12.9	20,682	19.9
2021	3.4	--	79	23.3	20,913	30.6
Revenue Not Available						
2019	9.3	--	3	1.8	140	0.3
2020	8.3	--	417	78.1	68,316	65.7
2021	7.9	--	205	60.5	30,167	44.1
Totals						
2019	100.0	100.0	168	100.0	42,971	100.0
2020	100.0	100.0	534	100.0	103,941	100.0
2021	100.0	100.0	339	100.0	68,394	100.0

*Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.
"—"Data not available.*

Distribution of Small Business Loans with NA Revenues by Loan Size Charlotte MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	237	56.8	119	58.1	356	57.2
> \$100,000 - <= \$250,000	96	23.0	50	24.4	146	23.5
> \$250,000 - <= \$500,000	45	10.8	23	11.2	68	10.9
> \$500,000 - <= \$1 Million	39	9.4	13	6.3	52	8.4
Total	417	100.0	205	100.0	622	100.0

Source: 2020 and 2021 CRA Data.

Community Development Loans

TowneBank is a leader in making community development loans in the Charlotte MSA assessment area. The bank originated 62 community development loans totaling \$40.6 million, which is a substantial increase from the prior evaluation. This performance represents 30.7 percent by number and 25.0 percent by dollar volume of state-wide community development loans.

Examples of community development loans follow.

- \$1.8 million loan to a non-profit organization that provides safe and sanitary low-rent housing for low-income individuals.
- \$150,000 loan to a non-profit organization that provides legal services for low-income individuals.
- \$1.1 million SBA 504 program loan for economic development.

INVESTMENT TEST

TowneBank has a significant level of qualified investments in the Charlotte MSA assessment area. The bank exhibits excellent responsiveness to credit and community development needs and occasionally uses complex investments to support community development initiatives.

Investment and Grant Activity

Qualified investments totaled \$20.5 million or 42.6 percent of North Carolina qualified investments. This total includes new affordable housing bonds totaling \$16.5 million, LIHTCs for \$3.1 million, and donations totaling \$900,000. Of the donations, \$105,000 benefitted affordable housing, \$682,000 benefitted community services, and \$113,000 benefitted economic development.

The following are examples of donations provided.

- \$2,000 to a non-profit that provides sustainable, affordable housing with supportive services for the homeless and those who are at risk of becoming homeless.
- \$15,000 to a non-profit that provides community services targeted to low- and moderate-income individuals.

SERVICE TEST

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

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The conclusions regarding the branch distribution and alternative delivery systems for the Charlotte MSA area are less favorable than the institution overall and consistent with the North Carolina rated area. The bank operates three branches in the assessment area, representing 30.0 percent of the branches in North Carolina. None of the branches are in low- or moderate-income areas, which accounts for 4.4 percent and 24.3 percent of the population, respectively. A review of the bank's branch distribution revealed that two of that three branches located in upper-income census tracts were accessible to surrounding low- and moderate-income areas. Additionally, the bank operates two mortgage loan offices in the assessment area with both located in upper-income census tracts. One is located with a branch office and is reasonably accessible to surrounding low- and moderate-income tracts.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low and moderate income geographies and/or to low- and moderate income individuals. Since the last evaluation, the bank opened two branches in upper-income census tracts.

Community Development Services

TowneBank provided a relatively high level of community development services in the Charlotte MSA assessment area. Bank employees and Board members provided 40 community development services accounting for 233 hours in the assessment area. This performance accounts for 13.3 percent by number and 23.6 percent of hours of state-wide community development services. Community development services equate to 4.1 services and 23.9 hours per branch per year.

The following are examples of community development services provided.

- An employee provided financial literacy education at a school that primarily serves students from low- and moderate-income households.
- An employee provided financial literacy training for clients of an affordable housing organization.
- An officer serves on the Board of an affordable housing organization.

NON-MSA ASSESSMENT AREA – Full-Scope Review

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

The Non-MSA assessment area includes Dare and Pasquotank Counties. The assessment area has changed since the last evaluation as Camden County was removed from the Non-MSA assessment area and included in the Virginia Beach MSA assessment area given OMB revisions to MSA boundaries. The bank operates three or 30.0 percent of state-wide branch offices in this assessment area. The assessment area also accounts for 4.0 percent of state-wide deposits, 15.9 percent of state-wide loans by dollar volume, and 19.3 percent of state-wide lending by number of loans.

The following data is from the 2015 ACS and D&B, unless otherwise noted.

Economic and Demographic Data

The 2015 ACS shows that owner-occupied housing units and businesses are primarily located in upper-income tracts with a fair amount located in middle-income tracts. Therefore, most of the lending opportunities for this assessment area are in those geographies. The moderate- and low-income tracts contain limited owner-occupied housing and businesses, indicating significantly less potential lending opportunity.

Demographic Information for the Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	4.8	4.8	23.8	57.1	9.5
Population by Geography	74,881	4.0	2.1	22.7	71.2	0.0
Housing Units by Geography	50,728	2.6	1.9	15.0	80.6	0.0
Owner-Occupied Units by Geography	19,219	1.0	1.3	22.1	75.7	0.0
Occupied Rental Units by Geography	10,198	9.7	4.6	22.3	63.4	0.0
Vacant Units by Geography	21,311	0.7	1.1	5.0	93.2	0.0
Businesses by Geography	8,799	2.6	3.8	15.7	77.8	0.0
Farms by Geography	274	0.7	0.4	21.2	77.7	0.0
Family Distribution by Income Level	20,027	14.5	13.9	20.1	51.6	0.0
Household Distribution by Income Level	29,417	16.3	12.7	16.3	54.7	0.0
Median Family Income Non-MSAs – North Carolina		\$47,217	Median Housing Value			\$252,284
Estimated FFIEC Median Family Income – Non-MSA North Carolina (2022)		\$66,900	Median Gross Rent			\$961
			Families Below Poverty Level			10.6%

*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.*

According to the Bureau of Labor Statistics, the Dare County rates were higher than both the state and National levels, while Pasquotank County for 2019 and 2022 was above both state and National rates but mirrored the state rate in 2020 and was below the National rate. For 2021, the Pasquotank County rate was above the state rate but nearly the same as the National level. The following table reflects the average unemployment rates and trends for the assessment area, state, and Nation.

Unemployment Rates				
Area	2019	2020	2021	2022
	%	%	%	%
Dare County	4.6	9.7	6.0	4.3
Pasquotank County	4.5	7.1	5.4	4.5
North Carolina	3.8	7.1	4.8	3.6
National Average	3.7	8.1	5.3	3.6

Source: Bureau of Labor Statistics

In 2021, the top industries included professional and business services, retail trade, construction, and finance and insurance. The top employers according to the Outerbanks Chamber of Commerce in Dare County were Dare County Schools, County of Dare, Food Lion, LLC, Carolina Designs Realty Inc., and East Carolina Health Inc. The top employers according to the Elizabeth City Economic Development Department in Pasquotank County were the U.S. Coast Guard, Pasquotank Board of Education, Sentara Albemarle Medical Center, Elizabeth City State University, and the Department of Public Safety.

Competition

The assessment area presents a high level of competition for deposits. According to the FDIC Summary of Deposits as of June 30, 2022, there were 11 FDIC-insured financial institutions operating 31 branches in this assessment area. TowneBank ranked 1st with a market share of 19.5 percent. Wells Fargo Bank, N.A. ranked 2nd with a market share of 17.6, with PNC Bank ranked 3rd with a market share of 11.8 percent.

The assessment area presents a very high level of competition for home mortgage loans. In 2019, the bank ranked 2nd out of 272 lenders with a market share of 7.5 percent. Wells Fargo Bank, N.A. ranked 1st with a market share of 11.5 percent.

In 2020, the bank ranked 3rd out of 343 lenders with a market share of 5.9 percent. The top lender was Wells Fargo Bank, N.A. with a market share of 7.7 percent followed by Quicken Loans, LLC at 6.3 percent.

In 2021, the bank ranked 5th out of 399 lenders with a market share of 5.0 percent. The top lenders were Wells Fargo Bank, N.A. with a market share of 6.8 percent followed by Rocket Mortgage at 6.6 percent and State Employees Credit Union at 5.4 percent.

The assessment area presents a high level of competition for small business loans. In 2019, the bank ranked 10th out of 61 lenders by number of loans with a market share of 3.9 percent. The top three lenders by number of loans were American Express National Bank (15.0 percent), Citibank,

N.A. (9.9 percent), and JP Morgan Chase Bank, N.A. (9.0 percent). By dollar volume of small business loans, TowneBank ranked 2nd with a market share of 14.7 percent. Truist Bank ranked 1st with a market share of 15.0 percent.

In 2020, the bank ranked 1st out of 71 lenders with a market share of 11.4 percent by number of loans and 18.4 percent by dollar volume of small business loans. Other top lenders by number of loans include American Express National Bank ranked 2nd with a market share of 10.8, and Southern Bank and Trust Company ranked 3rd with a market share of 10.0 percent. By dollar volume, Southern Bank and Trust Company ranked 2nd with a market share of 15.7 percent followed by Truist Bank at 11.7 percent.

In 2021, the bank ranked 5th out of 69 lenders by number of loans with a market share of 6.2 percent. The top three lenders by number of loans were American Express National Bank (16.3 percent), Truist Bank (7.6 percent), and Southern Bank and Trust Company (6.5 percent). By dollar volume of small business loans, TowneBank ranked 2nd with a market share of 15.7 percent. Southern Bank and Trust Company ranked 1st with a 16.9 percent market share, and Truist Bank was 3rd at 14.1 percent.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, examiners determined that affordable home loans and small business lending represent primary credit and community development needs and opportunities. Affordable housing is a need as 28.4 percent of the families are low- or moderate-income, and the median housing value is over \$252,000 according to the 2015 ACS data compared to a 2015 median family income for low-families of less than \$23,609 and for moderate-income families of less than \$37,774. Finally, the significant percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 86.5 percent supports the need for small business lending.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA ASSESSMENT AREA

LENDING TEST

Lending levels in the Non-MSA assessment area reflect excellent responsiveness to the assessment area's credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects adequate distribution of lending among borrowers of different incomes and businesses of different sizes. The bank makes extensive use of innovative and/or flexible lending practices and originated an adequate level of community development loans.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the Non-MSA assessment area, the bank originated 1,104 home mortgage loans totaling \$337.4 million and 601 small business loans totaling \$65.0 million. The tables presented below detail the number and dollar volume of 2021 home mortgage loans and small business loans in this assessment area, unless otherwise noted.

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. Lending in both low- and moderate-income tracts was comparable to aggregate lending performance but below demographic data.

Geographic Distribution of Home Mortgage Loans Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.0	0.3	1	0.3	122	0.1
Moderate	1.3	0.4	1	0.3	333	0.2
Middle	22.1	12.3	15	3.8	2,913	2.2
Upper	75.7	87.0	375	95.6	131,754	97.5
Totals	100.0	100.0	392	100.0	135,122	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans is adequate. In 2021, the bank did not originate any small business loans in the only low-income census tract. For 2019 and 2020, lending in the low-income tract was below aggregate and demographic data. Lending in the only moderate-income tract was slightly below aggregate data and below demographic data. No loans were originated in the moderate-income tract in 2019.

Geographic Distribution of Small Business Loans Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	2.6	1.5	0	0.0	0	0.0
Moderate	3.8	2.4	3	1.6	78	0.4
Middle	15.7	13.8	14	7.6	941	4.5
Upper	77.8	82.3	168	90.8	19,734	95.1
Totals	100.0	100.0	185	100.0	20,753	100.0

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

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration among borrowers of different incomes. Lending to low-income borrowers is substantially below demographic data but is slightly below aggregate for 2021. For 2020, lending to low-income borrowers was slightly above aggregate. Lending to moderate-income borrowers is also significantly below demographics and is below aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	14.5	0.8	1	0.3	60	0.0
Moderate	13.9	5.0	10	2.5	1,930	1.4
Middle	20.1	12.5	44	11.2	9,340	6.9
Upper	51.6	62.8	303	77.3	105,347	78.0
Not Available	0.0	19.0	34	8.7	18,445	13.7
Totals	100.0	100.0	392	100.0	135,122	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The distribution of small business loans to businesses of different sizes is good. In 2019, the bank's lending to small business was adequate with 32.3 percent originated to business with gross annual revenues of \$1 million or less. The bank's performance was moderately below the aggregate and significantly below the demographic. For 2020 and 2021, performance was assessed using loan size as a proxy due to the significant volume of PPP loans and revenue not available. A significant majority had loan sizes of \$100,000 or less indicating that the bank is helping to serve the needs of small businesses in the assessment area.

The distribution of small business loans to businesses of different sizes is good. In 2019, lending to small businesses was substantially below demographics and below, but within a reasonable range, of aggregate data. For 2020 and 2021, lending to small businesses dropped substantially. However, as the table indicates, there is a significant volume of loans with no revenue data available in 2020 and 2021, which impacts the analysis of small business loans by gross annual revenue. As a result, an analysis of the loans without revenue available by size of the loan was conducted. The analysis determined that 299 or 79.3 percent of loans without revenue had origination amounts of \$100,000 or less, indicating assistance to small businesses. The average loan amount for loans with revenue not available was \$78,175. As previously stated, the bank originated a substantial level of PPP loans in 2020 and 2021, and the vast majority of the loans with no revenue available were PPP loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.8	48.8	31	32.3	4,134	30.3
2020	85.8	42.8	37	11.6	5,683	18.6
2021	86.5	49.6	30	16.2	5,009	24.1
>\$1,000,000						
2019	4.2	--	36	37.5	8,387	61.4
2020	3.9	--	35	10.9	5,468	17.9
2021	3.5	--	26	14.1	5,661	27.3
Revenue Not Available						
2019	10.9	--	29	30.2	1,136	8.3
2020	10.3	--	248	77.5	19,389	63.5
2021	9.9	--	129	69.7	10,083	48.6
Totals						
2019	100.0	100.0	96	100.0	13,657	100.0
2020	100.0	100.0	320	100.0	30,540	100.0
2021	100.0	100.0	185	100.0	20,753	100.0

*Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.
"--"Data not available.*

Distribution of Small Business Loans with NA Revenues by Loan Size Non-MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	199	80.3	100	77.5	299	79.3
> \$100,000 - <= \$250,000	34	13.7	22	17.0	56	14.8
> \$250,000 - <= \$500,000	8	3.2	5	3.9	13	3.5
> \$500,000 - <= \$1 Million	7	2.8	2	1.6	9	2.4
Total	248	100.0	129	100.0	377	100.0

Source: 2020 and 2021 CRA Data.

Community Development Loans

TowneBank made an adequate level of community development loans in the Non-MSA assessment area. The bank originated 13 community development loans totaling \$3.7 million. This performance represents 6.4 percent by number and 2.3 percent by dollar volume of state-wide community development loans.

Examples of community development loans follow.

- \$300,000 loan to a community development corporation that focuses on housing assistance

- and youth development for low- and moderate-income families.
- \$1.4 million PPP loan in a moderate-income area that helped to revitalize and stabilize the area.
- \$147,000 loan to an organization that serves the homeless.

INVESTMENT TEST

TowneBank has a poor level of qualified investments in the Non-MSA assessment area. The bank exhibits poor responsiveness to credit and community development needs and did not use innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

Qualified investments totaled \$254,000 or 0.5 percent of total North Carolina qualified investments. This total includes an affordable housing bond for \$250,000 and donations totaling \$4,000. Of the donations, \$1,000 benefitted affordable housing, \$1,000 benefitted community services, and \$2,000 benefitted revitalization and stabilization.

Below are examples of donations provided.

- \$1,000 to a non-profit that supports assisted living residents with affordable housing.
- \$1,000 to a community group that provides community services targeted to low- and moderate-income individuals.

SERVICE TEST

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

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The conclusions regarding the branch distribution and alternative delivery systems for the assessment area are less favorable than the institution overall and consistent with the North Carolina rated area. The bank operates three branches in the assessment area, representing 30.0 percent of the branches in North Carolina. The branches are located in upper-income census tracts, which comprise 50.0 percent of the census tracts in this assessment area and 64.6 percent of the population. There is one low-income tract and no moderate-income tracts. Given the branch locations, they are not accessible to the single low-income tract, which represents only 3.4 percent of the population. The bank also operates two mortgage loan offices within the assessment area in an upper-income and middle-income census tract. Neither are located within the branch offices. One of the mortgage

loan offices was located in a moderate-income tract under the 2015 ACS but transitioned to a middle-income census tract with the 2020 U.S. Census.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Since the last evaluation, the bank opened one branch in an upper-income census tract.

Community Development Services

The bank provided an adequate level of community development services in this assessment area. Specifically, the bank provided 32 community development services totaling 71 hours, which is a significant increase since the previous CRA evaluation. This level represents 10.7 percent of community development services in the state by number and 7.2 percent by hours. The community development services equate to 3.3 activities and 7.3 hours per branch per year during the evaluation period.

The following are examples of community development services.

- A Board member serves in a leadership position for a community healthcare clinic that provides services to indigent, uninsured, and underinsured persons.
- An employee provided financial literacy training for a school that primarily serves students from low- and moderate-income households.
- An officer serves on the Board of an education foundation that serves low- and moderate-income families.

OTHER ASSESSMENT AREAS – Limited-Scope Review

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE LIMITED-SCOPE ASSESSMENT AREAS

The following table summarizes the conclusions for the North Carolina assessment areas reviewed using limited-scope examination procedures. Conclusions regarding the institution's CRA performance within the limited-scope areas were derived from reviewing available facts and data, including performance data, aggregate lending data comparisons, and demographic information. The conclusions did not alter the bank's overall performance rating.

Assessment Area	Lending Test	Investment Test	Service Test
Greenville MSA	Below	Above	Consistent
Greensboro MSA	Consistent	Above	Consistent

A summary of the bank's operations and activities for limited-scope areas, as well as Geographic Distribution and Borrower Profile data are presented below. Demographic data and market share information for the limited-scope assessment areas are detailed in the Appendices.

Greenville MSA Assessment Area

The Greenville MSA assessment area includes Pitt County, which comprises the entire Greenville, NC MSA. The bank operates one branch in this area, which accounts for 2.3 percent of state-wide branches. The bank also operates a mortgage loan office at the branch location. In addition, the assessment area accounts for 4.6 percent of state-wide loans by dollar volume and 6.8 percent of state-wide lending by number of loans, and 4.3 percent of state-wide deposits. The following activities occurred in the assessment area during the review period.

Activity	#	\$ (000)
Small Business Loans	162	22,836
Home Mortgage Loans	440	93,317
Community Development Loans	10	22,942
Investments (New)	2	3,900
Investments (Prior Period)	0	0
Donations	37	863
CD Services	40	60 hours
<i>Small business and home mortgage lending volumes are based on the combined 2019, 2020, and 2021 lending data, while the community development loans, qualified investments, and community development services are through December 31, 2022. Qualified investments also include those from prior periods that remain outstanding.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are less favorable than the overall institution and consistent with the North Carolina rated area.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Greenville MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.5	5.8	7	3.9	1,059	2.5
Moderate	19.5	11.1	7	3.9	915	2.1
Middle	40.3	43.0	79	43.9	20,545	47.8
Upper	35.7	40.1	87	48.3	20,450	47.6
Totals	100.0	100.0	180	100.0	42,969	100.0
<i>Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.</i>						

Geographic Distribution of Small Business Loans Greenville MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	16.1	13.3	8	16.3	1,537	16.7
Moderate	16.0	16.0	6	12.2	1,175	12.8
Middle	36.9	38.9	16	32.7	1,822	19.8
Upper	31.0	31.8	19	38.8	4,660	50.7
Totals	100.0	100.0	49	100.0	9,194	100.0

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

Distribution of Home Mortgage Loans by Borrower Income Level Greenville MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.2	2.5	0	0.0	0	0.0
Moderate	16.2	11.4	16	8.9	2,343	5.4
Middle	17.5	19.8	45	25.0	7,763	18.1
Upper	42.1	47.6	106	58.9	26,826	62.4
Not Available	0.0	18.6	13	7.2	6,037	14.1
Totals	100.0	100.0	180	100.0	42,969	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Distribution of Small Business Loans by Gross Annual Revenue Category Greenville MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	83.2	45.4	15	65.2	3,786	61.3
2020	85.2	39.2	8	8.9	864	11.6
2021	86.5	49.9	11	22.4	3,014	32.8
>\$1,000,000						
2019	4.6	--	8	34.8	2,395	38.7
2020	3.9	--	6	6.7	1,561	20.9
2021	3.4	--	9	18.4	3,641	39.6
Revenue Not Available						
2019	12.3	--	0	0.0	0	0.0
2020	10.9	--	76	84.4	5,036	67.5
2021	10.1	--	29	59.2	2,539	27.6
Totals						
2019	100.0	100.0	23	100.0	6,181	100.0
2020	100.0	100.0	90	100.0	7,461	100.0
2021	100.0	100.0	49	100.0	9,194	100.0
<i>Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent. "--"Data not available.</i>						

Distribution of Small Business Loans with NA Revenues by Loan Size Greenville MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	61	80.3	25	86.2	86	81.9
> \$100,000 - <= \$250,000	11	14.5	2	6.9	13	12.4
> \$250,000 - <= \$500,000	3	3.9	0	0.0	3	2.9
> \$500,000 - <= \$1 Million	1	1.3	2	6.9	3	2.9
Total	76	100.0	29	100.0	105	100.00
<i>Source: 2020 and 2021 CRA Data. Due to rounding, totals may not add to 100.0 percent.</i>						

Greensboro MSA Assessment Area

The Greensboro MSA assessment area includes Guilford County, which is one of three counties in the Greensboro-High Point, NC MSA. The assessment area is new since the last evaluation as TowneBank opened its only branch (2.3 percent of North Carolina branches) in the area in November 2019. The bank also operates a mortgage loan office at the branch office. In addition, the assessment area accounts for 2.2 percent of state-wide loans by dollar volume and 2.6 percent of state-wide lending by number of loans, and 5.0 percent of state-wide deposits. The following activities occurred in the assessment area during the review period.

Activity	#	\$ (000)
Small Business Loans	132	26,632
Home Mortgage Loans	98	30,103
Community Development Loans	7	18,919
Investments (New)	2	3,982
Investments (Prior Period)	0	0
Donations	25	264
CD Services	39	61 hours
<i>Small business and home mortgage lending volumes are based on the combined 2019, 2020, and 2021 lending data, while the community development loans, qualified investments, and community development services are through December 31, 2022. Qualified investments also include those from prior periods that remain outstanding.</i>		

The branch distribution and alternative delivery systems for the limited-scope assessment area are less favorable than the overall institution and consistent with the North Carolina rated area.

Geographic Distribution and Borrower Profile

Geographic Distribution of Home Mortgage Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	3.1	1.8	1	1.8	525	2.9
Moderate	15.8	11.9	3	5.4	317	1.8
Middle	33.7	31.9	10	17.9	2,382	13.3
Upper	47.4	54.4	42	75.0	14,667	82.0
Totals	100.0	100.0	56	100.0	17,892	100.0
<i>Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.</i>						

Geographic Distribution of Small Business Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.9	4.9	3	5.5	1,041	10.6
Moderate	20.8	21.9	11	20.0	2,129	21.7
Middle	29.5	30.1	10	18.2	2,225	22.7
Upper	44.6	42.9	31	56.4	4,400	44.9
Not Available	0.2	0.1	0	0.0	0	0.0
Totals	100.0	100.0	55	100.0	9,795	100.0
<i>Source: 2021 D&B Data; 2021 CRA Data; and, 2021 CRA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Distribution of Home Mortgage Loans by Borrower Income Level Greensboro MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.5	4.7	1	1.8	131	0.7
Moderate	17.3	15.4	4	7.1	520	2.9
Middle	17.7	19.6	8	14.3	1,850	10.4
Upper	44.5	45.2	36	64.3	12,705	71.0
Not Available	0.0	15.2	7	12.5	2,685	15.0
Totals	100.0	100.0	56	100.0	17,891	100.0
<i>Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category Greensboro MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	84.8	46.7	8	72.7	2,255	77.0
2020	86.0	40.6	12	18.2	5,987	43.1
2021	87.2	46.8	11	20.0	2,629	26.8
>\$1,000,000						
2019	5.0	--	2	18.2	177	6.0
2020	4.5	--	8	12.1	3,132	22.5
2021	3.9	--	15	27.3	5,542	56.6
Revenue Not Available						
2019	10.3	--	1	9.1	499	17.0
2020	9.5	--	46	69.7	4,787	34.4
2021	8.9	--	29	52.7	1,624	16.6
Totals						
2019	100.0	100.0	11	100.0	2,931	100.0
2020	100.0	100.0	66	100.0	13,906	100.0
2021	100.0	100.0	55	100.0	9,795	100.0

Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.
"—"Data not available.

Distribution of Small Business Loans with NA Revenues by Loan Size Greensboro MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	34	73.9	25	86.2	59	79.7
> \$100,000 - <= \$250,000	8	17.4	4	13.8	11	14.9
> \$250,000 - <= \$500,000	2	4.4	0	0.0	2	2.7
> \$500,000 - <= \$1 Million	2	4.4	0	0.0	2	2.7
Total	46	100.0	29	100.0	74	100.0

Source: 2020 and 2021 CRA Data.
Due to rounding, totals may not equal 100.0 percent.

VIRGINIA

CRA RATING FOR VIRGINIA: OUTSTANDING

The Lending Test is rated: Outstanding

The Investment Test is rated: High Satisfactory

The Service Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VIRGINIA

The bank delineated the entire Richmond, VA MSA as the assessment area, which consists of 13 counties and 4 independent cities. The bank operates eight or 18.6 percent of bank-wide branch offices in the Richmond MSA assessment area. The Richmond MSA assessment area also accounts for 10.7 percent of bank-wide deposits, 12.4 percent of bank-wide loans by dollar volume, and 12.1 percent of bank-wide lending by number of loans.

The following data is from the US Census or D&B, unless otherwise noted.

Economic and Demographic Data

The 2015 ACS shows that owner-occupied housing units and businesses are primarily located in middle- and upper-income tracts. Therefore, most of the lending opportunities for this assessment area are in those geographies. However, there is also a fair level of owner-occupied housing and businesses in the moderate-income tracts. The low-income tracts account for significantly less owner-occupied housing and businesses, indicating less lending opportunity.

Demographic Information for the Richmond MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	290	12.4	24.5	34.1	26.9	2.1
Population by Geography	1,223,972	8.9	22.5	37.6	30.3	0.8
Housing Units by Geography	506,425	9.7	23.9	37.0	29.1	0.4
Owner-Occupied Units by Geography	301,582	4.5	17.9	41.6	35.9	0.2
Occupied Rental Units by Geography	158,990	17.5	32.9	29.9	19.1	0.5
Vacant Units by Geography	45,853	16.5	31.8	31.2	19.4	1.1
Businesses by Geography	149,639	6.7	22.2	34.2	36.5	0.5
Farms by Geography	3,972	2.8	17.6	44.9	34.6	0.1
Family Distribution by Income Level	298,506	21.0	17.9	20.1	40.9	0.0
Household Distribution by Income Level	460,572	23.3	16.7	18.3	41.8	0.0
Median Family Income - Richmond, VA MSA (2015)	\$75,183	Median Housing Value				\$219,822
Estimated FFIEC Median Family Income – Richmond, VA MSA (2022)	\$101,100	Median Gross Rent				\$984
		Families Below Poverty Level				8.8%

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.

According to the Bureau of Labor Statistics, the assessment area rates were higher than the state rates but lower than the National rates for all years. The following table reflects the average unemployment rates and trends for the assessment area, state, and Nation.

Unemployment Rates				
Area	2019	2020	2021	2022
	%	%	%	%
Richmond MSA assessment area	2.9	6.7	4.2	3.0
Virginia	2.8	6.2	3.9	2.8
National Average	3.7	8.1	5.3	3.6

Source: Bureau of Labor Statistics – annual averages

In 2021, the top industries included professional and business services, retail trade, finance and insurance, and construction. The top employers according to the Greater Richmond Partnership were VCU Health System, Capital One Financial, HCA Virginia Health System, Bon Secours Richmond, Virginia Commonwealth University, Dominion Energy, and Truist Bank.

Competition

The assessment area presents a high level of competition for deposits. According to the FDIC Summary of Deposits as of June 30, 2022, there were 28 FDIC-insured financial institutions operating 267 branches in this assessment area. TowneBank ranked 6th with a market share of 1.1 percent. Capital One Bank was the market leader with a market share of 59.6 percent, followed by Bank of America, NA at 17.4 percent and Truist Bank at 7.9 percent.

The assessment area presents a high level of competition for home mortgage loans. In 2019, the bank ranked 22nd out of 555 lenders with a market share of 1.4 percent. The top five lenders were Well Fargo Bank, N.A. (9.0 percent), Quicken Loans, LLC (5.1 percent), Virginia Credit Union, Inc. (5.0 percent), Capital Center, LLC (4.2 percent), and SunTrust Banks, Inc. (4.0 percent).

In 2020, the bank ranked 22nd out of 591 lenders with a market share of 3.0 percent. The top five lenders were Wells Fargo Bank, N.A. (8.7 percent), Quicken Loans, LLC (7.3 percent), Capital Center, LLC (5.9 percent), Truist Bank (5.1 percent), and Virginia Credit Union, Inc. (4.6 percent).

In 2021, the bank ranked 24th out of 624 lenders with a market share of 1.1 percent. The top five lenders were Rocket Mortgage (7.2 percent), Capital Center, LLC (6.7 percent), Wells Fargo Bank, N.A. (6.6 percent), Truist Bank (4.5 percent), and PennyMac Loan Services, LLC (4.1 percent).

The assessment area presents a high level of competition for small business loans. In 2019, the bank ranked 22rd out of 126 lenders with a market share of 0.5 percent by number of loans. The top three lenders by number of loans were American Express National Bank (19.9 percent), Wells Fargo Bank, N.A. (10.5 percent), and JP Morgan Chase Bank, N.A. (10.1 percent). By dollar volume of small business loans, TowneBank ranked 11th with a 3.0 percent market share. The top lenders by dollar volume were Wells Fargo Bank, N.A. (14.5 percent), Atlantic Union Bank (10.3 percent), and Truist Bank (9.1 percent).

In 2020, the bank ranked 15th out of 171 lenders with a market share of 1.6 percent by number of loans. The top three lenders by number of loans were American Express National Bank (12.7 percent), Wells Fargo Bank, N.A. (12.4 percent), and Truist Bank (11.9 percent). By dollar volume of small business loans, TowneBank ranked 7th with a 4.6 percent market share. The top lenders by dollar volume were Atlantic Union Bank (18.5 percent), Truist Bank (16.2 percent), and Wells Fargo Bank, N.A. (9.9 percent).

In 2021, the bank ranked 19th out of 170 lenders with a market share of 1.0 percent by number of loans. The top three lenders by number of loans were American Express National Bank (18.1 percent), Wells Fargo Bank, N.A. (10.8 percent), and Truist Bank (9.6 percent). By dollar volume of loans, TowneBank ranked 6th with a 5.1 percent. The top lenders by dollar volume of small business loans were Atlantic Union Bank (14.4 percent) and Truist Bank (12.8 percent).

Community Contacts

As part of the evaluation process, examiners contact third parties or rely on recent contacts that are active in the assessment area to help identify credit and community development needs. This information also shows what credit and community development opportunities are available and helps determine local financial institutions' responsiveness to those needs.

Two new contacts were conducted for the Richmond MSA assessment area: one with a housing organization and one with a community foundation organization. Both contacts noted that there are significant shortages of affordable housing in the area. One contact noted housing units are not being built at a rate that would solve the current housing crisis. The other contact stated that the area continues to experience growth and an influx of people with relatively great buying power

resulting in housing pressure for community members with lower incomes. The outcome is a scarcity of housing stock that is affordable without becoming cost-burdened and increasing rent prices. The community is also in need of construction and development loans for affordable housing, including starter homes. Further, one contact stated that families are still dealing with issues related to paying old balances incurred during the COVID-19 pandemic, which could often times exclude a family from additional housing opportunities. A necessity for the area is to provide financial assistance to individuals and families to tackle affordable housing credit needs.

Additionally, both contacts stated there are concerns with the age of the housing stock in the community. One contact noted that the age of housing stock is the reason that demolition and rehabilitation is a priority for the area. The other contact stated that the community is in need of affordable housing repair and rehabilitation loans.

Credit and Community Development Needs and Opportunities

Considering demographic, economic, and community contacts data, examiners determined primary credit and community development needs and opportunities within the Richmond MSA assessment area relate to housing and small business lending. The community is in need of construction and development loans for affordable housing, including starter homes. Another necessity for the area is financial assistance to individuals and families related to affordable housing credit needs. Low-income families at 21.0 percent of total families, moderate-income families at 17.9 percent of total families, and 16.5 percent of renters with gross rent costs greater than 30 percent of income support these conclusions. Further, home repair and rehabilitation loans are a need based on information from two community contacts as well as demographic data that reflects the average median age of housing stock is 58 years for low-income geographies and 51 years for moderate-income geographies. Finally, the significant percentage of businesses in the assessment area with gross annual revenues of \$1 million or less at 89.0 percent supports the need for small business lending.

SCOPE OF EVALUATION – VIRGINIA

See the overall Scope of Evaluation for details.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA

LENDING TEST

The Lending Test is rated Outstanding. Lending levels reflect excellent responsiveness to the Richmond MSA assessment area's credit needs. The geographic distribution reflects good penetration throughout the assessment area, and the borrower profile reflects excellent penetration of lending among borrowers of different incomes and businesses of different sizes. The bank makes extensive use of innovative and/or flexible lending practices. The bank is a leader in making community development loans with a substantial volume that impacted the overall Lending Test rating.

Lending Activity

Lending levels reflect excellent responsiveness to assessment area credit needs. In the Richmond MSA assessment area, the bank originated 2,766 home mortgage loans totaling \$696.1 million and 966 small business loans totaling \$180.6 million. The tables presented below detail the number and dollar volume of 2021 home mortgage loans and small business loans in this assessment area, unless otherwise noted.

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. Lending in both low- and moderate-income census tracts exceeded demographic and aggregate lending data.

Geographic Distribution of Home Mortgage Loans Richmond MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	4.5	3.8	58	5.7	10,253	3.5
Moderate	17.9	15.0	212	20.8	51,917	18.1
Middle	41.6	39.1	350	34.2	83,652	29.1
Upper	35.9	42.0	402	39.3	141,735	49.3
Not Available	0.2	0.1	0	0.0	0	0.0
Totals	100.0	100.0	1,022	100.0	287,557	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans is good. Lending in low-income tracts in 2021 was comparable to aggregate lending but below demographics. For 2019, lending in low-income tracts exceeded aggregate lending and demographics. For moderate-income tracts, lending was just below demographics but exceeded aggregate lending.

Geographic Distribution of Small Business Loans Richmond MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low	6.7	5.3	17	4.9	3,454	5.0
Moderate	22.2	19.8	74	21.3	17,686	25.5
Middle	34.2	35.4	125	36.0	22,589	32.5
Upper	36.5	39.2	131	37.8	25,678	37.0
Not Available	0.5	0.3	0	0.0	0	0.0
Totals	100.0	100.0	347	100.0	69,407	100.0

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

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent lending penetration among borrowers of different incomes. Lending to low-income borrowers was significantly below demographic data but exceeded aggregate data in 2021. For 2020, lending to low-income borrowers was below demographic data also but more than double aggregate lending. For moderate-income borrowers, lending was significantly above demographic and aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Richmond MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	21.0	7.2	108	10.6	14,492	5.0
Moderate	18.0	19.5	287	28.1	53,109	18.5
Middle	20.1	20.5	220	21.5	53,399	18.6
Upper	40.9	32.9	352	34.4	135,508	47.1
Not Available	0.0	19.8	55	5.4	31,049	10.8
Totals	100.0	100.0	1,022	100.0	287,557	100.0

*Source: 2015 ACS; 2021 HMDA Data; and, 2021 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The distribution of small business loans to businesses of different sizes is adequate. In 2019, lending to small businesses was substantially below demographic data and significantly below aggregate lending. For 2020 and 2021, lending to small businesses dropped significantly. However, as the table indicates, there is a significant volume of loans with no revenue data

available in 2020 and 2021, which impacts the analysis of small business loans by gross annual revenue. As a result, an analysis of the loans without revenue available by size of the loan was conducted. The analysis determined that 432 loans or 67.7 percent of loans without revenue had origination amounts of \$100,000 or less, indicating assistance to small businesses. The average loan amount for loans with revenue not available was \$125,839. As previously stated, the bank originated a substantial level of PPP loans in 2020 and 2021, and the vast majority of the loans with no revenue available were PPP loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Richmond MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	86.4	49.5	32	25.0	8,042	27.2
2020	87.9	45.6	24	4.9	6,886	8.4
2021	89.0	49.4	42	12.1	14,478	20.9
>\$1,000,000						
2019	4.3	--	57	44.5	19,965	67.5
2020	3.7	--	57	11.6	18,019	22.1
2021	3.1	--	77	22.2	31,327	45.1
Revenue Not Available						
2019	9.3	--	39	30.5	1,562	5.3
2020	8.4	--	410	83.5	56,683	69.5
2021	7.9	--	228	65.7	23,602	34.0
Totals						
2019	100.0	100.0	128	100.0	29,569	100.0
2020	100.0	100.0	491	100.0	81,588	100.0
2021	100.0	100.0	347	100.0	69,407	100.0

*Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019, 2020, and 2021 CRA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.
"--"Data not available.*

Distribution of Small Business Loans with NA Revenues by Loan Size Richmond MSA Assessment Area						
Loan Size	2020		2021		Combined	
	Count	Percent	Count	Percent	Count	Percent
<= \$100,000	262	63.9	170	74.5	432	67.7
> \$100,000 - <= \$250,000	73	17.8	33	14.5	106	16.6
> \$250,000 - <= \$500,000	47	11.5	16	7.0	63	9.9
> \$500,000 - <= \$1 Million	28	6.8	9	4.0	37	5.8
Total	410	100.0	228	100.0	638	100.0

Source: CRA Data 2020 and 2021

Community Development Loans

TowneBank is a leader in making community development loans in the Richmond MSA assessment area. The bank originated 72 community development loans totaling \$87.4 million within the assessment area, which is a substantial increase from the prior evaluation. Additionally, the bank originated 5 community development loans totaling \$22.5 million in the broader state-wide area that are included in the analysis as the bank was responsive to the community development lending needs within the assessment area. Combined the bank originated 77 community development loans totaling \$110.0 million in the Virginia rated area. This performance represents 9.6 percent by number and 16.7 percent by dollar volume of bank-wide community development loans.

Below are examples of community development loans within the assessment area.

- \$11.5 million loan to construct a 200-unit apartment building using LIHTCs for which a majority of renters have incomes at or below 60.0 percent of the area median income.
- \$5.0 million loan to an affordable housing non-profit community development corporation.
- \$2.0 million loan to a non-profit organization that provides clothing, household items, and job skills training for low- and moderate-income individuals.

Below are examples of community development loans within the broader state-wide area.

- \$2.5 million loan to a community development corporations to finance an affordable housing community for senior citizens.
- \$3.1 million PPP loan to a small business that employs primarily low-and moderate-income workers to help maintain employment during the pandemic.
- \$11.8 million loan to finance a property in a defined redevelopment zone.

INVESTMENT TEST

The Investment Test is rated High Satisfactory. The bank has a significant level of qualified investments and donations in the Richmond MSA assessment area, exhibiting excellent responsiveness to credit and community development needs. The bank makes extensive use of innovative and/or complex investments to support community development initiatives.

Investment and Grant Activity

Qualified investments total \$19.8 million in the Richmond MSA assessment area. The investments include LIHTCs totaling \$16.4 million, \$2.0 million in affordable housing bonds and donations totaling \$1.4 million. Of the donations, \$200,000 benefitted affordable housing, \$1.1 million benefitted community services, and \$115,000 benefitted economic development. The bank holds an additional \$10.9 million in qualified investments that benefit the broader state-wide area that includes the bank's assessment area. The broader state-wide qualified investments include investments in affordable housing equity funds and LIHTCs. Additionally, a \$5.1 million qualified investment in an affordable housing fund is outside the bank's assessment areas but within Virginia and is considered as the bank was responsive to the needs of the assessment areas. In total,

TowneBank has \$35.9 million in qualified investment in Virginia, which accounts for 17.3 percent of bank-wide investments.

Below are examples of donations that benefitted the Richmond MSA assessment area.

- \$75,000 to a non-profit for community services targeted to low- and moderate-income individuals.
- \$50,000 to an economic development entity that provides access to education and job opportunities for low- and moderate-income individuals.

Below are examples of donations that benefitted the broader state-wide area.

- \$1,500 to a health clinic that provides services to low- and moderate-income persons.
- \$1,000 to a non-profit that provides community services targeted to low- and moderate-income individuals.

SERVICE TEST

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

Accessibility of Delivery Systems

Delivery systems are readily accessible to all portions of the assessment area. The conclusions regarding the branch distribution and alternative delivery systems for the rated area are more favorable than the institution overall. The bank operates eight branches (18.6 percent) in the assessment area. None of the branches are located in low-income areas; however, only 7.8 percent of the population resides in these tracts. Three branches (37.5 percent) are located in moderate-income tracts, which is significantly above the population at 20.9 percent. The bank also operates two ATMs in moderate-income tracts. A review of the bank's branch distribution revealed that three out of five branches located in middle- and upper-income census tracts are accessible to surrounding low- and moderate-income areas. The bank also operates five mortgage loan offices within the assessment area, with one each in a moderate-income and a middle-income census tract and three in upper-income census tracts. Three are located with branch locations. One of the mortgage loan offices was located in a moderate-income census tract under the 2015 ACS but transitioned to an upper-income census tract with the 2020 U.S. Census. Additionally, two of the middle- and upper-income locations are reasonably accessible to surrounding low- and moderate-income tracts.

The Virginia Enterprise Zone Program, a partnership between state and local government, has designated Enterprise Zones within Virginia to encourage job creation and private investment.

Within the assessment area, there are two branches located in designated Enterprise Zones. Additionally, two of the mortgage loan offices are located in the Enterprise Zones. This further supports the conclusion that branches are accessible to essentially all portions of the assessment area including communities that are most in need of banking services.

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate- income individuals. Since the last evaluation, the bank closed one branch in a middle-income census tract and relocated one branch within a moderate-income census tract. The relocation occurred within the same census tract resulting in no changes to the area, individuals, and businesses served.

Community Development Services

The bank is a leader in providing community development services in Virginia. Specifically, the bank provided 335 community development services totaling 1,188 hours within the Richmond MSA assessment area. Additionally, the bank provided 6 community development services for 15 hours in the broader state-wide area that are considered as the bank was responsive to the assessment area's needs. Combined community development services total 341 services for 1,203 hours, which is a significant increase from the last evaluation. This level represents 21.4 percent of bank-wide community development services by number and 14.9 percent by hours. The community development services equate to 13.1 activities and 46.3 hours per branch per year during the evaluation period.

The following area examples of community development services within the Richmond MSA assessment area.

- A bank officer serves in a leadership role for a minority business advisory council that focuses on affordable housing.
- A Board member serves in a leadership role at a business development organization focusing on job creation in a moderate-income area.
- An employee provided financial literacy training at a school that primarily serves students from low-and moderate-income households.

The following area examples of community development services within the broader state-wide area.

- A bank employee serves in a leadership role for an organization that provides free healthcare. The clinic is an NAP organization, which are certified to help low-income persons.
- A bank officer serves as a Board member for an economic development organization.

The bank continued to offer their proprietary financial literacy program, Making Money Count, for Richmond area schools that serve low-and moderate-income students reaching approximately

20,000 students during this evaluation period. The program was also expanded to middle and high school students. In addition, the program was innovated to a video format and virtual materials in order to continue the offering during the COVID-19 pandemic.

APPENDICES

LARGE BANK PERFORMANCE CRITERIA

Lending Test

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

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

Investment Test

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

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

Service Test

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

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

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

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

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Investment Test	Service Test	Rating
Virginia Beach MMSA	Outstanding	Outstanding	Outstanding	Outstanding
North Carolina	Outstanding	High Satisfactory	High Satisfactory	Outstanding
Virginia	Outstanding	High Satisfactory	Outstanding	Outstanding

DESCRIPTION OF LIMITED-SCOPE ASSESSMENT AREAS

North Carolina

Greenville MSA Assessment Area

Demographics

Demographic Information for the Greenville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	32	12.5	25.0	34.4	28.1	0.0
Population by Geography	173,798	10.8	22.5	38.5	28.3	0.0
Housing Units by Geography	76,269	12.5	22.7	38.7	26.0	0.0
Owner-Occupied Units by Geography	35,626	4.5	19.5	40.3	35.7	0.0
Occupied Rental Units by Geography	31,876	20.3	26.4	36.7	16.6	0.0
Vacant Units by Geography	8,767	17.1	22.6	39.7	20.6	0.0
Businesses by Geography	13,728	16.1	16.0	36.9	31.0	0.0
Farms by Geography	471	4.9	15.9	43.5	35.7	0.0
Family Distribution by Income Level	40,239	24.2	16.2	17.5	42.1	0.0
Household Distribution by Income Level	67,502	26.5	15.4	15.8	42.3	0.0
Median Family Income MSA - Greenville, NC MSA	\$56,239	Median Housing Value				\$128,235
		Median Gross Rent				\$737
		Families Below Poverty Level				16.1%
<i>Source: 2015 ACS and 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.</i>						

Market Share

According to the FDIC Deposit Market Share data as of June 30, 2022, the bank ranked 9th out of 13 FDIC-insured institutions with a market share of 4.4 percent. The top three competitors accounted for 50.6 percent of the market share.

For home mortgage loans, the bank ranked 10th with a market share of 2.6 percent in 2021. The top three home mortgage lenders accounted for 30.8 percent of the deposit market share.

For small business lending, the bank ranked 18th with a market share of 1.8 percent in 2021. The top three small business lenders counted for 36.5 percent of the market share.

Greensboro MSA Assessment Area

Demographics

Demographic Information for the Greensboro MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	119	8.4	25.2	29.4	36.1	0.8
Population by Geography	506,763	7.2	23.2	32.9	36.8	0.0
Housing Units by Geography	222,057	7.1	23.5	33.4	36.0	0.0
Owner-Occupied Units by Geography	118,976	3.1	15.8	33.7	47.4	0.0
Occupied Rental Units by Geography	80,564	12.1	32.3	33.3	22.2	0.0
Vacant Units by Geography	22,517	10.1	32.7	32.1	25.1	0.0
Businesses by Geography	58,931	4.9	20.8	29.5	44.6	0.2
Farms by Geography	1,413	2.7	13.5	36.8	47.0	0.0
Family Distribution by Income Level	126,562	20.5	17.3	17.7	44.5	0.0
Household Distribution by Income Level	199,540	22.4	16.1	17.1	44.5	0.0
Median Family Income MSA - Greensboro-High Point, NC MSA	\$55,218	Median Housing Value				\$159,338
		Median Gross Rent				\$786
		Families Below Poverty Level				13.0%
<i>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.</i>						

Market Share

According to the FDIC Deposit Market Share data as of June 30, 2022, the bank ranked 13th out of 21 FDIC-insured institutions with a market share of 1.2 percent. The top three competitors accounted for 61.3 percent of the market share.

For home mortgage loans, the bank ranked 72nd with a market share of 0.2 percent in 2021. The top three home mortgage lenders for 2021 accounted for 24.5 percent of the deposit market share.

For small business lending, the bank ranked 26th with a market share of 0.4 percent in 2021. The top three small business lenders counted for 37.1 percent of the market share.

GLOSSARY

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the bank'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.