

# **PUBLIC DISCLOSURE**

September 19, 2023

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

First US Bank  
Certificate Number: 17077

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Birmingham, Alabama 35243

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

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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 .....	1
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	6
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	11
STATE OF ALABAMA.....	12
DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALABAMA .....	12
SCOPE OF EVALUATION IN ALABAMA .....	12
CONCLUSIONS ON PERFORMANCE CRITERIA IN ALABAMA .....	12
BIRMINGHAM MSA ASSESSMENT AREA – Full-Scope Review .....	15
AL NON-MSA ASSESSMENT AREA – Full-Scope Review .....	25
TUSCALOOSA MSA ASSESSMENT AREA – Full-Scope Review .....	33
STATE OF TENNESSEE.....	41
DESCRIPTION OF INSTITUTION’S OPERATIONS IN TENNESSEE .....	41
SCOPE OF EVALUATION IN TENNESSEE .....	44
CONCLUSIONS ON PERFORMANCE CRITERIA IN TENNESSEE .....	44
STATE OF VIRGINIA.....	48
DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA .....	48
SCOPE OF EVALUATION IN VIRGINIA.....	51
CONCLUSIONS ON PERFORMANCE CRITERIA IN VIRGINIA .....	51
APPENDICES .....	54
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	54
SUMMARY OF RATINGS FOR RATED AREAS .....	55
GLOSSARY .....	56

## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable, given the institution’s size, financial condition and assessment areas’ credit needs.
- A majority of the loans were originated in the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of loans reflects reasonable penetration among businesses of different sizes and individuals of different income levels.
- The institution has not received any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

**The Community Development Test is rated Satisfactory.**

- The bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment areas. The bank met these needs through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities for community development in the bank’s assessment areas.

## DESCRIPTION OF INSTITUTION

Established in 1952, First US Bank is a state non-member commercial bank headquartered in Birmingham, Alabama (AL). The bank is wholly-owned by First US Bancshares, Inc., a one-bank holding company also located in Birmingham, AL. In 2021, Acceptance Loan Company, Inc., a bank wholly-owned subsidiary that offered consumer loans, ceased new business and permanently closed its 20 lending offices in Alabama and Mississippi and is scheduled to be dissolved by the end of 2023. In 2022, FUSB Reinsurance, Inc., another bank wholly-owned subsidiary that underwrote credit life and accidental death insurance policies, closed its offices and was dissolved. The institution received a “Satisfactory” rating at the August 20, 2020, FDIC Performance Evaluation based on Intermediate Small Bank Examination Procedures.

First US Bank currently operates 15 full-service office locations in Alabama (12 offices), Tennessee (2 offices), and Virginia (1 office). Of the 15 full-service offices, 8 are located in Metropolitan Statistical Areas (MSAs) and 7 are located in Non-MSAs. The bank continues to maintain 2 loan production offices that primarily focus on commercial lending with 1 in Mobile, AL and 1 in Ooltewah, Tennessee (TN). Neither of the loan production offices are located within the designated assessment areas. In September 2021, the institution closed 4 full-service offices. Of the 4 locations, 3 were in Alabama (1 in a middle-income and 2 in upper-income census tracts), and 1 was in Virginia, (a middle-income census tract). The closures did not result in changes to the assessment areas as the bank continued to maintain branch locations in each county. The bank has not opened any office locations since the previous evaluation.

The institution offers a full range of banking and financial services. First US Bank offers a traditional range of deposit products, including checking accounts, savings accounts, certificates of deposit, and individual retirement accounts. Low-cost deposit products are also available. Each branch location has reasonable hours of operation and is equipped with drive-thru banking and automated or interactive teller machines. The institution has a digital banking platform for online and mobile transactions and operates a 24-hour telephone banking response service that allows customers to make balance inquiries and account transfers. Further, remote deposit capture and commercial cash management services are offered to commercial customers.

Credit products include commercial real estate, business lines of credit and term loans, public financing, specialty lending, residential lending, home equity lines of credit, and consumer secured and unsecured lending. As a service to its customers, the bank offers long-term, fixed-rate mortgage loans through the secondary market and has originated 17 loans totaling \$2.7 million in secondary market lending since the previous evaluation. The bank also provides affordable housing options through the Alabama Multi-Family Loan Consortium (AMLC) and CRA Financial Assistance Fund. While the bank offers various loan products, the overall business focus is on commercial purpose lending.

Additionally, the institution offers credit products through the Small Business Administration (SBA) and participated in the SBA's Paycheck Protection Program (PPP). Since the previous evaluation, First US Bank originated 104 PPP loans totaling \$6.4 million. The SBA guaranteed these loans under the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act. The loans served to retain jobs that would otherwise be lost due to business closures because of the COVID-19 pandemic. First US Bank also processed 35 COVID-19-related loan deferrals/extensions for customers and waived various deposit account fees.

According to the June 30, 2023, Call Report, First US Bank had total assets of \$1.1 billion, total loans of \$814.5 million, and total deposits of \$935.9 million. The bank has experienced growth since the previous evaluation, as total assets were \$845.4 million, total loans were \$572.5 million, and total deposits were \$738.6 million. As shown in the following table, commercial (commercial real-estate loans and commercial and industrial) loans comprise 30.3 percent of total loans, and residential loans comprise 17.2 percent of total loans.

<b>Loan Portfolio Distribution as of June 30, 2023</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	88,383	10.8
Secured by Farmland	2,848	0.4
Secured by 1-4 Family Residential Properties	85,100	10.4
Secured by Multifamily (5 or more) Residential Properties	54,719	6.7
Secured by Nonfarm Nonresidential Properties	204,270	25.1
<b>Total Real Estate Loans</b>	<b>435,320</b>	<b>53.4</b>
Commercial and Industrial Loans	42,123	5.2
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	318,566	39.1
Obligations of State and Political Subdivisions in the U.S.	7,767	1.0
Other Loans	40	0.0
Lease Financing Receivable (net of unearned income)	10,678	1.3
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>814,494</b>	<b>100</b>
<i>Source: Reports of Condition and Income</i>		

There are no financial or legal impediments, other than legal lending limits, to prevent the bank from meeting the credit needs of its assessment areas. However, during the evaluation period, there have been five FEMA major declared disasters within the assessment areas, which may have impeded lending opportunities. The National declared disaster of the COVID-19 Pandemic was declared on March 25, 2020, and the four weather-related declared disasters are listed in the following table.

<b>Weather Related Disasters</b>		
DR-4563 AL	Hurricane Sally	September 20, 2020
DR-4573 AL	Hurricane Zeta	December 10, 2020
DR-4596 AL	Severe storms, straight-line winds, and tornadoes	April 26, 2021
DR-4632 AL	Severe Storms and flooding	December 21, 2021

## **DESCRIPTION OF ASSESSMENT AREAS**

First US Bank operates in five assessment areas in Alabama, Tennessee, and Virginia. The five assessment areas and their compositions are outlined in the table below.

Description of Assessment Areas				
Rated Area	Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Alabama	Birmingham MSA	Bibb, Jefferson, and Shelby	252	5
	Tuscaloosa MSA	Tuscaloosa	59	1
	AL Non-MSA	Choctaw and Clarke	13	6
Tennessee	Knoxville MSA	Knox	121	2
Virginia	VA Non-MSA	Lee	7	1

Source: Bank Records and 2020 Census Data

In 2021, the bank refined its assessment areas to include only full counties instead of partial counties and removed some counties from each of the five assessment areas. Refer to the rated area and individual assessment area sections for additional information.

## SCOPE OF EVALUATION

### General Information

This evaluation covers the period from the previous evaluation dated August 20, 2020, to the current evaluation dated September 19, 2023. Examiners used the Intermediate Small Institution Examination Procedures to evaluate First US Bank's CRA performance. As described in the Appendices, these procedures include the Lending Test and the Community Development Test. The bank has three rated areas: Alabama, Tennessee, and Virginia. The three Alabama assessment areas received full-scope reviews given the level of lending operations in each and the significant level of deposits and branching in the Birmingham MSA and AL Non-MSA assessment areas. The single assessment areas in Tennessee and Virginia also received full-scope reviews as each provide the only data for assessment of the rated area.

Assessment Area Breakdown of Loans, Deposits, and Branches													
Rated Area	Assessment Area	Loans						Deposits			Branches		
		\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area	\$(000s)	% Bank	% Rated Area	#	% Bank	% Rated Area
Alabama	Birmingham MSA	33,207	27.5	37.1	255	28.2	42.6	320,004	37.9	43.1	5	33.3	41.7
	AL Non-MSA	23,568	19.5	26.3	202	22.4	33.8	401,261	47.5	54.0	6	40.0	50.0
	Tuscaloosa MSA	32,714	27.1	36.6	141	15.6	23.6	21,496	2.5	2.9	1	6.7	8.3
<b>Subtotal</b>		<b>89,489</b>	<b>74.1</b>	<b>100.0</b>	<b>598</b>	<b>66.2</b>	<b>100.0</b>	<b>742,761</b>	<b>87.9</b>	<b>100.0</b>	<b>12</b>	<b>80.0</b>	<b>100.0</b>
Tennessee	Knoxville MSA	30,443	25.2		287	31.7		65,809	7.8		2	13.3	
Virginia	VA Non-MSA	872	0.7		19	2.1		36,832	4.3		1	6.7	
<b>Total</b>		<b>120,804</b>	<b>100.0</b>		<b>904</b>	<b>100.0</b>		<b>845,402</b>	<b>100.0</b>		<b>15</b>	<b>100.0</b>	

Source: 2020, 2021, and 2022 HMDA and CRA Data; Bank Records; FDIC Summary of Deposits (6/30/22)

Examiners evaluate a bank's lending data, deposit activity, and number of offices to determine which rated areas receive the most weight in assigning the overall rating. Alabama received greater weight due to the significant level of operations with 74.1 percent of lending by dollar volume, 66.2 percent of lending by number of loan, 87.9 percent of deposits, and 80.0 percent of branches. As reflected in the operation levels in the above table, Tennessee received secondary weight with Virginia assigned limited weight in the overall rating.

### **Activities Reviewed**

The CRA regulation requires a review of lending performance with respect to small business, home mortgage, and small farm lending, if significant. Examiners determined the bank's major product line are small business and home mortgage loans based on the bank's business strategy, as well as the number and dollar volume of loans originated or purchased during the evaluation period. Small farm loans are excluded from the analysis as this loan type is not a major product line with less than one percent of total loan volume.

For the Lending Test, examiners reviewed originated small business loans to draw conclusions about the bank's performance. Management elected to collect and report small business data. Therefore, the universe of small business loans originated in 2020-2022 were included in the analysis. The bank originated 425 small business loans totaling \$53.6 million in 2020, 407 small business loans for \$44.7 million in 2021, and 151 small business loans amounting to \$23.2 million in 2022. In review of lending activity during the evaluation timeframe, the most recent full calendar year of loans does not appear to be representative of loans during the entire evaluation period based on data provided. Specifically, lending in 2020 and 2021 substantially increased due to origination of PPP loans. As such, examiners presented the full three calendar years, 2020, 2021, and 2022, of small business.

Additionally, the bank reports data for home mortgage loans pursuant to the Home Mortgage Disclosure Act (HMDA). The bank originated home mortgage loans in each year reviewed; however, the bank is primarily a commercial loan lender and the level of home mortgage loans available for review are limited. A review of the data determined that home mortgage loans were only sufficient for review and analysis in 2020. First US Bank originated only 31 home mortgage loans in 2021 and originated only 21 home mortgage loans in 2022 within the assessment areas. The home mortgage loans were originated across the 5 assessment areas analyzed resulting in limited loan volume in each assessment area. Additionally, the data reflects that 10 home mortgage loans in 2021 and 5 home mortgage loans in 2022 did not have income information available for analysis; thus, further reducing the level of home mortgage loans to be analyzed under Borrower Profile. Furthermore, 45 of the 51 home mortgage loans originated in the Tuscaloosa MSA assessment area and 2 of the 10 loans originated in the AL Non-MSA assessment area did not have income data available; thus, the Borrower Profile analysis for the assessment areas excludes home mortgage lending. Also, the bank only originated a combined 11 home mortgage loans during the review period in the Knoxville MSA assessment area; therefore, home mortgage lending is not presented in the evaluation of the Knoxville MSA assessment area performance.

Significantly more weight was placed on the performance for small business lending in comparison to home mortgage lending in the analysis and conclusions given the bank's lending focus and

activity level during the evaluation timeframe. Specifically, small business lending accounted for 83.2 percent by number and 58.9 percent by dollar amount of loans reviewed. While this evaluation presents both the number and dollar volume of small business and home mortgage loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of businesses and individuals served.

Since the previous evaluation, the U.S. Census Bureau data was revised with the most recent 2020 US Census. Therefore, the 2010 census information with the 2015 American Community Survey (ACS) update in 2015 is used to analyze lending for 2020 and 2021, while the current 2020 US Census information covers lending analyzed for 2022. For home mortgage lending, the bank's performance is compared to demographic data from the appropriate US Census as well as HMDA aggregate lending data for each year. Small business lending performance is compared to the D&B data for each year as well as the 2020 and 2021 CRA aggregate data for 2020 and 2021. CRA aggregate data for 2022 was not available. Refer to the individual assessment area sections for more detailed information.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services provided by the bank since the previous evaluation dated August 20, 2020. Additionally, any qualified investments purchased prior to but still outstanding as of this evaluation date were considered.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Overall, First US Bank demonstrated Satisfactory performance under the Lending Test. This conclusion is supported by a reasonable loan-to-deposit ratio, a majority of the loans originated within the assessment areas, and a reasonable geographic distribution of lending throughout the assessment areas, and a reasonable distribution of lending to businesses of different sizes and borrowers of different income levels. Lastly, no CRA-related complaints were received since the previous evaluation. Conclusions regarding the overall Lending Test performance are consistent with the conclusions for each rated area.

#### **Loan-to-Deposit Ratio**

First US Bank's net loan-to-deposit ratio is reasonable given the bank's asset size, financial condition, and assessment areas' credit needs. The institution's net loan-to-deposit ratio, calculated from Call Report data, averaged 83.3 percent over the past 12 calendar quarters from September 30, 2020, to June 30, 2023. The bank's net loan-to-deposit ratio ranged from a low of 78.1 percent as of March 31, 2022, to a high of 87.6 percent as of December 31, 2022. Since the previous evaluation, the ratio has fluctuated with no consistent trend; however, deposits and loans have generally increased each quarter since the previous evaluation.

Examiners identified three similarly-situated financial institutions with similar asset size, geographic location, branch network, and/or lending focus. The analysis compared the banks' average net loan-to-deposit ratios during the same 12 calendar quarters. First US Bank's net loan-to-deposit ratio is reasonable in comparison with the three similarly situated financial institutions.



The following table presents the average net loan-to-deposit ratio for First US Bank as well as the comparable institutions.

<b>Average Net Loan-to-Deposit Ratio Comparison</b>		
<b>Bank Name and Location</b>	<b>Total Assets as of June 30, 2023 (\$000s)</b>	<b>Average Net Loan-to-Deposit Ratio (%)</b>
First US Bank, Birmingham, AL	1,067,674	83.3
First Bank of Alabama, Talladega, AL	1,023,921	68.5
Peoples Bank of Alabama, Cullman, AL	1,240,004	68.0
Oakworth Capital Bank, Birmingham, AL	1,428,364	81.8
<i>Source: Call Report Data</i>		

### **Assessment Area Concentration**

Overall, the bank originated a majority of loans in the assessment areas. However, in 2022, the bank extended a majority of the home mortgage loans by number and dollar volume outside of the assessment areas given the bank’s purchase of home mortgage loans that were outside the assessment areas. Refer to the following table for details.

<b>Lending Inside and Outside of the Assessment Areas</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>	
<b>Small Business</b>										
2020	317	74.6	108	25.4	425	31,094	58.0	22,550	42.0	53,644
2021	325	79.9	82	20.1	407	34,382	76.9	10,304	23.1	44,686
2022	127	84.1	24	15.9	151	19,863	85.5	3,369	14.5	23,232
<b>Subtotal</b>	<b>769</b>	<b>78.2</b>	<b>214</b>	<b>21.8</b>	<b>983</b>	<b>85,339</b>	<b>70.2</b>	<b>36,223</b>	<b>29.8</b>	<b>121,562</b>
<b>Home Mortgage</b>										
2020	83	77.6	24	22.4	107	13,279	50.3	13,122	49.7	26,401
2021	31	79.5	8	20.5	39	11,334	71.2	4,585	28.8	15,919
2022	21	40.4	31	59.6	52	10,852	25.4	31,813	74.6	42,665
<b>Subtotal</b>	<b>135</b>	<b>68.2</b>	<b>63</b>	<b>31.8</b>	<b>198</b>	<b>35,465</b>	<b>41.7</b>	<b>49,520</b>	<b>58.3</b>	<b>84,985</b>
<b>Total</b>	<b>904</b>	<b>76.6</b>	<b>277</b>	<b>23.4</b>	<b>1,181</b>	<b>120,804</b>	<b>58.5</b>	<b>85,743</b>	<b>41.5</b>	<b>206,547</b>
<i>Source: 2020, 2021, and 2020 HMDA Data and 2020, 2021, and 2022 CRA Data</i>										

### **Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Performance is consistent across the three rated areas. Only loans extended within the assessment areas are include in the analyses. Refer to the *Geographic Distribution* section of each assessment area for further details.

**Borrower Profile**

Overall, the distribution of loans reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes and to borrowers of different incomes. The level of lending performance was consistent in Alabama and Virginia. However, performance in Tennessee is considered poor. Only loans extended within the assessment areas are include in the analyses. Refer to the *Borrower Profile* section of each assessment area for further details.

**Response to Complaints**

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

**COMMUNITY DEVELOPMENT TEST**

First US Bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity, as well as the need and availability, of such opportunities. The overall performance for the institution is consistent with the performance in Tennessee with Alabama considered Outstanding and Virginia rated Needs to Improve.

**Community Development Loans**

First US Bank extended 62 community development loans totaling \$51.8 million during the evaluation period as detailed in the following table. The dollar amount of community development loans equates to 5.4 percent of average total assets and 7.3 percent of average total loans since the previous evaluation. The following tables detail community development lending by activity year, type, and assessment area. Refer to the *Community Development Loans* section of each rated area and assessment area for further details.

<b>Community Development Lending by Year</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>
2020 (Partial)	3	391	8	2,523	--	--	1	7,762	<b>12</b>	<b>10,676</b>
2021	5	7,675	10	2,813	--	--	3	2,900	<b>18</b>	<b>13,388</b>
2022	8	6,617	13	4,012	1	1,500	2	7,768	<b>24</b>	<b>19,897</b>
2023 (YTD)	4	7,547	2	111	--	--	2	134	<b>8</b>	<b>7,792</b>
<b>Total</b>	<b>20</b>	<b>22,230</b>	<b>33</b>	<b>9,459</b>	<b>1</b>	<b>1,500</b>	<b>8</b>	<b>18,564</b>	<b>62</b>	<b>51,753</b>

*Source: Bank Records*

Additionally, the community development lending includes 14 loans totaling approximately \$171,000 originated outside the assessment areas, but within a broader regional or statewide area in Alabama. As the bank has been responsive to the community development needs overall for its assessment areas, examiners considered these loans.

Community Development Lending by Assessment Area										
Assessment Area/Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Birmingham MSA	3	20,500	17	3,910	--	--	4	17,190	24	41,600
AL Non-MSA	2	1,195	16	5,549	1	1,500	--	--	19	8,244
Tuscaloosa MSA	--	--	--	--	--	--	3	834	3	834
Regional or Statewide Areas	14	171	--	--	--	--	--	--	14	171
<b>Total Alabama</b>	<b>19</b>	<b>21,866</b>	<b>33</b>	<b>9,459</b>	<b>1</b>	<b>1,500</b>	<b>7</b>	<b>18,024</b>	<b>60</b>	<b>50,849</b>
<b>Knoxville MSA</b>	<b>1</b>	<b>364</b>	--	--	--	--	<b>1</b>	<b>540</b>	<b>2</b>	<b>904</b>
<b>VA Non-MSA</b>	--	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>20</b>	<b>22,230</b>	<b>33</b>	<b>9,459</b>	<b>1</b>	<b>1,500</b>	<b>8</b>	<b>18,564</b>	<b>62</b>	<b>51,753</b>

Source: Bank Records

### Qualified Investments

First US Bank made 56 qualified investments and donations totaling approximately \$2.3 million. Qualified investments and donations included one previous investment totaling \$529,000, one new investment totaling \$1.5 million, and 54 donations totaling \$217,000. This dollar amount represents 0.2 percent of average total assets and 1.9 percent of average securities since the previous evaluation. The following tables show the bank's investment and donation totals by activity year and assessment area. Refer to the *Qualified Investments* section of each rated area and assessment area for further details.

Qualified Investments and Donations by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	529	--	--	--	--	--	--	1	529
2020 (Partial)	2	3	7	34	1	6	1	10	11	53
2021	1	5	14	38	2	16	2	14	19	73
2022	--	--	14	43	2	16	1	11	17	70
2023 (YTD)	1	1,533	5	8	1	11	1	2	8	1,554
<b>Total</b>	<b>5</b>	<b>2,070</b>	<b>40</b>	<b>123</b>	<b>6</b>	<b>49</b>	<b>5</b>	<b>37</b>	<b>56</b>	<b>2,279</b>

Source: Bank Records

<b>Community Development Investments and Donations by Assessment Area</b>										
<b>Assessment Area/Rated 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>
Birmingham MSA	1	529	15	82	--	--	2	15	<b>18</b>	<b>626</b>
AL Non-MSA	1	5	16	30	4	45	--	--	<b>21</b>	<b>80</b>
Tuscaloosa MSA	--	--	4	4	--	--	2	13	<b>6</b>	<b>17</b>
Regional or Statewide Areas	1	1,533	--	--	--	--	--	--	<b>1</b>	<b>1,533</b>
<b>Total for Alabama</b>	<b>3</b>	<b>2,067</b>	<b>35</b>	<b>116</b>	<b>4</b>	<b>45</b>	<b>4</b>	<b>28</b>	<b>46</b>	<b>2,256</b>
<b>Knoxville MSA</b>	<b>2</b>	<b>3</b>	<b>5</b>	<b>7</b>	<b>2</b>	<b>4</b>	<b>1</b>	<b>9</b>	<b>10</b>	<b>23</b>
<b>VA Non-MSA</b>	--	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>5</b>	<b>2,070</b>	<b>40</b>	<b>123</b>	<b>6</b>	<b>49</b>	<b>5</b>	<b>37</b>	<b>56</b>	<b>2,279</b>

*Source: Bank Records*

### **Community Development Services**

First US Bank provided 91 community development services to 51 organizations throughout the assessment areas. Directors, officers, and employees provided financial services and technical assistance to organizations with a community development mission. The following tables provide information on community service totals by activity year and assessment area. Refer to the *Community Development Services* section of each rated area and assessment area for further details.

<b>Community Development Services by Year</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Total</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2020 (Partial)	--	4	1	--	<b>5</b>
2021	1	17	8	1	<b>27</b>
2022	1	25	11	--	<b>37</b>
2023 (YTD)	1	21	--	--	<b>22</b>
<b>Total</b>	<b>3</b>	<b>67</b>	<b>20</b>	<b>1</b>	<b>91</b>

*Source: Bank Records*

Community development services include one community development service outside the assessment areas, but within the broader regional or statewide area in Alabama. As the bank has been responsive to the overall community development needs of its assessment areas, examiners considered this community development service.

<b>Community Development Services by Assessment Area</b>					
<b>Assessment Area/Rated Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	#	#	#	#	#
Birmingham MSA	--	16	8	--	<b>24</b>
AL Non-MSA	--	33	8	1	<b>42</b>
Tuscaloosa MSA	2	5	1	--	<b>8</b>
Regional or Statewide Areas	--	--	1	--	1
<b>Total for Alabama</b>	<b>2</b>	<b>54</b>	<b>18</b>	<b>1</b>	<b>75</b>
<b>Knoxville MSA</b>	<b>1</b>	<b>7</b>	<b>2</b>	<b>--</b>	<b>10</b>
<b>VA Non-MSA</b>	<b>--</b>	<b>6</b>	<b>--</b>	<b>--</b>	<b>6</b>
<b>Total</b>	<b>3</b>	<b>67</b>	<b>20</b>	<b>1</b>	<b>91</b>
<i>Source: Bank Records</i>					

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

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

## STATE OF ALABAMA

### CRA RATING FOR STATE OF ALABAMA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALABAMA

The evaluation of performance in Alabama considered the operations of First US Bank in all three assessment areas, which are detailed in the overall *Description of Assessment Areas*. Following the prior evaluation, management refined the existing three assessment areas in Alabama in 2021. For the Birmingham MSA assessment area, management added all versus a portion of the census tracts within Jefferson and Shelby Counties, AL, and management removed the census tracts that comprised a portion of Chilton County, AL. For the Tuscaloosa MSA assessment area, management added all versus a portion of the census tracts within Tuscaloosa County, AL. For the AL Non-MSA assessment area, management removed all of Marengo County, AL and removed the census tracts that comprised portions of Perry, Washington, and Wilcox Counties, AL. The bank operates 12 (80.0 percent) of its total branch offices in Alabama. Alabama also accounts for 66.2 percent of bank-wide lending by number of loans, 74.1 percent of bank-wide loans by dollar volume, and 87.9 percent of the bank-wide deposits. Please refer to each assessment area for additional details.

### SCOPE OF EVALUATION IN ALABAMA

Examiners conducted full-scope reviews of performance in all three assessment areas. Equal weight was placed on the Birmingham MSA assessment area and the AL Non-MSA assessment area given the significant and similar level of operations in each assessment area, and lesser weight was assigned on the Tuscaloosa MSA assessment area in the overall analysis, conclusions, and ratings for Alabama.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN ALABAMA

#### LENDING TEST

The Lending Test is rated Satisfactory for Alabama. The Geographic Distribution reflects reasonable penetration throughout the assessment areas, and the Borrower Profile is considered reasonable regarding lending to borrowers of different income levels and businesses of different sizes. Lending performance in the assessment areas was consistent.

#### Geographic Distribution

The geographic distribution of small business and home mortgage loans reflects reasonable penetration throughout the assessment areas. Lending performance in the assessment areas was consistent with the exception of the Birmingham MSA assessment area in which the bank's

performance was excellent. Refer to the *Geographic Distribution* section of each assessment area for further details.

### **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Lending performance in the assessment areas was consistent. Refer to the *Borrower Profile* section of each assessment area for further details.

### **COMMUNITY DEVELOPMENT TEST**

The Community Development Test is rated Outstanding for Alabama. The institution's community development performance demonstrates excellent responsiveness to community development needs in the assessment areas through overall community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the assessment areas. Performance was inconsistent among the assessment areas with the Birmingham MSA and the AL Non-MSA assessment areas considered excellent and the Tuscaloosa MSA assessment area considered adequate.

### **Community Development Loans**

During the evaluation period, the bank originated 46 qualified community development loans totaling \$50.7 million within the Alabama assessment areas. Additionally, the bank extended 14 community development loans totaling \$171,000 within the broader regional or statewide areas of Alabama. The community development lending is an increase from the prior evaluation. Refer to the *Community Development Loan* section of each assessment area for further details.

Below are details of the community development loans originated in the broader regional or statewide area.

- First US Bank is a member of the Alabama Multifamily Loan Consortium (AMLC), a nonprofit corporation created to provide financing for affordable housing developments for low- and moderate-income persons. The organization unites bankers, developers, and communities in this mission by operating a loan participation pool in which bank members finance pro rata shares of permanent mortgages for affordable multifamily housing developments. AMLC provides technical assistance to housing sponsors, financial institutions, local governments, and others so that they can identify and seek resources (i.e. equity, debt, and subsidies) necessary to make affordable housing work. AMLC also serves as an educational organization that collaborates with other groups, companies, and agencies to support affordable housing development. From 2020 through 2023, the bank in participated in the origination of 14 affordable multifamily housing loans totaling \$171,000 in collaboration with AMLC.

### **Qualified Investments**

The bank made 45 qualified investments and donations totaling \$723,000 within the assessment areas, and an additional qualified investment totaling \$1.5 million in the broader regional or statewide areas of Alabama. Qualified investments and donations performance are an increase from the prior evaluation. Refer to the *Qualified Investments* section of each assessment area for further details.

Below are details of the qualified investment originated in the broader regional or statewide area.

- In 2023, First US Bank committed \$2.0 million to the AMLC for affordable housing, and the unused portion of that commitment totaled \$1.5 million as of the date of the evaluation.

### **Community Development Services**

The institution provided 74 community development services within the Alabama assessment areas, and an additional community development service in the broader regional or statewide area of Alabama. Community development services performance decreased from the prior evaluation. Refer to the *Community Development Services* section of each assessment area for further details.

Below are details of the bank's community development services originated in the Alabama broader regional or statewide areas

- In 2021, an officer provided financial services that assisted with economic development for a chamber of commerce that serves small businesses.



## BIRMINGHAM MSA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BIRMINGHAM MSA ASESSMENT AREA

First US Bank’s Birmingham MSA assessment area consists all of Bibb, Jefferson, and Shelby Counties, which are part of the Birmingham-Hoover, AL MSA. The Birmingham-Hoover, AL MSA consists of six counties; however, the bank only delineated three of those counties as the assessment area. The assessment area changed from the prior evaluation when included all of Bibb County and portions of Jefferson, Shelby and Chilton Counties, Alabama. The bank operates 5 branch locations within the assessment area, which accounts for 41.7 percent of state-wide branches. The assessment area also accounts for 42.6 percent of state-wide lending by number of loans, 37.1 percent of the state-wide lending by dollar volume, and 43.1 percent of state-wide deposits.

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

The Birmingham MSA assessment area includes 252 census tracts. Of the 252 census tracts, 26 are low-, 61 are moderate-, 80 are middle-, 77 are upper-income census tracts, and 8 census tracts have no income designated. The following table illustrates select demographic characteristics of the Birmingham MSA assessment area based on the 2020 U.S. Census and 2022 D&B Data.

<b>Demographic Information for the Birmingham 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)	252	10.3	24.2	31.7	30.6	3.2
Population by Geography	920,038	7.1	20.4	33.2	37.5	1.7
Housing Units by Geography	406,152	9.4	23.5	31.7	33.6	1.7
Owner-Occupied Units by Geography	237,183	4.7	18.7	34.5	41.1	1.1
Occupied Rental Units by Geography	114,633	15.4	29.5	28.6	23.6	2.9
Vacant Units by Geography	54,336	17.4	32.1	26.1	22.3	2.1
Businesses by Geography	107,083	8.2	15.5	28.2	46.3	1.7
Farms by Geography	2,061	4.5	14.1	36.3	44.3	0.8
Family Distribution by Income Level	225,872	21.6	16.5	18.4	43.5	0.0
Household Distribution by Income Level	351,816	24.9	15.3	16.8	43.0	0.0
Median Family Income MSA - 13820 Birmingham-Hoover, AL MSA	\$75,287	Median Housing Value				\$194,207
		Median Gross Rent				\$942
		Families Below Poverty Level				9.6%
<i>Source: 2020 U.S. Census Data and 2022 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent. *The NA category consists of geographies (census tracts) that have not been assigned an income classification.</i>						

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

income census tracts contain a fair level of businesses, with significantly less located in the low-income census tracts.

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. The D&B 2022 distribution of businesses based on gross annual revenue is listed below.

- 88.8 percent had \$1.0 million or less,
- 3.6 percent had more than \$1.0 million, and
- 7.6 percent had unknown revenues.

The Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels for the Birmingham-Hoover, AL MSA were 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>
2020 (\$71,100)	<\$35,550	\$35,550 to <\$56,880	\$56,880 to <\$85,320	≥\$85,320
2021 (\$73,300)	<\$36,650	\$36,650 to <\$58,640	\$58,640 to <\$87,960	≥\$87,960
2022 (\$83,300)	<\$41,650	\$41,650 to <\$66,640	\$66,640 to <\$99,960	≥\$99,960

*Source: FFIEC*

As shown in the table below, the annual unemployment rates for the assessment area, state, and Nation declined from 2020 to 2022, after the peak in second quarter 2020 due to the COVID-19 pandemic. Bibb and Jefferson Counties’ unemployment rates have been lower than the Nation but similar to the state. However, Shelby County’s unemployment rates have been below both the Nation and the state.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Bibb County	7.3	3.4	2.5
Jefferson County	6.8	3.5	2.6
Shelby County	4.2	2.1	1.8
Alabama	6.4	3.4	2.6
United States	8.1	5.3	3.6

*Source: Bureau of Labor Statistics.*

In terms of businesses and the economy, the 2022 D&B data shows the top industries in the Birmingham MSA assessment area were services; finance, insurance and real estate; and retail trade. According to *Moody’s Analytics, Inc.*, the largest employers in the Birmingham, AL MSA are University of Alabama at Birmingham, Brookwood Baptist Health, MassMutual Financial Group, Honda Manufacturing, and St. Vincent’s Health System.

## **Competition**

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, First US Bank competes with local banks, credit unions, and finance companies. As of June 30, 2022, 39 FDIC-insured institutions operated 244 offices within the assessment area. The top five banks by deposit market share are Regions Bank; PNC Bank, National Association (N.A.); Servisfirst Bank; Wells Fargo Bank, N.A.; and Synovus Bank. Collectively, these five banks account for 76.5 percent of the deposit market share. First US Bank ranked 17<sup>th</sup> in total deposits with a market share of 0.7 percent.

In addition, there is a high level of competition for small business loans in the assessment area. First US Bank is not required to collect and report small business data; however, the bank elected to do so. Therefore, the analysis of small business loans under the Lending Test includes comparisons against aggregate data. In 2021 (the most recent year available), small business loan aggregate data indicates 148 lenders reported 24,063 small business loans originated or purchased. The top five institutions (by number of loans) are American Express National Bank; Regions Bank; Servisfirst Bank; JPMorgan Chase Bank, N.A.; and Capital One Bank (USA), N.A. Collectively, these leading institutions accounted for 46.0 percent of the total market share. First US Bank ranked 34<sup>th</sup> in small business loans with a market share of 0.4 percent.

Similarly, the Birmingham MSA assessment area presents a high level of competition for home mortgage loans. In 2022, home mortgage loan aggregate data indicates 502 lenders reported 28,474 home mortgage loans originated or purchased. The top five lenders are Regions Bank; America's First Federal Credit Union; Rocket Mortgage; Trustmark National Bank; and Fairway Independent Mortgage Corp. Collectively, these leading institutions accounted for 26.4 percent of the total market share. First US Bank ranked 212<sup>th</sup> in home mortgage loans with a market share of 0.02 percent.

## **Community Contact**

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit and community development needs and economic conditions of an assessment area. For this evaluation, examiners utilized an existing community contact from the Birmingham MSA assessment area. The contact was familiar with the economic and community development needs of the Birmingham MSA and stated that primary needs are financial education, given high poverty levels, and economic development.

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

Based on demographic and economic data, as well as information gathered from a community contact, some conclusions regarding the credit needs of the assessment area can be derived. First, the high percentage of low- and moderate-income families at 38.1 percent and median housing value of \$194,207 compared to the income of less than \$67,000 annually for low- and moderate-income families indicates a need for affordable housing. The community contact stated that the need for financial literacy in the area is prevalent. Small business loans are needed as 88.8 percent of businesses have gross annual revenues of \$1.0 million or less, 92.2 percent of the businesses

operate with less than 10 employees, and the community contact stated that economic development is a need in the area.

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

### **LENDING TEST**

First US Bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the Birmingham MSA assessment area, and the Borrower Profile reflects reasonable penetration among borrowers of different income levels and businesses of different sizes.

#### **Geographic Distribution**

The geographic distribution reflects reasonable dispersion throughout the assessment area.

#### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion in the assessment area. In 2020, lending in low-income census tracts is comparable to demographic and aggregate data. However, lending performance declines in 2021 to below demographics and aggregate, and in 2022, the bank did not originate any loans in low-income census tracts. Lending performance in moderate-income census tracts in 2020 was comparable to demographics and just above aggregate data. However, performance improved in 2021 and was significantly above demographics and aggregate lending. Lending in 2022 was also significantly above demographics.

<b>Geographic Distribution of Small Business Loans in the Birmingham MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2020	8.0	7.8	7	7.5	222	2.6
2021	8.0	7.6	2	2.1	271	3.5
2022	8.2	--	0	0.0	0	0.0
<b>Moderate</b>						
2020	20.0	17.1	20	21.5	1,797	21.2
2021	20.6	17.9	30	31.2	2,741	35.5
2022	15.5	--	12	32.4	1,381	34.0
<b>Middle</b>						
2020	25.2	23.2	32	34.4	3,162	37.4
2021	25.1	23.8	33	34.4	1,616	20.9
2022	28.2	--	17	46.0	1,439	35.5
<b>Upper</b>						
2020	45.3	50.7	34	36.6	3,280	38.8
2021	44.8	49.8	31	32.3	3,101	40.1
2022	46.3	--	6	16.2	1,210	29.8
<b>Not Available</b>						
2020	1.5	1.2	0	0.0	0	0.0
2021	1.5	0.9	0	0.0	0	0.0
2022	1.7	--	2	5.4	28	0.7
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>8,461</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>7,729</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>37</b>	<b>100.0</b>	<b>4,058</b>	<b>100.0</b>
<small>Source: 2020, 2021, and 2022 CRA Data; 2020, 2021, and 2022 D&amp;B Data; and, 2020 and 2021 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</small>						

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. In 2020, the bank's lending performance in low-income census tracts was comparable to demographic and well above aggregate data. For moderate-income tracts, lending in 2020 was significantly above aggregate data and exceeded demographics.

<b>Geographic Distribution of Home Mortgage Loans in the Birmingham 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>
Low	6.3	1.4	1	6.3	684	23.1
Moderate	19.2	8.2	4	25.0	124	4.2
Middle	29.8	24.6	4	25.0	520	17.5
Upper	44.6	65.8	7	43.7	1,638	55.2
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2,966</b>	<b>100.0</b>
<i>Source: 2015 ACS; 2020 HMDA data; and, 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### **Borrower Profile**

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

#### *Small Business Loans*

The distribution of small business loans reflects reasonable penetration to businesses with gross annual revenue of \$1 million or less. The following table shows that lending to small businesses in 2020 and 2021 was comparable to aggregate data although significantly below demographic data. In 2022, the bank's performance to small businesses improved from prior years and comparable to demographics.

As the table indicates for 2020 and 2021, there is a significant volume of loans with no revenue data available, with the level significantly exceeding the aggregate small business lending that did not report revenue. The bank originated a significant level of PPP loans, which did not require the collection of income data. As a result, an analysis of loans without revenue available by size of the loan was conducted. In both years, all loans without revenue reported had origination amounts of \$100,000 or less, indicating assistance to small businesses. Additionally, the average loan amount for loans with revenue not available was low at \$45,140 in 2020 and \$30,575 in 2021.

Distribution of Small Business Loans by Gross Annual Revenue Category in the Birmingham MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<b>&lt;=\$1,000,000</b>						
2020	82.6	37.9	28	30.1	3,808	45.0
2021	83.3	41.5	43	44.8	3,696	47.8
2022	88.8	--	27	73.0	1,818	44.8
<b>&gt;\$1,000,000</b>						
2020	6.1	--	15	16.1	2,396	28.3
2021	5.7	--	13	13.5	2,810	36.4
2022	3.6	--	10	27.0	2,240	55.2
<b>Revenue Not Available</b>						
2020	11.3	--	50	53.8	2,257	26.7
2021	11.1	--	40	41.7	1,223	15.8
2022	7.6	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>93</b>	<b>100.0</b>	<b>8,461</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>7,729</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>37</b>	<b>100.0</b>	<b>4,058</b>	<b>100.0</b>
Source: 2020, 2021, and 2022 CRA Data; 2020, 2021, and 2022 D&B Data; and, 2020 and 2021 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0 percent.						

### Home Mortgage Loans

The distribution of loans reflects reasonable penetration among borrowers of different income levels. In 2020, lending to low-income borrowers was substantially above aggregate data but significantly below demographics. For moderate-income borrowers, lending was well below both demographics and aggregate data.

<b>Distribution of Home Mortgage Loans by Borrower Income Level in the Birmingham 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>
Low	23.2	4.3	2	12.5	87	2.9
Moderate	15.2	14.1	1	6.3	17	0.6
Middle	17.6	18.8	2	12.5	137	4.6
Upper	43.9	44.8	5	31.3	1,416	47.8
Not Available	0.0	18.0	6	37.5	1,309	44.1
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>16</b>	<b>100.0</b>	<b>2,966</b>	<b>100.0</b>

*Source: 2015 ACS; 2020 HMDA data; and, 2021 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0 percent.*

## **COMMUNITY DEVELOPMENT TEST**

First US Bank’s community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

In the Birmingham MSA assessment area, First US Bank extended 24 community development loans totaling \$41.6 million during the evaluation period. This amount represents 40.0 percent by number and 81.8 percent by dollar volume of community development loans within Alabama. The bank’s current performance is an increase from the prior evaluation when the bank extended 17 community development loans totaling \$14.6 million in this assessment area. Below are notable examples of the community development loans originated in the assessment area.

- three affordable housing loans totaling \$20.5 million to an organization that specializes in audit, tax, and consulting services for the affordable housing industry. The organization supports the success of the affordable housing industry by providing essential expertise in the complex areas of low-income housing tax credits, bond and conventional financing, HUD compliance and reporting, and USDA Rural Development compliance and reporting. The organization also works closely with numerous affordable housing organizations, including the Alabama Council for Affordable and Rural Housing, the Alabama Affordable Housing Association, the National Council of State Housing Agencies, the National Association of Home Builders Housing Credit Group, the Council for Affordable and Rural Housing, and the National Multi-Housing Council, among others.
- four loans totaling \$891,000 to a non-profit Federally Qualified Health Center (FQHC), established to enhance primary health care services for the underinsured and uninsured population in the assessment area. To qualify as an FQHC and be eligible for federal funding, an organization must meet and maintain certain criteria as mandated by the federal government. The criteria includes, but not limited to: (1) serve an underserved area or population as defined by the Health Resources and Services Administration; (2) provide



services to everyone regardless of their ability to pay; (3) offer a discounted sliding fee schedule for charges based on income and family size; (4) provide comprehensive services, including primary care, and have on site or an arrangement with another provider for dental, mental health, and substance abuse services; and (5) be a non-profit organization, and operate under the governance of a community-led Board of Directors, 51 percent of whom are patients of the clinic.

The borrower also operates a community center within the assessment area, which operates a food bank and clothing closet to further assist its patients and other community members experiencing financial hardship. The community center has established a “Backpack Buddies” program that provides two pre-packaged weekend meals to students that have been identified by school administrators in the assessment area displaying characteristics of food insecurity, hunger, and malnutrition. In addition, the community center established a “Brown Bag” program that provides pre-packaged meals to low- and moderate-income senior citizens within the community.

- three loans totaling \$10.1 million to two borrowers. These loans were located in low-income census tracts specifically designated as Opportunity Zones within the assessment area that helped to revitalize/stabilize low-income areas within the community.

### **Qualified Investments**

First US Bank maintained one investment totaling \$529,000 that directly benefited the Birmingham MSA assessment area. The bank also made 17 qualified donations totaling \$97,000. The qualified investments and donations within this assessment area account for 27.7 percent by dollar amount of state-wide qualified investments and donations. Below are notable examples of the qualified investments and donations extended in the assessment area.

- The bank maintained one Freddie Mac mortgage-backed security totaling \$529,000 secured by multi-family properties located in moderate-income geographies and/or that serve low- and moderate- individuals within the assessment area.
- \$47,500 in donations to a non-profit community service organization that assists low- and moderate-income individuals. The non-profit organization partners with other local non-profits to provide essential services to people in need.
- \$40,800 in donations to three organizations that provide community development or revitalization/stabilization services.

### **Community Development Services**

First US Bank personnel provided 24 community development services to various organizations throughout the Birmingham MSA assessment area representing 32.0 percent of community development services within Alabama. Below are notable examples of community development services extended in the assessment area.

- seven officers provided financial services or technical assistance to three organizations in the that support economic development and provide training and resources for small business development.
- five officers conducted financial presentations at six non-profit organizations for low- and moderate-income individuals and families. The majority of the organizations are also located in low- or moderate-income census tract.
- three bank officers provided financial literacy to disadvantaged students at local schools. These schools have a majority of students eligible for free or reduced lunch programs.

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

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

First US Bank’s AL Non-MSA assessment area consists of all of Choctaw and Clarke Counties, which are part of the Non-MSA portions of Alabama. The assessment area changed from the prior evaluation as the AL Non-MSA assessment area consisted of all census tracts within Choctaw, Clarke, and Marengo Counties and portions of Perry, Washington, and Wilcox Counties. The bank operates 6 branch offices in the assessment area which accounts for 50.0 percent of state-wide branches. The assessment area also accounts for 22.4 percent of state-wide lending by number of loans, 26.3 percent of state-wide loans by dollar volume, and 54.0 percent of state-wide deposits.

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

The following table illustrates select demographic characteristics of the AL Non-MSA assessment area based on the 2020 U.S. Census and 2022 D&B Data. Of the 13 census tracts, there is 1 moderate-, 11 middle-, and 1 upper-income census tract. The assessment area has no low-income census tracts. In the AL Non-MSA assessment area, there are middle-income census tracts are distressed, due to high poverty and population loss, and underserved, due to the area being remote rural.

<b>Demographic Information for the AL Non-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)	13	0.0	7.7	84.6	7.7	0.0
Population by Geography	35,752	0.0	3.0	87.8	9.2	0.0
Housing Units by Geography	20,223	0.0	5.3	87.0	7.7	0.0
Owner-Occupied Units by Geography	11,111	0.0	5.3	87.4	7.4	0.0
Occupied Rental Units by Geography	3,542	0.0	1.6	89.5	8.9	0.0
Vacant Units by Geography	5,570	0.0	7.6	84.8	7.7	0.0
Businesses by Geography	2,814	0.0	2.5	88.6	8.8	0.0
Farms by Geography	84	0.0	3.6	89.3	7.1	0.0
Family Distribution by Income Level	9,323	27.3	15.5	16.1	41.1	0.0
Household Distribution by Income Level	14,653	28.8	17.2	14.7	39.3	0.0
Median Family Income Non-MSAs - AL		\$55,960	Median Housing Value			\$90,865
			Median Gross Rent			\$596
			Families Below Poverty Level			18.5%
<i>Source: 2020 U.S. Census Data and 2022 D&amp;B Data. Due to rounding, totals may not equal 100.0 percent. *The NA category consists of geographies (census tracts) that have not been assigned an income classification.</i>						

The *Geographic Distribution* criterion compares small business loans to the percentage of businesses and home mortgage loans to the percentage of owner-occupied housing located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows the vast majority of businesses and owner-occupied housing are located in the middle-income census tracts, indicating most of the lending opportunities are in these geographies. The sole moderate-income

census tract contains low levels of businesses and owner-occupied housing, indicating potentially less lending opportunities.

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. In 2022, gross annual revenue for these businesses are as follows:

- 81.9 percent had \$1.0 million or less,
- 3.8 percent had more than \$1.0 million, and
- 14.3 percent had unknown revenues.

The FFIEC-updated median family income levels for the Non-MSA area of Alabama were 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>
2020 (\$51,700)	<\$25,850	\$25,850 to <\$41,360	\$41,360 to <\$62,040	≥\$62,040
2021 (\$53,400)	<\$26,700	\$26,700 to <\$42,720	\$42,720 to <\$64,080	≥\$64,080
2022 (\$63,200)	<\$31,600	\$31,600 to <\$50,560	\$50,560 to <\$75,840	≥\$75,840
<i>Source: FFIEC</i>				

As shown in the table below, the annual unemployment rates for the assessment area, state, and Nation declined from 2020 to 2022, after the peak in second quarter 2020 due to the COVID-19 pandemic. The unemployment rates for Choctaw have generally been higher than the state but below or similar to the National rates. Clark County unemployment rates have been higher than both the state and the Nation.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Choctaw County	7.3	4.3	3.8
Clarke County	9.8	5.8	5.0
State of Alabama	6.4	3.4	2.6
Nation	8.1	5.3	3.6
<i>Source: Bureau of Labor Statistics.</i>			

In terms of businesses and the economy, the 2022 D&B data shows the top industries in the AL Non-MSA assessment area were services; retail trade; and transportation and communication. According to *Data Axle*, the largest employers in the AL Non-MSA assessment area are Georgia-Pacific Corp., Judson, Inc., Scotch Plywood Company; Walmart Supercenter; and Choctaw General Hospital.

## **Competition**

There is a low level of competition for financial services in the assessment area. As of June 30, 2022, 6 FDIC-insured institutions operated 17 offices within the assessment area. First US Bank ranked 1st in total deposits with a market share of 41.3 percent. The other top four banks by deposit market share were Cadence Bank; Regions Bank; Smartbank; and West Alabama Bank & Trust. Collectively, these five banks account for 97.3 percent of the deposit market share.

In addition, there is a moderate level of competition for small business loans in the assessment area. First US Bank is not required to, but elected to, collect and report small business data. Therefore, the analysis of small business loans under the Lending Test includes comparisons against aggregate data as well as demographics. In 2021 (the most recent year available), small business loan aggregate data indicates 54 lenders reported 885 small business loans originated or purchased. The top five institutions (by number of loans) were West Alabama Bank & Trust; Smartbank; American Express National Bank; Cadence Bank; and First US Bank. Collectively, these leading institutions accounted for 54.5 percent of the total market share. First US Bank ranked 5th in small business loans with a market share of 6.0 percent.

The assessment area presents a high level of competition for home mortgage loans. In 2022, home mortgage loan aggregate data indicates 92 lenders reported 431 home mortgage loans originated or purchased. The top five lenders were Cadence Bank; Home Point Financial Corporation; Rocket Mortgage; Regions Bank; and 21<sup>st</sup> Mortgage. Collectively, these leading institutions accounted for 48.0 percent of the total market share. First US Bank ranked 14th in home mortgage loans with a market share of 1.4 percent.

## **Community Contact**

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit and community development needs and economic conditions of an assessment area. For this evaluation, examiners utilized an existing community contact from the AL Non-MSA assessment area. The contact is familiar with the economic and community development needs of the AL Non-MSA and stated that there has been loss of population due to various factors and cited such examples as losing jobs of certain overseas industries, manufacturing companies which have closed, the adverse impact of Hurricane Sally, and the adverse impact to the economy due to COVID-19. The contact stated economic growth and financial literacy are needs in the community.

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

Based on demographic and economic data, as well as information gathered from the community contact, some conclusions regarding the credit needs of the assessment area can be derived. First, the high percentage of low- and moderate-income families at 42.8 percent indicates need for affordable housing and financial literacy. This need is further magnified by the high percent of families living below poverty at 18.5 percent and affirmation of area need by the community contact. Second, the need for community development activity, especially economic development

and revitalization/stabilization, is needed given the distressed and underserved census tracts within the assessment area and information from the community contact.

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

### **LENDING TEST**

First US Bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the AL Non-MSA assessment area, and the Borrower Profile reflects reasonable penetration among businesses of different sizes.

#### **Geographic Distribution**

The geographic distribution reflects reasonable dispersion throughout the assessment area.

#### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion in the assessment area. In 2020, lending in moderate-income census tracts exceeded both demographic and aggregate data. However, lending moderate-income tracts declined in 2021 and was below both demographics and aggregate lending. In 2022, the bank did not originate any loans in moderate-income census tracts; however, only 2.5 percent of the businesses were located in the moderate-income tracts, indicating limited opportunity.

<b>Geographic Distribution of Small Business Loans in the AL Non-MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate						
2020	5.7	4.4	7	7.7	505	5.7
2021	5.7	6.8	2	3.8	291	3.9
2022	2.5	--	0	0.0	0	0.0
Middle						
2020	89.1	93.2	84	92.3	8,434	94.3
2021	88.9	88.2	51	96.2	7,270	96.1
2022	88.6	--	32	97.0	4,855	98.8
Upper						
2020	5.2	2.4	0	0.0	0	0.0
2021	5.4	5.0	0	0.0	0	0.0
2022	8.8	--	1	3.0	60	1.2
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>8,939</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>7,561</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>33</b>	<b>100.0</b>	<b>4,915</b>	<b>100.0</b>

Source: 2020, 2021, and 2022 D&B Data; 2020, 2021, and 2022 CRA Data; and, 2020 and 2021 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 reflects reasonable dispersion throughout the assessment area. In 2020 lending performance in moderate-income census tracts was comparable to demographic data and exceeded aggregate lending.

<b>Geographic Distribution of Home Mortgage Loans in the AL Non-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>
Moderate	10.6	6.9	1	10.0	44	6.8
Middle	80.4	89.6	9	90.0	602	93.2
Upper	9.0	3.5	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>	<b>646</b>	<b>100.0</b>

Source: 2015 ACS Data; 2020 HMDA Data; and, 2020 Aggregate Data.  
 Due to rounding, totals may not equal 100.0 percent.

## **Borrower Profile**

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

### *Small Business Loans*

The distribution of loans reflects reasonable penetration to businesses with gross annual revenues of \$1 million or less. The following table shows that lending to small businesses in 2020 and 2021 was comparable to aggregate data although significantly below demographic data. In 2022, lending to small businesses improved from prior years, but remained significantly below demographics.

The following table also indicates for 2020 and 2021 there is a significant volume of loans with no revenue data available, with the level exceeding the aggregate small business lending that did not report revenue. The bank originated a significant level of PPP loans, which did not require the collection of income data. As a result, an analysis of loans without revenue available by size of the loan was conducted. In both years, all loans without revenue reported had origination amounts of \$100,000 or less, indicating assistance to small businesses. Additionally, the average loan amount for loans with revenue not available was low at \$50,077 in 2020 and \$78,667 in 2021.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category in the AL Non-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>						
2020	77.0	36.2	31	34.1	3,476	38.9
2021	78.1	46.9	22	41.5	3,023	40.0
2022	81.9	--	16	48.5	1,323	26.9
<b>&gt;\$1,000,000</b>						
2020	5.5	--	21	23.1	3,510	39.3
2021	4.9	--	16	30.2	3,358	44.4
2022	3.8	--	17	51.5	3,592	73.1
<b>Revenue Not Available</b>						
2020	17.4	--	39	42.8	1,953	21.8
2021	17.0	--	15	28.3	1,180	15.6
2022	14.3	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>91</b>	<b>100.0</b>	<b>8,939</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>53</b>	<b>100.0</b>	<b>7,561</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>33</b>	<b>100.0</b>	<b>4,915</b>	<b>100.0</b>
<i>Source: 2020, 2021, and 2022 D&amp;B Data; 2020, 2021, and 2022 CRA Data; and, 2020 and 2021 CRA Aggregate Data</i>						
<i>“--” data not available.</i>						
<i>Due to rounding, totals may not equal 100.0 percent.</i>						



## **COMMUNITY DEVELOPMENT TEST**

First US Bank's community development performance demonstrates excellent responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

First US Bank extended 19 community development loans totaling \$8.2 million during the evaluation period. This amount represents 31.7 percent by number and 16.2 percent by dollar volume of the state-wide community development loans. Below are notable examples of community development loans originated in the assessment area.

- a \$2.8 million loan to build a new large warehouse in an underserved area. The loan was originated in collaboration with the local municipal industrial development Board, and the property was leased out to a business that provides employment for low- and moderate-income individuals.
- two loans totaling \$1.5 million to a local municipality to assist in the building of a career readiness and workforce development center. The center assists low- and moderate-income individuals with employment and is located in a middle-income, underserved census tract.
- a \$1.1 million loan to a non-profit organization that provides affordable housing.

### **Qualified Investments**

First US Bank made 21 qualified donations totaling \$80,000 that directly benefited the AL Non-MSA assessment area. The qualified donations account for 3.5 percent by dollar amount of state-wide qualified investments and donations. Below are notable examples of the qualified donations extended in the assessment area.

- \$44,826 to a non-profit organization to assist with economic development. The organization assists small businesses, inclusive of an entrepreneurial resource network and a development and training outreach with workforce development.
- \$16,105 to municipal career readiness and workforce development center. The center assists low- and moderate-income individuals with employment and is located in a middle-income, underserved census tract.
- \$3,500 to a non-profit community service organization that assist low- and moderate-income children within the assessment area. The organization offers after school programs, education and career development, and health and life skills.

## **Community Development Services**

First US Bank personnel provided 42 community development services to various organizations throughout the AL Non-MSA assessment area representing 56.0 percent of community development services within Alabama. Below are notable examples of the community development services extended in the assessment area.

- twelve officers provided financial services or technical assistance for eight non-profit community service organizations. These organizations support low- and moderate-income families with various necessities such as food, clothing, and tutoring. The organizations are primarily located in moderate- or middle-income, distressed or underserved census tracts.
- ten officers provided financial presentations through ten organizations for low- and moderate-income individuals and families within the assessment area. The majority of the organizations are also located in moderate- or middle-income, distressed or underserved census tract within the community.
- six officers provided financial services or technical assistance for five organizations that support economic development and provide training and resources for small business development.

## TUSCALOOSA MSA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE TUSCALOOSA MSA ASESMENT AREA

First US Bank’s Tuscaloosa MSA assessment area consists all of Tuscaloosa County, which is part of the Tuscaloosa, AL MSA. The Tuscaloosa, AL MSA consists of four counties; however, the bank only designated Tuscaloosa County within the assessment area. The assessment area changed from the prior evaluation when included only a portion of Tuscaloosa County. The bank operates one branch location within the assessment area, which accounts for 8.3 percent of state-wide branches. The assessment area also accounts for 23.6 percent of state-wide lending by number of loans, 36.6 percent of the state-wide lending by dollar volume, and 2.9 percent of state-wide deposits.

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

The Tuscaloosa MSA assessment area consists of 59 census tracts. Of the 59 census tracts, 5 are low-, 9 are moderate-, 24 are middle-, and 17 are upper-income census tracts and 4 census tracts have no income designation. The following table illustrates select demographic characteristics of the Tuscaloosa MSA assessment area based on the 2020 U.S. Census and 2022 D&B Data.

<b>Demographic Information of the Tuscaloosa 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)	59	8.5	15.3	40.7	28.8	6.8
Population by Geography	227,036	6.1	10.5	45.5	33.5	4.3
Housing Units by Geography	91,719	7.5	11.3	45.5	30.3	5.4
Owner-Occupied Units by Geography	47,018	4.5	7.6	45.1	39.7	3.3
Occupied Rental Units by Geography	27,695	12.3	17.4	46.3	18.0	6.0
Vacant Units by Geography	17,006	8.1	11.8	45.1	24.5	10.5
Businesses by Geography	18,820	5.5	10.4	45.3	32.9	5.8
Farms by Geography	523	2.1	10.3	44.0	41.7	1.9
Family Distribution by Income Level	47,980	21.4	16.3	18.8	43.5	0.0
Household Distribution by Income Level	74,713	23.8	14.5	16.5	45.1	0.0
Median Family Income MSA - 46220 Tuscaloosa, AL MSA		\$68,505	Median Housing Value			\$183,223
			Median Gross Rent			\$834
			Families Below Poverty Level			11.1%
<small>Source: 2020 U.S. Census Data and 2022 D&amp;B Data.                      Due to rounding, totals may not equal 100.0 percent.                      *The NA category consists of geographies (census tracts) that have not been assigned an income classification.</small>						

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

income census tracts contain a fair level of businesses, with significantly less located in the low-income census tracts.

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenue. In 2022, gross annual revenues these businesses are as follows.

- 88.4 percent had \$1.0 million or less,
- 3.4 percent had more than \$1.0 million, and
- 8.2 percent had unknown revenues.

The FFIEC-updated median family income levels for the Tuscaloosa, AL MSA were 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>
2020 (\$63,900)	<\$31,950	\$31,950 to <\$51,120	\$51,120 to <\$76,680	≥\$76,680
2021 (\$66,100)	<\$33,050	\$33,050 to <\$52,880	\$52,880 to <\$79,320	≥\$79,320
2022 (\$73,000)	<\$36,500	\$36,500 to <\$58,400	\$58,400 to <\$87,600	≥\$87,600
<i>Source: FFIEC</i>				

As shown in the table below, the annual unemployment rates for the assessment area, state, and Nation declined from 2020 to 2022, after the peak in second quarter 2020 due to the COVID-19 pandemic. Tuscaloosa County’s unemployment rates have been higher than or comparable to the state rates but below the Nation.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Tuscaloosa County	7.2	3.5	2.5
State of Alabama	6.4	3.4	2.6
Nation	8.1	5.3	3.6
<i>Source: Bureau of Labor Statistics.</i>			

In terms of businesses and the economy, the 2022 D&B data shows the top industries in the Tuscaloosa MSA assessment area were services; finance, insurance and real estate; and retail trade. According to *Moody’s Analytics, Inc.*, the largest employers in the Tuscaloosa, AL MSA are The University of Alabama, Mercedes-Benz U.S. International; DCH Regional Medical Center; County Board of Education; and DCH Northport Medical.

### **Competition**

There is a moderate level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, First US Bank competes with local banks, credit

unions, and finance companies. As of June 30, 2022, 21 FDIC-insured institutions operated 47 offices within the assessment area. The top five banks by deposit market share were Regions Bank; PNC Bank, N.A.; Servisfirst Bank; Bryant Bank; Synovus Bank; Smartbank; and Cadence Bank. Collectively, these five banks account for 70.8 percent of the deposit market share. First US Bank ranked 15th in total deposits with a market share of 0.5 percent.

Similarly, there is a moderate level of competition for small business loans in the assessment area. First US Bank is not required to but elected to collect and report small business data. Therefore, the analysis of small business loans under the Lending Test includes comparisons against aggregate data. In 2021 (the most recent year available), small business loan aggregate data indicates 87 lenders reported 4,627 small business loans originated or purchased. The top five institutions (by number of loans) were American Express National Bank; Bryant Bank; Smartbank; Synovus Bank; and Customers Bank. Collectively, these leading institutions accounted for 40.3 percent of the total market share. First US Bank ranked 28th in small business loans with a market share of 0.6 percent.

In addition, the assessment area presents a high level of competition for home mortgage loans. In 2022, home mortgage loan aggregate data indicates 304 lenders reported 6,289 home mortgage loans originated or purchased. The top five lenders were First Federal Bank; Regions Bank; Rocket Mortgage; Movement Mortgage, LLC; and Pennymac Loan Services, LLC. Collectively, these leading institutions accounted for 27.0 percent of the total market share. First US Bank ranked 188th in home mortgage loans with a market share of 0.02 percent.

### **Community Contact**

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit and community development needs and economic conditions of an assessment area. For this evaluation, examiners utilized an existing community contact from the Tuscaloosa MSA assessment area. The contact is familiar with the economic development needs of the Tuscaloosa MSA and stated that the primary need is participation in economic development organizations that support qualifying economic development projects, such as The Growing Alabama Tax Credit program and the Alabama Tax Credit program.

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

Based on demographic and economic data, as well as information gathered from the community contact, some conclusions regarding the credit needs of the assessment area can be derived. Small business loans, including loans to start-up businesses, represent a primary credit need in the assessment area based on the demographic and economic data. The existence of a significant percentage of businesses with gross annual revenues of \$1.0 million or less at 88.4 percent supports this conclusion. In addition, participation in economic development programs is a need in the area based on information from the community contact. Third, affordable housing represents an additional need as 37.7 percent of the families are low- or moderate-income.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN THE TUSCALOOSA MSA ASSESSMENT AREA

### LENDING TEST

First US Bank demonstrated reasonable performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the Tuscaloosa MSA assessment area, and the Borrower Profile reflects reasonable penetration among businesses of different sizes.

#### **Geographic Distribution**

The geographic distribution reflects reasonable dispersion throughout the assessment area.

#### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion in the assessment area. In 2020, lending in low-income tracts was comparable to both demographics and aggregate lending data. For 2021, the bank did not originate any small business loans in the low-income tracts; however, aggregate lending and the level of businesses in the low-income tracts is nominal at 1.3 percent and 1.4 percent, respectively. For 2022, lending in low-income tracts is significantly above demographics at 2.5 times the level. Lending performance in moderate-income census tracts in 2020 was above demographic and aggregate data; however, lending declined in 2021 to less than half of demographic and aggregate with 2022 lending at less than half of demographic data.

<b>Geographic Distribution of Small Business Loans in the Tuscaloosa MSA Assessment Area</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>Low</b>						
2020	1.4	1.2	1	3.3	12	0.3
2021	1.4	1.3	0	0.0	0	0.0
2022	5.5	--	3	13.6	738	13.3
<b>Moderate</b>						
2020	24.3	22.7	9	29.0	889	23.4
2021	24.6	23.7	3	10.7	575	8.1
2022	10.4	--	1	4.6	47	0.9
<b>Middle</b>						
2020	37.6	36.4	12	38.7	1,054	27.8
2021	37.7	35.9	6	21.4	430	6.1
2022	45.3	--	6	27.3	1,358	24.6
<b>Upper</b>						
2020	33.8	38.2	9	29.0	1,838	48.5
2021	33.7	38.3	19	67.9	6,062	85.8
2022	32.9	--	10	45.4	3,034	54.8
<b>Not Available</b>						
2020	2.9	1.5	0	0.0	0	0.0
2021	2.7	0.9	0	0.0	0	0.0
2022	5.8	--	2	9.1	354	6.4
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>3,793</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>7,067</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>22</b>	<b>100.0</b>	<b>5,531</b>	<b>100.0</b>
<small>Source: 2020, 2021, and 2022 D&amp;B Data; 2020, 2021, and 2022 CRA Data; and, 2020 and 2021 CRA Aggregate Data.            "--" data not available.            Due to rounding, totals may not equal 100.0 percent.</small>						

### *Home Mortgage Loans*

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

<b>Geographic Distribution of Home Mortgage Loans in the Tuscaloosa 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>
Low	1.2	0.1	0	0.0	0	0.0
Moderate	12.0	6.5	21	41.2	4,216	46.7
Middle	41.7	35.2	19	37.3	2,028	22.5
Upper	44.6	57.4	9	17.6	1,827	20.2
Not Available	0.5	0.7	2	3.9	957	10.6
<b>Totals</b>	<b>100.0</b>	<b>100.0</b>	<b>51</b>	<b>100.0</b>	<b>9,028</b>	<b>100.0</b>

*Source: 2015 ACS Data; 2020 HMDA Data; and, 2020 HMDA Aggregate Data.  
Due to rounding, totals may not equal 100.0 percent.*

### **Borrower Profile**

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

#### *Small Business Loans*

The distribution of small business loans reflects a reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. The following table shows that the bank’s lending to small businesses in 2020 was well below aggregate data and substantially below demographics. Performance improved in 2021 and was well above aggregate data while remaining significantly below demographics. In 2022, lending was comparable to 2021 performance and remained significantly below demographics.

The table also indicates for 2020, there is a significant volume of loans with no revenue data available, with the level significantly exceeding the aggregate small business lending that did not report revenue. As a result, an analysis of loans without revenue available by size of the loan was conducted for 2020. All loans without revenue reported had origination amounts of \$100,000 or less, indicating assistance to small businesses. Additionally, the average loan amount for loans with revenue not available was low at \$17,929 in 2020.



Distribution of Small Business Loans by Gross Annual Revenue Category in the Tuscaloosa MSA Assessment Area						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	82.2	36.0	7	22.5	1,223	32.3
2021	83.0	42.4	16	57.1	4,547	64.3
2022	88.4	--	13	59.1	2,844	51.4
>\$1,000,000						
2020	5.6	--	10	32.3	2,319	61.1
2021	5.3	--	7	25.0	2,362	33.5
2022	3.4	--	9	40.9	2,687	48.6
Revenue Not Available						
2020	12.1	--	14	45.2	251	6.6
2021	11.7	--	5	17.9	158	2.2
2022	8.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>3,793</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>28</b>	<b>100.0</b>	<b>7,067</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>22</b>	<b>100.0</b>	<b>5,531</b>	<b>100.0</b>
<i>Source: 2020, 2021, and 2022 D&amp;B Data; 2020, 2021, and 2022 CRA Data; and, 2020 and 2021 CRA Aggregate Data.</i> "-- "data not available." Due to rounding, totals may not equal 100.0 percent.						

## COMMUNITY DEVELOPMENT TEST

First US Bank's community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

### Community Development Loans

In the Tuscaloosa MSA assessment area, First US Bank extended three community development loans totaling \$834,000 during the evaluation period. This amount represents 5.0 percent by number and 1.6 percent by dollar volume of the state-wide community development loans. Below are the community development loans originated in the assessment area:

- three loans totaling \$834,000 to a business for construction and permanent financing of a mixed-purpose retail/residential building. The property is located in a moderate-income census tract that is also a Federally-designated Opportunity Zone.

## **Qualified Investments**

First US Bank made six qualified donations totaling \$17,000. The qualified donations within this assessment area account for 0.8 percent by dollar amount of state-wide total investments and donations. Below are notable examples of the qualified donations extended in the assessment area:

- \$1,500 to a non-profit organization that provides community services for low- and moderate-income individuals and families. The organization provides programs that include workforce development, transportation, youth programs for teenagers not enrolled in school, and financial assistance for those that are financially challenged.
- \$1,000 to a non-profit organization that provides food to the homeless and financially disadvantaged. The organization states that \$1,000 should feed approximately 330 individuals. The organization is located in a low-income census tract.

## **Community Development Services**

First US Bank personnel provided eight community development services to various organizations throughout the Tuscaloosa MSA assessment area, representing 10.7 percent of state-wide community development services. Below are notable examples of community development services extended in the assessment area.

- an executive officer served in a leadership capacity for an economic development authority that provides economic support and resources for the local economy.
- an executive officer assisted a non-profit organization that provides community services for low- and moderate-income families. The organization also partners with other local non-profit organizations to help families and children that are financially disadvantaged.
- an officer provided financial services for a non-profit organization that provides affordable housing.

## STATE OF TENNESSEE

CRA RATING FOR STATE OF TENNESSEE: **SATISFACTORY**

The Lending Test is rated: **Satisfactory**

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

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN TENNESSEE

First US Bank's Knoxville MSA assessment area consists of all of Knox County, which is part of the Knoxville, TN MSA. The Knoxville, TN MSA consists of eight counties; however, the bank only delineated Knox County as the assessment area. The bank operates two branches in the Knoxville MSA assessment area, which accounts for 13.3 percent of the bank-wide branching. The Knoxville MSA assessment area also accounts for 31.7 percent of bank-wide lending by number of loans, 25.2 percent of bank-wide lending by dollar volume, and 7.8 percent of bank-wide deposits.

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

The Knoxville MSA assessment area consists of 121 census tracts comprised of 12 low-, 16 moderate-, 44 middle-, and 45 upper-income census tracts, and 4 census tracts do not have an income designation. At the prior evaluation, based on previous census data, the assessment area consisted of 112 census tracts in Knox County. The change in census data resulted in an increase of 3 low-income census tracts and 4 moderate-income census tracts with decreases of 2 middle-income census tracts and 6 upper-income census tracts. Additionally, the assessment area previously contained only 2 tracts with on income designation. While the income level of the tracts changes, the overall demographics for population, owner-occupied housing, and businesses by census tract income remained relatively consistent. The following table illustrates select demographic characteristics of the Knoxville MSA assessment area based on the 2020 U.S. Census and 2022 D&B Data.

Demographic Information of the Knoxville MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	121	9.9	13.2	36.4	37.2	3.3
Population by Geography	478,971	7.8	12.1	37.5	40.0	2.6
Housing Units by Geography	207,611	9.2	13.5	38.1	38.0	1.1
Owner-Occupied Units by Geography	123,272	3.7	11.8	39.7	44.7	0.0
Occupied Rental Units by Geography	66,264	17.2	16.7	35.6	27.5	3.0
Vacant Units by Geography	18,075	17.0	13.6	36.6	30.9	1.8
Businesses by Geography	47,827	5.7	10.0	30.6	52.4	1.3
Farms by Geography	1,044	4.3	7.8	41.4	46.0	0.6
Family Distribution by Income Level	116,628	19.1	16.2	19.9	44.8	0.0
Household Distribution by Income Level	189,536	23.5	15.2	17.1	44.1	0.0
Median Family Income MSA - 28940 Knoxville, TN MSA	\$72,608	Median Housing Value		\$202,483		
		Median Gross Rent		\$924		
		Families Below Poverty Level		8.5%		

*Source: 2020 U.S. Census Data and 2022 D&B Data.  
Due to rounding, totals may not equal 100.0 percent.  
\*The NA category consists of geographies (census tracts) that have not been assigned an income classification.*

The *Geographic Distribution* criterion compares small business loans to the percentage of businesses and home mortgage loans to the percentage of owner-occupied housing located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows a significant majority of businesses and owner-occupied housing are within the middle- and upper-income census tracts, indicating most of the lending opportunities are in these geographies. The moderate-income census tracts contain a limited levels of businesses and owner-occupied housing, with significantly less located in the low-income census tracts.

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. In 2022, gross annual revenue for these businesses are as follows.

- 86.5 percent had \$1.0 million or less,
- 4.1 percent had more than \$1.0 million, and
- 9.4 percent had unknown revenues.

The FFIEC-updated median family income levels for the Knoxville, TN MSA were 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%
2020 (\$67,200)	<\$33,600	\$33,600 to <\$53,760	\$53,760 to <\$80,640	≥\$80,640
2021 (\$69,100)	<\$34,550	\$34,550 to <\$55,280	\$55,280 to <\$82,920	≥\$82,920
2022 (\$82,000)	<\$41,000	\$41,000 to <\$65,600	\$65,600 to <\$98,400	≥\$98,400

*Source: FFIEC*

As shown in the table below, the annual unemployment rates for the assessment area, state, and Nation declined from 2020 to 2022, after the peak in second quarter 2020 due to the COVID-19 pandemic. Knox County’s unemployment rates have been lower than the state and Nation during the evaluation timeframe.

Unemployment Rates			
Area	2020	2021	2022
	%	%	%
Knox County	5.9	3.4	2.9
State of Tennessee	7.5	4.5	3.4
Nation	8.1	5.3	3.6

*Source: Bureau of Labor Statistics.*

In terms of businesses and the economy, the 2022 D&B data shows the top industries in the Knoxville MSA assessment area were services; retail trade; and finance, insurance and real estate. According to *Moody’s Analytics, Inc.*, the largest employers in the Knoxville, TN MSA are University of Tennessee, Walmart Inc., University Health System, and Oak Ridge National Laboratory.

**Competition**

There is a high level of competition for financial services in the assessment area. In addition to competing with large national and regional banks, First US Bank competes with local banks, credit unions, and finance companies. As of June 30, 2022, 30 FDIC-insured institutions operated 130 offices within the assessment area. The top five banks by deposit market share were First Horizon Bank; Truist Bank; Pinnacle Bank; Regions Bank; and Home Federal Bank of Tennessee. Collectively, these five banks account for 73.2 percent of the deposit market share. First US Bank ranked 20th in total deposits with a market share of 0.4 percent.

In addition, there is a high level of competition for small business loans in the assessment area. First US Bank is not required to, but elected to, collect and report small business data. Therefore, the analysis of small business loans under the Lending Test includes comparisons against aggregate data as well as demographics. In 2021 (the most recent year available), small business loan aggregate data indicates 127 lenders reported 11,490 small business loans originated or purchased. The top five institutions (by number of loans) were American Express National Bank; Pinnacle Bank; Truist Bank; JPMorgan Chase Bank, N.A.; and First Horizon Bank. Collectively, these leading institutions accounted for 46.0 percent of the total market share. First US Bank ranked 15th in small business loans with a market share of 1.2 percent.

Similarly, the assessment area presents a high level of competition for home mortgage loans. In 2022, home mortgage loan aggregate data indicates 513 lenders reported 19,244 home mortgage loans originated or purchased. The top five lenders were Mortgage Investors Group; Rocket Mortgage; ORNL Federal Credit Union; Knoxville TVA Employees Credit Union; and Y 12 Federal Credit Union. Collectively, these leading institutions accounted for 25.6 percent of the total market share. First US Bank ranked 194th in home mortgage loans with a market share of 0.03 percent.

## **Community Contact**

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit and community development needs and economic conditions of an assessment area. For this evaluation, examiners utilized an existing community contact from the Knoxville MSA assessment area. The contact is familiar with the housing needs of the Knoxville MSA and stated that the primary needs affordable rental and home ownership loans for low- to moderate-income individuals and families.

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

Based on demographic and economic data, as well as information gathered from a community contact, some conclusions regarding the credit needs of the assessment area can be derived. First, the high percentage of low- and moderate-income families at 35.3 percent and median housing value of \$202,483 compared to the median family income for a low- and moderate-income families indicates need for affordable housing. Second, the 15.0 percent of renters with rent costs greater than 30 percent of income reflect a need for affordable rents in the area, a need which was also confirmed by the community contact. Third, small business loans are needed as a significant percentage of businesses have gross annual revenues of \$1.0 million or less at 86.5 percent, and 91.4 percent of the businesses operate with less than 10 employees.

## **SCOPE OF EVALUATION IN TENNESSEE**

Examiners conducted a full-scope review of the Knoxville MSA assessment area, which is the sole assessment area in Tennessee.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN TENNESSEE**

### **LENDING TEST**

First US Bank demonstrated Satisfactory performance under the Lending Test. The Geographic Distribution reflects reasonable dispersion throughout the Knoxville MSA assessment area, and the Borrower Profile reflects poor penetration among businesses of different sizes.

### **Geographic Distribution**

The geographic distribution reflects reasonable dispersion throughout the assessment area.

#### *Small Business Loans*

The geographic distribution of small business loans reflects reasonable dispersion in the assessment area. In 2020 and 2021, lending in low-income census tracts is below demographic and aggregate data. In 2022, the bank did not originate any loans in low-income census tracts. Lending performance in moderate-income census tracts for 2020 was comparable to aggregate data, while slightly below demographics. Lending in 2021 in moderate-income tracts was below both aggregate and demographics; however, in 2022, lending was above demographics.

Geographic Distribution of Small Business Loans in the Knoxville MSA Assessment Area						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	4.6	3.3	1	1.0	165	1.7
2021	4.7	4.0	2	1.4	210	1.8
2022	5.7	--	0	0.0	0	0.0
Moderate						
2020	14.1	11.9	12	12.1	686	7.1
2021	14.0	13.1	14	9.8	837	7.0
2022	10.0	--	4	11.8	1,128	21.5
Middle						
2020	32.2	31.5	44	44.5	4,583	47.1
2021	32.0	32.6	85	59.4	5,275	44.5
2022	30.6	--	11	32.3	1,432	27.3
Upper						
2020	48.6	53.2	42	42.4	4,284	44.1
2021	48.8	50.1	42	29.4	5,543	46.7
2022	52.4	--	19	55.9	2,688	51.2
Not Available						
2020	0.5	0.1	0	0.0	0	0.0
2021	0.5	0.1	0	0.0	0	0.0
2022	1.3	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>9,718</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>11,865</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>34</b>	<b>100.0</b>	<b>5,248</b>	<b>100.0</b>

Source: 2020, 2021, and 2022 D&B Data; 2020, 2021, and 2022 CRA Aggregate Data; and 2020 and 2021 CRA Aggregate Data.  
 "--" data not available.  
 Due to rounding, totals may not equal 100.0 percent.

## **Borrower Profile**

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

### *Small Business Loans*

The distribution of small business loans reflects reasonable penetration of loans to businesses with gross annual revenues of \$1 million or less. The following table shows that the bank's lending to small businesses for all three years was below demographic and aggregate data. In 2020 and 2021,

lending was significantly below aggregate data and substantially below demographic data. In 2020 lending to small businesses improved but remained substantially below demographics.

The table also indicates for 2020, there is a significant volume of loans with no revenue data available, with the level significantly exceeding the aggregate small business lending that did not report revenue. As a result, an analysis of loans without revenue available by size of the loan was conducted for 2020. Of the 36 loans without no revenue available, 22 loans (61.1 percent) had origination amounts of \$100,000 or less, indicating assistance to small businesses. Additionally, the average loan amount for loans with revenue not available was \$93,667 in 2020.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category in the Knoxville 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>						
2020	83.0	39.2	28	28.3	2,055	21.1
2021	84.9	46.1	36	25.2	4,170	35.1
2022	86.5	--	16	47.1	1,986	37.8
<b>&gt;\$1,000,000</b>						
2020	5.6	--	35	35.3	4,291	44.2
2021	4.7	--	85	59.4	5,647	47.6
2022	4.1	--	18	52.9	3,262	62.2
<b>Revenue Not Available</b>						
2020	11.4	--	36	36.4	3,372	34.7
2021	10.3	--	22	15.4	2,048	17.3
2022	9.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2020</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>9,718</b>	<b>100.0</b>
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>143</b>	<b>100.0</b>	<b>11,865</b>	<b>100.0</b>
<b>2022</b>	<b>100.0</b>	<b>--</b>	<b>34</b>	<b>100.0</b>	<b>5,248</b>	<b>100.0</b>

*Source: 2020, 2021, and 2022 D&B Data; 2020, 2021, and 2022 CRA Aggregate Data; and 2020 and 2021 CRA Aggregate Data.  
 "--" data not available.  
 Due to rounding, totals may not equal 100.0 percent.*

## **COMMUNITY DEVELOPMENT TEST**

First US Bank’s community development performance demonstrates adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services.

### **Community Development Loans**

In the Knoxville MSA assessment area, First US Bank extended two community development loans totaling \$904,000 during the evaluation period. This amount represents 3.2 percent by number and



1.7 percent by dollar volume of the bank-wide community development loans. Below are the community development loan originated in this assessment area.

- a loan for \$540,007 to a business located in a moderate-income census tract that provides employment for low-income and limited-skill workers. The loan helped stabilize the area.
- a \$363,800 loan to finance the purchase of a multifamily apartment complex, which provides affordable housing through below-market rent.

### **Qualified Investments**

First US Bank provided 10 qualified donations totaling \$23,000 that directly benefited the Knoxville MSA assessment area. The qualified donations within this assessment area account for 1.0 percent by dollar amount of the bank-wide qualified investments and donations. Below are notable examples of the qualified donations extended in the assessment area.

- an \$8,539 CRA assistance fund donation to a business located in a moderate-income census tract to assist with revitalization/stabilization within the assessment area. The business provides employment for low- and limited-skill workers in the community.
- \$1,500 donation to a non-profit organization that provides affordable housing to low- and moderate-income individuals and families within the assessment area.
- \$3,500 donation to a non-profit organization that provides community, programs, and courses to help military veterans and military spouses start and grow successful businesses in the assessment area.

### **Community Development Services**

First US Bank personnel provided 10 community development services to various organizations throughout the Knoxville MSA assessment area representing 11.0 percent of bank-wide community development services. Below are notable examples of the bank's qualified community development services extended in this assessment area:

- an officer served in a leadership capacity as a Board of an organization that promotes economic development for small businesses in the community.
- two officers providing technical assistance to a non-profit organization that serves low- and moderate-income children in the Knox County foster care system.
- an employee provided technical assistance to a non-profit food bank. The non-profit organization supports low- to moderate-income families in the assessment area with the basic daily necessity of nourishment.

## STATE OF VIRGINIA

**CRA RATING FOR STATE OF VIRGINIA: NEEDS TO IMPROVE**

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Needs to Improve**

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN VIRGINIA

First US Bank’s VA Non-MSA assessment area consists of Lee County in its entirety. The bank operates 1 branch location within the assessment area, which accounts for 6.7 percent of bank-wide branches. The assessment area also accounts for 2.1 percent of bank-wide lending by number of loans, 0.7 percent of the bank-wide lending by dollar volume, and 4.3 percent of bank-wide deposits.

#### Economic and Demographic Data

First US Bank’s VA Non-MSA assessment area consists of seven census tracts across all of Lee County. Of the seven census tracts, there are three moderate-income and four middle-income. There are no low- or upper-income census tracts. All the middle-income census tracts are distressed, due to high poverty levels, and underserved, due to the area being remote rural. The change in census data resulted in an increase of one middle-income census tract. The level of the population and owner-occupied housing also increased within the middle-income census tracts as a result of the increased number of tracts. However, the level of businesses remained relatively unchanged. The following table illustrates select demographic characteristics of the VA Non-MSA assessment area based on the 2020 U.S. Census and 2022 D&B Data.

<b>Demographic Information of the VA Non-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)	7	0.0	42.9	57.1	0.0	0.0
Population by Geography	22,173	0.0	40.2	59.8	0.0	0.0
Housing Units by Geography	11,800	0.0	43.7	56.3	0.0	0.0
Owner-Occupied Units by Geography	6,130	0.0	37.5	62.5	0.0	0.0
Occupied Rental Units by Geography	2,713	0.0	61.6	38.4	0.0	0.0
Vacant Units by Geography	2,957	0.0	40.2	59.8	0.0	0.0
Businesses by Geography	1,019	0.0	51.7	48.3	0.0	0.0
Farms by Geography	55	0.0	60.0	40.0	0.0	0.0
Family Distribution by Income Level	5,586	32.3	17.6	19.7	30.4	0.0
Household Distribution by Income Level	8,843	36.9	16.4	14.6	32.1	0.0
Median Family Income Non-MSAs - VA		\$60,947	Median Housing Value		\$85,996	
			Median Gross Rent		\$557	
			Families Below Poverty Level		20.3%	

*Source: 2020 U.S. Census Data and 2022 D&B Data.  
Due to rounding, totals may not equal 100.0 percent.  
\*The NA category consists of geographies (census tracts) that have not been assigned an income classification.*

The *Geographic Distribution* criterion compares small business loans to the percentage of businesses and home mortgage loans to the percentage of owner-occupied housing located in low-, moderate-, middle-, and upper-income census tracts. The 2020 Census data shows the majority of owner-occupied housing is within the middle-income tracts, indicating most of the lending opportunities are in these geographies. However, the moderate-income tracts also contain a good level of owner-occupied housing. The businesses are evenly distributed between the two tract levels.

The *Borrower Profile* criterion compares the bank’s small business loans to the distribution of businesses by gross annual revenues. In 2022, gross annual revenue for these businesses are as follows.

- 84.8 percent had \$1.0 million or less,
- 2.7 percent had more than \$1.0 million, and
- 12.5 percent had unknown revenues.

The FFIEC-updated median family income levels for the VA Non-MSA state-wide are 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>
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
2022 (\$67,800)	<\$33,900	\$33,900 to <\$54,240	\$54,240 to <\$81,360	≥\$81,360

*Source: FFIEC*

As shown in the table below, the annual unemployment rates for the assessment area, state, and Nation declined from 2020 to 2022, after the peak in second quarter 2020 due to the COVID-19 pandemic. During the evaluation timeframe, Lee County’s unemployment rate was higher than the state but lower than the Nation with the exception of 2022 in which it was higher.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Lee County	6.6	4.1	3.8
State of Virginia	6.5	3.9	2.9
Nation	8.1	5.3	3.6

*Source: Bureau of Labor Statistics.*

In terms of businesses and the economy, the 2022 D&B data shows the top industries in the VA Non-MSA assessment area were services; retail trade; and finance, insurance and real estate. According to *Moody’s Analytics, Inc.*, the largest employers in the VA Non-MSA assessment area are Lee County School Board, U.S. Department of Justice, Walmart, Lee Nursing and Rehabilitation, and the County of Lee. According to a community contact, additional large

employers in the area include Stone Mountain Health Services, Food City, Elk Knob, Inc. and Glass Machinery and Excavation, Inc.

### **Competition**

There is some competition for financial services in the assessment area. As of June 30, 2022, five FDIC-insured institutions operated nine offices within the assessment area. The five banks by deposit market share were Powell Valley National Bank; Lee Bank and Trust Company; Farmers and Miners Bank, First US Bank; and Woodforest National Bank. First US Bank ranked fourth in total deposits with a market share of 9.4 percent.

In addition, there is significant competition for small business loans in the assessment area. First US Bank is not required to, but elected to, collect and report small business data. Therefore, the analysis of small business loans under the Lending Test includes comparisons against aggregate data and demographics. In 2021 (the most recent year available), small business loan aggregate data indicates 30 lenders reported 149 small business loans originated or purchased. The top five institutions (by number of loans) were American Express National Bank; Synchrony Bank; Capital One Bank (USA), N.A.; Lake Forest Bank and Trust, N.A.; and Truist Bank. Collectively, these leading institutions accounted for 60.4 percent of the total market share. First US Bank ranked ninth in small business loans with a market share of 3.4 percent.

Similarly, the assessment area presents significant competition for home mortgage loans. In 2022, home mortgage loan aggregate data indicates 60 lenders reported 269 home mortgage loans originated or purchased. The top five lenders were Eastman Credit Union; Powell Valley National Bank; Farmers and Miners Bank; Rocket Mortgage; and Vanderbilt Mortgage and Finance. Collectively, these leading institutions accounted for 59.5 percent of the total market share. First US Bank ranked 45th in home mortgage loans with a market share of 0.4 percent.

### **Community Contact**

As part of the CRA evaluation process, examiners contact community organizations or utilize existing recent community contacts to gain insight regarding the credit and community development needs and economic conditions of an assessment area. For this evaluation, examiners conducted a new community contact. The contact is familiar with the economic and community development needs of the VA Non-MSA assessment area. The contact stated agriculture and logging are strong components of the area's economy. Additionally, three heavy construction contractors and a federal penitentiary also operate in the county. A medical and surgical supply manufacturer and a sewing operation for a large furniture manufacturer in an adjacent county in Tennessee also help the local economy. The contact stated that the northern coal fields of the county have a greater concentration of low- or moderate-income households, but low- and moderate-income households are scattered throughout the county.

The contact stated the western portion of the county is currently undergoing developmental changes due to the location of the Debusk Veterinary Teaching Center (DVTC) campus located there. DVTC is part of the veterinary medicine program of Lincoln Memorial University located at Harrogate, Tennessee. There is an opportunity zone spanning from just east of the community of

Rose Hill to Jonesville and includes the Constitutional Oaks Industrial Park (COIP). COIP currently has one 60,000 square foot building on site with an additional 160 acres available for development.

The contact said some issues in the area that small businesses are dealing with, especially following the COVID-19 pandemic, are re-establishing their client base after the pandemic temporarily closed restaurants and transitioned many residents to online shopping instead of frequenting brick and mortar local establishments. The contact stated the Mountain Empire Community College has a Small Business Development Office that assists local entrepreneurs in training as well as financial planning. The contact added local banks are doing a good job at trying to meet the community's needs but more assistance is needed for start-up businesses without established credit histories. Specifically, the contact noted that start-up business loans, working capital lines of credit, and small business financial counseling are needs of the area.

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

Based on demographic and economic data, as well as information gathered from a community contact, some conclusions regarding the credit needs of the assessment area can be derived. First, based on recent information from a community contact involved with economic development, more assistance is needed for start-up businesses without established credit histories. Specifically, the contact stated start-up business loans, working capital lines of credit, and small business financial counseling are needs for the area. Second, based on distressed areas of high poverty, financial literacy is also a need. Demographics reflect the area has a significantly high poverty level at 20.3 percent. Third, home improvement or renovation loans are a need as demographics reflect the median age of housing stock for the area is 47 years.

## **SCOPE OF EVALUATION IN VIRGINIA**

Examiners conducted a full-scope review of performance of the VA Non-MSA assessment area, which is the sole assessment area in Virginia.

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

### **LENDING TEST**

First US Bank's demonstrated reasonable performance under the Lending Test given the demographics and economy of the assessment area, the bank's location within the assessment area, and competition from local institutions and mortgage companies.

First US Bank originated few loans within the VA Non-MSA assessment area. Multiple factors have contributed to the limited lending within the assessment area. The economy in the rural area was slower to recover from the COVID-19 pandemic. Also, the local demographic data reveals that the assessment area includes a high percentage of low- and moderate-income families. In 2020 and 2021, approximately 46.0 percent of total families in the assessment area are low- or moderate-income families. Specifically, low-income families comprise 29.4 percent of total families with 19.8 percent of families residing below the poverty level. Post COVID-19, in 2022, approximately 49.9 percent of

total families in the assessment area are now low- or moderate-income families. Specifically, low-income families currently comprise 32.3 percent of total families with 20.3 percent of families residing below the poverty level.

The bank's branch location in relation to the population and competing institutions also contribute to the limited lending. The bank currently operates one branch office in the assessment area in Rose Hill, Virginia. The office is located in the far western portion of the county. This section of Lee County is very rural and very sparsely populated. The census tract where the branch is located has a current population of around 3,667 persons or 16.5 percent of the Lee County's population. The majority of the population and lending within the county occurs within central to eastern Lee County. These areas include Jonesville and Pennington Gap as well as other municipal areas. Several other institutions operate main offices and branch locations in the areas with three institutions accounting for 90.3 percent of the deposits of Lee County. Pennington Gap is 24 miles from Rose Hill, with Jonesville about 16 miles, and several institutions exist between the locations. A review of lending for 2022 found that 26 lenders originated a total of 58 home mortgage loans in the census tract where the branch is located, which indicates limited lending opportunity in the immediate area with significant competition. Additionally, as provided under *Description of the Assessment Area*, in 2022, home mortgage loan aggregate data indicates 60 lenders reported only 269 home mortgage loans originated or purchased across the entire Lee County area. Further, in 2021, small business loan aggregate data indicates 30 lenders reported only 149 small business loans originated or purchased. Again, indicating that lending opportunities across the assessment area are somewhat limited with significant competition. First US Bank ranks fourth by market share with 9.4 percent of the total market share of deposits. As a result of the demographics of the area combined with the significant competition and the bank's location relative to the rest of the county, lending opportunities are limited.

### **Geographic Distribution**

The geographic distribution reflects reasonable dispersion throughout the assessment area for small business and home mortgage loans. There are no low-income census tracts within this assessment area.

#### *Small Business Loans*

Over the evaluation period, the bank originated nine small business loans in the assessment area. In 2020, the bank originated three small business loans with two loans located in moderate-income tracts. For 2021, four of the five small business loans originated were in moderate-income tracts. Only one small business loan was originated in 2022, which was in a middle-income tracts. In total, six of the nine loans were originated in moderate-income tracts.

#### *Home Mortgage Loans*

Over the evaluation period, the bank originated ten home mortgage loans in the assessment area. In 2020, the bank originated five home mortgage loans with four loans located in moderate-income tracts. For 2021, two of the four home mortgage loans originated were in moderate-income tracts. Only one home mortgage loan was originated in 2022, which was in a middle-income tracts. In total, six of the ten loans were originated in moderate-income tracts.

## **Borrower Profile**

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and borrowers of different income levels, given the demographics of the assessment area.

### *Small Business Loans*

Over the evaluation period, the bank originated nine small business loans in the assessment area. In 2020, the bank originated three small business loans with one loans originated to a small business; however, the remaining two loans did not have revenue data available. Both loans were originated for less than \$100,000, indicating assistance to small businesses. For 2021, three of the five small business loans originated were to small businesses, with no revenue data available for the remaining two loans. However, the two loans totaled only \$22,000, indicating assistance to small businesses. Only one small business loan was originated in 2022, which was to a small business. In total, five of the ten small business loans were originated to small businesses.

### *Home Mortgage Loans*

Over the evaluation period, the bank originated ten home mortgage loans in the assessment area. In 2020, the bank originated five home mortgage loans with two loans to low-income borrowers and none to moderate-income borrowers. For 2021, one of the four home mortgage loans was to a low-income borrower with two loans originated to moderate-income borrowers. Only one home mortgage loan was originated in 2022, which was to a moderate-income borrower. In total, six of the ten loans were originated to low- and moderate-income borrowers.

## **COMMUNITY DEVELOPMENT TEST**

First US Bank's community development performance demonstrates poor responsiveness to community development needs in the assessment area as no community development loans or qualified investments were made with six community development services provided.

### **Community Development Services**

First US Bank personnel provided six community development services to two organizations in the VA Non-MSA assessment area representing 6.6 percent of bank-wide community development services. Below are details of the community development services extended in this assessment area.

- two bank officers worked with students at a local elementary school to provide financial literacy. The public school has 91.0 percent of the children eligible free or reduced lunch.
- two officers provided technical assistance various organizations that provide food to low- and moderate-income families.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Community Development Test**

The Community Development Test considers the following criteria:

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



## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
State of Alabama	Satisfactory	Outstanding	Satisfactory
State of Tennessee	Satisfactory	Satisfactory	Satisfactory
State of Virginia	Satisfactory	Needs to Improve	Needs to Improve

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

**Community Development Loan:** A loan that:

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

**Community Development Service:** A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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