

PUBLIC DISCLOSURE

January 29, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bank of Charles Town
Certificate Number: 9023

111 E. Washington Street
Charles Town, West Virginia 25414

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

10 10th Street NE, Suite 900
Atlanta, Georgia 30309-3849

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

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INSTITUTION RATING

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

The Lending Test is rated Outstanding.

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

The Community Development Test is rated Outstanding.

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

DESCRIPTION OF INSTITUTION

Bank of Charles Town is an \$829.5 million state-chartered financial institution headquartered in Charles Town, West Virginia. The bank is a wholly-owned subsidiary of Potomac Bancshares, Inc., a single-bank holding company, also headquartered in Charles Town, West Virginia. The bank has no subsidiaries or affiliates. At the November 9, 2020, CRA evaluation performed by the FDIC, the bank received an Outstanding CRA rating. The evaluation was based on the Intermediate Small Institution Examination Procedures.

The bank operates its main office at 111 East Washington Street in Charles Town, West Virginia. In addition to the main office, the bank operates eight full-service branch offices throughout Jefferson and Berkeley Counties, West Virginia; Washington County, Maryland; and Loudoun County, Virginia. Since the previous evaluation, the bank opened a Loan Production Office in Fredericksburg City, Virginia in May 2021. Fredericksburg City is an independent city within the Washington-Arlington-Alexandria, DC-VA-MD-WV Metropolitan Division (MD), and the bank does not delineate it as part of its assessment area. No mergers, acquisitions, branch closings, or branch openings have occurred since the previous evaluation.

Bank of Charles Town offers loan products including commercial, home mortgage, and consumer loans, with the bank's primary focus being commercial and home mortgage lending. The bank offers a variety of deposit products, which include checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, person-to-person payment service, mobile deposits, and automatic teller machines (ATMs). The bank operates eight ATMs at the branch offices, with five located in low- and moderate-income tracts. One branch in a middle-income census tract does not have an ATM.

As of December 31, 2023, the Consolidated Report of Condition and Income reflects total assets of \$829.5 million, total deposits of \$739.8 million, and total loans of \$652.0 million. There have been no significant changes in the loan composition since the previous evaluation. As shown in the table below, significant loan types are residential real-estate and commercial loans. The Call Report data shows that residential real-estate loans comprise 36.7 percent of the portfolio as of December 31, 2023. Commercial loans, including those secured by nonfarm, nonresidential real estate and commercial and industrial loans, comprise 53.0 percent of the portfolio.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction and Land Development	27,653	4.2
Secured by Farmland	7,019	1.1
Secured by 1-4 Family Residential Properties	238,976	36.7
Secured by Multifamily (5 or more) Residential Properties	21,052	3.2
Secured by Nonfarm Nonresidential Properties	310,977	47.7
Total Real Estate Loans	605,677	92.9
Commercial and Industrial Loans	34,548	5.3
Agricultural Loans	195	0.0
Consumer Loans	3,689	0.6
Obligations of States and Political Subdivisions in the U.S.	6,234	1.0
Other Loans	1,695	0.2
Less: Unearned Income	0	0.0
Total Loans	652,038	100.0
<i>Source: Report of Condition and Income (Call Report)</i>		

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

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Currently, Bank of Charles Town operates within two defined assessment areas forming two rated areas. The two assessment areas are: Jefferson-Loudoun assessment area, which consists of Jefferson County, West Virginia and Loudoun County, Virginia and Berkeley-Washington assessment area, which consists of Berkeley County, West Virginia and Washington County, Maryland. The contiguous counties of Jefferson County, West Virginia and Loudoun County, Virginia are located within the Washington-Arlington-Alexandria, DC-VA-MD-WV MSA and are only 2 of the 16 counties, 6 independent cities, and the District of Columbia located within this Metropolitan Division. The contiguous counties of Berkeley County, West Virginia and Washington County, Maryland are located within the Hagerstown-Martinsburg, MD-WV Metropolitan Statistical Area (MSA). The Hagerstown-Martinsburg, MD-WV MSA also includes Morgan County, West Virginia; however, the bank does not delineate Morgan County as part of the assessment area.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 9, 2020, to the current evaluation dated January 29, 2024. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Bank of Charles Town’s CRA performance. These procedures include two tests: Lending, and Community Development. An institution may not receive an overall “Satisfactory” rating unless both tests receive at least a “Satisfactory” rating.

Both assessment areas will be reviewed using full-scope examination procedures. Additionally, the Jefferson-Loudoun rated area received significant weight in the overall ratings and conclusions, considering 61.8 percent of loans by number and 70.2 percent of loans by dollar volume, 79.4 percent of deposits, and 66.7 percent of branch offices are located within the Jefferson-Loudoun rated area. The Berkeley-Washington rated area was assigned significantly less weight, providing less influence on the ratings and conclusions.

Assessment Area Breakdown of Loans, Deposits, and Branches								
Assessment Area	Loans				Deposits		Branches	
	\$(000s)	%	#	%	\$(000s)	%	#	%
Jefferson-Loudoun	87,394	70.2	272	61.8	561,408	79.4	6	66.7
Berkeley-Washington	37,153	29.8	168	38.2	145,351	20.6	3	33.3
Total	124,547	100.0	440	100.0	706,759	100.0	9	100.0

Source: Bank Data and FDIC Summary of Deposits (06/30/2023)

Activities Reviewed

The CRA regulation requires examiners to review lending performance with respect to home mortgage, small business, and small farm loans, if significant. Examiners determined the major product lines are home mortgage loans and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. The bank’s record of originating home mortgage and small business loans by number volume led examiners to place more weight on home mortgage loans and less weight on small business loans for the overall conclusions and ratings assigned. While the table below reflects a higher dollar volume for commercial lending compared to home mortgage lending, further review determined that only 177 loans totaling \$53.6 million are small business loans with origination amounts of \$1 million or less. As a result, small business loans only represent 12.4 percent by dollar volume of loans originated or purchased in the table below. In addition, no other loan types, such as small farm loans, represent a major product line and are not included in the review. The following table includes loans originated from January 1, 2021, to December 31, 2022.

Loans Originated or Purchased				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	18,282	4.2	17	1.9
Secured by Farmland	3,488	0.8	6	0.6
Secured by 1-4 Family Residential Properties	121,517	28.2	416	46.0
Multi-Family (5 or more) Residential Properties	13,509	3.1	21	2.3
Commercial Real Estate Loans	230,867	53.5	121	13.4
Commercial and Industrial Loans	40,413	9.4	117	12.9
Agricultural Loans	0	0.0	0	0.0
Consumer Loans	3,424	0.8	207	22.9
Other Loans	0	0.0	0	0.0
Total Loans	431,500	100.0	905	100.0

Source: Bank Data

This evaluation considered all home mortgage loans reported for 2020, 2021, and 2022 under Home Mortgage Disclosure Act (HMDA). For 2020, the bank reported 141 loans totaling \$43.9 million; for 2021, the bank reported 146 loans totaling \$50.5 million; and for 2022, the bank reported 165 loans totaling \$63.6 million. Only 2022 home mortgage lending is presented in the performance evaluation, as this is the most recent year for which aggregate data is available, and performance is generally consistent among years. Lending performance for 2020 and 2021 was also analyzed but is only discussed if anomalies are noted in the analysis.

In addition, examiners considered the universe of small business loans originated in 2022. The bank originated 154 small business loans totaling \$39.1 million. Since the geographic data was readily available, the universe of small business loans was utilized for the Assessment Area Concentration and Geographic Distribution performance criteria. For the Borrower Profile performance criterion, a sample of 47 small business loans totaling \$8.6 million within the assessment areas was used for the analysis of Borrower Profile only.

Federal banking agencies rely on the U.S. Census data that is updated every five years through the American Community Survey (ACS) for comparative demographic data for the home mortgage lending and D&B data for small business lending. Additionally, HMDA aggregate data is used for comparative purposes. Home mortgage lending performance was compared to the demographic data provided by the 2015 ACS, as well as the respective HMDA aggregate data for 2020 and 2021. For 2022, home mortgage lending performance was compared to the demographic data provided by the 2020 U.S. Census data, as well as HMDA aggregate data for 2022. For small business lending, the bank's performance was compared to demographic data provided by D&B for 2022. For the Geographic Distribution analysis, the bank's home mortgage and small business lending performance is compared to the level of owner-occupied housing and businesses located in low-, moderate-, middle-, and upper-income tracts, as applicable. For the Borrower Distribution analysis, the bank's performance is compared to the level of low-, moderate-, middle-, and upper-income borrowers for home mortgage lending and the percentage of businesses with gross annual revenues of \$1 million or less for small business lending.

This evaluation includes all community development loans and community development services provided by bank management from November 9, 2020, through January 29, 2024. Qualified investments that were purchased prior to but still outstanding as of the current evaluation date or purchased during the evaluation period were also reviewed.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Bank of Charles Town's Lending Test is rated Outstanding. The net loan-to-deposit ratio is reasonable given the institution's size, financial condition, and assessment areas' credit needs, and the majority of loans were originated within the assessment areas. The Geographic Distribution of loans reflects excellent penetration throughout the assessment areas, including low- and moderate-income tracts. The Borrower Profile reflects excellent distribution among individuals of different income levels and businesses of different sizes. The bank's overall conclusions and ratings are primarily based on performance in the Washington-Arlington-Alexandria, DC-VA-MD-WV MD rated-area; thus, the institution's overall

rating is consistent with the rated-area. The performance for the Hagerstown-Martinsburg, MD-WV Multi-State MSA rated-area is below the overall institution performance.

Loan-to-Deposit Ratio

The loan-to-deposit ratio is reasonable given the institution’s size, financial condition, and assessment areas’ credit needs. The loan-to-deposit ratio, calculated from Call Report data, averaged 86.4 percent over the past 13 quarters from December 31, 2020, to December 31, 2023. The ratio ranged from a low of 81.3 percent as of December 31, 2021, to a high of 92.6 percent as of December 31, 2022. Examiners compared the loan-to-deposit ratio to two similarly-situated institutions based on asset size, lending focus, and location. Bank of Charles Town’s ratio was comparable to CNB Bank Inc., and significantly higher than Jefferson Security Bank.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net Loan-to-Deposit Ratio (%)
Bank of Charles Town	829,546	86.4
CNB Bank Inc., Berkeley Springs, WV	611,906	81.4
Jefferson Security Bank, Shepherdstown, WV	500,613	69.7
<i>Source: Reports of Condition and Income</i>		

Assessment Area Concentration

Bank of Charles Town originated a majority of small business and home mortgage loans by number and dollar volume within the assessment areas. The following table shows the distribution of loans originated inside and outside the assessment areas.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans					Dollar Amount of Loans \$(000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	\$	%	\$	%	\$(000s)
Home Mortgage										
2020	120	85.1	21	14.9	141	35,411	80.7	8,454	19.3	43,866
2021	101	69.2	45	30.8	146	29,602	58.6	20,896	41.4	50,498
2022	126	76.4	39	23.6	165	39,786	62.5	23,861	37.5	63,647
Subtotal	347	76.8	105	23.2	452	104,799	66.3	53,211	33.7	158,011
Small Business	93	60.4	61	39.6	154	19,747	50.5	19,354	49.5	39,101
Total	440	72.6	166	27.4	606	124,546	63.2	72,565	36.8	197,112
<i>Source: 2020 - 2022 HMDA Data and Bank Records.</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment areas. Excellent performance in home mortgage and reasonable small business lending performance in the Jefferson-Loudoun assessment area primarily supports this conclusion and received more weight in the overall conclusion and rating assigned. The reasonable performance in the Berkeley-Washington assessment area received less weight and provided less influence on the overall conclusion and rating assigned.

Borrower Profile

The distribution of loans reflects, given the demographics of the assessment areas, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. Excellent lending performance in home mortgage lending and reasonable performance in small business lending in the Jefferson-Loudoun assessment area primarily supports this conclusion and received significant weight in the overall rating assigned. Reasonable performance in small business lending and home mortgage lending in the Berkeley-Washington assessment area received less weight and provided less influence on the overall rating and conclusion.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The Community Development Test for Bank of Charles Town is rated Outstanding. The institution's community development performance demonstrates excellent responsiveness to the community development needs of the assessment areas through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas. The institution's overall performance is consistent with the performance in both rated-areas. Refer to the individual assessment area analysis for additional information on the community development activities.

Community Development Loans

Bank of Charles Town originated 249 community development loans totaling \$87.3 million during the evaluation period. This level of activity represents 15.2 percent of average total loans and 11.9 percent of average total assets. The level of community development lending is below the community development loans at the prior evaluation when Bank of Charles Town provided 607 loans totaling \$87.7 million, which represented 17.4 percent of average assets and 22.2 percent of average total loans. The decline is attributable to a decrease in the level of Small Business Administration's (SBA) Paycheck Protection Program (PPP) loans. At the prior evaluation, 556 PPP loans totaling \$56.5 million were included as community development loans compared to 121

loans totaling \$6.0 million at the evaluation. However, at the previous evaluation, when excluding the PPP loans, the bank’s core lending accounted for 8.1 percent of average total loans and 6.2 percent of average total assets. Core lending at the current evaluation, when excluding the PPP loans, accounts for 14.2 percent of average total loans and 11.0 percent of average total assets, which is an increase in core lending when compared to the previous evaluation. Refer to each assessment area for a detailed discussion and examples of community development loans.

Of the 249 community development loans, 51 loans totaling \$41.5 million (47.5 percent) are within the broader regional or state-wide area. The bank has been responsive to community development needs and opportunities inside its assessment areas; thus, these loans are included. Below are examples of regional or state-wide community development loans.

- A \$2.0 million loan to a small business to purchase a commercial building in a moderate-income tract. The building is leased by a tenant that provides low- and moderate-income jobs.
- A \$2.3 million loan to a small business for the construction of a child-care facility located in a moderate-income census tract that created low- and moderate-income jobs.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
11/09/2020-12/31/2020	0	0	0	0	7	4,943	0	0	7	4,943
2021	4	1,013	10	4,486	19	26,578	126	8,280	159	40,357
2022	6	2,837	6	1,436	22	11,995	8	11,302	42	27,570
2023	2	957	8	2,106	28	10,171	3	1,156	41	14,390
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	12	4,807	24	8,028	76	53,687	137	20,738	249	87,260

Source: Bank Records

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jefferson-Loudoun MSA	2	600	17	5,720	24	14,940	112	9,289	155	30,549
Berkeley-Washington MSA	6	2,743	5	1,683	10	8,440	22	2,386	43	15,252
Subtotal	8	3,343	22	7,403	34	23,380	134	11,675	198	45,801
Regional Area	0	0	0	0	4	2,030	0	0	4	2,030
Maryland State-wide	3	807	0	0	2	774	1	3,784	6	5,365
Virginia State-wide	1	657	2	625	35	27,213	2	5,279	40	33,774
West Virginia State-wide	0	0	0	0	1	290	0	0	1	290
Total	12	4,807	24	8,028	76	53,687	137	20,738	249	87,260

Source: Bank Records

Qualified Investments

Bank of Charles Town made 98 qualified investments totaling \$5.1 million, which equates to 0.7 percent of average total assets and 6.1 percent of average total securities since the previous examination. The level of qualified investments is below the level of qualified investments at the prior evaluation when Bank of Charles Town provided 102 qualified investments totaling \$8.1 million, which represented 1.6 percent of average assets and 18.5 percent of average total securities. Investments include mortgage-backed securities (MBS), low-income housing tax credits, and municipal bonds. Regional activities include two prior period MBSs totaling \$639,000 secured by home mortgages to low- and moderate-income individuals that benefit a broader state-wide or regional area that includes both assessment areas. Additionally, the bank made 14 donations totaling \$24,900 that benefitted a broader regional or state-wide area that are considered given the bank's performance in the assessment areas. Please refer to the respective assessment areas for further details.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	4	3,070	0	0	0	0	5	823	9	3,893
11/09/2020-12/31/2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	2	1,000	2	1,000
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
YTD 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	4	3,070	0	0	0	0	7	1,823	11	4,893
Qualified Grants & Donations	1	3	79	156	3	5	4	4	87	168
Total	5	3,073	79	156	3	5	11	1,827	98	5,061

Source: Bank Records

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Jefferson-Loudoun	3	2,434	35	68	0	0	10	1,826	48	4,328
Berkeley-Washington	0	0	30	63	3	5	1	1	34	69
Subtotal	3	2,434	65	131	3	5	11	1,827	82	4,397
Regional Area	2	639	14	25	0	0	0	0	16	664
Total	5	3,703	79	156	3	5	11	1,827	98	5,061

Source: Bank Records

The following are the qualified investments and donations within the broader regional or state-wide area.

- donations totaling \$2,250 to a non-profit organization that provides a foster care program to children displaced from their families due to abandonment, abuse, and neglect.
- \$650 donation to a non-profit organization located in a moderate-income census tract that serves the most at-risk youth in an area where approximately 49.0 percent of children are living in poverty.

Community Development Services

The bank provided 55 community development services totaling 1,060 hours to community development organizations during the evaluation period. This level of activity is above the community development services at the prior evaluation. Given the time period covered by this evaluation, total community development service hours equate to 36.6 community development service hours per branch per year. This is an increase from 28.9 community development service hours per branch per year at the previous evaluation. Involvement in organizations is primarily through membership on the Board or a committee or as an officer, which results in on-going and regular meetings and activities. Refer to assessment areas for examples of community development services. The below table presents the number and hours of community development services by assessment area, year, and purpose.

Community Development Services										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
11/09/2020-12/31/2020	0	0	1	2	0	0	1	4	2	6
2021	0	0	6	91	2	15	2	80	10	186
2022	0	0	11	121	9	120	3	87	23	328
2023	0	0	9	263	10	229	1	48	20	540
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	0	0	27	477	21	364	7	219	55	1,060

Source: Bank Data

Community Development Services										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	Hours	#	Hours	#	Hours	#	Hours	#	Hours
Jefferson-Loudoun	0	0	8	78	14	297	1	4	23	379
Berkeley-Washington	0	0	6	95	1	24	6	215	13	334
Regional Activities	0	0	2	19	0	0	0	0	2	19
Maryland State-wide	0	0	2	8	0	0	0	0	2	8
Virginia State-wide	0	0	0	0	5	39	0	0	5	39
West Virginia State-wide	0	0	9	277	1	4	0	0	10	281
Total	0	0	27	477	21	364	7	219	55	1,060

Source: Bank Data

In addition to the community development services provided in the assessment areas, the bank provided 19 community development services totaling 347 hours that benefitted a broader regional

or state-wide area. These community development services are considered given the bank's performance in the assessment areas. Examples of community development activities that benefitted or targeted to a broader regional or state-wide area follow.

- A bank employee served as a Board member and treasurer for an economic development agency that is committed to sustaining growth, development, and expansion of small businesses.
- A bank employee is a Board member of a non-profit organization that provides a foster care program to children displaced from their families due to abandonment, abuse, and neglect.

Bank of Charles Town operates five of the nine branches or 55.6 percent and five of the eight ATMs or 62.5 percent in low- or moderate-income census tracts. These branches and ATMs demonstrate the availability of banking services to low- and moderate-income individuals in low- and moderate-income assessment areas.

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.

WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MD

CRA RATING FOR WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MD: OUTSTANDING

The Lending Test is rated: **Outstanding**

The Community Development Test is rated: **Outstanding**

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MD

Bank of Charles Town designated all of Jefferson County, West Virginia and Loudoun County, Virginia as its Jefferson-Loudoun assessment area in the Washington-Arlington-Alexandria, DC-VA-MD-WV MD. These contiguous counties are located adjacently on the panhandle of West Virginia along the state border with Virginia. The bank operates its main office and five additional offices in this assessment area accounting for 66.7 percent of total bank branches. The main office and two branch offices are located in Jefferson County, West Virginia, and three branch offices are located in Loudoun County, Virginia. The assessment area also accounts for 70.2 percent of bank-wide loans by dollar volume, 61.8 percent of bank-wide lending by number of loans, and 79.4 percent of total deposits.

Economic and Demographic Data

The assessment area consists of 90 census tracts, including no low-income census tracts, 15 moderate-income census tracts, 27 middle-income census tracts, 46 upper-income census tracts, and 2 census tracts with income not available based on the 2020 U.S. Census designations. This is an increase from 80 census tracts from the 2015 ACS. Low-income census tracts decreased by 4, moderate-income census tracts increased by 2, middle-income census tracts increased by 6, upper-income census tracts increased by 5, and income tracts with income not available increased by 1 from the 2015 ACS. The percentage of the population, housing, and business levels remained relatively unchanged within the geographic categories, with the exception of there no longer being any low-income census tracts. The median housing value increased from \$416,963 to \$490,328, and median gross rent increased from \$1,562 to \$1,828. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Jefferson-Loudon Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	90	0.0	16.7	30.0	51.1	2.2
Population by Geography	478,660	0.0	11.9	26.7	60.5	0.9
Housing Units by Geography	159,789	0.0	14.3	30.1	54.5	1.0
Owner-Occupied Units by Geography	119,493	0.0	11.7	26.9	61.2	0.2
Occupied Rental Units by Geography	34,029	0.0	20.0	40.8	35.5	3.7
Vacant Units by Geography	6,267	0.0	33.5	34.2	30.7	1.7
Businesses by Geography	69,847	0.0	9.4	26.2	62.1	2.2
Farms by Geography	1,930	0.0	13.6	29.2	56.8	0.5
Family Distribution by Income Level	118,427	14.4	13.8	20.1	51.7	0.0
Household Distribution by Income Level	153,522	15.9	13.0	17.1	54.1	0.0
Median Family Income - Washington-Arlington-Alexandria, DC-VA-MD-WV MSA	\$126,224	Median Housing Value				\$490,328
		Median Gross Rent				\$1,828
		Families Below Poverty Level				2.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0 percent.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 ACS data shows that a majority of owner-occupied housing units and businesses are within the upper-income census tracts, indicating most of the lending opportunities are in these geographies. Lesser opportunities are evidenced in moderate-income census tracts.

The FFIEC updated Washington-Arlington-Alexandria, DC-VA-MD-WV MD MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$118,700)	<\$59,350	\$59,350 to <\$94,960	\$94,960 to <\$142,440	≥\$142,440
2021 (\$122,100)	<\$61,050	\$61,050 to <\$97,680	\$97,680 to <\$146,520	≥\$146,520
2022 (\$139,700)	<\$69,850	\$69,850 to <\$111,760	\$111,760 to <\$167,640	≥\$167,640
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$490,000, and prices are

continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families with incomes less than \$70,000 annually and moderate-income families with less than \$112,000 annually may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenue of the business. The D&B 2022 distribution of businesses based on gross annual revenues is listed below.

- 92.6 percent reported \$1 million or less;
- 2.3 percent reported more than \$1 million; and
- 5.0 percent did not report revenues.

Unemployment data obtained from the Bureau of Labor Statistics indicates that the unemployment rate for Jefferson County is at pre-pandemic levels as of November 2023. Loudoun County’s unemployment rate remains elevated from its pre-pandemic levels. The unemployment rates for both counties remained below or at the respective state unemployment rates as well as National rates. The table below reflects unemployment rates and trends for counties within the assessment area, comparable states, and the national average.

Unemployment Rates				
Area	2020	2021	2022	November 2023
	%	%	%	%
Jefferson County	6.0	3.2	2.5	3.1
Loudoun County	5.6	3.1	2.4	2.5
West Virginia	8.3	5.1	3.9	4.2
Virginia	6.5	3.9	2.8	2.9
National Average	8.1	5.4	3.6	3.7

Source: Bureau of Labor Statistics

The top industries in the Jefferson-Loudoun assessment area are services and finance, insurance, and real estate. Additionally, approximately 94.6 percent of businesses operate with nine or fewer employees, and 95.2 percent operate from a single location. Some of the largest employers according to Workforce West Virginia and the Virginia Employment Commission are listed below.

- Jefferson County – Jefferson County Board of Education; PMGI Charles Town Gaming, LLC; and, Internal Revenue Service Data Center
- Loudoun County – Loudoun County Public Schools; Loudoun County Government; and, Verizon

Competition

The Jefferson-Loudoun assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there are 22 FDIC-insured financial institutions operating 90 offices within the assessment area. Of these institutions, Bank of Charles

Town ranks 7th with 5.6 percent of the market share. The primary competitors for deposits include Truist Bank (18.2 percent); Bank of America, NA (16.2 percent); Wells Fargo Bank, NA (14.5 percent); Capital One, NA (8.2 percent); and Atlantic Union Bank (6.7 percent).

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in this assessment area. In 2022, 494 lenders reported 19,742 residential mortgage loans originated or purchased in the assessment area. Of these lenders, Bank of Charles Town ranked 66th with 0.4 percent of the market share. The three most prominent home mortgage lenders include Truist Bank (6.4 percent); Rocket Mortgage (4.7 percent); and Wells Fargo Bank, NA (4.1 percent). To further illustrate the high level of competition for home mortgage loans in this market, 438 of 494 (88.7 percent) made fewer than 100 home mortgage loans within the assessment area.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects a high level of demand for small business loans. Aggregate data for 2022 (the most recent year available) shows 124 lenders reported 16,221 small business loans originated or purchased in the assessment area. The top three lenders include American Express National Bank (26.4 percent); JPMorgan Chase Bank, NA (18.8 percent); and Bank of America, NA (13.7 percent). Together, the three top lenders accounted for 58.9 percent by number and 34.2 percent of the dollar volume.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area or utilize recently completed contacts to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

During this evaluation, a community contact with a county development authority in Jefferson County was performed. The organization's mission is to attract and retain businesses in order to facilitate job creation and capital investment. The contact stated economic conditions are stable and unemployment rates in the area are low. The population in Jefferson County is growing and is expected to continue to grow. There is a growing commercial base and the number of businesses registered in the county has nearly doubled since 2019. The contact stated that Jefferson County is expected to lead employment growth in the next 5 years compared to the surrounding areas. Housing prices continue to increase, and there is limited housing stock available. There is a need for housing, especially affordable housing. Further, the contact stated there is a child-care crisis, which is forcing eligible workers to stay home. Lastly, the contact stated there is a need for water and sewer deployment in the county, which is restricting business growth.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and economic and demographic data, examiners determined small business lending represents a primary credit need for the assessment area. Demographic data reflects that 92.6 percent of businesses have revenues of \$1 million or less,

and 94.6 percent of businesses have nine or fewer employees. Affordable housing also represents a credit needs, as 28.2 percent of families are low- or moderate-income, with low-income families earning less than \$70,000 annually and moderate-income borrowers earning less than \$112,000 annually compared to a median housing value of over \$490,000.

SCOPE OF EVALUATION - WASHINGTON-ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MD

Bank of Charles Town has one assessment area in the Washington-Arlington-Alexandria, DC-VA-MD-WV Multi-State MD: the Jefferson-Loudoun assessment area. The assessment area accounts for 61.8 percent of bank-wide lending by number of loans, 70.2 percent of bank-wide lending by dollar volume of loans, 79.4 percent of bank-wide deposits, and 66.7 percent of the banking locations.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WASHINGTON- ARLINGTON-ALEXANDRIA, DC-VA-MD-WV MD

LENDING TEST

Bank of Charles Town demonstrated excellent performance under the Lending Test. The Geographic Distribution of loans reflects excellent dispersion throughout the assessment area, including low- and moderate-income census tracts. The Borrower Profile reflects overall excellent lending penetration among individuals of different income levels and businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. This conclusion is supported by excellent dispersion of home mortgage and small business loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. In 2022, there were no low-income census tracts. In 2020, the bank originated 9.5 percent of home mortgage loans in low-income census tracts, which substantially exceeded demographic data at 2.8 percent and aggregate lending data at 1.5 percent. Lending in low-income census tracts for 2021 was consistent with the bank's performance in 2020. Lending in moderate-income census tracts was substantially above demographic and aggregate lending data.

Geographic Distribution for Home Mortgage Loans Jefferson-Loudoun Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	11.7	11.4	37	51.4	8,719	30.4
Middle	26.9	23.7	18	25.0	6,608	23.1
Upper	61.2	64.8	17	23.6	13,338	46.5
Not Available	0.2	0.2	0	0.0	0	0.0
Total	100.0	100.0	72	100.0	28,665	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. There were no low-income census tracts. Lending in moderate-income tracts was substantially higher than demographic data.

Geographic Distribution of Small Business Loans Jefferson-Loudoun Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	9.4	27	45.8	5,181	41.1
Middle	26.2	17	28.8	4,140	32.9
Upper	62.1	13	22.0	3,208	25.5
Not Available	2.2	2	3.4	60	0.5
Totals	100.0	59	100.0	12,589	100.0

*Source: 2022 D&B Data and Bank Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of loans reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. This conclusion is supported by excellent penetration of home mortgage loans and reasonable penetration of small of business loans.

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among borrowers of different income levels. Lending to low-income borrowers was comparable to demographic data and more than double aggregate lending data. Lending to moderate-income borrowers was significantly higher than demographics and well above aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Jefferson-Loudoun Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	14.4	5.8	10	13.9	917	3.2
Moderate	13.8	15.6	16	22.2	2,946	10.3
Middle	20.1	23.1	12	16.7	3,766	13.1
Upper	51.7	42.5	29	40.3	19,495	68.0
Not Available	0.0	13.0	5	6.9	1,541	5.4
Totals	100.0	100.0	72	100.0	28,665	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with gross annual revenues of \$1 million or less. Lending to small businesses was significantly below demographic data. However, while the bank is not required to report small business loan data and is not compared to aggregate data, the aggregate data does provide information on the level of demand for small business loans. The most recent aggregate data available is 2022, which reflects all institutions reporting small business loans in the assessment area originated 53.8 percent of small business loans to small businesses. The bank's performance is reflective of the demand for small business loans.

Distribution of Small Business Loans by Gross Annual Revenue Category Jefferson-Loudoun Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	92.6	23	62.2	4,153	60.8
>\$1,000,000	2.3	13	35.1	2,635	38.6
Revenue Not Available	5.0	1	2.7	38	0.6
Total	100.0	37	100.0	6,826	100.0

*Source: 2022 D&B Data and Bank Data.
Due to rounding, totals may not equal 100.0 percent.*

COMMUNITY DEVELOPMENT TEST

Bank of Charleston demonstrated excellent responsiveness to community development needs in the Jefferson-Loudoun assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities in the assessment area.

Community Development Loans

Bank of Charles Town originated 155 community development loans totaling \$30.5 million in the Jefferson-Loudoun assessment area representing 35.0 percent of dollar volume and 62.2 percent by

number of bank-wide total community development loans. At the previous evaluation, the bank originated 303 community development loans totaling \$36.1 million in the assessment area. Of the 303 loans, 281 loans totaling \$24.3 million were PPP loans. Therefore, the core lending at the previous evaluation was 22 loans totaling \$11.8 million. For the current evaluation, the bank originated 101 PPP loans totaling \$4.6 million. Therefore, core lending at the current evaluation equates to 54 loans totaling \$25.9 million, which is above the core lending performance at the previous evaluation. Examples of the community development loans include the following.

- 101 SBA PPP loans totaling \$4.6 million for the revitalization and/or stabilization of low- and moderate-income census tracts.
- A \$2.1 million loan to a newly formed business for the purchase and renovation of a commercial building. The new business created low- and moderate-income jobs.
- A \$124,000 loan to a non-profit organization for the purchase of a commercial building in a moderate-income census tract to be renovated into a homeless shelter.

Qualified Investments

Bank of Charles Town provided 48 qualified investments and donations totaling \$4.3 million in the Jefferson-Loudoun assessment area. This level of activity represents 85.5 percent of dollar volume and 49.0 percent by number of bank-wide qualified investments and donations. The bank has 7 additional prior period investments totaling \$3.2 million that are attributed to the assessment area. These include 1 MBS and 5 bonds that are directed entirely at Jefferson County and a bond that is within Loudoun County. The qualified investments include one donation for \$3,000 for affordable housing, 35 donations for \$68,000 for community service, and 3 donations and 2 municipal bonds for \$1.0 million for revitalization and/or stabilization. Additionally, \$322,000 and \$58,000 of 2 prior period MBSs benefiting a broader state-wide or regional area are attributed directly to the Jefferson-Loudoun assessment area. This level of activity is slightly below the level of qualified investments and donations at the prior evaluation. Examples of the investments and donations include.

- Two municipal bonds totaling \$1.0 million for the maintenance and improvement of all existing schools within Jefferson County, and the construction of two new schools within the county. Approximately 66.7 percent of census tracts within the county are low- and moderate-income, and 75.0 percent of the schools are located in low- and moderate-income census tracts.
- Four donations totaling \$7,500 to a non-profit organization whose purpose is to provide affordable housing to low-income individuals.

Community Development Services

Bank of Charles Town provided 379 community development service hours in the Jefferson-Loudoun assessment area. This level of activity represents 35.8 percent of bank-wide community development service hours. This level of community development service is above the level at the prior evaluation. Given the time period covered by this evaluation, total community development service hours equate to 19.6 community development service hours per branch per year. This is an

increase from 17.5 community development service hours per branch per year at the previous evaluation. Examples of the community development services include.

- An employee served on the Board of a non-profit organization whose purpose is to provide assistance to individuals in need. The organization offers support in budget and financial planning, food, life skills, and healthcare.
- An employee served on the Board and was the treasurer for an organization that works to attract new businesses and promote economic development.

HAGERSTOWN-MARTINSBURG, MD-WV MULTI-STATE MSA

CRA RATING FOR THE HAGERSTOWN-MARTINSBURG, MD-WV MULTI-STATE MSA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE HAGERSTOWN-MARTINSBURG, MD-WV MULTI-STATE MSA

Bank of Charles Town has designated all of Berkeley County, West Virginia and Washington County, Maryland in the Hagerstown-Martinsburg, MD-WV Multi-State MSA as its Berkeley-Washington assessment area. The bank operates three or 33.3 percent of bank-wide branches in the assessment area. Two branches are located in Berkeley County, and one branch is located Washington County. The assessment area also accounts for 29.8 percent of the dollar volume of bank-wide loans, 38.2 percent of the number of bank-wide lending, and 20.6 percent of bank-wide deposits.

Economic and Demographic Data

The assessment area consists of 62 census tracts, which consists of 2 low-income census tracts, 14 moderate-income census tracts, 32 middle-income census tracts, 13 upper-income census tracts, and 1 census tract with income not available based on the 2020 U.S Census designations. This is an increase from 46 census tracts from the 2015 ACS. The number of low-income census tracts remained unchanged, moderate-income census tracts increased by 4, middle-income census tracts increased by 7, upper-income census tracts increased by 5, and income tracts with income not available remained unchanged from the 2015 ACS. The percentage of the population, housing, and business levels remained relatively unchanged within the geographic categories. The median housing value increased from \$183,097 to \$203,374 and median gross rent increased from \$889 to 981. The following table presents demographic information from the 2020 Census and 2022 D&B data.

Demographic Information for the Berkeley-Washington Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	62	3.2	22.6	51.6	21.0	1.6
Population by Geography	276,781	2.2	22.4	51.6	21.9	1.9
Housing Units by Geography	111,087	2.5	24.1	51.5	22.0	0.0
Owner-Occupied Units by Geography	71,515	1.2	17.0	56.6	25.2	0.0
Occupied Rental Units by Geography	30,554	4.6	39.7	41.1	14.6	0.0
Vacant Units by Geography	9,018	5.7	27.4	45.5	21.4	0.0
Businesses by Geography	22,003	4.7	25.2	48.7	21.4	0.1
Farms by Geography	1,047	1.5	9.1	57.0	32.4	0.0
Family Distribution by Income Level	67,984	20.8	17.5	21.7	40.1	0.0
Household Distribution by Income Level	102,069	23.2	16.3	19.0	41.5	0.0
Median Family Income - Hagerstown-Martinsburg, MD-WV Multi-state MSA	\$77,963	Median Housing Value				\$203,374
		Median Gross Rent				\$981
		Families Below Poverty Level				8.4%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0 percent.</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units and compares small business loans to the percentage of businesses located in low-, moderate-, middle-, and upper-income census tracts. The 2020 ACS data shows that a majority of owner-occupied housing units and largest percentage of businesses are within the middle-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income tracts also contain a fair to good level of owner-occupied housing and businesses. Limited opportunities are evidenced in low-income census tracts.

The FFIEC updated Hagerstown-Martinsburg, MD-WV Multi-state MSA MFI levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents each income category.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2020 (\$73,000)	<\$36,500	\$36,500 to <\$58,400	\$58,400 to <\$87,600	≥\$87,600
2021 (\$74,400)	<\$37,200	\$37,200 to <\$59,520	\$59,520 to <\$89,280	≥\$89,280
2022 (\$77,500)	<\$38,750	\$38,750 to <\$62,000	\$62,000 to <\$93,000	≥\$93,000
<i>Source: FFIEC</i>				

The analysis of home mortgage lending by borrower income uses families by income level as a comparison to bank performance. The median housing value is over \$203,000, and prices are

continuing to rise due to the current economic conditions, which can potentially make housing increasingly unaffordable for low-income individuals. Therefore, lending opportunities to low-income families with incomes less than \$39,000 annually may be limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of small business lending by gross annual revenues. The D&B 2022 distribution of businesses based on gross annual revenues is listed below.

- 87.7 percent reported \$1 million or less;
- 3.1 percent reported more than \$1 million; and
- 9.3 percent did not report revenues.

Data from the Bureau of Labor Statistics indicates Berkeley County’s unemployment rate has generally remained below the West Virginia and national average rates. Since 2020, Washington County’s unemployment rate has been below the National average, and comparable to Maryland’s unemployment rate. The table below reflects unemployment rates and trends for counties in this assessment area, comparable states, and the National average.

Unemployment Rates				
Area	2020	2021	2022	November 2023
	%	%	%	%
Washington County	6.6	5.0	3.3	2.1
Berkeley County	6.2	3.6	2.9	3.7
Maryland	6.5	5.3	3.2	1.8
West Virginia	8.3	5.1	3.9	4.2
National Average	8.1	5.4	3.6	3.7

Source: Bureau of Labor Statistics

The top industries in the Berkeley-Washington assessment area are services and retail trade. Additionally, approximately 92.0 percent of businesses operate with nine or fewer employees, and 91.2 percent operate from a single location. Some of the largest employers according to Workforce West Virginia and Washington County, Maryland Department of Business and Economic Development in Berkeley and Washington Counties are listed below.

- Berkeley County – Berkeley County Board of Education; U.S. Department of Veterans Affairs; and Macy’s Corporate Services, Inc.
- Washington County – Amazon.com, Inc.; Meritus Medical Center; and Citi

Competition

The Berkeley-Washington assessment area is highly competitive for financial services. According to the FDIC Deposit Market Share data as of June 30, 2023, there are 16 FDIC-insured financial institutions operating 65 offices within the assessment area. Of these institutions, Bank of Charles Town ranks 12th with 2.9 percent of the market share. The primary competitors for deposits include

Truist Bank (21.4 percent); Fulton Bank, NA (12.2 percent); United Bank (12.2 percent); Manufacturers and Traders Trust Company (11.5 percent); and Middletown Valley Bank (9.3 percent).

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in this assessment area. In 2022, 382 lenders reported 11,391 residential mortgage loans originated or purchased in the assessment area. Of these lenders, Bank of Charles Town ranked 46th with a 0.5 percent of the market share. The three most prominent home mortgage lenders included Rocket Mortgage (6.2 percent); Pennymac Loan Services, LLC (5.9 percent); and Integrity Home Mortgage Corp, (4.1 percent). To further illustrate the high level of competition for home mortgage loans in this market, 353 of 382 (92.4 percent) made fewer than 100 home mortgage loans within the assessment area.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to against aggregate data. The aggregate data, however, reflects a high level of demand for small business loans. Aggregate data for 2022 shows 84 institutions reported 5,156 small business loans in the assessment area. The top three lenders were American Express National Bank (26.9 percent); JPMorgan Chase Bank, NA (10.3 percent), and Capitol One, NA (9.1 percent). Together, the three top lenders accounted for 46.3 percent by number and 19.4 percent of the dollar volume.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment areas or utilize recently completed contacts to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

During this evaluation, a community contact with an economic development organization within the assessment area was referenced. The organization promotes economic development, job creation, and overall business growth. The contact stated the economic conditions are strong within the assessment area. The area has a major interstate system that makes it desirable to businesses and cited a need for small business loans, especially for start-up businesses. Additionally, the contact stated that housing stock is largely not affordable for the working class and that there was a need for more affordable housing.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and economic and demographic data, examiners determined small business lending represents a primary credit need for the assessment area. Demographic data reflects that 87.7 percent of businesses have revenues of \$1 million or less, and 92.0 percent of businesses have nine or fewer employees. Affordable housing also represents a credit needs, as 38.3 percent of families are low- or moderate-income, with low-income families earning less than \$39,000 annually compared to a median housing value of over \$203,000.

SCOPE OF EVALUATION - HAGERSTOWN-MARTINSBURG, MD-WV MULTI-STATE MSA

Bank of Charles Town has one assessment area in the Hagerstown-Martinsburg-MD-WV Multi-State MSA: the Berkeley-Washington assessment area. Within this assessment area, the lending represents 38.2 percent of the number of loans reviewed, 29.8 percent of the dollar volume of loans, 20.6 percent of the total deposits, and 33.3 percent of the banking locations.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE HAGERSTOWN- MARTINSBURG, MD-WV MULTI-STATE MSA

LENDING TEST

Bank of Charles Town demonstrated reasonable performance under the Lending Test. The Geographic Distribution of loans reflects reasonable dispersion for home mortgage and small business loans within the low- and moderate-income census tracts. The Borrower Profile reflects reasonable home mortgage and small business lending penetration among individuals of different income levels and businesses of different sizes.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. This conclusion is supported by reasonable dispersion of home mortgage and small business loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable distribution throughout the assessment area. Lending in low- and moderate-income census tracts was comparable to demographic and aggregate lending data.

Geographic Distribution of Home Mortgage Loans Berkeley-Washington Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.2	1.2	1	1.8	80	0.7
Moderate	17.0	19.2	11	20.4	3,133	28.2
Middle	56.6	55.8	28	51.9	4,813	43.3
Upper	25.2	23.8	14	25.9	3,095	27.8
Totals	100.0	100.0	54	100.0	11,121	100.0

Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Lending in low-income census tracts was substantially above demographic data. Lending in moderate-income tracts was below demographic data.

Geographic Distribution of Small Business Loans Berkeley-Washington Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	4.7	7	20.6	744	10.4
Moderate	25.2	6	17.7	1,927	26.9
Middle	48.7	20	58.8	4,462	62.3
Upper	21.4	1	2.9	25	0.4
Not Available	0.1	0	0.0	0	0.0
Totals	100.0	34	100.0	7,158	100.0

*Source: 2022 D&B Data and Bank Data.
Due to rounding, totals may not equal 100.0 percent.*

Borrower Profile

The distribution of loans reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. This conclusion is supported by reasonable penetration of home mortgage and small of business loans.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. Lending to low-income borrowers was significantly below demographic data. However, lending to low-income borrowers was above aggregate lending data. Lending to moderate-income borrowers was below demographic and aggregate lending data.

Distribution of Home Mortgage Loans by Borrower Income Level Berkeley-Washington Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	20.8	4.4	4	7.4	288	2.6
Moderate	17.5	16.6	8	14.8	1,172	10.5
Middle	21.7	23.4	13	24.1	1,627	14.6
Upper	40.1	34.6	17	31.5	4,059	36.5
Not Available	0.0	21.0	12	22.2	3,975	35.8
Totals	100.0	100.0	54	100.0	11,121	100.0

*Source: 2020 U.S. Census; 2022 HMDA Data; and, 2022 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0 percent.*

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with gross annual revenues of \$1 million or less. Lending to small businesses was below demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category Berkeley-Washington Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.7	8	80.0	1,664	94.1
>\$1,000,000	3.1	2	20.0	105	5.9
Revenue Not Available	9.3	0	0.0	0	0.0
Total	100.0	10	100.0	1,769	100.0

*Source: 2022 D&B Data and Bank Data.
Due to rounding, totals may not equal 100.0 percent.*

COMMUNITY DEVELOPMENT TEST

The institution's community development performance demonstrates excellent responsiveness to community development needs in the Berkeley-Washington assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development.

Community Development Loans

Bank of Charles Town originated 43 community development loans totaling \$15.2 million in the Berkeley-Washington assessment area representing 17.5 percent of dollar volume and 17.3 percent by number of bank-wide total community development loans. At the previous evaluation, the bank originated 121 community development loans totaling \$18.7 million in the assessment area. Of the 121 loans, 113 loans totaling \$8.9 million were PPP loans. Therefore, the core lending at the previous evaluation was 8 loans totaling \$9.8 million. For the current evaluation, the bank

originated 20 PPP loans totaling \$1.4 million. Therefore, core lending at the current evaluation equates to 23 loans totaling \$13.8 million, which is above the core lending performance at the previous evaluation. Examples of the community development loans include the following.

- A \$400,000 loan to a small business for the development of a vacant lot to build multiple retail stores, which created low- and moderate-income jobs.
- Twenty SBA PPP loans totaling \$1.4 million for the revitalization and/or stabilization of low- and moderate-income census tracts.
- A \$124,000 loan to purchase a commercial building in a moderate-income census tract. The borrower provides healthcare services that target low- and moderate-income individuals.

Qualified Investments

Bank of Charles Town provided 34 qualified investments and donations totaling \$68,000 in the Berkeley-Washington assessment area. This level of activity represents 1.4 percent of dollar volume and 34.7 percent by number of bank-wide qualified investments and donations. Additionally, \$82,000 of a \$457,000 prior period MBS benefiting a regional area is attributed directly to the Berkeley-Washington assessment area. This level of activity is slightly below the level of qualified investments and donations at the prior evaluation by number but consistent by dollar volume. Examples of the investments and donations include.

- Four donations totaling \$10,000 to a non-profit organization that provides emergency food and financial assistance to low-income and under-served residents.
- A donation totaling \$1,800 to a non-profit organization that provides food on weekends and school breaks to approximately 200 students who receive free or reduced lunches.

Community Development Services

Bank of Charles Town provided 334 community development service hours in the Berkeley-Washington assessment area. This level of activity represents 31.5 percent by number of total community development service hours and is higher than the previous evaluation. Given the time period covered by this evaluation, total community development service hours equate to approximately 34.6 community development service hours per branch per year. This is an increase from 24.3 community development service hours per branch per year at the previous evaluation. Examples of the community development services include.

- An employee serves on the Board of a non-profit organization that meet the needs of children when other resources are not available, such as weekends and school vacations.
- A bank employee serves on the Board for a non-profit organization that works to attract new businesses and promote economic development.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
Washington-Arlington-Alexandria, DC-VA-MD-WV MD	Outstanding	Outstanding	Outstanding
Hagerstown-Martinsburg, MD-WV Multi-State MSA	Satisfactory	Outstanding	Satisfactory

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 (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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