

# **PUBLIC DISCLOSURE**

May 3, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

### **The Fidelity Bank**

Certificate Number: 11507

100 South Main Street  
Fuquay-Varina, North Carolina, 27526

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

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

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

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	14
NORTH CAROLINA .....	15
DESCRIPTION OF INSTITUTION’S OPERATIONS IN NORTH CAROLINA .....	15
SCOPE OF EVALUATION – NORTH CAROLINA.....	15
CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA .....	15
RALEIGH MSA ASSESSMENT AREA – Full-Scope Review .....	18
NC NON-MSA ASSESSMENT AREA – Full-Scope Review .....	26
DURHAM MSA ASSESSMENT AREA – Full-Scope Review .....	36
GREENSBORO MSA ASSESSMENT AREA– Full-Scope Review .....	46
CHARLOTTE MSA ASSESSMENT AREA– Full-Scope Review.....	56
WINSTON-SALEM MSA ASSESSMENT AREA – Limited-Scope Review .....	64
FAYETTEVILLE MSA ASSESSMENT AREA – Limited-Scope Review .....	66
BURLINGTON MSA ASSESSMENT AREA– Limited-Scope Review .....	68
VIRGINIA .....	70
DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA .....	70
SCOPE OF EVALUATION – VIRGINIA.....	72
CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA .....	72
APPENDICES .....	78
LARGE BANK PERFORMANCE CRITERIA.....	78
SCOPE OF EVALUATION.....	80
LIMITED-SCOPE ASSESSMENT AREAS TABLES .....	80
SUMMARY OF RATINGS FOR RATED AREAS .....	92
GLOSSARY .....	93

## INSTITUTION RATING

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

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

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

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

- Lending levels reflect good responsiveness to the assessment areas’ credit needs.
- A substantial majority of loans are 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 borrowers of different income levels and businesses and farms of different sizes.
- The institution made a relatively high level of community development loans.
- The institution made extensive use of flexible lending products to serve the credit needs of its assessment areas.

**The Investment Test is rated Low Satisfactory.**

- The institution has an adequate level of qualified community development investments and grants, particularly those that are not routinely provided by private investors. However, the bank is rarely in a leadership position.
- The institution exhibits adequate responsiveness to the credit and community economic development needs.

- The institution rarely uses innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Low Satisfactory.**

- Delivery systems are accessible to essentially all portions of the assessment areas.
- To the extent changes have been made, the 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.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly in low- and moderate-income geographies or to low- and moderate-income individuals.
- The institution provided an adequate level of community development services.

## **DESCRIPTION OF INSTITUTION**

The Fidelity Bank (Fidelity Bank) is headquartered in Fuquay-Varina, North Carolina and is a wholly-owned subsidiary of Fidelity BancShares, Incorporated, a one-bank holding company, also headquartered in Fuquay-Varina, North Carolina. Fidelity BancShares, Incorporated, is affiliated with two other banks, namely First-Citizens Bank & Trust Company, Raleigh, North Carolina and Southern Bank and Trust Company, Mount Olive, North Carolina. Fidelity Bank received a Satisfactory rating at its previous FDIC Performance Evaluation dated April 29, 2019, based on Interagency Large Institution CRA Examination Procedures.

As of the December 31, 2021, Consolidated Reports of Condition and Income, Fidelity Bank had total assets of \$3.6 billion with total loans of \$1.8 billion, or 49.6 percent of total assets. Securities totaled \$1.1 billion, and deposits totaled \$3.3 billion. As shown in the following table, loans secured by commercial real estate and commercial and industrial loans comprise 67.4 percent of total loans, while 1-to-4 family residential loans comprise 12.0 percent of total loans; however, the bank does sell most 1-to-4 family mortgage loans into the secondary market and as a result will not be included in the overall loan portfolio levels.

<b>Loan Portfolio Distribution as of 12/31/2021</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	255,248	14.4
Secured by Farmland	35,257	2.0
Secured by 1-4 Family Residential Properties	211,754	12.0
Secured by Multifamily (5 or more) Residential Properties	55,534	3.1
Secured by Nonfarm Nonresidential Properties	1,008,153	57.0
<b>Total Real Estate Loans</b>	<b>1,565,946</b>	<b>88.5</b>
Commercial and Industrial Loans	184,182	10.4
Agricultural Production and Other Loans to Farmers	4,784	0.3
Consumer Loans	11,822	0.7
Obligations of State and Political Subdivisions in the U.S.	0	0
Other Loans	301	0.1
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>1,767,035</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Fidelity Bank has 48 full-service branch offices and 5 loan production offices in North Carolina, and 2 full-service branch offices in Virginia. One branch is located in a low-income census tract, and 17 are in moderate-income tracts. Since the last evaluation, the bank closed 6 branch offices and opened 4 branch offices. The bank opened a loan production office in an upper-income tract in Greenville, South Carolina on September 13, 2021, which became a branch on March 1, 2022.

Fidelity Bank offers commercial, home mortgage, agricultural, and consumer loans, primarily focusing on commercial lending. The institution provides a variety of deposit services, including checking, savings, money market, and certificates of deposit accounts. The bank also offers investment advisory, trust, and wealth management services. Alternative banking services include internet and mobile banking, online bill pay, electronic statements, and telephone banking.

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

## **DESCRIPTION OF ASSESSMENT AREAS**

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance is evaluated. Fidelity Bank has nine assessment areas within North Carolina and Virginia. North Carolina and Virginia are reviewed and rated separately. The eight assessment areas in North Carolina have not changed since the previous CRA evaluation other than the elimination of Vance County in the Non-MSA assessment area as the bank closed its branch there on September 28, 2018, which was prior to the last examination; however, the county was included in the NC Non-MSA assessment for the prior evaluation. In Virginia, the bank had two assessment areas at the previous evaluation, which were the VA Non-MSA and Roanoke MSA. The bank closed the branch in Franklin County located in the Roanoke MSA on November 16, 2018, prior to the last examination; however, the Roanoke MSA assessment area was included in the prior

evaluation. The following table provides the counties, number of census tracts, and number of branches for each assessment area. Refer to the rated areas and individual assessment areas sections for additional information on each area.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
<b>North Carolina</b>			
Burlington MSA	Alamance County	36	2
Charlotte MSA	Gaston, Iredell, and Rowan Counties	139	4
Durham MSA	Chatham, Durham, Granville, Orange, and Person	121	5
Fayetteville MSA	Cumberland, Harnett, and Hoke Counties	104	3
Greensboro MSA	Guilford, Randolph, and Rockingham Counties	168	6
NC Non-MSA	Caswell, Cleveland, Lee, Montgomery, Moore, and Richmond	76	10
Raleigh MSA	Wake County	187	13
Winston-Salem MSA	Davidson and Forsyth Counties	127	5
<b>Virginia</b>			
VA Non-MSA	Henry County and Martinsville City	19	2
<i>Source: Bank Data</i>			

## **SCOPE OF EVALUATION**

### **General Information**

In evaluating the bank’s Community Reinvestment Act (CRA) performance, examiners used the Large Institution CRA Examination Procedures. This evaluation covers the period from the date of the last CRA evaluation on April 29, 2019, through the current evaluation dated May 3, 2022.

Examiners evaluated the lending data, deposit activity, and the number of branches for each state and assessment area to determine review procedures and weighting of rated areas and assessment areas in the overall conclusions and ratings. Within North Carolina, the Raleigh MSA, NC Non-MSA, Durham MSA, Greensboro MSA, and Charlotte MSA assessment areas were evaluated using full-scope procedures with the remaining assessment areas reviewed under limited-scope procedures. While the Winston-Salem MSA has more lending, deposits, and branches than the Charlotte MSA, the Winston-Salem MSA was evaluated at the previous CRA evaluation using full-scope procedures, and the CRA performance was evaluated as overall good. The Charlotte MSA was evaluated using limited-scope procedures at the previous two CRA evaluations. Additionally, the Charlotte MSA was selected for full-scope review as this assessment area contains the highest percentage of low- and moderate-income tracts and families and businesses located in low- and moderate-income tracts amongst all the North Carolina assessment areas. The bank has also opened two loan production offices in the Charlotte MSA since the previous CRA evaluation. Within Virginia, the VA Non-MSA assessment area was reviewed using full-scope examination procedures as it is the sole assessment area in Virginia and is the basis for the Virginia conclusions and ratings. The bank delineated a new assessment area, Greenville County in the Greenville-Anderson, SC MSA, with the opening of the branch in Greenville on March 1, 2022. South Carolina and the new

assessment area are not included in the scope of this CRA evaluation due to recent entry into the area.

As shown in the following table, North Carolina has the substantial majority of all lending, deposits, and branches. Consequently, examiners placed primary weight on performance in North Carolina in determining the overall conclusions and ratings. The Raleigh MSA assessment area was given the most weight in deriving the North Carolina conclusions and ratings with the NC Non-MSA providing secondary weight given the significant level of operations in these two assessment areas. The Durham MSA, Greensboro MSA, and Winston-Salem MSA assessment areas were given less but similar weight with the Charlotte MSA given limited weight. The VA Non-MSA assessment area is the only one in Virginia; therefore, was reviewed using full-scope procedures and accounts for the Virginia conclusions and ratings.

Assessment Area Breakdown of Loans, Deposits, and Branches									
Assessment Area	Loans			Deposits			Branches		
	\$(000s)	% Bank	% Rated Area	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area
Raleigh MSA	606,654	30.1	30.8	963,518	32.5	33.4	13	26.0	27.1
NC Non-MSA	323,488	16.0	16.4	645,184	21.8	22.3	10	20.0	20.8
Durham MSA	274,578	13.6	13.9	301,564	10.2	10.4	5	10.0	10.4
Greensboro MSA	257,399	12.8	13.1	293,107	9.8	10.1	6	12.0	12.5
Winston-Salem MSA	210,827	10.4	10.7	253,807	8.6	8.8	5	10.0	10.4
Charlotte MSA	109,871	5.4	5.6	154,624	5.2	5.4	4	8.0	8.3
Fayetteville MSA	104,038	5.1	5.3	161,090	5.4	5.6	3	6.0	6.3
Burlington MSA	83,752	4.6	4.2	114,902	3.8	4.0	2	4.0	4.2
<b>North Carolina Subtotal</b>	<b>1,970,607</b>	<b>98.0</b>	<b>100.0</b>	<b>2,887,796</b>	<b>97.4</b>	<b>100.0</b>	<b>48</b>	<b>96.0</b>	<b>100.0</b>
VA Non-MSA	40,068	2.0	100.0	76,461	2.6	100.0	2	4.0	100.0
<b>Virginia</b>	<b>40,068</b>	<b>2.0</b>		<b>76,461</b>	<b>2.6</b>		<b>2</b>	<b>4.0</b>	
<b>Total</b>	<b>2,010,675</b>	<b>100.0</b>		<b>2,964,257</b>	<b>100.0</b>		<b>50</b>	<b>100.0</b>	

Source: Bank Records; 2019, 2020 and 2021 HMDA and CRA Data; FDIC Summary of Deposits (06/30/21); and, Bank Records.

### Activities Reviewed

Examiners determined that the bank’s major product lines are small business and home mortgage loans. This conclusion considered the bank’s predominant business strategy and focus as a commercial lender, and the number and dollar volume of loans originated during the evaluation period. While small farm lending represents an overall low volume, small farm loans were sufficient for review in several assessment areas. Commercial lending also includes loans originated under the Small Business Administration’s Paycheck Protection Program (PPP) during 2020 and 2021. In 2020, the bank originated 3,769 PPP loans totaling \$318.7 million. In 2021, the bank originated 3,037 PPP loans totaling \$177.9 million.

This evaluation includes a review of small business and small farm loans reported pursuant to the CRA and home mortgage loans reported pursuant to the Home Mortgage Disclosure Act (HMDA) for 2019, 2020, and 2021. The bank’s primary lending focus is commercial lending; therefore,

examiners placed greater weight on the distribution of small business loans, secondary weight on home mortgage loans, and nominal weight on small farm loans in deriving performance conclusions and ratings. Small farm lending volume was sufficient for analysis in the NC Non-MSA, Greensboro MSA, and Durham MSA assessment areas only. Aggregate data was used as a standard of comparison for home mortgage, small business, and small farm lending for 2019 and 2020. Demographic data from the 2015 American Community Survey (ACS) was used comparatively for all three years regarding mortgage lending, and D&B Data was used for 2019 and 2020 for small business and small farm lending.

As shown in the following table, Fidelity Bank’s reportable HMDA and CRA loans by number and by dollar amount reflect an emphasis on small business lending.

<b>Loan Products Reviewed</b>				
<b>Loan Type</b>	<b>#</b>	<b>%</b>	<b>\$ (000)</b>	<b>%</b>
Home Mortgage	4,656	28.2	946,007	41.6
Small Business	11,026	66.7	1,267,191	55.8
Small Farm	843	5.1	58,671	2.6
<b>Totals</b>	<b>16,525</b>	<b>100.0</b>	<b>2,271,869</b>	<b>100.0</b>

*Source: HMDA and CRA Data for 2019, 2020, and 2021*

Community development activities evaluated include all community development loans, qualified investment, and community development services during this CRA evaluation period. Qualified investments also include those originated in prior periods and still outstanding. The Services Test included review of delivery systems for providing retail banking services, including branches and alternative delivery systems, the impact of any branch openings and closings, and retail banking products and services targeted toward low- and moderate-income individuals or small businesses and/or tailored to meet specific needs within the assessment areas.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The overall Lending Test rating is High Satisfactory. Lending levels reflect good responsiveness to the assessment areas’ credit needs. The geographic distribution and borrower profile reflect overall good penetration throughout the assessment areas and to borrowers of different incomes and businesses and farms of different sizes. In addition, the bank made extensive use of flexible lending practices and made a relatively high level of community development loans in North Carolina. The rating is predicated on the performance in North Carolina given the level of operations. The institution’s overall performance is consistent with North Carolina with Virginia being Low Satisfactory.

### **Lending Activity**

Lending levels reflect good responsiveness to the assessment areas’ credit needs. The bank’s average loan-to-deposit ratio over the eleven quarters since the last evaluation was 62.1 percent, which was also the same average ratio at the previous CRA evaluation. The loan-to-deposit ratio gradually increased in 2019 and 2020 to a high of 67.2 percent as of September 30, 2020. The ratio gradually decreased in



the last quarter of 2020 and throughout 2021 to a low of 53.2 percent as of December 31, 2021. The loan-to-deposit ratio was impacted by the large increase in deposits as a result of the COVID-19 pandemic and the various economic stimulus measures implemented.

**Assessment Area Concentration**

A substantial majority of loans are made in the assessment areas. The table below represents lending inside and outside of the assessment areas.

<b>Lending Inside and Outside of the Assessment Area</b>										
<b>Loan Category</b>	<b>Number of Loans</b>				<b>Total #</b>	<b>Dollar Amount of Loans \$(000s)</b>				<b>Total \$(000s)</b>
	<b>Inside</b>		<b>Outside</b>			<b>Inside</b>		<b>Outside</b>		
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>		<b>\$</b>	<b>%</b>	<b>\$</b>	<b>%</b>	
Home Mortgage										
2019	1,009	89.7	116	10.3	1,125	165,800	85.1	29,011	14.9	194,811
2020	1,483	88.9	185	11.1	1,668	309,672	88.1	41,802	11.9	351,474
2021	1,618	86.8	245	13.2	1,863	332,734	83.2	66,988	16.8	399,722
<b>Subtotal</b>	<b>4,110</b>	<b>88.3</b>	<b>546</b>	<b>11.7</b>	<b>4,656</b>	<b>808,206</b>	<b>85.4</b>	<b>137,801</b>	<b>14.6</b>	<b>946,007</b>
Small Business										
2019	1,303	92.3	108	7.7	1,411	203,173	92.0	17,737	8.0	220,910
2020	4,826	93.4	340	6.6	5,166	501,301	91.6	45,684	8.4	546,985
2021	4,076	91.6	373	8.4	4,449	441,619	88.4	57,677	11.6	499,296
<b>Subtotal</b>	<b>10,205</b>	<b>92.6</b>	<b>821</b>	<b>7.4</b>	<b>11,026</b>	<b>1,146,093</b>	<b>90.4</b>	<b>121,098</b>	<b>9.6</b>	<b>1,267,191</b>
Small Farm										
2019	114	95.8	5	4.2	119	12,721	99.3	96	0.7	12,817
2020	196	97.0	6	3.0	202	16,168	96.0	675	4.0	16,843
2021	484	92.7	38	7.3	522	27,487	94.7	1,524	5.3	29,011
<b>Subtotal</b>	<b>794</b>	<b>94.2</b>	<b>49</b>	<b>5.8</b>	<b>843</b>	<b>56,376</b>	<b>96.1</b>	<b>2,295</b>	<b>3.9</b>	<b>58,671</b>
<b>Total</b>	<b>15,109</b>	<b>91.4</b>	<b>1,416</b>	<b>8.6</b>	<b>16,525</b>	<b>2,010,675</b>	<b>88.5</b>	<b>261,194</b>	<b>11.5</b>	<b>2,271,869</b>
<i>Source: HMDA and CRA Data 2019, 2020, and 2021</i>										

**Geographic Distribution**

The geographic distribution of loans reflects overall good penetration throughout the assessment areas. Performance is consistent in the rated areas.

**Borrower Profile**

The distribution of loans to borrowers with different income levels and businesses and farms of different sizes is overall good. Performance was good in North Carolina and excellent in Virginia.

**Innovative or Flexible Lending Practices**

The institution makes extensive use of innovative and flexible lending practices in order to serve the assessment areas’ credit needs. Fidelity Bank offers small business loan products through the SBA and flexible home mortgage loans through the Federal Housing Administration (FHA), Veterans Administration (VA), and the U.S. Department of Agriculture (USDA). The programs offer flexible underwriting criteria, government guaranties, lower down-payment requirements, and closing cost assistance. According to SBA data, Fidelity Bank was the top SBA lender for originating SBA loans within North Carolina in four of the past five years. In addition, the bank started a Government Guaranteed Lending Group in 2021 to increase SBA 7a lending. Since these programs are offered bank-wide, the innovative or flexible lending practices are not further discussed in the individual rated areas or assessment areas. The following table presents the flexible lending programs.

<b>Innovative or Flexible Lending Programs</b>								
<b>Type of Program</b>	<b>2019*</b>		<b>2020</b>		<b>2021</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
VA	26	6,068	28	8,311	24	6,830	78	21,209
FHA	18	3,417	40	7,497	45	9,287	103	20,201
USDA	14	2,246	30	4,636	31	5,396	75	12,278
SBA	9	10,385	23	25,549	38	28,399	70	64,333
PPP	0	0	3,769	318,700	3,037	177,900	6,806	496,600
<b>Totals</b>	<b>67</b>	<b>22,116</b>	<b>3,890</b>	<b>364,693</b>	<b>3,175</b>	<b>227,812</b>	<b>7,132</b>	<b>614,621</b>
<i>Source: Bank Data.</i>								
<i>*April 29, 2019 through December 31, 2019.</i>								

**Community Development Loans**

The Fidelity Bank made a relatively high level of community development loans. During the evaluation period, the bank extended 80 community development loans totaling \$129.3 million, representing 8.7 percent of average total loans and 4.9 percent of average total assets since the previous CRA evaluation. The volume of community development lending during this evaluation period was double the volume at the previous CRA evaluation. Fidelity Bank’s community development lending activity supported affordable housing, promoted economic development, and provided funding for revitalization and stabilization purposes. Numerous loans, 22 totaling \$5.4 million, were originated under the PPP indicating a responsiveness to community credit needs. The vast majority of the community development loans were originated in North Carolina with only 1 loan originated in Virginia. The following tables detail the community development loans by year and assessment area.

Community Development Lending by Assessment Area										
Assessment and Rated Areas	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Raleigh MSA	2	3,028	0	0	10	27,393	4	4,524	16	34,945
NC Non-MSA	0	0	0	0	1	1,316	10	19,335	11	20,651
Durham MSA	5	6,590	0	0	5	6,772	4	5,352	14	18,714
Greensboro MSA	7	7,537	0	0	5	5,983	0	0	12	13,520
Charlotte MSA	4	2,253	0	0	1	3,499	1	1,640	6	7,392
Winston-Salem MSA	1	737	0	0	0	0	4	5,589	5	6,326
Fayetteville MSA	0	0	0	0	1	1,313	0	0	1	1,313
Burlington MSA	1	180	0	0	3	4,131	1	1,121	5	5,432
North Carolina State-wide	2	1,005	0	0	6	17,535	1	1,332	9	19,872
<b>North Carolina Total</b>	<b>22</b>	<b>21,330</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>67,942</b>	<b>25</b>	<b>38,893</b>	<b>79</b>	<b>128,165</b>
VA Non-MSA	0	0	0	0	0	0	0	0	0	0
Virginia State-wide	0	0	0	0	0	0	1	1,110	1	1,110
Virginia Total	0	0	0	0	0	0	1	1,110	1	1,110
<b>Total</b>	<b>22</b>	<b>21,330</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>67,942</b>	<b>26</b>	<b>40,003</b>	<b>80</b>	<b>129,275</b>

Source: Bank Data

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019*	1	180	0	0	7	12,881	1	5,500	9	18,561
2020	3	6,618	0	0	14	33,918	18	25,298	35	65,834
2021	18	14,532	0	0	11	21,143	7	9,205	36	44,880
<b>Total</b>	<b>22</b>	<b>21,330</b>	<b>0</b>	<b>0</b>	<b>32</b>	<b>67,942</b>	<b>26</b>	<b>40,003</b>	<b>80</b>	<b>129,276</b>

Source: Bank Data.  
\*April 29, 2019 through December 31, 2019.

## INVESTMENT TEST

The overall Investment Test rating is Low Satisfactory. Fidelity Bank has an adequate overall level of qualified investments and grant and exhibits adequate responsiveness to credit and community development needs but rarely uses innovative and/or complex investments to support community development initiatives. These conclusions regarding the institution's overall performance are generally consistent with the conclusions for North Carolina; however, the bank made a significant level of qualified investments and grants in the Virginia rated-area.

### Investment and Grant Activity

Fidelity Bank has an adequate level of qualified investments and grants, although rarely in a leadership position, particularly those that are not routinely provided by private investors. A total of 274 investments and grants were originated or held totaling \$15.7 million, or 0.6 percent of average

total assets and 2.3 percent of average total investments since the previous evaluation. The level of investments is similar to the level at the prior CRA evaluation.

Qualified investments during the evaluation period consist of Mortgage Backed Securities (MBS) and Community Affordable Housing Equity Corporation (CAHEC) low-income tax credits. In addition, the bank continued to renew a certificate of deposit in a Community Development Financial Institution and provide grants to community organizations to support low- and moderate-income individuals and geographies. The following tables show the qualified investments by purpose and year, as well as in each rated area.

<b>Community Development Investments by Assessment Area</b>										
<b>Rated and Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Raleigh MSA	14	7,589	8	2	1	0	0	0	23	7,591
NC Non-MSA	7	258	57	52	1	5	0	0	65	315
Durham MSA	8	767	4	1	2	1	0	0	14	769
Greensboro MSA	14	759	15	11	3	6	0	0	32	776
Charlotte MSA	13	383	7	2	0	0	0	0	20	385
Winston-Salem MSA	10	393	10	2	0	0	0	0	20	395
Fayetteville MSA	3	225	8	15	0	0	0	0	11	240
Burlington MSA	1	33	1	0	0	0	0	0	2	33
North Carolina State-wide	52	3,005	2	101	2	5	1	50	57	3,161
<b>North Carolina Total</b>	<b>122</b>	<b>13,412</b>	<b>112</b>	<b>186</b>	<b>9</b>	<b>17</b>	<b>1</b>	<b>50</b>	<b>244</b>	<b>13,665</b>
VA Non-MSA	3	572	0	0	0	0	0	0	3	572
Virginia State-wide	27	1,451	0	0	0	0	0	0	27	1,451
<b>Virginia Total</b>	<b>30</b>	<b>2,023</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>30</b>	<b>2,023</b>
<b>Total</b>	<b>152</b>	<b>15,435</b>	<b>112</b>	<b>186</b>	<b>9</b>	<b>17</b>	<b>1</b>	<b>50</b>	<b>274</b>	<b>15,688</b>

Source: Bank Data

<b>Qualified Investments</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	128	4,626	1	100	0	0	0	0	129	4,726
2019*	3	460	0	0	0	0	0	0	3	460
2020	6	3,555	0	0	0	0	0	0	6	3,555
2021	6	6,790	0	0	0	0	0	0	6	6,790
<b>Subtotal</b>	<b>143</b>	<b>15,431</b>	<b>1</b>	<b>100</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>144</b>	<b>15,531</b>
Grants & Donations	9	3	111	85	9	17	1	50	130	155
<b>Total</b>	<b>152</b>	<b>15,435</b>	<b>112</b>	<b>186</b>	<b>9</b>	<b>17</b>	<b>1</b>	<b>50</b>	<b>274</b>	<b>15,688</b>

Source: Bank Data.  
\*April 29, 2019, through December 31, 2019.

## **Responsiveness to Credit and Community Development Needs**

The CRA investments exhibit adequate responsiveness to credit and community development needs. The vast majority of CRA investments support affordable housing, which was specifically identified as a credit need in several assessment areas. The bank continues to invest in Low-income Housing Tax Credits (LIHTC) through CAHEC, which is a nonprofit syndicator of tax credits for low-income affordable housing. The mission of CAHEC is to raise and invest equity capital in qualified LIHTC projects, empower residents living in developments CAHEC helps finance, and to promote home ownership for low- and moderate-income families. CAHEC creates a new investment fund each year to finance multi-family developments that utilize tax incentives provided through the LIHTC program. Through its investments in CAHEC's equity funds, the bank participated in tax credit programs throughout its assessment areas. The bank also continues to invest in MBSs, which are backed by pools of mortgage loans made to low- and moderate-income borrowers in the assessment areas. MBSs promotes affordable housing by providing additional liquidity for affordable housing in traditionally underserved communities. The bank's performance is similar in each rated-area and assessment area. Therefore, the performance criteria is not discussed further.

## **Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development needs. While the CAHEC tax credit investments are more complex, the CAHEC investments consist of the current book value of prior period CAHEC investments, as the bank did not make any new CAHEC investments during this evaluation period. Performance under this criteria is similar in each rated area and assessment area. Therefore, the performance criteria is not discussed further.

## **SERVICE TEST**

The overall Service Test rating is Low Satisfactory. Fidelity Bank's delivery systems are overall accessible to essentially all portions of the assessment areas. The 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. In addition, Fidelity Bank provided an overall adequate level of community development services. Overall performance is consistent with the conclusions for each rated area.

## **Accessibility of Delivery Systems**

Delivery systems are overall accessible to essentially all portions of the assessment areas. Refer to the rated areas and assessment areas for additional details. During the evaluation period, the bank operated 48 branches in North Carolina and 2 branches in Virginia. In addition to the branch network, the bank provides ATMs, online banking and bill pay, mobile banking (text messaging, mobile web, and mobile app), and toll-free telephone banking. The online services are offered 24-hours a day, allowing customers to check account balances, transfer money between accounts and to other customers, make loan payments, and pay bills, all at no cost. The Accessibility of Delivery Systems will only be discussed in the rated areas or assessment areas that differ from the overall conclusions.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, the bank closed six branches and opened four branches, with all changes occurring in North Carolina. Refer to the rated area and assessment area sections for additional details, including any impact on low- and moderate-income areas. Only rated areas and assessment areas with opened and closed branches will contain information.

### **Reasonableness of Business Hours and Services**

Services and business hours do not vary in a way that inconveniences certain portions of the assessment areas, particularly in low- and moderate-income census tracts or to low- and moderate-income individuals. Fidelity Bank offers a full range of consumer and commercial loans and deposits designed to meet the banking needs of local communities. Each branch offers the same products and services. Business hours are generally 8:00 a.m. to 5:00 p.m. at the drive-thru Monday through Friday and lobby hours of 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.

The bank implemented several services to facilitate banking during the pandemic. While branches were closed, the bank offered drive thru and appointment services. In addition, the bank developed alternative procedures to meet with customers without contact. Finally, the bank waived non-sufficient funds and overdraft fees for covid-19 hardship reasons, increased mobile deposit limits, participated in the Paycheck Protection Program, and granted loan deferrals for covid-19 hardship reasons.

The bank participates in two programs tailored to the needs of low- and moderate-income people. First, the bank participates in the Interest on Lawyers Trust Accounts (IOLTA), which is a program that provides funds to offer free or reduced rate legal services to low- and moderate-income people. During this evaluation period, the bank maintained 262 IOLTAs in North Carolina and 2 IOLTAs in Virginia. Second, the bank conducts deposit verifications free of charge for affordable housing agencies and Medicaid services. During the evaluation, the bank conducted 406 affordable housing verifications and 8,317 Medicaid verifications.

Since each branch offers the same products and services in all assessment areas, this section is not further discussed in each rated area or assessment area.

### **Community Development Services**

Fidelity Bank provided an adequate level of community development services overall. Since the last evaluation, bank employees participated in 41 community development services for organizations that provide an array of services to low- and moderate-income individuals and small businesses. In 16 of the 41 community development services, the bank personnel served as Director, Chairman of the Board, or on a committee over multiple years that required regular and frequent meetings and long-term involvement. In each instance, the bank personnel's involvement in the committee or Board was considered as one service per year; however, the impact is greater

given the overall level of involvement and time commitment to each organization throughout the entire year, including recurring meetings, fundraisers, etc. Bank personnel have been most active in the assessment areas within North Carolina, and within North Carolina, most community development services occurred in the Raleigh and NC Non MSA assessment areas. The other assessment areas had limited community development services with no community development services provided in the Fayetteville and Burlington assessment areas. Most of the community development service activities involve financial literacy sessions targeted to low- and moderate-income individuals and memberships in organizations that serve affordable housing, community services, and economic development needs.

The tables below provide the community development services by year and assessment area. The level of activity is similar to the level at the prior CRA evaluation. Refer to the discussions of Community Development Services within each assessment area analysis for additional details and examples.

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019*	0	17	0	0	17
2020	0	1	1	0	2
2021	0	3	3	0	6
All Years	2	10	4	0	16
<b>Total</b>	2	31	8	0	41
<i>Source: Bank Data.            *April 29, 2019, through December 31, 2019.            All years means the bank member was continually involved in the community organization as a Board Member, Officer, or other position for all three years.</i>					

<b>Community Development Services by Area</b>					
<b>Rated Area and Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
Raleigh MSA	1	10	2	0	<b>13</b>
NC Non-MSA	0	9	4	0	<b>13</b>
Durham MSA	0	4	0	0	<b>4</b>
Greensboro MSA	0	1	1	0	<b>2</b>
Charlotte MSA	1	0	0	0	<b>1</b>
Winston Salem MSA	0	3	0	0	<b>3</b>
Fayetteville MSA	0	0	0	0	<b>0</b>
Burlington MSA	0	0	0	0	<b>0</b>
North Carolina State-wide	0	3	1	0	<b>4</b>
North Carolina Total	2	30	8	0	<b>40</b>
VA Non-MSA	0	1	0	0	<b>1</b>
Virginia Total	0	1	0	0	<b>1</b>
<b>Total</b>	<b>2</b>	<b>31</b>	<b>8</b>	<b>0</b>	<b>41</b>
<i>Source: Bank Data</i>					

## **DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW**

Examiners evaluated the bank's compliance with anti-discriminatory laws, including the Fair Housing Act and the Equal Credit Opportunity Act. The review disclosed no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs; therefore, this consideration did not affect the overall CRA rating.



## NORTH CAROLINA

### CRA RATING FOR: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

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

Fidelity Bank operates in eight assessment areas within North Carolina. The evaluation of North Carolina performance considered the operations of Fidelity Bank in the Raleigh MSA, NC Non-MSA, Durham MSA, Greensboro MSA, Charlotte MSA, Winston Salem MSA, Fayetteville MSA, Burlington MSA assessment areas. The bank operates 48 branches in North Carolina, accounting for 96.0 percent of bank-wide branches. Additionally, North Carolina accounts for 98.0 percent of overall lending reviewed and 97.4 percent of bank-wide deposits. Thus, North Carolina received primary weight in the overall bank performance.

### SCOPE OF EVALUATION – NORTH CAROLINA

Refer to the Scope of Evaluation section for details.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH CAROLINA

#### LENDING TEST

The Lending Test rating for North Carolina is High Satisfactory. Lending levels reflect good responsiveness to the North Carolina assessment areas' credit needs. The geographic distribution of loans reflects good penetration throughout the assessment areas, and the distribution of loans reflects good penetration among individuals of different income levels and businesses and farms of different sizes. The institution made extensive use of innovative or flexible lending practices and originated a relatively high level of community development loans. Lending is generally consistent throughout the full-scope assessment areas.

#### Lending Activity

Lending levels reflect good responsiveness to the North Carolina assessment areas' credit needs. The tables presented in each assessment area detail the number and dollar volume of home mortgage and small business loans originated during the evaluation period. The NC Non-MSA, Greensboro MSA, and Durham MSA assessment areas also include small farm loans. This performance criteria is not further discussed in the North Carolina assessment areas unless inconsistent with the overall state conclusion.

### **Geographic Distribution**

The geographic distribution of loans reflects an overall good penetration throughout the assessment areas for all loan types reviewed. Generally, the performance is consistent throughout the full-scope assessment areas with slightly stronger performance in the Durham MSA and Charlotte MSA assessment areas.

### **Borrower Profile**

The distribution of home mortgage, small business, and small farm loans to borrowers of different income levels and businesses and farms of different sizes is overall good. Generally, the performance is consistent throughout the full-scope assessment areas with slightly stronger performance in the Durham, Raleigh, and Greensboro MSA assessment areas.

### **Community Development Loans**

The institution is a leader in making community development loans in North Carolina. During this evaluation period, the bank made 79 community development loans totaling \$128.2 million in North Carolina. A large percentage of the community development loans were originated under the Small Business Administration SBA 504 program, 27 loans totaling \$50.8 million. SBA 504 loans are made in partnership with a Community Development Corporation and support economic development and job creation and retention for small businesses that may not otherwise qualify for conventional financing. According to SBA data, Fidelity Bank was the top SBA lender originating loans in North Carolina in four of the past five years. The bank partners with Business Expansion Funding Corporation, a non-profit economic development lender, to help customer's secure SBA financing. Performance is consistent throughout the assessment areas with stronger performance in the Raleigh MSA assessment area.

The bank originated nine community development loans for \$19.9 million that were not originated within their designated assessment areas but benefited the statewide area of North Carolina. Examples of these include six SBA 504 loans totaling \$17.5 million and two loans that supported affordable housing for \$1.0 million.

### **INVESTMENT TEST**

Fidelity Bank has an adequate level of qualified community development investments and grants in North Carolina. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives. Performance is consistent throughout the assessment areas with stronger performance in the Raleigh MSA assessment area.

### **Investment and Grant Activity**

The bank has an adequate level of qualified investments and grants at 244 totaling \$13.7 million in North Carolina. This represents 87.1 percent by dollar volume of bank-wide investments. The amount of qualified investments and grants is similar to the previous CRA evaluation. The above total includes investments made in each of the North Carolina assessment areas, which are

discussed in the individual assessment area sections, and 57 investments and donations benefitting a state-wide area totaling \$3.2 million. One of the state-wide investments is the renewal of a \$100,000 certificate of deposit in a Community Development Financial Institution. In addition, the bank has \$945,000 in prior period CAHEC investments that benefit a state-wide area. In addition, the current book value of prior period MBS investments totals \$90,000, and the bank made new MBS investments totaling \$1.9 million that benefit a state-wide area. In 2020, the bank made a \$50,000 donation to a fund that provided resources for nonprofit organizations in North Carolina that have been impacted severely by the COVID-19 pandemic through revenue loss and increased demand. The fund focused on providing assistance to lower-wealth communities.

## **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area, and the bank provided an adequate level of community development services. While community development services are relatively high in the Raleigh MSA and NC Non-MSA assessment areas, services were limited in the remaining assessment areas.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. The bank closed six branches, and opened four branches during this evaluation period. All branch closures were in middle- or upper-income census tracts. Three of the new branches were in middle- or upper-income census tracts with one new branch in a moderate-income census tract.

### **Community Development Services**

Fidelity Bank provided an adequate level of community development services in North Carolina. Since the last evaluation, bank employees provided 40 community development services. Performance in the Raleigh MSA and NC Non-MSA assessment areas was relatively high, while performance in the other assessment areas was limited. On a state-wide level, bank employees were involved in 4 community development services. Three are ongoing involvements for all three years in organizations that provide state-wide economic development and community services to low- and moderate-income people. The other state-wide service was a recorded financial literacy program for low- and moderate-income students.

## RALEIGH MSA ASSESSMENT AREA – Full-Scope Review

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

The Raleigh MSA assessment area consists of Wake County. The Raleigh-Cary, NC MSA has three counties within its boundaries; however, the bank has only delineated Wake County as its assessment area. The bank operates 13 branches in the assessment area representing 27.1 percent of state-wide branches. The assessment area contains 30.8 percent of the loans reviewed and 33.4 percent of the deposits in North Carolina.

#### **Economic and Demographic Data**

The economy, as measured by unemployment rates, is shown in the table below. Unemployment increased significantly in 2020 during the global coronavirus pandemic, and then returned in 2021 to a rate just slightly higher than the pre-pandemic rate in 2019. In addition, the assessment area rates were slightly lower than the state rate and well below the national unemployment rate for all three years.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Wake County	3.4	6.2	4.0
North Carolina	3.8	7.1	4.8
National	3.7	8.1	5.3

*Source: Bureau of Labor Statistics.*

Most of the population, housing units, and businesses are located in middle- and upper-income geographies. The percentage of population, housing, and businesses in moderate-income geographies and the percentage of moderate-income families indicate a fair amount of opportunity to help meet the credit needs of moderate-income areas and families. Less opportunity exists in low-income geographies given the low levels of population, housing, and businesses.

Demographic Information for the Raleigh MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	187	6.4	19.3	30.5	42.2	1.6
Population by Geography	976,019	6.2	22.8	31.8	38.8	0.5
Housing Units by Geography	392,813	5.6	22.7	33.1	38.5	0.0
Owner-Occupied Units by Geography	234,084	2.1	19.2	34.3	44.5	0.0
Occupied Rental Units by Geography	130,585	11.5	29.1	30.9	28.4	0.0
Vacant Units by Geography	28,144	7.6	22.9	33.3	36.1	0.0
Businesses by Geography	134,888	3.9	19.7	32.0	44.2	0.2
Farms by Geography	2,797	3.0	18.3	40.8	37.9	0.0
Family Distribution by Income Level	243,940	19.9	16.2	18.8	45.1	0.0
Household Distribution by Income Level	364,669	20.9	16.6	17.8	44.7	0.0
Median Family Income - Raleigh-Cary, NC MSA	\$78,057	Median Housing Value				\$247,494
		Median Gross Rent				\$966
		Families Below Poverty Level				7.9%
<i>Source: 2015 ACS and 2021 D&amp;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 median family income level for the Raleigh-Cary, NC MSA is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$93,100)	<\$46,550	\$46,550 to <\$74,480	\$74,480 to <\$111,720	≥\$111,720
2020 (\$94,100)	<\$47,050	\$47,050 to <\$75,280	\$75,280 to <\$112,920	≥\$112,920
2021 (\$95,700)	<\$47,850	\$47,850 to <\$76,560	\$76,560 to <\$114,840	≥\$114,840
<i>Source: FFIEC</i>				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 37 FDIC-insured financial institutions operating 240 full-service branches within the assessment area. Of these institutions, Fidelity Bank ranked 9th with a 2.7 percent deposit market share. The three most prominent depository institutions accounted for 55.5 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 (most recent available) shows that 200 institutions reported 34,350 small business loans in the assessment area indicating

high competition. Fidelity Bank ranked 7th with a 4.6 percent market share. The five most prominent small business lenders accounted for 50.8 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows 736 institutions reported 126,675 home mortgage loans in the assessment area. Fidelity Bank ranked 51<sup>st</sup> with a market share of 0.4 percent. The five most prominent home mortgage lenders accounted for 26.4 percent of total market share. The area is very competitive. Only nine lenders held two percent or more of the market share in this assessment area. The top three lenders each held approximately 6.0 percent market share.

### **Community Contact(s)**

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

During the course of this evaluation, examiners conducted a community contact with a representative from an economic development organization. The contact indicated that economic conditions are overall good and that small businesses are a crucial segment of the economy.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contact and demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion. In addition, the contact indicated that small business lending is a need and opportunity for bank involvement.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE RALEIGH MSA ASSESSMENT AREA**

### **LENDING TEST**

Lending levels in the Raleigh MSA assessment area reflect good responsiveness to assessment area credit needs. The geographic distribution of loans reflects good penetration throughout the assessment areas, and borrower profile reflects excellent penetration to borrowers of different incomes and businesses of different sizes. The bank is a leader in making community development loans in this assessment area.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. This is supported by good small business and adequate home mortgage performance.

Small Business Loans

The geographic distribution of small business loans is good. Lending in low-income tracts was similar to the percent of businesses and the aggregate. Lending in moderate-income tracts was slightly above the demographics and the aggregate, with the exception of 2021 which was just below demographics.

Geographic Distribution of Small Business Loans Raleigh MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.9	4.0	12	3.0	3,144	4.4
2020	3.9	3.9	64	4.1	6,215	3.7
2021	3.9	--	46	3.8	6,415	4.6
Moderate						
2019	19.2	17.8	85	21.6	11,939	16.5
2020	19.4	18.8	327	20.9	37,862	22.8
2021	19.7	--	232	18.9	24,437	17.6
Middle						
2019	31.9	31.9	146	37.1	28,051	38.8
2020	31.9	32.3	563	35.9	60,308	36.4
2021	32.0	--	446	36.5	48,650	35.0
Upper						
2019	44.7	46.2	151	38.3	29,084	40.3
2020	44.6	44.9	609	38.9	61,350	37.0
2021	44.2	--	498	40.7	59,440	42.7
Not Available						
2019	0.2	0.1	0	0.0	0	0.0
2020	0.2	0.1	3	0.2	172	0.1
2021	0.2	--	1	0.1	208	0.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>	<b>72,218</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>1,566</b>	<b>100.0</b>	<b>165,907</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>1,223</b>	<b>100.0</b>	<b>139,150</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans

The geographic distribution of home mortgage loans is adequate. In low-income tracts, lending is similar to the percent of owner-occupied housing units and aggregate data. In moderate-income tracts, lending is slightly below the aggregate data and below the demographics.

<b>Geographic Distribution of Home Mortgage Loans Raleigh MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	2.1	2.2	2	0.9	1,240	3.0
2020	2.1	1.9	4	1.0	897	0.9
2021	2.1	--	10	2.6	3,804	4.3
<b>Moderate</b>						
2019	19.2	16.8	30	14.0	4,789	11.8
2020	19.2	14.5	54	13.1	9,981	10.3
2021	19.2	--	42	11.2	9,963	11.3
<b>Middle</b>						
2019	34.3	34.1	83	38.8	13,998	34.5
2020	34.3	32.4	144	34.9	31,716	32.6
2021	34.3	--	132	35.1	28,172	32.1
<b>Upper</b>						
2019	44.5	46.9	99	46.3	20,578	50.7
2020	44.5	51.3	210	51.0	54,542	56.2
2021	44.5	--	191	50.8	45,713	52.0
<b>Not Available</b>						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	1	0.3	255	0.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>214</b>	<b>100.0</b>	<b>40,605</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>412</b>	<b>100.0</b>	<b>97,136</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>376</b>	<b>100.0</b>	<b>87,907</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</i>						



## Borrower Profile

The distribution of loans to borrowers of different incomes and businesses of different sizes is excellent. The overall conclusion is based on the excellent performance in small business lending combined with good lending performance in home mortgage lending.

### Small Business Loans

The distribution of loans to businesses of different sizes is excellent. Small business lending was significantly above aggregate data in 2019 and well above in 2020. Lending in 2021 was comparable to 2020. In each year, lending was below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Raleigh MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	87.3	48.1	245	62.2	49,517	68.6
2020	88.4	42.0	819	52.3	70,111	42.2
2021	89.3	--	644	52.7	67,731	48.7
<b>&gt;\$1,000,000</b>						
2019	3.9	--	149	37.8	22,701	31.4
2020	3.5	--	443	28.3	76,446	46.1
2021	3.1	--	277	22.6	51,280	36.8
<b>Revenue Not Available</b>						
2019	8.8	--	0	0.0	0	0.0
2020	8.1	--	304	19.4	19,350	11.7
2021	7.7	--	302	24.7	20,139	14.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>394</b>	<b>100.0</b>	<b>72,218</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>1,566</b>	<b>100.0</b>	<b>165,907</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>1,223</b>	<b>100.0</b>	<b>139,150</b>	<b>100.0</b>
<small>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</small>						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is good. In 2019 and 2020, lending to low-income borrowers was above the aggregate data and but well below demographics. In 2021, lending to low-income borrowers decreased and was significantly below demographics. Lending to moderate-income borrowers in 2019 was similar to the demographics and slightly below aggregate data. In 2020, lending to moderate-income borrowers was slightly above the aggregate data and above the demographics. In 2021, lending to moderate-income borrowers declined and was below demographics.

Distribution of Home Mortgage Loans by Borrower Income Level Raleigh MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	19.9	6.7	21	9.8	2,454	6.0
2020	19.9	5.3	30	7.3	4,128	4.2
2021	19.9	--	22	5.9	2,855	3.2
Moderate						
2019	16.2	17.4	34	15.9	4,946	12.2
2020	16.2	14.9	77	18.7	14,358	14.8
2021	16.2	--	51	13.6	9,334	10.6
Middle						
2019	18.8	22.2	47	22.0	8,858	21.8
2020	18.8	20.7	81	19.7	19,092	19.7
2021	18.8	--	79	21.0	15,819	18.0
Upper						
2019	45.1	42.3	95	44.4	18,689	46.0
2020	45.1	45.9	194	47.1	50,677	52.2
2021	45.1	--	202	53.7	49,862	56.7
Not Available						
2019	0.0	11.4	17	7.9	5,657	13.9
2020	0.0	13.3	30	7.3	8,880	9.1
2021	0.0	--	22	5.9	10,038	11.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>214</b>	<b>100.0</b>	<b>40,605</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>412</b>	<b>100.0</b>	<b>97,136</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>376</b>	<b>100.0</b>	<b>87,907</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### **Community Development Loans**

Fidelity Bank is a leader in making community development loans in the Raleigh MSA assessment area. The bank originated 16 community development loans totaling \$34.9 million during the evaluation period representing 27.3 percent by dollar volume of community development loans in North Carolina. One loan for \$9.3 million was originated for a project in collaboration with a city government to create jobs and support entrepreneurs by building a co-working collaboration building for small businesses. Another significant loan for \$1.3 million was to purchase apartments through an affordable housing tax credit program. The bank also provided 13 SBA 504 loans.

## **INVESTMENT TEST**

Fidelity Bank has a significant level of qualified investments and grants in this assessment area. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

The bank has a significant level of qualified investments and grants at 23 totaling \$7.6 million in the Raleigh MSA. This represents 55.6 percent by dollar volume of state-wide investments, which compares favorably to the percentage of deposits, loans, and branches. The bank has \$317,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$1.2 million, and the bank made new MBS investments totaling \$6.1 million that benefit this assessment area. Examples of donations made include \$100 in 2019 to an organization that provides small business assistance to underserved and minority small business owners, \$500 in 2020 to an organization that provides financial literacy and life skills training for the homeless, and \$350 in 2021 to an organization that provides clothing to low-income children.

## **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area, and the bank provided a relatively high level of community development services.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. The bank closed two branches in this assessment area during the evaluation period with one in middle-income census tracts and one in an upper-income census tract.

### **Community Development Services**

The bank provided a relatively high level of community development services. Bank employees provided 13 community development services with 4 representing ongoing involvement for all three years in affordable housing, community services, or economic development organizations. For example, a bank employee served on the redevelopment project committee for an organization that provides access to affordable housing and revitalization in depressed areas. Another example, is an employee that serves as an advisory board member for a community services organization that supports underserved populations. Also, bank employees were involved in five financial literacy programs for schools that primarily serve low- and moderate-income students.

## NC NON-MSA ASSESSMENT AREA – Full-Scope Review

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

The NC Non-MSA assessment area consists of Caswell, Cleveland, Lee, Montgomery, Moore, Richmond, and Vance Counties. The bank operates 10 branches in the assessment area representing 20.8 percent of state-wide branches. The assessment area contains 16.4 percent of loans reviewed and 22.3 percent of the deposits in North Carolina.

#### **Economic and Demographic Data**

The economy, as measured by unemployment rates, is shown in the table below. In general, the unemployment rates in all counties were similar to or slightly higher than the North Carolina and national rates. However, and Richmond Counties has experienced significantly higher unemployment rates than North Carolina. Unemployment increased significantly in 2020 during the global coronavirus pandemic. In 2021, the unemployment rates decreased; however, in all counties the rates were higher than in the pre-pandemic rate in 2019.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Caswell County	4.4	7.5	5.3
Cleveland County	3.9	7.6	5.3
Lee County	4.4	7.8	5.4
Montgomery County	3.9	6.5	4.7
Moore County	3.8	7.1	4.6
Richmond County	5.1	8.9	7.3
North Carolina	3.8	7.1	4.8
National	3.7	8.1	5.3

*Source: Bureau of Labor Statistics – annual averages data.*

Most of the lending opportunity in the NC Non-MSA assessment area exists in middle- and upper-income geographies given the level of population, owner-occupied housing, businesses, and farms. A fair amount of opportunity in moderate-income areas also exists given the demographics. Opportunities for lending to low-income families is impacted by the high poverty rate and the median housing value compared to the MFI for low-income families. Portions of Caswell County are designated as underserved geographies, and portions of Richmond County are designated as distressed geographies.

Demographic Information for the NC Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	76	0.0	19.7	53.9	26.3	0.0
Population by Geography	345,160	0.0	17.7	54.6	27.7	0.0
Housing Units by Geography	159,899	0.0	17.0	54.7	28.2	0.0
Owner-Occupied Units by Geography	93,185	0.0	14.4	54.9	30.7	0.0
Occupied Rental Units by Geography	40,342	0.0	25.1	52.3	22.6	0.0
Vacant Units by Geography	26,372	0.0	13.8	58.0	28.2	0.0
Businesses by Geography	24,611	0.0	17.0	47.6	35.4	0.0
Farms by Geography	1,308	0.0	12.3	58.3	29.4	0.0
Family Distribution by Income Level	88,938	19.7	16.3	19.3	44.7	0.0
Household Distribution by Income Level	133,527	23.3	14.5	16.5	45.7	0.0
Median Family Income Non-MSAs	\$47,217	Median Housing Value				\$130,469
		Median Gross Rent				\$703
		Families Below Poverty Level				14.8%
<i>Source: 2015 ACS and 2021 D&amp;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 North Carolina state-wide Non-MSA median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$51,600)	<\$25,800	\$25,800 to <\$41,280	\$41,280 to <\$61,920	≥\$61,920
2020 (\$53,700)	<\$26,850	\$26,850 to <\$42,960	\$42,960 to <\$64,440	≥\$64,440
2021 (\$55,300)	<\$27,650	\$27,650 to <\$44,240	\$44,240 to <\$66,360	≥\$66,360
<i>Source: FFIEC</i>				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 20 FDIC-insured financial institutions operating 89 full-service branches within the assessment area indicating a high level of competition. Of these institutions, Fidelity Bank ranked 3rd with a 9.2 percent deposit market share. The top two depository institutions accounted for 49.5 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 shows that 115 institutions reported 6,767 small business loans in the assessment area indicating a high level of

competition. Fidelity Bank ranked 2nd with a 12.7 percent market share. The five most prominent small business lenders accounted for 51.5 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows 489 institutions reported 23,942 home mortgage loans in the assessment area indicating a high level of competition. Fidelity Bank ranked 16th with a market share of 1.5 percent. The five most prominent home mortgage lenders accounted for 26.5 percent of total market share.

With regard to competition for small farm loans, aggregate data for 2020 shows 18 institutions reported 213 small farm loans in the assessment area indicating a moderate level of competition. Fidelity Bank ranked 1<sup>st</sup> with a market share of 39.0 percent by number of loans. The five most prominent home mortgage lenders accounted for 82.9 percent of total market share.

### **Credit and Community Development Needs and Opportunities**

Considering information from demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NC THE NON-MSA ASSESSMENT AREA**

### **LENDING TEST**

Lending levels in the NC Non-MSA assessment area reflect good responsiveness to assessment area credit needs. The geographic and borrower profile reflect good penetration throughout the assessment area and to borrowers of different incomes and businesses and farms of different sizes. In addition, the bank made a relatively high level community development loans.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. This is supported by good small business, small farm, and home mortgage lending performance.

#### **Small Business Loans**

The geographic distribution of small business loans is good. Lending in moderate-income tracts in 2019 was comparable to the demographic and aggregate data with lending in 2020 exceeding aggregate data and remaining comparable to demographics. In 2021, performance increased and was above the demographic data.

Geographic Distribution of Small Business Loans NC Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	17.5	16.0	34	15.6	2,749	10.5
2020	17.3	15.1	128	16.5	11,466	14.7
2021	17.0	--	118	18.6	9,650	16.1
Middle						
2019	48.0	46.7	126	57.8	17,378	66.6
2020	47.8	49.4	476	61.3	50,486	64.7
2021	47.6	--	384	60.6	35,108	58.7
Upper						
2019	34.6	37.3	58	26.6	5,978	22.9
2020	34.9	35.5	172	22.2	16,110	20.6
2021	35.4	--	132	20.8	15,051	25.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>218</b>	<b>100.0</b>	<b>26,105</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>776</b>	<b>100.0</b>	<b>78,062</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>634</b>	<b>100.0</b>	<b>59,809</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### Home Mortgage Loans

The geographic distribution of home mortgage loans is good. In 2019 and 2020, lending in moderate-income tracts was significantly above aggregate, but slightly lower than the percent of owner-occupied housing units. In 2021, lending in moderate-income tracts was moderately below the demographics.

Geographic Distribution of Home Mortgage Loans NC Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	14.4	7.5	27	12.2	2,377	7.2
2020	14.4	6.1	28	11.0	3,614	7.6
2021	14.4	--	25	9.3	2,725	5.2
Middle						
2019	54.9	46.5	121	54.5	16,462	49.9
2020	54.9	44.0	158	62.2	28,259	59.5
2021	54.9	--	166	62.0	33,309	63.9
Upper						
2019	30.7	46.0	74	33.3	14,168	42.9
2020	30.7	49.8	68	26.8	15,605	32.9
2021	30.7	--	77	28.7	16,125	30.9
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>222</b>	<b>100.0</b>	<b>33,007</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>254</b>	<b>100.0</b>	<b>47,478</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>268</b>	<b>100.0</b>	<b>52,158</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

Small Farm Loans

The geographic distribution of small farm loans is good. Lending in moderate-income tracts was similar to the percent of farms and moderately lower than the aggregate in 2019 and 2020. In 2021, lending increased and was much higher than the percentage of farms.



<b>Geographic Distribution of Small Farm Loans NC Non-MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Farms</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2019	11.7	18.3	6	12.2	576	9.3
2020	12.4	17.2	11	13.6	544	8.2
2021	12.3	--	38	20.0	1,949	13.8
Middle						
2019	59.1	62.8	39	79.6	5,131	82.7
2020	59.4	58.3	57	70.4	5,230	79.6
2021	58.3	--	140	73.7	11,209	79.5
Upper						
2019	29.2	18.9	4	8.2	495	8.0
2020	28.2	24.5	13	16.0	800	12.2
2021	29.4	--	12	6.3	935	6.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>6,202</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>6,574</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>190</b>	<b>100.0</b>	<b>14,093</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available.</i>						

### **Borrower Profile**

The distribution of loans to borrowers of different incomes and businesses and farms of different sizes is good. Excellent performance in small business and small farm lending combined with the adequate lending performance for home mortgage loans supports the conclusion.

#### **Small Business Loans**

The distribution of loans to businesses of different sizes is excellent. Small business lending was significantly above aggregate lending in 2019 and well above in 2020. Lending in 2021 was comparable to 2019 and 2020 lending levels by percentage of loans. All three years the performance was lower than demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category NC Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	83.7	45.9	149	68.3	14,456	55.4
2020	84.9	42.8	441	56.8	29,064	37.2
2021	85.9	--	398	62.8	28,948	48.4
>\$1,000,000						
2019	4.8	--	69	31.7	11,649	44.6
2020	4.4	--	229	29.5	42,120	54.0
2021	3.9	--	121	19.1	22,693	37.9
Revenue Not Available						
2019	11.4	--	0	0.0	0	0.0
2020	10.8	--	106	13.7	6,878	8.8
2021	10.2	--	115	18.1	8,168	13.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>218</b>	<b>100.0</b>	<b>26,105</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>776</b>	<b>100.0</b>	<b>78,062</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>634</b>	<b>100.0</b>	<b>59,809</b>	<b>100.0</b>
Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is adequate. Lending to low-income borrowers for all three years is significantly below demographics but more comparable when the percentage of families below the poverty level is considered. Lending is comparable to aggregate data in 2019 but above aggregate data in 2020. Lending to moderate-income borrowers for all three years was moderately below the percent of families and similar to the aggregate in 2019 and 2020.

<b>Distribution of Home Mortgage Loans by Borrower Income Level NC Non-MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	19.7	2.6	5	2.2	220	0.7
2020	19.7	1.8	9	3.6	847	1.8
2021	19.7	--	8	3.0	745	1.4
<b>Moderate</b>						
2019	16.3	10.8	23	10.4	1,848	5.6
2020	16.3	8.5	24	9.4	2,479	5.2
2021	16.3	--	25	9.3	2,765	5.3
<b>Middle</b>						
2019	19.3	17.7	34	15.3	4,745	14.4
2020	19.3	15.8	45	17.7	7,852	16.5
2021	19.3	--	50	18.7	6,556	12.6
<b>Upper</b>						
2019	44.7	50.2	145	65.3	23,881	72.3
2020	44.7	45.8	156	61.4	31,800	67.0
2021	44.7	--	170	63.4	38,107	73.1
<b>Not Available</b>						
2019	0.0	18.7	15	6.8	2,313	7.0
2020	0.0	28.0	20	7.9	4,500	9.5
2021	0.0	--	15	5.6	3,985	7.6
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>222</b>	<b>100.0</b>	<b>33,007</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>254</b>	<b>100.0</b>	<b>47,478</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>268</b>	<b>100.0</b>	<b>52,158</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

*Small Farm Loans*

The borrower distribution of small farm loans is excellent. Small farm lending compares favorably to aggregate but is below demographics.

Distribution of Small Farm Loans by Gross Annual Revenue Category NC Non-MSA Assessment Area						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	96.9	44.5	32	65.3	4,132	66.6
2020	96.9	42.2	46	56.8	2,633	40.1
2021	97.4	--	130	68.4	6,865	48.7
<b>&gt;\$1,000,000</b>						
2019	1.4	--	17	34.7	2,070	33.4
2020	1.3	--	34	42.0	3,919	59.6
2021	1.0	--	54	28.4	6,692	47.5
<b>Revenue Not Available</b>						
2019	1.7	--	0	0.0	0	0.0
2020	1.8	--	1	1.2	22	0.3
2021	1.6	--	6	3.2	536	3.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>6,202</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>6,574</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>190</b>	<b>100.0</b>	<b>14,093</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available.</i>						

### **Community Development Loans**

Fidelity Bank made a relatively high level of community development loans in the NC Non-MSA assessment area. The bank originated 11 community development loans totaling \$20.7 million during the evaluation period representing 16.1 percent by dollar volume of community development loans in North Carolina. Community development loans were for affordable housing, economic development, and revitalization and stabilization. Examples include a \$5.5 million loan as part of a county revitalization plan for distressed areas, and a \$1.8 million loan to a farm in a distressed area guaranteed by the US Department of Agriculture.

### **INVESTMENT TEST**

Fidelity Bank has an adequate level of qualified investments and grants in this assessment area. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

The bank has an adequate level of qualified investments and grants at 65 totaling \$315,000 in the NC Non-MSA assessment area. This represents 2.3 percent by dollar volume of state-wide investments, which is significantly less than the percentage of deposits, loans, and branches. The bank has \$56,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$201,000. Examples of donations made include \$20,000 during 2019 and 2020 to an organization that provides emergency shelter for the homeless, and \$500 in 2021 to an organization that provides after school activities for low-income youth.

### **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area, and the bank provided a relatively high level of community development services.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, the bank closed one branch in an upper-income census tract and opened one branch in a middle-income census tract.

### **Community Development Services**

The bank provided a relatively high level of community development services. During this evaluation period, the bank provided 13 service activities with 4 representing ongoing involvement in community development organizations for all three years. For example, a bank employee serves as a board member for a community development organization that provides support for low- and moderate-income people. In addition, a bank employee serves as a committee member for an entrepreneur collaborative and provides business and financial expertise to entrepreneurs. Also, a bank employee serves on the financial committee of a community development organization that provides financial literacy programs for low- and moderate-income students. Bank employees provided two financial literacy programs to low- and moderate-income students.

## DURHAM MSA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE DURHAM MSA ASSESSMENT AREA

The Durham MSA assessment area consists of Chatham, Durham, Granville, Orange, and Person Counties, which comprise the entire Durham-Chapel Hill, NC MSA. The bank operates five branches in the assessment area representing 10.4 percent of state-wide branches. The assessment area contains 13.9 percent of loans reviewed and 10.4 percent of the deposits in North Carolina.

#### **Economic and Demographic Data**

The economy, as measured by unemployment rates, is shown in the table below. Unemployment increased in 2020 during the global coronavirus pandemic, and then returned in 2021 to a slightly higher rate than the pre-pandemic rate in 2019. In addition, the assessment area unemployment rates were lower than the state and national unemployment rates for all three years.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Durham-Chapel Hill, NC MSA	3.4	5.9	3.9
North Carolina	3.8	7.1	4.8
National	3.7	8.1	5.3

*Source: Bureau of Labor Statistics*

Demographic data presented in the table below indicates most of the population, housing and businesses are located in middle- and upper-income geographies. Moderate-income areas and families are fairly represented in this assessment area indicating opportunities for lending. The percentage of low-income geographies, and the percentage of the population, housing, and businesses in the low-income geographies are less than ten percent, indicating lesser lending opportunities. The percentage of low-income families above the poverty level is 11.4 percent, representing the percentage of low-income families in a better financial position to qualify for lending.

<b>Demographic Information for the Durham MSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	121	9.9	26.4	28.1	31.4	4.1
Population by Geography	592,263	8.2	24.9	34.0	31.5	1.4
Housing Units by Geography	252,933	8.7	24.3	34.6	32.3	0.0
Owner-Occupied Units by Geography	140,069	3.0	19.7	38.5	38.8	0.0
Occupied Rental Units by Geography	90,315	16.6	29.3	28.9	25.0	0.1
Vacant Units by Geography	22,549	12.5	32.9	33.3	21.2	0.1
Businesses by Geography	60,573	6.8	18.6	33.6	39.7	1.4
Farms by Geography	1,992	2.9	20.5	50.2	26.4	0.1
Family Distribution by Income Level	142,399	22.6	16.5	17.8	43.0	0.0
Household Distribution by Income Level	230,384	24.2	15.1	17.0	43.7	0.0
Median Family Income Durham-Chapel Hill, NC MSA	\$68,020	Median Housing Value				\$209,306
		Median Gross Rent				\$883
		Families Below Poverty Level				11.2%
<i>Source: 2015 ACS and 2021 D&amp;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 median family income level for the Durham-Chapel Hill, NC MSA is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
2019 (\$75,100)	<\$37,550	\$37,550 to <\$60,080	\$60,080 to <\$90,120	≥\$90,120
2020 (\$79,900)	<\$39,950	\$39,950 to <\$63,920	\$63,920 to <\$95,880	≥\$95,880
2021 (\$81,500)	<\$40,750	\$40,750 to <\$65,200	\$65,200 to <\$97,800	≥\$97,800
<i>Source: FFIEC</i>				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 21 FDIC-insured financial institutions operating 114 full-service branches within the assessment area, indicating a high level of competition. Of these institutions, Fidelity Bank ranked 10th with a 1.0 percent deposit market share. The three most prominent depository institutions accounted for 73.7 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 shows that 155 institutions reported 15,334 small business loans in the assessment area indicating a high level of competition. Fidelity Bank ranked 7th with a 4.3 percent market share. The five most prominent small business lenders accounted for 51.0 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows 619 institutions reported 52,167 home mortgage loans in the assessment area indicating significant competition. Fidelity Bank ranked 37th with a market share of 0.6 percent. The five most prominent home mortgage lenders accounted for 31.8 percent of total market share.

With regard to competition for small farm loans, aggregate data for 2020 shows 15 institutions reported 163 small farm loans in the assessment area indicating a moderate level of competition. Fidelity Bank ranked 2<sup>nd</sup> with a market share of 15.3 percent, by number of loans. The five most prominent home mortgage lenders accounted for 77.9 percent of total market share.

### **Community Contact(s)**

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

Examiners reviewed a community contact with a representative from an economic development organization. The contact indicated there is a need for credit to small minority- and women-owned businesses. In addition, banks can provide technical assistance, outreach, and capacity building for small businesses. Examiners also reviewed a community contact with an affordable housing organization. The contact indicated that banks have participated with the organization through volunteerism and access to credit, but the level of grants is low and could be improved.

### **Credit and Community Development Needs and Opportunities**

Considering information from the community contacts and demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN DURHAM MSA**

### **LENDING TEST**

Lending levels reflect good responsiveness to the assessment area's credit needs. The geographic and borrower distributions reflect excellent penetration throughout the assessment area and to borrowers of different incomes and businesses and farms of different sizes. In addition, the bank made a relatively high level of community development loans.



## Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the assessment area. This is supported by excellent performance in small business and small farm lending as well as good performance in home mortgage lending.

### Small Business Loans

The geographic distribution of small business loans is excellent. For all three years, lending in both low- and moderate-income tracts significantly exceeded the percent of businesses and the aggregate data.

Geographic Distribution of Small Business Loans Durham MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	6.6	5.5	23	16.9	2,378	11.9
2020	6.7	6.4	82	13.0	7,289	12.5
2021	6.8	--	46	9.0	4,837	8.6
Moderate						
2019	18.5	18.0	38	27.9	4,713	23.6
2020	18.5	17.5	194	30.7	17,496	30.0
2021	18.6	--	142	27.8	16,532	29.2
Middle						
2019	33.2	33.1	50	36.8	7,784	39.0
2020	33.3	34.2	205	32.4	17,939	30.8
2021	33.6	--	202	39.5	18,103	32.0
Upper						
2019	40.0	42.6	25	18.4	5,090	25.5
2020	39.9	40.9	151	23.9	15,577	26.7
2021	39.7	--	120	23.5	17,074	30.2
Not Available						
2019	1.7	0.7	0	0.0	0	0.0
2020	1.6	1.0	0	0.0	0	0.0
2021	1.4	--	1	0.2	6	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>	<b>19,965</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>632</b>	<b>100.0</b>	<b>58,301</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>511</b>	<b>100.0</b>	<b>56,552</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans

The geographic distribution of home mortgage loans is good. In low-income tracts, lending is similar to the percent of owner-occupied housing units and the aggregate for all three years. In moderate-income tracts for 2019 and 2020, lending was significantly higher than the aggregate and higher than demographics. In 2021, lending was well above demographics.

Geographic Distribution of Home Mortgage Loans Durham MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	3.0	3.2	2	1.3	698	2.5
2020	3.0	2.8	7	3.1	950	1.9
2021	3.0	--	7	3.4	1,063	2.0
Moderate						
2019	19.7	14.4	34	22.7	5,755	20.4
2020	19.7	13.3	46	20.6	9,232	18.7
2021	19.7	--	37	18.0	12,869	23.8
Middle						
2019	38.5	38.9	67	44.7	10,400	36.8
2020	38.5	37.8	92	41.3	20,303	41.0
2021	38.5	--	93	45.4	21,223	39.2
Upper						
2019	38.8	43.6	47	31.3	11,368	40.3
2020	38.8	46.1	78	35.0	19,032	38.4
2021	38.8	--	68	33.2	18,904	35.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>28,221</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>	<b>49,517</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>205</b>	<b>100.0</b>	<b>54,059</b>	<b>100.0</b>
<small>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</small>						

Small Farm Loans

The geographic distribution of small farm loans is excellent. In low-income tracts, lending was well above demographics and the aggregate data in 2019 and 2020. In 2021, lending in low-income tracts was similar to the percent of farms. In moderate-income tracts in 2019, lending significantly exceeded demographics and was similar to the aggregate. In 2020, lending in moderate-income tracts was similar to the percent of farms and the aggregate. In moderate-income tracts in 2021, the lending increased and was significantly above demographics.

Geographic Distribution of Small Farm Loans Durham MSA Assessment Area						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.8	1.0	1	5.3	150	9.5
2020	2.8	3.1	2	8.0	300	13.4
2021	2.9	--	2	2.6	200	4.8
Moderate						
2019	21.1	36.1	7	36.8	407	25.9
2020	20.6	26.5	6	24.0	553	24.8
2021	20.5	--	26	33.3	938	22.6
Middle						
2019	49.5	45.9	10	52.6	956	60.8
2020	50.1	56.8	15	60.0	1,325	59.3
2021	50.2	--	49	62.8	3,012	72.5
Upper						
2019	26.4	17.0	1	5.3	60	3.8
2020	26.5	13.6	2	8.0	55	2.5
2021	26.4	--	1	1.3	7	0.2
Not Available						
2019	0.1	0.0	0	0.0	0	0.0
2020	0.1	0.0	0	0.0	0	0.0
2021	0.1	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,573</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>2,233</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>78</b>	<b>100.0</b>	<b>4,157</b>	<b>100.0</b>
Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

## **Borrower Profile**

The distribution of loans to borrowers of different incomes and businesses and farms of different sizes is excellent. Excellent performance in small business and small farm lending combined with good lending performance for home mortgage loans supports the conclusion.

### **Small Business Loans**

The distribution of loans to businesses of different sizes is excellent. Small business lending in 2019 and 2020 was significantly above the aggregate lending performance. Small business lending in 2021 was comparable to 2020. All three years performance was below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Durham MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	87.1	49.3	99	72.8	14,941	74.8
2020	88.0	43.6	367	58.1	25,862	44.4
2021	88.7	--	320	62.6	32,011	56.6
<b>&gt;\$1,000,000</b>						
2019	3.9	--	37	27.2	5,024	25.2
2020	3.5	--	153	24.2	23,277	39.9
2021	3.2	--	87	17.0	15,983	28.3
<b>Revenue Not Available</b>						
2019	9.0	--	0	0.0	0	0.0
2020	8.5	--	112	17.7	9,162	15.7
2021	8.1	--	104	20.4	8,558	15.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>136</b>	<b>100.0</b>	<b>19,965</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>632</b>	<b>100.0</b>	<b>58,301</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>511</b>	<b>100.0</b>	<b>56,552</b>	<b>100.0</b>
Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available.						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is good. Lending to low-income borrowers for all three years was significantly below demographics but higher than aggregate data in 2019 and 2020. Lending to moderate-income borrowers for all three years was slightly below the percent of families as well as aggregate data in 2019 and 2020.

Distribution of Home Mortgage Loans by Borrower Income Level Durham MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	22.6	4.4	9	6.0	967	3.4
2020	22.6	3.8	15	6.7	1,867	3.8
2021	22.6	--	8	3.9	758	1.4
Moderate						
2019	16.5	15.3	21	14.0	3,026	10.7
2020	16.5	14.5	31	13.9	5,968	12.0
2021	16.5	--	32	15.6	5,768	10.7
Middle						
2019	17.8	21.2	32	21.3	5,268	18.7
2020	17.8	19.4	53	23.8	10,708	21.6
2021	17.8	--	42	20.5	8,589	15.9
Upper						
2019	43.0	48.4	81	54.0	17,166	60.8
2020	43.0	49.1	103	46.2	24,755	50.0
2021	43.0	--	102	49.8	28,087	51.9
Not Available						
2019	0.0	10.6	7	4.7	1,794	6.4
2020	0.0	13.3	21	9.4	6,219	12.6
2021	0.0	--	21	10.2	10,857	20.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>28,221</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>223</b>	<b>100.0</b>	<b>49,517</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>205</b>	<b>100.0</b>	<b>54,059</b>	<b>100.0</b>
Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

### Small Farm Loans

The distribution of small farm loans to farms of different sizes is excellent. Small farm lending increased yearly and was significantly above aggregate data for 2019 and 2020 but lower than demographics. Lending in 2021 was below demographics but still strong.

Distribution of Small Farm Loans by Gross Annual Revenue Category Durham MSA Assessment Area						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	97.0	46.4	13	68.4	1,224	77.8
2020	97.2	51.9	19	76.0	1,705	76.4
2021	97.6	--	65	83.3	2,230	53.6
<b>&gt;\$1,000,000</b>						
2019	1.7	--	6	31.6	349	22.2
2020	1.6	--	5	20.0	514	23.0
2021	1.4	--	8	10.3	1,866	44.9
<b>Revenue Not Available</b>						
2019	1.3	--	0	0.0	0	0.0
2020	1.2	--	1	4.0	14	0.6
2021	1.0	--	5	6.4	61	1.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,573</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>2,233</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>78</b>	<b>100.0</b>	<b>4,157</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available.</i>						

### **Community Development Loans**

Fidelity Bank made a relatively high level of community development loans in the Durham MSA assessment area. The bank originated 14 community development loans totaling \$18.7 million during the evaluation period. This amount represents 14.6 percent by dollar volume of community development loans in North Carolina. Examples include a \$3.5 million loan to purchase an affordable housing condominium complex and six SBA 504 loans totaling \$8.3 million.

### **INVESTMENT TEST**

Fidelity Bank has an adequate level of qualified investments and grants in this assessment area. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

The bank has an adequate level of qualified investments and grants at 14 totaling \$769,000 in the Durham MSA assessment area. This represents 5.6 percent by dollar volume of state-wide investments, which is below the percentage of deposits, loans, and branches. The bank has \$33,000

in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$423,000, and the bank made new MBS investments totaling \$311,000. The bank also made \$2,000 in CRA qualified donations.

## **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank provided a limited level of community development services.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, the bank closed one branch in an upper-income census tract and opened one branch in a middle-income census tract.

### **Community Development Services**

The bank provided a limited level of community development services. During this evaluation period, the bank provided four community development services. Three of the services involved one-time financial literacy events for low- and moderate-income students, and one of the services involved a bank employee's ongoing involvement at an organization that raises funds to provide school supplies for low- and moderate-income students.

## GREENSBORO MSA ASSESSMENT AREA– Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE GREENSBORO MSA ASSESSMENT AREA

The Greensboro MSA assessment area consists of Guilford, Randolph, and Rockingham Counties, which comprise the entire Greensboro-Highpoint, NC MSA. The bank operates six branches in the assessment area representing 12.5 percent of state-wide branches. The assessment area contains 13.1 percent of loans reviewed and 10.1 percent of the deposits in North Carolina.

#### **Economic and Demographic Data**

The economy, as measured by unemployment rates, is shown in the table below. Unemployment increased in 2020 during the global coronavirus pandemic and then decreased in 2021 while remaining higher than the pre-pandemic rate in 2019. In addition, the assessment area unemployment rate was higher than the state unemployment rates for all three years and comparable to the national rate.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Greensboro-High Point, NC MSA	4.0	8.0	5.4
North Carolina	3.8	7.1	4.8
National	3.7	8.1	5.3

*Source: Bureau of Labor Statistics.*

According to the demographic data, the highest percentage of the population, housing, businesses, and families are located in middle-income geographies. The next highest is in upper-income geographies followed by moderate-income geographies. The percentage of low-income geographies is low at 6.5 percent. In addition, population, housing, and businesses are low, indicating limited opportunity for lending. Low-income families total 21.7 percent; however, the poverty level is high at 13.3 percent indicating reduced lending opportunities for lending to low-income families.



Demographic Information for the Greensboro MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	168	6.5	26.2	38.7	28.0	0.6
Population by Geography	741,433	5.7	23.3	42.8	28.1	0.0
Housing Units by Geography	326,899	5.7	23.7	42.9	27.6	0.0
Owner-Occupied Units by Geography	184,429	2.7	17.2	45.8	34.3	0.0
Occupied Rental Units by Geography	107,201	10.2	32.7	38.2	18.8	0.0
Vacant Units by Geography	35,269	8.2	30.5	42.1	19.2	0.0
Businesses by Geography	74,136	4.1	21.8	36.3	37.7	0.1
Farms by Geography	2,223	2.2	14.2	50.6	33.1	0.0
Family Distribution by Income Level	189,747	21.7	18.3	18.4	41.7	0.0
Household Distribution by Income Level	291,630	23.4	16.6	17.4	42.6	0.0
Median Family Income Greensboro-High Point, NC MSA	\$55,218	Median Housing Value				\$145,143
		Median Gross Rent				\$747
		Families Below Poverty Level				13.3%
<i>Source: 2015 ACS and 2021 D&amp;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 median family income level for the Greensboro-Highpoint, NC MSA is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$59,900)	<\$29,950	\$29,950 to <\$47,920	\$47,920 to <\$71,880	≥\$71,880
2020 (\$65,800)	<\$32,900	\$32,900 to <\$52,640	\$52,640 to <\$78,960	≥\$78,960
2021 (\$65,200)	<\$32,600	\$32,600 to <\$52,160	\$52,160 to <\$78,240	≥\$78,240
<i>Source: FFIEC</i>				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 24 FDIC-insured financial institutions operating 157 full-service branches within the assessment area, indicating a high level of competition. Of these institutions, Fidelity Bank ranked 11th with a 1.7 percent deposit market share. The three most prominent depository institutions accounted for 56.6 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 shows that 137 institutions reported 18,186 small business loans in the assessment area, indicating a high level of

competition. Fidelity Bank ranked 9th with a 3.5 percent market share. The five most prominent small business lenders accounted for 48.6 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows 553 institutions reported 48,023 home mortgage loans in the assessment area, indicating a high level of competition. Fidelity Bank ranked 40th with a market share of 0.6 percent. The five most prominent home mortgage lenders accounted for 31.9 percent of total market share.

With regard to competition for small farm loans, aggregate data for 2020 shows 18 institutions reported 207 small farm loans in the assessment area indicating a moderate level of competition. Fidelity Bank ranked 2<sup>nd</sup> with a market share of 25.1 percent, by number of loans. The five most prominent home mortgage lenders accounted for 81.2 percent of total market share.

### **Credit and Community Development Needs and Opportunities**

Considering information from demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GREENSBORO MSA ASSESSMENT AREA**

### **LENDING TEST**

Lending levels reflect good responsiveness to the assessment area's credit needs. The geographic and reflects good penetration throughout the assessment area, and lending to borrowers of different incomes and businesses and farms of different sizes is excellent. In addition, the bank made a relatively high level of community development loans.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. This is supported by good small business and excellent small farm lending with adequate home mortgage lending performance.

#### **Small Business Loans**

The geographic distribution of loans is good. Lending in low-income tracts was slightly lower than the percent of businesses and the aggregate data. Lending in moderate-income tracts was comparable to the percent of businesses and the aggregate in 2019 and slightly higher in 2020. In 2021, lending in moderate-income tracts decreased and was slightly lower than the percent of businesses.

Geographic Distribution of Small Business Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.1	3.7	4	2.5	1,115	4.5
2020	4.1	4.0	14	2.4	4,118	6.4
2021	4.1	--	12	2.1	2,900	5.4
Moderate						
2019	21.6	22.2	36	22.2	7,566	30.9
2020	21.6	22.8	140	24.3	14,209	22.1
2021	21.8	--	104	18.4	10,849	20.2
Middle						
2019	36.4	37.5	78	48.1	9,979	40.7
2020	36.2	37.1	282	49.1	33,554	52.3
2021	36.3	--	320	56.6	26,150	48.7
Upper						
2019	37.7	36.5	41	25.3	5,301	21.6
2020	37.9	36.0	133	23.1	11,106	17.3
2021	37.7	--	126	22.3	13,451	25.0
Not Available						
2019	0.2	0.1	3	1.9	550	2.2
2020	0.2	0.1	6	1.1	1,213	1.9
2021	0.1	--	3	0.6	375	0.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>24,511</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>64,200</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>565</b>	<b>100.0</b>	<b>53,725</b>	<b>100.0</b>
Source: 2019, 2020, and 2021 D&B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data. "--" data not available. 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, lending was similar to the aggregate data and slightly lower than the percent of owner-occupied housing units for all three years. In moderate-income tracts, lending was moderately below the demographics for all three years. In 2019, lending was lower than the aggregate, but in 2020, lending improved and was higher than the aggregate data.

Geographic Distribution of Home Mortgage Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.7	1.5	2	1.3	218	1.0
2020	2.7	1.3	3	1.4	174	0.4
2021	2.7	--	3	1.2	169	0.4
Moderate						
2019	17.2	13.3	14	9.5	1,296	6.1
2020	17.2	11.5	30	14.2	9,393	22.6
2021	17.2	--	28	11.4	3,328	8.1
Middle						
2019	45.8	42.6	76	51.4	10,823	50.8
2020	45.8	40.9	108	50.9	16,930	40.8
2021	45.8	--	135	54.9	20,618	50.5
Upper						
2019	34.3	42.5	56	37.8	8,972	42.1
2020	34.3	46.3	71	33.5	15,047	36.2
2021	34.3	--	80	32.5	16,757	41.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>148</b>	<b>100.0</b>	<b>21,309</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>212</b>	<b>100.0</b>	<b>41,544</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>246</b>	<b>100.0</b>	<b>40,872</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

Small Farm Loans

The geographic distribution of small farm loans is excellent. The bank did not make any loans in low-income tracts; however, opportunity for lending was limited due to the nominal percentage of farms. In moderate-income tracts, lending was significantly higher than the percent of farms for all three years and significantly exceeded the aggregate data in 2019 and 2020.

Geographic Distribution of Small Farm Loans Greensboro MSA Assessment Area						
Tract Income Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.7	1.1	0	0.0	0	0.0
2020	1.7	1.0	0	0.0	0	0.0
2021	2.2	--	0	0.0	0	0.0
Moderate						
2019	14.1	14.6	6	26.1	252	14.5
2020	13.7	17.0	14	26.9	1,051	28.8
2021	14.2	--	34	22.8	1,246	21.3
Middle						
2019	52.3	67.6	16	69.6	1,464	84.1
2020	51.8	67.0	29	55.8	1,724	47.2
2021	50.6	--	98	65.8	4,100	70.2
Upper						
2019	31.9	16.8	1	4.3	25	1.4
2020	32.7	15.0	9	17.3	878	24.0
2021	33.1	--	17	11.4	498	8.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,741</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>3,653</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>149</b>	<b>100.0</b>	<b>5,844</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### **Borrower Profile**

The distribution of loans to borrowers of different incomes and businesses and farms of different sizes is excellent. Excellent performance in small business and small farm lending combine with the good lending performance for home mortgage loans supports the conclusion.

#### *Small Business Loans*

The distribution of loans to businesses of different sizes is excellent. Lending in 2019 and 2020 significantly exceed aggregate lending but was below demographics. Lending in 2021 was comparable but remained below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Greensboro MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	84.8	47.5	103	63.6	12,497	51.0
2020	86.0	41.1	298	51.8	19,865	30.9
2021	87.1	--	334	59.1	21,906	40.8
<b>&gt;\$1,000,000</b>						
2019	4.9	--	58	35.8	12,013	49.0
2020	4.4	--	225	39.1	40,444	63.0
2021	4.0	--	155	27.4	27,616	51.4
<b>Revenue Not Available</b>						
2019	10.3	--	1	0.6	1	0.0
2020	9.6	--	52	9.1	3,891	6.1
2021	9.0	--	76	13.5	4,203	7.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>162</b>	<b>100.0</b>	<b>24,511</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>575</b>	<b>100.0</b>	<b>64,200</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>565</b>	<b>100.0</b>	<b>53,725</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is good. Lending to low-income borrowers was significantly below demographics but was more comparable when the poverty level is considered. However, lending exceeded aggregate data for all three years. In 2019, lending to moderate-income borrowers was slightly lower than the aggregate data and moderately lower than demographics. Lending to moderate-income borrowers was similar to the percent of families and slightly higher than the aggregate data in 2020. In 2021, lending to moderate-income borrowers increased to 21.5 percent, which is higher than the demographics.

Distribution of Home Mortgage Loans by Borrower Income Level Greensboro MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	21.7	5.1	11	7.4	768	3.6
2020	21.7	5.0	17	8.0	1,941	4.7
2021	21.7	--	19	7.7	1,710	4.2
Moderate						
2019	18.3	15.9	19	12.8	1,715	8.0
2020	18.3	16.0	40	18.9	5,234	12.6
2021	18.3	--	53	21.6	7,139	17.5
Middle						
2019	18.4	20.8	38	25.7	5,002	23.5
2020	18.4	19.1	48	22.6	7,683	18.5
2021	18.4	--	52	21.1	9,531	23.3
Upper						
2019	41.7	43.1	75	50.7	12,804	60.1
2020	41.7	42.1	97	45.8	18,984	45.7
2021	41.7	--	118	48.0	21,949	53.7
Not Available						
2019	0.0	15.1	5	3.4	1,020	4.8
2020	0.0	17.9	10	4.7	7,702	18.5
2021	0.0	--	4	1.6	541	1.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>148</b>	<b>100.0</b>	<b>21,309</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>212</b>	<b>100.0</b>	<b>41,544</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>246</b>	<b>100.0</b>	<b>40,872</b>	<b>100.0</b>
Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

### Small Farm Loans

The distribution of small farm loans to farms of different sizes is excellent. The vast majority of small farm loans in all three years were originated to small farms. In addition, small farm lending significantly exceeded aggregate in 2019 and 2020.

Distribution of Small Farm Loans by Gross Annual Revenue Category Greensboro MSA Assessment Area						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	97.3	50.3	22	95.7	1,541	88.5
2020	97.4	47.6	42	80.8	3,165	86.6
2021	97.8	--	136	91.3	4,665	79.8
>\$1,000,000						
2019	1.5	--	1	4.3	200	11.5
2020	1.4	--	7	13.4	389	10.7
2021	1.3	--	10	6.7	1,131	19.4
Revenue Not Available						
2019	1.3	--	0	0.0	0	0.0
2020	1.2	--	3	5.8	99	2.7
2021	1.0	--	3	2.0	48	0.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>23</b>	<b>100.0</b>	<b>1,741</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>3,653</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>149</b>	<b>100.0</b>	<b>5,844</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### **Community Development Loans**

Fidelity Bank made a relatively high level of community development loans in the Greensboro MSA assessment area. The bank originated 12 community development loans totaling \$13.5 million during the evaluation period. This amount represents 10.5 percent by dollar volume of total community development loans in North Carolina. Examples include a \$3.3 million loan to purchase an 88-unit affordable housing apartment complex, and a \$1.1 million PPP loan to a business that helped retain moderate-income jobs.

### **INVESTMENT TEST**

Fidelity Bank has an adequate level of qualified community development investments and grants in this assessment area. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives.



### **Investment and Grant Activity**

The bank has an adequate level of qualified investments and grants at 32 totaling \$776,000 in the Greensboro MSA assessment area. This represents 5.7 percent by dollar volume of state-wide investments, which is below the percentage of deposits, loans, and branches. The bank has \$148,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$194,000, and the bank made new MBS investments totaling \$416,000. Examples of donations include \$750 in 2019 to an affordable housing organization, \$6,000 in 2020 to a small business and entrepreneur support organization, and \$2,500 in 2021 to a crisis center for low-income families.

### **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area, and the opening and closing of branches has not adversely affected the accessibility of its delivery systems. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank provided a limited level of community development services.

### **Changes in Branch Locations**

To the extent changes have been made, the opening and closing of branches has not adversely affected the accessibility of its delivery systems. During the evaluation period, the bank closed one branch in a middle-income census tract and opened one branch in a moderate-income census tract.

### **Community Development Services**

The bank provided a limited level of community development services. During this evaluation period, the bank provided two community development services. A bank employee serves in an ongoing capacity as a board member for an economic development organization, and one employee taught a financial literacy session to low- and moderate-income students.

## CHARLOTTE MSA ASSESSMENT AREA– Full-Scope Review

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

The Charlotte MSA assessment area consists of Gaston, Iredell, and Rowan Counties, which is a portion of the Charlotte-Concord-Gastonia, NC-SC MSA consisting of eight counties. The bank operates four branches in the assessment area representing 8.3 percent of state-wide branches. The assessment area contains 5.6 percent of loans reviewed and 5.4 percent of the deposits in North Carolina.

#### **Economic and Demographic Data**

The economy, as measured by unemployment rates, is shown in the table below. Unemployment increased in 2020 during the global coronavirus pandemic and then decreased in 2021 while remaining higher than the pre-pandemic rate. In addition, the assessment area unemployment rate was higher than the state unemployment rates for all three years.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	%	%	%
Gaston County	3.8	7.8	5.2
Iredell County	3.6	7.1	4.6
Rowan County	4.0	7.7	5.0
North Carolina	3.8	7.1	4.8
National	3.7	8.1	5.3

According to the demographic data, the highest percentage of the population, housing, and businesses are located in middle-income geographies. This assessment area contains a significant percentage of moderate-income geographies at 36.0 percent, with significant percentages of the population, housing, and businesses, indicating good lending opportunities. The percentage of low-income geographies is low at 6.5 percent. In addition, population, housing, and businesses are low, indicating limited opportunity for lending in low-income geographies. The poverty level is high, indicating reduced opportunities for lending to low-income families.

Demographic Information for the Charlotte MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	6.5	36.0	43.2	14.4	0.0
Population by Geography	513,234	5.4	37.2	43.2	14.2	0.0
Housing Units by Geography	219,773	5.6	37.7	42.8	13.9	0.0
Owner-Occupied Units by Geography	131,792	3.1	32.5	48.2	16.2	0.0
Occupied Rental Units by Geography	59,879	10.0	47.3	33.3	9.4	0.0
Vacant Units by Geography	28,102	8.4	41.2	37.4	13.0	0.0
Businesses by Geography	43,819	6.0	32.7	36.8	24.6	0.0
Farms by Geography	1,518	3.2	25.6	54.3	16.9	0.0
Family Distribution by Income Level	132,733	27.1	19.6	20.1	33.2	0.0
Household Distribution by Income Level	191,671	29.1	17.7	18.3	35.0	0.0
Median Family Income - Charlotte-Concord-Gastonia, NC-SC MSA		\$64,187	Median Housing Value			\$150,681
			Median Gross Rent			\$752
			Families Below Poverty Level			12.5%
Source: 2015 ACS and 2021 D&B Data Due to rounding, totals may not equal 100.0 percent. (* ) The NA category consists of geographies that have not been assigned an income classification.						

The median family income level for the Charlotte-Concord-Gastonia, NC-SC MSA is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$70,700)	<\$35,350	\$35,350 to <\$56,560	\$56,560 to <\$84,840	≥\$84,840
2020 (\$74,200)	<\$37,100	\$37,100 to <\$59,360	\$59,360 to <\$89,040	≥\$89,040
2021 (\$77,300)	<\$38,650	\$38,650 to <\$61,840	\$61,840 to <\$92,760	≥\$92,760
Source: FFIEC				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 26 FDIC-insured financial institutions operating 118 full-service branches within the assessment area, indicating a high level of competition. Of these institutions, Fidelity Bank ranked 15th with 1.6 percent deposit market share. The three most prominent depository institutions accounted for 54.8 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 shows that 146 institutions reported 12,101 small business loans in the assessment area, indicating a high level of

competition. Fidelity Bank ranked 18th with 1.8 percent market share. The five most prominent small business lenders accounted for 51.3 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows 599 institutions reported 45,645 home mortgage loans in the assessment area, indicating significant competition. Fidelity Bank ranked 75th with a market share of 0.3 percent. The five most prominent home mortgage lenders accounted for 29.0 percent of total market share.

### **Credit and Community Development Needs and Opportunities**

Considering information from demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN CHARLOTTE MSA**

### **LENDING TEST**

Lending levels reflects good responsiveness to the assessment area's credit needs. The geographic distribution reflects excellent penetration throughout the assessment area, and lending to borrowers of different incomes is good. In addition, the bank made a relatively high level of community development loans.

### **Geographic Distribution**

The geographic distribution of loans reflects excellent penetration throughout the assessment area. This is supported by excellent small business and good home mortgage lending performance.

### **Small Business Loans**

The geographic distribution of loans is excellent. For all three years, lending significantly exceeded the percent of businesses and the aggregate data in both low- and moderate-income tracts.

Geographic Distribution of Small Business Loans Charlotte MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	6.1	5.4	9	15.0	2,738	20.4
2020	6.0	5.5	27	12.2	3,238	11.5
2021	6.0	--	18	9.8	3,374	12.4
Moderate						
2019	33.4	31.2	26	43.3	5,797	43.2
2020	33.1	31.5	114	51.6	13,874	49.0
2021	32.7	--	90	48.9	13,659	50.2
Middle						
2019	37.0	38.3	17	28.3	3,280	24.5
2020	36.7	37.1	54	24.4	7,284	25.7
2021	36.8	--	48	26.1	7,606	27.9
Upper						
2019	23.6	25.1	8	13.3	1,603	11.9
2020	24.2	25.9	26	11.8	3,909	13.8
2021	24.6	--	28	15.2	2,579	9.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>13,418</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>28,305</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>184</b>	<b>100.0</b>	<b>27,218</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### Home Mortgage Loans

The geographic distribution of home mortgage loans is good. The bank did not make any loans in the low-income tracts in 2019. In 2020, lending was higher than aggregate data and comparable to demographics. Lending increased in 2021 above the demographic data. In moderate-income tracts, lending was similar to the aggregate in 2019 and 2020. For all three years, lending in moderate-income tracts was below the demographics.

<b>Geographic Distribution of Home Mortgage Loans Charlotte MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	3.1	2.2	0	0.0	0	0.0
2020	3.1	1.8	2	2.5	184	1.4
2021	3.1	--	5	5.3	2,503	12.5
<b>Moderate</b>						
2019	32.5	28.4	11	31.4	2,697	40.5
2020	32.5	25.3	21	26.2	2,899	21.7
2021	32.5	--	26	27.6	4,692	23.4
<b>Middle</b>						
2019	48.2	43.6	16	45.7	1,951	29.3
2020	48.2	44.7	40	50.0	6,489	48.6
2021	48.2	--	34	36.2	6,212	31.0
<b>Upper</b>						
2019	16.2	25.7	8	22.9	2,012	30.2
2020	16.2	28.1	17	21.3	3,788	28.3
2021	16.2	--	29	30.9	6,639	33.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>6,660</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>	<b>13,360</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>94</b>	<b>100.0</b>	<b>20,046</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>						

## **Borrower Profile**

The distribution of loans to borrowers of different incomes and businesses of different sizes is good. Good performance in small business and adequate performance for home mortgage loans supports the conclusion.

### **Small Business Loans**

The distribution of loans to businesses of different incomes is good. Small business lending was significantly above aggregate in 2019 but fell in 2020 to slightly above aggregate data. All three years were below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category Charlotte MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	85.2	45.4	40	66.7	9,644	71.9
2020	86.5	41.0	103	46.6	12,163	43.0
2021	87.7	--	111	60.3	14,951	54.9
<b>&gt;\$1,000,000</b>						
2019	4.9	--	20	33.3	3,774	28.1
2020	4.3	--	76	34.4	14,373	50.8
2021	3.8	--	44	23.9	10,614	39.0
<b>Revenue Not Available</b>						
2019	9.9	--	0	0.0	0	0.0
2020	9.2	--	42	19.0	1,769	6.2
2021	8.5	--	29	15.8	1,653	6.1
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>13,418</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>221</b>	<b>100.0</b>	<b>28,305</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>184</b>	<b>100.0</b>	<b>27,218</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is adequate. In 2019, lending to low-income borrowers was moderately lower than the aggregate data and below the level of families even with the consideration of poverty levels. Lending to low-income borrowers in 2020 increased and exceeded the aggregate and was more comparable to the demographics when the poverty level was considered. Lending in 2021 was significantly below the demographics but more comparable when the poverty level was considered. Lending to moderate-income borrowers was similar to the demographics for all three years, slightly below the aggregate in 2019 and similar to the aggregate in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level Charlotte MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	27.1	7.9	1	2.9	25	0.4
2020	27.1	7.3	8	10.0	653	4.9
2021	27.1	--	7	7.4	684	3.4
Moderate						
2019	19.6	19.2	6	17.1	548	8.2
2020	19.6	18.0	15	18.8	1,906	14.3
2021	19.6	--	18	19.1	2,569	12.8
Middle						
2019	20.1	21.6	13	37.1	1,491	22.4
2020	20.1	21.0	15	18.8	1,272	9.5
2021	20.1	--	14	14.9	2,393	11.9
Upper						
2019	33.2	35.7	13	37.1	3,461	52.0
2020	33.2	36.9	37	46.3	8,030	60.1
2021	33.2	--	40	42.6	8,692	43.4
Not Available						
2019	0.0	15.6	2	5.7	1,135	17.0
2020	0.0	16.8	5	6.3	1,499	11.2
2021	0.0	--	15	16.0	5,708	28.5
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>6,660</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>80</b>	<b>100.0</b>	<b>13,360</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>94</b>	<b>100.0</b>	<b>20,046</b>	<b>100.0</b>
Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

### **Community Development Loans**

Fidelity Bank made a relatively high level of community development loans in the Charlotte MSA assessment area. The bank originated six community development loans totaling \$7.4 million during the evaluation period. This amount represents 5.8 percent by dollar volume of total community development loans in North Carolina. Most of the loans, 4 loans totaling \$2.3 million were for affordable housing purposes. Two loans were for the purchase and refinance of an affordable multifamily development, and two were for the purchase and refinance of affordable mobile home parks. The other two were PPP loans that supported economic development by providing for job retention in the assessment area.



## **INVESTMENT TEST**

Fidelity Bank has an adequate level of qualified investments and grants in this assessment area. The investments and grants exhibit adequate responsiveness to credit and community development needs. The bank rarely uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

The bank has an adequate level of qualified investments and grants at 20 totaling \$385,000 in the Charlotte MSA assessment area. This represents 2.8 percent by dollar volume of state-wide investments, which is slightly below the percentage of deposits and loans. The bank has \$16,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$366,000.

## **SERVICE TEST**

Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area. No branches were opened or closed. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank provided few, if any, community development services.

### **Community Development Services**

The bank provided few, if any, community development services. During this evaluation period, the bank provided one ongoing community development service as an employee serves as a Board member for an affordable housing organization.

## WINSTON-SALEM MSA ASSESSMENT AREA – Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE WINSTON-SALEM MSA ASSESSMENT AREA

The Winston-Salem MSA assessment area consists of Davidson and Forsyth Counties. The Winston-Salem, NC MSA has five counties within its boundaries; however, the bank has only delineated two counties as its assessment area. The bank operates five branches in the assessment area representing 10.4 percent of state-wide branches. The assessment area contains 10.7 percent of the reviewed and 8.8 percent of the deposits in North Carolina. Demographic data for the assessment area is detailed in the table below.

<b>Demographic Information for the Winston-Salem MSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	127	12.6	18.1	34.6	33.1	1.6
Population by Geography	525,551	9.5	19.8	35.7	34.3	0.8
Housing Units by Geography	232,643	9.6	20.1	36.7	33.3	0.4
Owner-Occupied Units by Geography	135,138	4.3	13.7	40.8	41.2	0.1
Occupied Rental Units by Geography	72,368	18.5	29.8	29.2	21.6	1.0
Vacant Units by Geography	25,137	12.2	26.5	36.0	24.8	0.4
Businesses by Geography	43,988	7.1	17.4	33.2	41.5	0.7
Farms by Geography	1,305	3.1	11.0	41.3	44.3	0.4
Family Distribution by Income Level	135,001	22.3	17.0	18.3	42.3	0.0
Household Distribution by Income Level	207,506	23.3	16.7	16.9	43.1	0.0
Median Family Income - Winston-Salem, NC MSA		\$56,536	Median Housing Value			\$147,944
			Median Gross Rent			\$717
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS and 2021 D&amp;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>						

The unemployment rates for Davidson County during this evaluation period were 3.6, 6.8, and 4.5 percent for 2019, 2020, and 2021, respectively. The unemployment rates for Forsyth County during this evaluation period were 3.7, 7.2, and 4.9 percent for 2019, 2020, and 2021, respectively.

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 18 FDIC-insured financial institutions operating 112 full-service branches within the assessment area, indicating a high level of competition. Of these institutions, Fidelity Bank ranked 10th with 1.9 percent deposit market share. The three most prominent depository institutions accounted for 63.1 percent of total deposit market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE WINSTON-SALEM MSA ASSESSMENT AREA**

### **LENDING TEST**

The bank's Lending Test performance in the assessment area is consistent with the performance in the state. With regard to geographic distribution, both small business lending and home mortgage lending were good. With regard to borrower distribution, small business lending was adequate, and home mortgage lending was good. Tables demonstrating the bank's performance are in the appendix.

The bank's community development lending performance in the assessment area is consistent with its performance in the state. During the review period, the bank originated five loans totaling \$6.3 million.

### **INVESTMENT TEST**

The bank's Investment Test performance in this assessment area is consistent with the bank's performance in the state. The bank has \$149,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$180,000, and the bank made new MBS investments totaling \$64,000. Qualified donations totaled \$2,000.

### **SERVICE TEST**

The bank's Service Test performance is below the bank's performance in the state. While the performance was considered, it does not change the conclusions for the state. Fidelity Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area, and the bank has not opened or closed any branches in this assessment area during the evaluation period. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank provided three community development services.

## FAYETTEVILLE MSA ASSESSMENT AREA – Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE FAYETTEVILLE MSA

The Fayetteville MSA assessment area consists of Cumberland, Harnett, and Hoke Counties, which comprise the entirety of this MSA. The bank operates three branches in the assessment area representing 6.3 percent of state-wide branches. The assessment area contains 5.3 percent of the HMDA and CRA loans reviewed and 5.6 percent of the deposits in North Carolina. Demographic data for the assessment area is detailed in the table below.

<b>Demographic Information for the Fayetteville MSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	104	1.9	21.2	58.7	13.5	4.8
Population by Geography	499,998	1.0	16.1	63.5	18.6	0.8
Housing Units by Geography	210,324	1.2	16.5	65.3	17.0	0.0
Owner-Occupied Units by Geography	103,866	0.5	12.2	64.3	23.0	0.0
Occupied Rental Units by Geography	78,439	2.0	21.5	66.4	10.1	0.0
Vacant Units by Geography	28,019	1.5	18.1	65.9	14.5	0.0
Businesses by Geography	36,133	1.6	18.0	59.4	20.9	0.1
Farms by Geography	1,124	0.4	12.4	63.8	23.4	0.1
Family Distribution by Income Level	123,656	20.7	17.3	19.1	42.9	0.0
Household Distribution by Income Level	182,305	21.8	16.4	18.0	43.8	0.0
Median Family Income - Fayetteville, NC MSA		\$52,485	Median Housing Value			\$130,192
			Median Gross Rent			\$867
			Families Below Poverty Level			14.5%
<i>Source: 2015 ACS and 2021 D&amp;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>						

The unemployment rates for the Fayetteville, NC MSA during this evaluation period were 5.0, 9.0, and 6.8 percent for 2019, 2020, and 2021, respectively.

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 17 FDIC-insured financial institutions operating 81 full-service branches within the assessment area, indicating a moderate level of competition. Of these institutions, Fidelity Bank ranked 8th with a 2.6 percent deposit market share. The three most prominent depository institutions accounted for 63.0 percent of total deposit market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE FAYETTEVILLE MSA ASSESSMENT AREA**

### **LENDING TEST**

The bank's Lending Test performance in the assessment area is consistent with the performance in the state. With regard to geographic distribution, small business lending was good and home mortgage lending was excellent. With regard to borrower distribution, both small business lending and home mortgage lending were good. Tables demonstrating the bank's performance are in the appendix.

The bank's community development lending performance in the assessment area is below its performance in the state. During the review period, the bank originated one loan totaling \$1.3 million.

### **INVESTMENT TEST**

The bank's Investment Test performance in this assessment area is consistent with the bank's performance in the state. The bank has had 11 qualified investments and grants totaling \$240,000 in the Fayetteville MSA assessment area. The bank has \$3,000 in prior period CAHEC investments that benefit this assessment area. In addition, the current book value of prior period MBS investments totals \$23,000, and the bank made new MBS investments totaling \$198,000. Qualified donations totaled \$16,000.

### **SERVICE TEST**

The bank's Service Test performance in this assessment area is consistent with the bank's performance in the state. Fidelity Bank's delivery systems are accessible to essentially all portions of the assessment area. The bank closed one branch office in a middle-income census tract. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. However, the bank did not provide any community development services.

## BURLINGTON MSA ASSESSMENT AREA– Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BURLINGTON MSA ASSESSMENT AREA

The Burlington MSA assessment area consists of Alamance County, which comprises the entire Burlington, NC MSA. The bank operates two branches in the assessment area representing 4.2 percent of state-wide branches. The assessment area contains 4.3 percent of the HMDA and CRA loans reviewed and 4.0 percent of the deposits in North Carolina. Demographic data for the assessment area is detailed in the table below.

<b>Demographic Information for the Burlington MSA Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	36	0.0	25.0	47.2	27.8	0.0
Population by Geography	155,258	0.0	28.9	46.0	25.0	0.0
Housing Units by Geography	67,804	0.0	28.9	45.7	25.3	0.0
Owner-Occupied Units by Geography	40,273	0.0	22.9	47.8	29.3	0.0
Occupied Rental Units by Geography	21,272	0.0	39.2	41.8	19.0	0.0
Vacant Units by Geography	6,259	0.0	33.1	45.5	21.3	0.0
Businesses by Geography	11,556	0.0	24.8	48.4	26.7	0.0
Farms by Geography	404	0.0	17.6	53.7	28.7	0.0
Family Distribution by Income Level	40,938	21.8	17.8	18.3	42.1	0.0
Household Distribution by Income Level	61,545	23.8	17.2	17.3	41.8	0.0
Median Family Income - Burlington, NC MSA		\$53,234	Median Housing Value			\$139,707
			Median Gross Rent			\$764
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS and 2021 D&amp;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 unemployment rates for the Burlington, NC MSA during this evaluation period were 3.8, 7.0, and 4.8 percent for 2019, 2020, and 2021, respectively.

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 15 FDIC-insured financial institutions that operated 32 full-service branches within the assessment area, indicating a high level of competition. Of these institutions, Fidelity Bank ranked 6th with a 4.1 percent deposit market share. The three most prominent depository institutions accounted for 60.7 percent of total deposit market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BURLINGTON MSA ASSESSMENT AREA**

### **LENDING TEST**

The bank's Lending Test performance in the assessment area is below the lending performance in the state; however, it does not change the state rating. With regard to geographic distribution, small business lending was adequate and home mortgage lending was poor. With regard to borrower distribution, both small business lending and home mortgage lending were good. Tables demonstrating the bank's performance are in the appendix.

The bank's community development lending performance in the assessment area is consistent with its performance in the state. During the review period, the bank originated five loans totaling \$5.4 million.

### **INVESTMENT TEST**

The bank's Investment Test performance in this assessment area is below the bank's performance in the state. While the performance was considered, it does not change the ratings for the state. Investments in the Burlington MSA assessment area consisted of the current book value of prior period MBS investments totaling \$33,000.

### **SERVICE TEST**

The bank's Service Test performance in this assessment area is below the bank's performance in the state. While the performance was considered, it does not change the ratings for the state. Fidelity Bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank has not closed or opened any branches during this evaluation period. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank did not provide any community development services.

# VIRGINIA

**CRA RATING FOR Virginia: SATISFACTORY**

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

**The Investment Test is rated: High Satisfactory**

**The Service Test is rated: Low Satisfactory**

## DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA

The bank has one assessment area in Virginia. The VA Non-MSA assessment area consists of Henry County and Martinsville City. The bank operates two branches in the assessment area representing 4.0 percent of bank-wide branches. The assessment area contains 2.0 percent of the loans reviewed and 2.6 percent of bank-wide deposits.

### Economic and Demographic Data

The economy, as measured by unemployment rates, is shown in the table below. In 2019, the unemployment rate in Henry County was slightly higher than the state rate but below the national rate, and in Martinsville City, the unemployment rate exceeded both the state and national rates. Unemployment increased significantly in 2020 during the global coronavirus pandemic especially in Martinsville City where the annual average unemployment rate reached 10.9 percent. During 2021, the rates decreased but remained high compared to the pre-pandemic rates in 2019.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Henry County	3.3	7.6	4.7
Martinsville City	4.0	10.9	7.5
Virginia	2.8	6.2	3.9
National	3.7	8.1	5.3

*Source: Bureau of Labor Statistics – annual averages data.*

The highest percentage of population, housing, and businesses are located in middle-income geographies. The moderate-income geographies also have a large percentage of the population, housing, and businesses indicating opportunities for lending. One of the census tracts in Martinsville City is designated as distressed. The percentage of moderate-income families in the assessment area is significant, indicating opportunities for lending. The assessment area has a high poverty rate of 14.9 percent further impacting the potential lending opportunities to low-income families



Demographic Information for the VA Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	19	0.0	47.4	47.4	5.3	0.0
Population by Geography	66,204	0.0	43.7	51.6	4.7	0.0
Housing Units by Geography	33,320	0.0	45.1	50.4	4.5	0.0
Owner-Occupied Units by Geography	19,807	0.0	42.6	51.8	5.5	0.0
Occupied Rental Units by Geography	8,465	0.0	48.7	48.2	3.2	0.0
Vacant Units by Geography	5,048	0.0	48.5	48.5	3.0	0.0
Businesses by Geography	4,552	0.0	35.0	60.9	4.0	0.0
Farms by Geography	141	0.0	29.1	65.2	5.7	0.0
Family Distribution by Income Level	18,141	26.0	19.6	23.1	31.3	0.0
Household Distribution by Income Level	28,272	28.4	19.0	17.8	34.8	0.0
Median Family Income Non-MSAs	\$51,647	Median Housing Value				\$94,429
		Median Gross Rent				\$590
		Families Below Poverty Level				14.9%
<i>Source: 2015 ACS and 2021 D&amp;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 median family income level for the VA state-wide non-MSA is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2019 (\$56,100)	<\$28,050	\$28,050 to <\$44,880	\$44,880 to <\$67,320	≥\$67,320
2020 (\$58,100)	<\$29,050	\$29,050 to <\$46,480	\$46,480 to <\$69,720	≥\$69,720
2021 (\$58,900)	<\$29,450	\$29,450 to <\$47,120	\$47,120 to <\$70,680	≥\$70,680
<i>Source: FFIEC</i>				

## **Competition**

According to the FDIC Deposit Market Share data as of June 30, 2021, there were 10 FDIC-insured financial institutions operating 20 full-service branches within the assessment area, indicating moderate competition. Of these institutions, Fidelity Bank ranked 5th with a 5.6 percent deposit market share. The three most prominent depository institutions accounted for 71.2 percent of total deposit market share.

With regard to competition for small business loans, aggregate data for 2020 shows that 47 institutions reported 1,008 small business loans in the assessment area, indicating moderate

competition. Fidelity Bank ranked 4th with an 8.1 percent market share. The three most prominent small business lenders accounted for 48.7 percent of total market share.

With regard to competition for home mortgage loans, aggregate data for 2020 shows that 171 lenders reported 1,932 residential mortgage loans, indicating a high level of competition. Fidelity Bank ranked 12th with a market share of 2.6 percent. The five most prominent home mortgage lenders accounted for 35.2 percent of total market share.

### **Credit and Community Development Needs and Opportunities**

Considering information from demographic and economic data, examiners determined that small business lending and affordable housing continue to represent major credit and community development needs for the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less and the high percentage of low- and moderate-income families support this conclusion.

## **SCOPE OF EVALUATION – VIRGINIA**

Refer to the Scope of Evaluation section for details.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA**

### **LENDING TEST**

The bank's lending reflects adequate responsiveness to assessment area credit needs. The geographic distribution reflects good penetration throughout the assessment area, and lending to borrowers of different incomes and businesses of different sizes is excellent. The bank only made one community development loan.

### **Lending Activity**

Lending levels reflect adequate responsiveness to assessment area credit needs. The tables presented below detail the number and dollar volume of home mortgage and small business loans in this assessment area.

### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. This is supported by excellent small business and adequate home mortgage performance.

### **Small Business Loans**

The geographic distribution of small business loans reflects excellent performance. Lending in moderate-income tracts significantly exceeded the percent of businesses and aggregate data in 2019. In 2020, the distribution was higher than the aggregate and similar to the percent of businesses. In 2021, the number and percentage of lending in moderate-income tracts increased and was higher than the percent of businesses.

Geographic Distribution of Small Business Loans VA Non-MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	34.0	34.9	18	51.4	2,986	59.8
2020	34.2	30.8	27	33.3	3,433	38.1
2021	35.0	--	39	41.1	3,551	43.7
Middle						
2019	62.8	61.3	17	48.6	2,005	40.2
2020	62.1	65.8	49	60.5	5,383	59.7
2021	60.9	--	54	56.8	4,534	55.9
Upper						
2019	3.2	3.8	0	0.0	0	0.0
2020	3.7	3.3	5	6.2	199	2.2
2021	4.0	--	2	2.1	31	0.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,991</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>9,015</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>95</b>	<b>100.0</b>	<b>8,116</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans

The geographic distribution of home mortgage loans is adequate. In 2019, lending in moderate-income tracts was slightly above the aggregate data but below the demographic data. In 2020, lending was significantly below the aggregate data and demographics; however, in 2021, lending increased to 42.5 percent, which is similar to the demographics.

Geographic Distribution of Home Mortgage Loans VA Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2019	42.6	34.1	13	37.1	1,280	27.8
2020	42.6	34.2	7	20.0	364	9.9
2021	42.6	--	31	42.5	3,496	37.4
Middle						
2019	51.8	54.2	21	60.0	3,068	66.6
2020	51.8	55.2	26	74.3	3,214	87.1
2021	51.8	--	41	56.2	5,708	61.0
Upper						
2019	5.5	11.7	1	2.9	258	5.6
2020	5.5	10.6	2	5.7	114	3.1
2021	5.5	--	1	1.4	148	1.6
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,606</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>3,691</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>73</b>	<b>100.0</b>	<b>9,351</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

## **Borrower Profile**

The distribution of loans to borrowers of different incomes and businesses of different sizes is excellent. Excellent performance in small business lending combined with the good lending performance for home mortgage loans supports the conclusion.

### **Small Business Loans**

The distribution of loans to businesses of different sizes is excellent. Small business lending was significantly above aggregate lending in 2019 and 2020 but below demographics. For 2021, lending was comparable to 2019 and 2020 but was below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category VA Non-MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	81.8	48.6	23	65.7	1,723	34.5
2020	82.7	42.4	52	64.2	3,290	36.5
2021	84.1	--	59	62.1	3,783	46.6
<b>&gt;\$1,000,000</b>						
2019	5.4	--	12	34.3	3,268	65.5
2020	4.9	--	25	30.9	5,113	56.7
2021	4.4	--	18	18.9	3,582	44.1
<b>Revenue Not Available</b>						
2019	12.8	--	0	0.0	0	0.0
2020	12.3	--	4	4.9	612	6.8
2021	11.5	--	18	18.9	751	9.3
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,991</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>81</b>	<b>100.0</b>	<b>9,015</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>95</b>	<b>100.0</b>	<b>8,116</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; and, 2019 and 2020 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</i>						

### Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different incomes is good. Lending to low-income borrowers in 2019 was significantly below demographics and the aggregate data. Lending to low-income borrowers in 2020 was similar to the aggregate and the percent of families when the percent below the poverty level is considered. In 2021, lending to low-income borrowers was above the demographics. Lending to moderate-income borrowers was above the demographics and the aggregate for all three years, especially in 2020 when the level was significantly above demographics and aggregate data.

Distribution of Home Mortgage Loans by Borrower Income Level VA Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	26.0	11.6	1	2.9	140	3.0
2020	26.0	10.0	4	11.4	214	5.8
2021	26.0	--	7	9.6	605	6.5
Moderate						
2019	19.6	19.9	8	22.9	520	11.3
2020	19.6	20.6	13	37.1	1,265	34.3
2021	19.6	--	18	24.7	1,484	15.9
Middle						
2019	23.1	20.2	11	31.4	1,132	24.6
2020	23.1	18.0	6	17.1	575	15.6
2021	23.1	--	11	15.1	1,219	13.0
Upper						
2019	31.3	27.1	15	42.9	2,814	61.1
2020	31.3	25.9	10	28.6	1,417	38.4
2021	31.3	--	36	49.3	5,949	63.6
Not Available						
2019	0.0	21.1	0	0.0	0	0.0
2020	0.0	25.5	2	5.7	221	6.0
2021	0.0	--	1	1.4	95	1.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,606</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>3,691</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>73</b>	<b>100.0</b>	<b>9,351</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

### **Community Development Loans**

The bank made one community development loan totaling \$1.1 million in the Virginia state-wide area. The loan was originated under the PPP in a moderate-income census tract that supports revitalization and stabilization through job retention.

## **INVESTMENT TEST**

Fidelity Bank has a significant level of qualified investments and grants that exhibits adequate responsiveness to credit and community development needs, but rarely uses innovative and/or complex investments to support community development initiatives.

### **Investment and Grant Activity**

The bank has a significant level of qualified investments and grant at 30 totaling \$2.0 million in Virginia. This represents 12.9 percent by dollar volume of bank-wide investments, which is a substantial increase from the 1.7 percent at the last CRA evaluation. The bank has \$279,000 in prior period CAHEC investments that benefit the state of Virginia. In addition, the bank made new MBS investments totaling \$1.2 million that benefit the state of Virginia and \$572,000 that benefit the VA Non MSA assessment area.

## **SERVICE TEST**

Fidelity Bank's delivery systems are reasonably accessible to all portions of the VA Non-MSA assessment area. No branches were opened or closed. In addition, services and business hours do not vary in a way that inconveniences certain portions of the assessment area. The bank provided few, if any of community development services.

### **Accessibility of Delivery Systems**

Delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates two branches in the assessment area, both of which are located in middle-income census tracts.

### **Community Development Services**

The bank provided few, in any community development services, with only one community development service activity during this evaluation period. A bank employee serves as a board member for an organization that provides resources and support for the homeless and low- and moderate-income people in crisis.

## 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 institution'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.

## SCOPE OF EVALUATION

### LIMITED-SCOPE ASSESSMENT AREAS TABLES

#### NORTH CAROLINA

#### Winston-Salem MSA Assessment Area

Geographic Distribution of Small Business Loans Winston-Salem MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>Low</b>						
2019	7.2	6.0	12	8.2	2,259	9.8
2020	7.1	6.7	20	4.8	3,219	6.6
2021	7.1	--	34	8.9	6,634	12.0
<b>Moderate</b>						
2019	17.0	15.1	18	12.3	2,925	12.7
2020	17.0	16.3	57	13.6	7,956	16.3
2021	17.4	--	57	14.9	8,465	15.3
<b>Middle</b>						
2019	33.9	35.9	59	40.4	10,584	46.0
2020	33.5	35.3	173	41.4	17,416	35.7
2021	33.2	--	172	44.9	26,102	47.2
<b>Upper</b>						
2019	41.4	42.4	57	39.1	7,266	31.5
2020	41.7	40.9	168	40.2	20,208	41.4
2021	41.5	--	119	31.0	14,081	25.5
<b>Not Available</b>						
2019	0.7	0.7	0	0.0	0	0.0
2020	0.7	0.8	0	0.0	0	0.0
2021	0.7	--	1	0.3	20	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>23,034</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>418</b>	<b>100.0</b>	<b>48,799</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>383</b>	<b>100.0</b>	<b>55,302</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Home Mortgage Loans Winston-Salem MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	4.3	2.6	7	6.1	1,248	7.6
2020	4.3	2.2	9	6.5	5,886	18.3
2021	4.3	--	6	3.4	667	2.0
Moderate						
2019	13.7	12.1	14	12.3	2,954	17.9
2020	13.7	10.8	17	12.2	6,729	20.9
2021	13.7	--	12	6.9	4,498	13.5
Middle						
2019	40.8	37.8	59	51.8	7,752	46.9
2020	40.8	36.1	59	42.5	10,693	33.3
2021	40.8	--	104	59.4	17,261	51.9
Upper						
2019	41.2	47.4	34	29.8	4,559	27.6
2020	41.2	50.8	54	38.8	8,854	27.5
2021	41.2	--	53	30.3	10,837	32.6
Not Available						
2019	0.1	0.1	0	0.0	0	0.0
2020	0.1	0.1	0	0.0	0	0.0
2021	0.1	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>16,513</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>32,162</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>175</b>	<b>100.0</b>	<b>33,263</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Winston-Salem MSA Assessment Area</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	85.0	47.9	77	52.7	11,350	49.3
2020	86.4	42.5	178	42.6	14,418	29.5
2021	87.4	--	197	51.4	24,342	44.0
<b>&gt;\$1,000,000</b>						
2019	5.2	--	69	47.3	11,684	50.7
2020	4.6	--	154	36.8	30,003	61.5
2021	4.1	--	124	32.4	26,701	48.3
<b>Revenue Not Available</b>						
2019	9.8	--	0	0.0	0	0.0
2020	9.0	--	86	20.6	4,378	9.0
2021	8.6	--	62	16.2	4,259	7.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>23,034</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>418</b>	<b>100.0</b>	<b>48,799</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>383</b>	<b>100.0</b>	<b>55,302</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data. "--" data not available</i>						

<b>Distribution of Home Mortgage Loans by Borrower Income Level Winston-Salem MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	22.3	5.5	9	7.9	608	3.7
2020	22.3	4.9	9	6.5	848	2.6
2021	22.3	--	11	6.3	1,138	3.4
<b>Moderate</b>						
2019	17.0	17.2	17	14.9	1,600	9.7
2020	17.0	16.3	20	14.4	2,757	8.6
2021	17.0	--	36	20.6	4,087	12.3
<b>Middle</b>						
2019	18.3	21.1	23	20.2	2,443	14.8
2020	18.3	20.7	29	20.9	3,335	10.4
2021	18.3	--	42	24.0	5,896	17.7
<b>Upper</b>						
2019	42.3	41.8	55	48.2	8,105	49.1
2020	42.3	40.7	62	44.6	11,807	36.7
2021	42.3	--	68	38.8	13,559	40.8
<b>Not Available</b>						
2019	0.0	14.4	10	8.8	3,757	22.7
2020	0.0	17.4	19	13.6	13,415	41.7
2021	0.0	--	18	10.3	8,583	25.8
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>16,513</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>139</b>	<b>100.0</b>	<b>32,162</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>175</b>	<b>100.0</b>	<b>33,263</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

## Fayetteville MSA Assessment Area

Geographic Distribution of Small Business Loans Fayetteville MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	1.8	1.8	0	0.0	0	0.0
2020	1.7	2.4	3	1.0	793	2.8
2021	1.6	--	1	0.4	308	1.1
Moderate						
2019	18.9	18.0	24	26.1	2,113	17.8
2020	18.5	18.1	60	20.0	4,196	14.6
2021	18.0	--	37	15.4	3,654	13.1
Middle						
2019	59.1	58.0	50	54.3	7,907	66.5
2020	58.9	58.4	170	56.7	16,979	59.0
2021	59.4	--	152	63.3	17,824	64.1
Upper						
2019	20.1	22.2	18	19.6	1,869	15.7
2020	20.8	21.1	67	22.3	6,815	23.7
2021	20.9	--	50	20.8	6,040	21.7
Not Available						
2019	0.1	0.0	0	0.0	0	0.0
2020	0.1	0.0	0	0.0	0	0.0
2021	0.1	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>11,889</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>28,783</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>240</b>	<b>100.0</b>	<b>27,826</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Home Mortgage Loans Fayetteville MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.5	0.1	0	0.0	0	0.0
2020	0.5	0.0	0	0.0	0	0.0
2021	0.5	--	0	0.0	0	0.0
Moderate						
2019	12.2	7.5	10	23.8	1,250	16.0
2020	12.2	6.7	14	23.7	1,529	12.7
2021	12.2	--	8	10.5	777	5.4
Middle						
2019	64.3	61.9	29	69.0	5,989	76.6
2020	64.3	59.5	28	47.5	5,859	48.9
2021	64.3	--	49	64.5	8,415	58.9
Upper						
2019	23.0	30.5	3	7.1	577	7.4
2020	23.0	33.8	17	28.8	4,601	38.4
2021	23.0	--	19	25.0	5,102	35.7
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>7,815</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>11,989</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>76</b>	<b>100.0</b>	<b>14,294</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

Distribution of Small Business Loans by Gross Annual Revenue Category Fayetteville MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2019	86.3	47.0	56	60.9	7,856	66.1
2020	87.1	42.1	167	55.7	13,858	48.1
2021	88.5	--	141	58.8	17,745	63.8
<b>&gt;\$1,000,000</b>						
2019	3.5	--	36	39.1	4,033	33.9
2020	3.2	--	90	30.0	13,316	46.3
2021	2.7	--	58	24.2	7,950	28.6
<b>Revenue Not Available</b>						
2019	10.2	--	0	0.0	0	0.0
2020	9.7	--	43	14.3	1,609	5.6
2021	8.8	--	41	17.1	2,131	7.7
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>92</b>	<b>100.0</b>	<b>11,889</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>300</b>	<b>100.0</b>	<b>28,783</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>240</b>	<b>100.0</b>	<b>27,826</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						



<b>Distribution of Home Mortgage Loans by Borrower Income Level Fayetteville MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	20.7	2.9	2	4.8	138	1.8
2020	20.7	1.8	4	6.8	262	2.2
2021	20.7	--	2	2.6	100	0.7
<b>Moderate</b>						
2019	17.3	10.3	7	16.7	662	8.5
2020	17.3	8.4	5	8.5	518	4.3
2021	17.3	--	9	11.8	736	5.1
<b>Middle</b>						
2019	19.1	20.4	6	14.3	676	8.7
2020	19.1	16.3	10	16.9	1,649	13.8
2021	19.1	--	15	19.7	2,102	14.7
<b>Upper</b>						
2019	42.9	34.6	21	50.0	2,718	34.8
2020	42.9	27.7	28	47.5	6,620	55.2
2021	42.9	--	41	53.9	7,901	55.3
<b>Not Available</b>						
2019	0.0	31.8	6	14.3	3,622	46.3
2020	0.0	45.8	12	20.3	2,940	24.5
2021	0.0	--	9	11.8	3,455	24.2
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>42</b>	<b>100.0</b>	<b>7,815</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>59</b>	<b>100.0</b>	<b>11,989</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>76</b>	<b>100.0</b>	<b>14,294</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

## Burlington MSA Assessment Area

Geographic Distribution of Small Business Loans Burlington MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	24.7	22.3	8	13.3	610	8.7
2020	24.6	23.6	47	18.3	3,878	19.5
2021	24.8	--	51	21.2	3,148	22.6
Middle						
2019	48.6	51.4	36	60.0	4,157	59.0
2020	48.2	49.6	147	57.2	11,531	57.9
2021	48.4	--	124	51.5	7,945	57.1
Upper						
2019	26.7	26.3	16	26.7	2,275	32.3
2020	27.2	26.8	63	24.5	4,520	22.7
2021	26.7	--	66	27.4	2,828	20.3
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>7,042</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>257</b>	<b>100.0</b>	<b>19,929</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>241</b>	<b>100.0</b>	<b>13,921</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data.                      "--" data not available.                      Due to rounding, totals may not equal 100.0 percent.</i>						

Geographic Distribution of Home Mortgage Loans Burlington MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Moderate						
2019	22.9	20.0	3	6.1	168	2.4
2020	22.9	18.0	9	13.0	1,168	9.1
2021	22.9	--	11	10.5	2,433	11.7
Middle						
2019	47.8	48.8	29	59.2	3,913	55.4
2020	47.8	50.9	43	62.3	7,906	61.8
2021	47.8	--	63	60.0	11,864	57.1
Upper						
2019	29.3	31.2	17	34.7	2,982	42.2
2020	29.3	31.2	17	24.6	3,722	29.1
2021	29.3	--	31	29.5	6,485	31.2
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>7,063</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>12,796</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>105</b>	<b>100.0</b>	<b>20,782</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Burlington MSA Assessment Area</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2019	82.4	44.0	36	60.0	4,024	57.1
2020	84.1	37.1	145	56.4	6,381	32.0
2021	85.9	--	155	64.3	4,652	33.4
<b>&gt;\$1,000,000</b>						
2019	5.4	--	24	40.0	3,018	42.9
2020	4.8	--	67	26.1	11,011	55.3
2021	4.1	--	36	14.9	5,870	42.2
<b>Revenue Not Available</b>						
2019	12.3	--	0	0.0	0	0.0
2020	11.1	--	45	17.5	2,537	12.7
2021	10.0	--	50	20.7	3,399	24.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>60</b>	<b>100.0</b>	<b>7,042</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>257</b>	<b>100.0</b>	<b>19,929</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>241</b>	<b>100.0</b>	<b>13,921</b>	<b>100.0</b>
<i>Source: 2019, 2020, and 2021 D&amp;B Data; 2019, 2020, and 2021 CRA Data; 2019 and 2020 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.</i>						

<b>Distribution of Home Mortgage Loans by Borrower Income Level Burlington MSA Assessment Area</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2019	21.8	5.6	2	4.1	147	2.1
2020	21.8	4.9	0	0.0	0	0.0
2021	21.8	--	8	7.6	854	4.1
<b>Moderate</b>						
2019	17.8	18.4	5	10.2	496	7.0
2020	17.8	16.2	11	15.9	1,604	12.5
2021	17.8	--	26	24.8	4,032	19.4
<b>Middle</b>						
2019	18.3	21.8	9	18.4	914	12.9
2020	18.3	21.1	13	18.8	2,282	17.8
2021	18.3	--	14	13.3	2,640	12.7
<b>Upper</b>						
2019	42.1	39.2	30	61.2	5,070	71.8
2020	42.1	40.4	35	50.7	7,196	56.2
2021	42.1	--	52	49.5	11,519	55.4
<b>Not Available</b>						
2019	0.0	15.0	3	6.1	436	6.2
2020	0.0	17.5	10	14.5	1,714	13.4
2021	0.0	--	5	4.8	1,737	8.4
<b>Totals</b>						
<b>2019</b>	<b>100.0</b>	<b>100.0</b>	<b>49</b>	<b>100.0</b>	<b>7,063</b>	<b>100.0</b>
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>12,796</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>--</b>	<b>105</b>	<b>100.0</b>	<b>20,782</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2019, 2020, and 2021 HMDA Data; and, 2019 and 2020 HMDA Aggregate Data.  "--" data not available.  Due to rounding, totals may not equal 100.0 percent.</i>						

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Investment Test</b>	<b>Service Test</b>	<b>Rating</b>
North Carolina	High Satisfactory	Low Satisfactory	Low Satisfactory	Satisfactory
Virginia	Low Satisfactory	High Satisfactory	Low Satisfactory	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 (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 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.