

## **PUBLIC DISCLOSURE**

May 8, 2023

### **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Arthur State Bank  
Certificate Number: 15085

100 East Main Street  
Union, South Carolina 29379

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

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

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

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## INSTITUTION RATING

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

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

**The Lending Test is rated Satisfactory.**

- The loan-to-deposit ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas.
- The bank originated a majority of its home mortgage and small business loans in its assessment areas.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

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

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

## DESCRIPTION OF INSTITUTION

### Background

Arthur State Bank is a state chartered non-member community bank headquartered in Union, Union County, South Carolina. The bank is wholly owned by Arthur Financial Corporation, a single-bank holding company, also located in Union, South Carolina. The bank received a “Satisfactory” rating at its previous FDIC CRA Performance Evaluation, dated January 22, 2020, based on Interagency Intermediate Small Institution Examination Procedures.

### Operations

Arthur State Bank’s primary business focus is residential lending, followed by commercial lending. The bank continues to operate 15 full-service offices in seven counties in South Carolina. The bank operates five offices in Spartanburg County, three offices in Richland County, two offices each in Greenville and Union Counties, and one office each in Laurens, Lexington, and York Counties. In addition to the full-service offices, the bank operates four limited-service locations in South Carolina, including three in Spartanburg County and one in Union County. Since the previous evaluation, Arthur State Bank has not opened or closed any offices.

Arthur State Bank offers a variety of commercial, home mortgage, agricultural/farm, and consumer loans. The bank also has a mortgage department that originates long-term residential mortgage loans that are subsequently sold on the secondary market. The bank provides a variety of deposit products including checking, savings, health savings, money market, certificates of deposit, and individual retirement accounts. Additionally, the bank offers alternative systems for delivering retail service including internet banking, mobile banking, mobile deposit, digital wallet, and automated teller machines.

### Ability and Capacity

As of the December 31, 2022, Consolidated Reports of Condition and Income, Arthur State Bank had total assets of \$737.7 million, total loans of \$502.9 million, total deposits of \$682.3 million, and total securities of \$184.0 million. As shown in the following table, loans secured by 1-4 family residential properties represent the largest portion of the loan portfolio at 50.4 percent, followed by commercial loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) at 38.4 percent.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	35,603	7.1
Secured by Farmland	4,587	0.9
Secured by 1-4 Family Residential Properties	253,550	50.4
Secured by Multifamily (5 or more) Residential Properties	3,648	0.7
Secured by Nonfarm Nonresidential Properties	139,048	27.7
<b>Total Real Estate Loans</b>	<b>436,436</b>	<b>86.8</b>
Commercial and Industrial Loans	54,565	10.8
Agricultural Production and Other Loans to Farmers	-	-
Consumer Loans	8,102	1.6
Obligations of State and Political Subdivisions in the U.S.	3,835	0.8
Other Loans	-	-
Less: Unearned Income	-	-
<b>Total Loans</b>	<b>502,938</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

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

## DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Arthur State Bank has designated five assessment areas in South Carolina, as noted in the following table. Four assessment areas are located in metropolitan statistical areas (MSAs) and one assessment area is located in a Non-MSA portion of South Carolina.

Assessment area delineations are based on the 2015 American Community Survey (ACS) Census data. In 2022, the Federal Financial Interagency Examination Council (FFIEC) released updates to the MSA and Metropolitan Divisions, states, counties, census tracts, and income level indicators based on information collected during the 2020 United States (U.S.) Census. As a result of the 2020 U.S. Census, the number of census tracts increased and income classifications changed, which impacted the bank's assessment areas. The following table details the counties, number of census tracts, and branches in each assessment area for the current evaluation. Refer to the *Description of Institution's Operations* section in each assessment area section of this performance evaluation for additional information.

Description of Assessment Areas				
Assessment Area	Counties in Assessment Area	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census	# of Branches
Spartanburg Assessment Area	Spartanburg	69	87	5
Greenville Assessment Area	Greenville and Laurens	128	143	3
Columbia Assessment Area	Lexington and Richland	163	190	4
Union Assessment Area	Union	9	10	2
York Assessment Area	York	46	55	1
<b>Total</b>		<b>415</b>	<b>485</b>	<b>15</b>
<i>Source: 2015 ACS Data, 2020 U.S. Census Data, and Bank Data</i>				

<b>Tract Income Level</b>	<b># of Census Tracts 2015 ACS</b>	<b># of Census Tracts 2020 U.S. Census</b>
Low	34	23
Moderate	104	115
Middle	150	196
Upper	121	139
Income Level Not Assigned	6	12
<b>Total</b>	<b>415</b>	<b>485</b>
<i>Source: 2015 ACS Data, 2020 U.S. Census Data, and Bank Data</i>		

## Community Contact

As part of the evaluation process, examiners contact third parties to assist in identifying credit and community development needs. This information also helps determine whether local financial institutions are responsive to these needs and assists with identifying available credit and community development opportunities.

During the evaluation, examiners interviewed a community contact who works for an economic development organization representing ten counties in the northwest corner of South Carolina. The interview focused on four of the ten counties represented by the organization that are included in the bank's assessment areas, including Spartanburg, Laurens, Greenville, and Union Counties (Spartanburg, Greenville, and Union Assessment Areas). The contact stated all four counties' economic condition are very good with current unemployment below three percent. The contact also stated there is a need for affordable housing in all four counties. Examiners did not conduct or review any community contacts for the Columbia or York Assessment Areas.

## SCOPE OF EVALUATION

### General Information

The evaluation covers the period from the prior evaluation, dated January 22, 2020, to the current evaluation dated May 8, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the CRA Small Bank Lending Test and the Community Development Test.

Full-scope analyses were conducted for the Spartanburg, Columbia, and Greenville Assessment Areas given the number and dollar volume of home mortgage and small business lending activity. The Union Assessment Area was also reviewed using full-scope procedures given it was reviewed under limited-scope procedures at the previous evaluation. Examiners conducted limited-scope analyses for the York Assessment Area, as the bank's lending in this assessment area is considerably less in comparison to the Spartanburg, Greenville, and Columbia Assessment Areas. Examiners gave the most weight to bank activities in the Spartanburg Assessment Area due to it encompassing the majority of branches, deposits, and loans. The Greenville, Columbia, Union, and York Assessment Areas followed in term of overall weighting. The following table details the breakdown of loans, deposits, and offices by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits	Branches		
	\$(000s)	%	\$(000s)	%	#	%
Spartanburg Assessment Area	100,633	30.1	290,394	42.2	5	33.3
Greenville Assessment Area	76,303	22.8	130,548	19.0	3	20.0
Columbia Assessment Area	75,741	22.6	48,787	7.1	4	26.7
Union Assessment Area	37,063	11.1	204,678	29.8	2	13.3
York Assessment Area	45,030	13.4	13,064	1.9	1	6.7
<b>Total</b>	<b>334,770</b>	<b>100.0</b>	<b>687,471</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>

*Source: 2019, 2020, 2021, & 2022 HMDA Reported Data, Bank Data, and FDIC Summary of Deposits as of June 30, 2022*

## Activities Reviewed

Examiners determined the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. No other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. The bank's records indicate the product mix has remained relatively stable since the previous evaluation.

The evaluation included an analysis of the universe of home mortgage loans reported on the bank's 2019, 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). During 2019, the bank originated 280 home mortgage loans totaling \$47.6 million. During 2020, the bank originated 747 home mortgage loans totaling \$154.1 million. During 2021, the bank originated 430 home mortgage loans totaling \$88.9 million. During 2022, the bank originated 345 home mortgage loans totaling \$101.4 million. Examiners did not identify trends from 2019 to 2022 that would materially affect conclusions. Therefore, only 2021 home mortgage loan performance is presented, as it is the most recent calendar year with available aggregate HMDA data. However, any observed anomalies are discussed under the *Geographic Distribution* and *Borrower Profile* performance for each assessment area. In addition to aggregate HMDA data, the 2015 ACS and 2020 U.S. Census demographic data (owner-occupied housing units by geography and the distribution of families by income level) provided a standard of comparison for home mortgage loans.

The evaluation also considered small business loans, as defined in the *Glossary*, originated from January 1, 2022, through December 31, 2022. The universe of 276 small business loans totaling \$49.1 million was evaluated in the *Assessment Area Concentration* and *Geographic Distribution* analysis, while a sample of 142 small business loans totaling \$26.9 million was evaluated in the *Borrower Profile* analysis due to revenue information not being readily available. Examiners did not analyze small business loans for the York Assessment Area, as the bank only originated seven small business loans during 2022, which is not sufficient data to form meaningful conclusions. Dun & Bradstreet (D&B) data for 2022 provided a standard of comparison for the small business loans. Arthur State Bank's reportable loans, by number and dollar volume, reflect an emphasis on home mortgage loans. As a result, for the Lending Test, examiners gave more weight to home mortgage loans. For both loan products reviewed, the *Geographic Distribution* and *Borrower Profile* discussions focus only on loans originated inside the bank's assessment areas. While the number

and dollar volume of loans are presented, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of businesses and individuals served.

For the Community Development Test, examiners reviewed information provided by bank management on community development loans, qualified investments, and community development services from January 22, 2020, through May 8, 2023. Qualified investments included new investments and donations, as well as a prior period qualified investment still held by the bank.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Arthur State Bank demonstrated satisfactory performance under the Lending Test. The reasonable net loan-to-deposit (NLTD) ratio, majority of lending within the assessment areas, reasonable geographic distribution, and reasonable borrower profile performance support this conclusion. In addition, no CRA-related complaints were received since the previous evaluation.

#### Loan-to-Deposit Ratio

Arthur State Bank's NLTD ratio is reasonable given its size, financial condition, and credit needs of the assessment areas. The bank's NLTD ratio averaged 71.9 percent over the 13 calendar quarters since the previous evaluation, from December 31, 2019, through December 31, 2022. During this period, the bank's quarterly NLTD ratio ranged from a low of 64.7 percent as of December 31, 2021, to a high of 80.0 percent as of March 31, 2020. Arthur State Bank's NLTD ratio averaged 73.2 percent as of December 31, 2022.

Examiners identified one similarly situated institution based on asset size and lending focus. Examiners compared the bank's average NLTD ratio to this institution to evaluate the bank's performance. As shown in the following table, Arthur State Bank's average NLTD ratio over the previous 13 calendar quarters exceeded the similarly situated institution.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2022	Average NLTD Ratio
	\$(000s)	(%)
Arthur State Bank, Union, South Carolina	737,722	71.9
The Citizens Bank, Olanta, South Carolina	994,381	62.7
<i>Source: Reports of Condition and Income, December 31, 2019 through December 31, 2022</i>		

#### Assessment Area Concentration

Arthur State Bank originated a majority of its home mortgage and small business loans, by number and dollar volume, within the assessment areas. The following table details lending inside and outside of the assessment areas.



Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	244	87.1	36	12.9	280	39,078	82.1	8,539	17.9	47,617
2020	615	82.3	132	17.7	747	112,563	73.0	41,535	27.0	154,098
2021	368	85.6	62	14.4	430	72,864	82.0	16,049	18.1	88,913
2022	265	76.8	80	23.2	345	66,915	66.0	34,520	34.0	101,435
Subtotal	1,492	82.8	310	17.2	1,802	291,420	74.3	100,643	25.7	392,063
Small Business										
2022	240	87.0	36	13.0	276	43,350	88.4	5,704	11.6	49,054
Source: 2019, 2020, 2021, and 2022 HMDA Reported Data and January 1, 2022 through December 31, 2022 Small Business Loan Bank Data										

### **Geographic Distribution**

The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas. Excellent performance in the Greenville Assessment Area and reasonable performance in the Spartanburg, Columbia, and Union Assessment Areas primarily supports this conclusion. Performance in the assessment area reviewed using limited-scope examination procedures was consistent with the assessment areas reviewed using full-scope examination procedures. Refer to the *Geographic Distribution* section within each assessment area for further details.

### **Borrower Profile**

The distribution of loans reflects reasonable penetration among businesses of different sizes and individuals of different income levels. Reasonable performance in the Spartanburg, Greenville, Columbia and Union Assessment Areas primarily supports this conclusion. Performance in the assessment area reviewed using limited-scope examination procedures was consistent with the assessment areas reviewed using full-scope review examination procedures. Refer to the *Borrower Profile* section within 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**

Arthur State Bank's community development performance demonstrated adequate responsiveness and leadership to community development needs in its assessment areas through community development loans, qualified investments, and community development services. This conclusion is supported by adequate performance in the Spartanburg, Greenville, and Columbia Assessment Areas and excellent performance in the Union Assessment Area. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in its assessment areas.

### **Community Development Loans**

During the evaluation period, the bank originated, renewed, or refinanced 223 community development loans totaling \$25.6 million, compared to 12 community development loans totaling \$6.4 million at the previous evaluation. Based on dollar volume, the bank's current level of community development loans represents 3.9 percent of average total assets and 5.9 percent of average total loans, as of December 31, 2022. At the previous evaluation, the percentages were 1.3 percent of total assets and 1.8 percent of total loans. The 223 community development loans included 203 Small Business Administration (SBA) Paycheck Protection Program (PPP) loans totaling \$14.6 million.

The community development loans demonstrated adequate responsiveness, as they primarily supported revitalization or stabilization efforts in low-, moderate-, and distressed non-metropolitan middle-income census tracts. The following table details the bank's community development lending activity by year and purpose during the evaluation period.

<b>Community Development Lending</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)	-	-	2	226	3	3,125	207	17,001	<b>212</b>	<b>20,352</b>
2021	-	-	1	10	2	2,006	2	2,023	<b>5</b>	<b>4,040</b>
2022	-	-	2	566	-	-	-	-	<b>2</b>	<b>566</b>
2023 (Year-To-Date)	-	-	1	9	1	94	2	511	<b>4</b>	<b>614</b>
<b>Total</b>	-	-	<b>6</b>	<b>811</b>	<b>6</b>	<b>5,225</b>	<b>211</b>	<b>19,535</b>	<b>223</b>	<b>25,572</b>
<i>Source: Bank Data</i>										

The following are details of bank-wide community development loans originated during the evaluation period:

- The bank originated three loans totaling \$1.2 million to a small business development corporation that supports businesses throughout South Carolina, including the assessment areas. The loans promote economic development across the state.

Refer to the *Community Development Test* section of each assessment area for further details of the community development loans.

### **Qualified Investments**

During the evaluation period, the bank made 44 qualified investments totaling approximately \$4.6 million in the assessment areas. As of December 31, 2022, total qualified investments equated to 0.7 percent of average total assets and 3.7 percent of average total securities. The dollar amount and number of qualified investments increased from 23 qualified investments totaling \$1.0 million at the previous examination. Current investment percentage levels increased from 0.2 percent of total assets and 1.1 percent of total securities, noted at the previous evaluation.

Arthur State Bank's qualified investments demonstrated adequate responsiveness to opportunities for qualified investments. The bank's investments are comprised of one prior period investment in a CRA Fund totaling \$1 million and one new investment totaling \$3.5 million. In addition, the bank provided 42 donations totaling \$77,475. Donations are primarily to organizations that offer services to low- and moderate-income individuals and families. The following table details the bank's qualified investments by activity purpose and year.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	1,000	-	-	-	-	-	-	1	1,000
2020 (Partial)	-	-	-	-	-	-	-	-	-	-
2021	-	-	1	3,500	-	-	-	-	1	3,500
2022	-	-	-	-	-	-	-	-	-	-
2023 (Year-To-Date)	-	-	-	-	-	-	-	-	-	-
<b>Subtotal</b>	<b>1</b>	<b>1,000</b>	<b>1</b>	<b>3,500</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>4,500</b>
Qualified Grants & Donations	-	-	41	77	1	<1	-	-	42	77
<b>Total</b>	<b>1</b>	<b>1,000</b>	<b>42</b>	<b>3,577</b>	<b>1</b>	<b>&lt;1</b>	<b>-</b>	<b>-</b>	<b>44</b>	<b>4,577</b>
<i>Source: Bank Data</i>										

The following are details of bank-wide qualified investments:

- The bank has a prior period investment totaling \$1.0 million in the CRA Fund. The CRA Fund works with mortgage originators to create debt securities that are securitized by CRA qualified, fixed income-producing affordable housing and commercial properties located in the bank's assessment areas. The bank earmarked the funds for Laurens, Lexington, Richland, and York Counties.

### **Community Development Services**

During the evaluation period, officers and employees acting as representatives of Arthur State Bank provided 148 community development services to 20 organizations. The level of community development services provided by the bank has significantly increased since the previous examination, where bank representatives provided 35 community development services.

The community development services support affordable housing, community services, economic development, and revitalization/stabilization within the assessment areas. Although not innovative, the community development services demonstrated adequate responsiveness to the assessment areas' poverty levels, as bank representatives are involved in several organizations that provide emergency programs, including food banks, transitional housing, and clothing to low- and moderate-income individuals throughout the assessment areas. The following table details the community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020 (Partial)	1	25	7	1	34
2021	1	24	8	1	34
2022	1	37	8	1	47
2023 (Year-To-Date)	1	22	9	1	33
<b>Total</b>	<b>4</b>	<b>108</b>	<b>32</b>	<b>4</b>	<b>148</b>
<i>Source: Bank Data</i>					

In addition, the bank offers the following products to assist low- and moderate-income individuals.

- The bank offers Interest on Lawyers Trust Accounts (IOLTAs). The interest earned by the law firms on the IOLTAs is used to fund pro bono legal services for low- and moderate-income individuals, and is administered by the South Carolina Bar Foundation.
- The bank provides free notary service for account holders, which benefits low- and moderate-income individuals.

#### DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with 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.

## SPARTANBURG ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN SPARTANBURG ASSESSMENT AREA

The Spartanburg Assessment Area consists of Spartanburg County in its entirety, which comprises the Spartanburg, South Carolina MSA. The bank operates five, or 33.3 percent, of its branch offices in the Spartanburg Assessment Area. The assessment area accounts for 30.1 percent of total loans and 42.2 percent of bank-wide deposits. Since the previous evaluation, the Spartanburg Assessment Area changed as a result of the 2020 U.S. Census. The following table reflects the changes in tract income level and number of census tracts based on the 2015 ACS and 2020 U.S. Census data.

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	6	5
Moderate	17	17
Middle	28	44
Upper	18	19
Income Not Assigned	-	2
<b>Total</b>	<b>69</b>	<b>87</b>
<i>Source: 2015 ACS Data and 2020 U.S. Census Data</i>		

### Economic and Demographic Data

The following table presents demographic information from the 2015 ACS census and 2022 D&B data.

Demographic Information of the Spartanburg Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	69	8.7	24.6	40.6	26.1	-
Population by Geography	291,240	4.8	20.8	43.6	30.8	-
Housing Units by Geography	123,931	5.3	21.5	43.8	29.4	-
Owner-Occupied Units by Geography	75,378	2.3	15.6	47.1	35.1	-
Occupied Rental Units by Geography	34,514	10.7	31.1	38.8	19.5	-
Vacant Units by Geography	14,039	8.7	29.8	38.3	23.2	-
Businesses by Geography	32,622	2.9	14.6	50.4	31.1	1.0
Farms by Geography	961	2.1	9.6	61.6	26.4	0.3
Family Distribution by Income Level	76,454	21.0	17.4	18.9	42.7	-
Household Distribution by Income Level	109,892	23.6	15.6	17.3	43.5	-
Median Family Income: Spartanburg, South Carolina MSA		\$62,665	Median Housing Value Median Gross Rent Families Below Poverty Level			\$122,515 \$695 13.5%
Source: 2015 ACS Data and 2022 D&B Data, and FFIEC Estimated Median Family Income. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.						

According to the Bureau of Labor Statistics, the unemployment rate for Spartanburg County significantly increased in 2020, due largely to COVID-19 pandemic-related job losses. However, the unemployment rate declined 2.3 and 0.9 percentage points in 2021 and 2022, respectively. The unemployment rate for the county was relatively consistent with the South Carolina rate and below the national rate across all years. The following table reflects the average annual unemployment rate for the assessment area's county, state, and nation.

Unemployment Rates Spartanburg Assessment Area				
Area	2019	2020	2021	2022
	%	%	%	%
Spartanburg County	2.5	6.3	4.0	3.1
South Carolina	2.8	6.0	4.0	3.3
National Average	3.7	8.1	5.4	3.6
Source: Bureau of Labor Statistics				

According to the 2022 D&B data, the top industry in this assessment area was services, followed by non-classifiable establishments; retail trade; finance, insurance, and real estate; and construction. Top employers throughout the assessment area include BMW Manufacturing Corporation, Spartanburg Medical Center, Pelham Medical Center, State of South Carolina – Spartanburg, and Adidas America, Incorporated.

## Competition

The assessment area is competitive in the financial services market. According to the FDIC's June 30, 2022 *Summary of Deposits Report*, 17 FDIC-insured institutions operate 56 branches within this assessment area. Of these institutions, Arthur State Bank ranked 6<sup>th</sup> and held a market share of 4.7 percent. The top five financial institutions accounted for 72.5 percent of the deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, 446 lenders reported 18,312 residential mortgage loans originated or purchased. Of these lenders, Arthur State Bank ranked 33<sup>rd</sup> with a market share of 0.8 percent, by number of loans.

Arthur State Bank is not required to collect or report its small business loan data under the CRA and has elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is relevant to understand the level of competition in the bank's assessment area. With regard to the competition for small business loans, aggregate data for 2021 indicates 99 lenders reported 7,632 small business loans, totaling \$364.7 million in the assessment area, which demonstrates a high level of competition. The top five small business lenders accounted for 45.7 percent of total market share, by number of loans.

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

Considering demographic and economic data, as well as information gathered from the community contact, examiners determined that small business loans represents a credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (90.8 percent) and the large number of businesses with four or fewer employees (56.7 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 38.4 percent of families and 39.2 percent of households are low- or moderate-income.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE SPARTANBURG ASSESSMENT AREA**

### **LENDING TEST**

Arthur State Bank's lending performance within the Spartanburg Assessment Area is satisfactory. The bank's reasonable geographic distribution and borrower profile performance support this conclusion.

### **Geographic Distribution**

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

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any home mortgage loans in the low-income census tracts; however, demographic and aggregate data indicate opportunities in these census tracts are very limited. Home mortgage lending in moderate-income census tracts exceeded demographic data and was more than double aggregate data. However, in 2022, lending performance declined by 12.2 percent to 8.7 percent and was slightly below demographic data at 10.1 percent. The following table reflects the distribution of home mortgage loans within the assessment area.

Geographic Distribution of Home Mortgage Loans Spartanburg Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.3	1.1	-	-	-	-
Moderate						
2021	15.6	9.3	23	20.9	2,979	14.4
Middle						
2021	47.1	42.7	47	42.7	8,461	40.8
Upper						
2021	35.1	46.9	40	36.4	9,276	44.8
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>110</b>	<b>100.0</b>	<b>20,716</b>	<b>100.0</b>
<i>Source: 2015 ACS, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in the low-income census tracts; however, demographic data indicate opportunities in these census tracts are very limited. Small business lending in moderate-income census tracts exceeded demographic data by one percentage point. The following table reflects the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans Spartanburg Assessment Area						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Low						
2022	2.9	-	-	-		-
Moderate						
2022	14.6	12	15.6	2,423		17.2
Middle						
2022	50.4	40	51.9	6,296		44.7
Upper						
2022	31.1	25	32.5	5,361		38.1
Not Available						
2022	1.0	-	-	--		-
<b>Total</b>						
<b>2022</b>	<b>100.0</b>	<b>77</b>	<b>100.0</b>	<b>14,080</b>		<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						



### **Borrower Profile**

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. The bank's home mortgage lending performance to low-income borrowers slightly exceeded aggregate data, but was significantly below demographic data. Considering the assessment area's poverty rate of 13.5 percent, lending opportunities to low-income borrowers are limited as these families may have difficulty qualifying for credit, as evidenced by aggregate data. Home mortgage lending performance to moderate-income borrowers was slightly below aggregate data but was slightly above demographic data. The following table reflects the distribution of home mortgage loans to borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level Spartanburg Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	21.0	6.4	9	8.2	819	4.0
Moderate						
2021	17.4	21.5	21	19.1	2,833	13.7
Middle						
2021	18.9	22.1	21	19.1	3,027	14.6
Upper						
2021	42.7	30.3	55	50.0	13,635	65.8
Income Not Available						
2021	0.0	19.7	4	3.6	40	1.9
Total						
2021	100.0	100.0	110	100.0	20,716	100.0
Source: 2015 ACS Data, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.						

### ***Small Business Loans***

The distribution of small business loans reflects poor penetration among businesses of different sizes. The bank's performance to businesses with gross annual revenues of \$1 million or less was significantly below demographic data. The following table reflects the distribution of small business loans among businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category Spartanburg Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2022	89.7	19	46.3	3,209	45.0
> \$1,000,000					
2022	3.1	22	53.7	3,929	55.0
Revenue Not Available					
2022	7.3	-	-	-	-
<b>Total</b>					
<b>2022</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>7,138</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

## COMMUNITY DEVELOPMENT TEST

Arthur State Bank's community development performance demonstrates adequate responsiveness to community development needs in the Spartanburg Assessment Area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

### Community Development Loans

The bank originated 58 community development loans totaling \$7.4 million in the assessment area, which increased from the previous evaluation when 11 loans were originated totaling \$6.0 million. This activity represents 26.0 percent by number and 28.9 percent by dollar volume of the total community development loans originated during the evaluation period. Community development loans primarily consisted of PPP loans, which promoted revitalization or stabilization, followed by economic development and community services in the assessment area. The following are notable examples of the bank's community development loans originated during the evaluation period in the Spartanburg Assessment Area.

- In 2020, the bank originated a loan totaling \$1.5 million to purchase a building for a new restaurant, which promotes economic development of the area by creating jobs for low- and moderate-income individuals.
- In 2020, the bank originated a loan totaling \$1.1 million to purchase a commercial building for a new hardware store that is located in a moderate-income census tract. This loan helps stabilize the moderate income-area and creates jobs for low- and moderate-income individuals.
- In 2020, the bank originated 54 PPP loans totaling approximately \$4.1 million to businesses operating in low- or moderate-income census tracts in the assessment area. The loans promote revitalization or stabilization.

### **Qualified Investments**

During the evaluation period, the bank made 15 donations totaling \$23,000 within the assessment area. The level of qualified investments and donations in this assessment area represents 34.1 percent by number and 0.5 percent by dollar volume of the total qualified investments made during the evaluation period. All donations were to community service organizations. The following are notable examples of donations provided in the assessment area.

- In 2020, the bank donated \$5,000 to a non-profit organization that provides shelter and services for abused and neglected children.
- In 2020, the bank donated \$3,000 to a non-profit organization that provides shelter, food, and support service to homeless families.
- In 2020, the bank donated \$3,000 to a non-profit organization that provides food to low- and moderate-income individuals and families.

### **Community Development Services**

Bank representatives conducted nine community development services that benefited the Spartanburg Assessment Area during the evaluation period, which primarily supported economic development. This represents 6.1 percent of the total number of community development services provided during the evaluation period. The following are notable examples of the bank's community development services in the assessment area.

- During 2020 through 2023, a bank representative served as Mayor of a town in Spartanburg County, where he manages the city, budget process, and recruitment and approval process for industrial development, retail, and areas related to the town's growth. The municipality promotes economic development.
- During 2020 through 2023, a bank representative served on the Board of the city council that manages the government affairs for a town. In addition, the council is involved in the recruitment and approval process for industrial development, retail, and areas related to growth. The municipality promotes economic development.

## GREENVILLE ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN GREENVILLE ASSESSMENT AREA

The Greenville Assessment Area consists of Greenville and Laurens Counties in their entirety, which are part of the Greenville-Anderson, South Carolina MSA. The bank operates three, or 20.0 percent, of its branch offices in the Greenville Assessment Area. The assessment area accounts for 22.8 percent of total loans and 19.0 percent of bank-wide deposits. Since the previous evaluation, the Greenville Assessment Area changed as a result of the 2020 U.S. Census. The following table reflects the changes in tract income level and number of census tracts based on the 2015 ACS and 2020 U.S. Census data.

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	11	7
Moderate	35	43
Middle	44	48
Upper	38	44
Income Not Assigned	-	1
<b>Total</b>	<b>128</b>	<b>143</b>

*Source: 2015 ACS Data and 2020 U.S. Census Data*

### Economic and Demographic Data

The following table presents demographic information from the 2015 ACS census and 2022 D&B data.

Demographic Information of the Greenville Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	128	8.6	27.3	34.4	29.7	-
Population by Geography	541,292	5.9	23.0	35.6	35.5	-
Housing Units by Geography	229,999	6.0	25.0	35.0	33.9	-
Owner-Occupied Units by Geography	136,623	3.4	20.1	36.3	40.3	-
Occupied Rental Units by Geography	68,399	10.6	30.8	33.7	24.9	-
Vacant Units by Geography	24,977	8.2	36.3	31.8	23.7	-
Businesses by Geography	77,968	2.9	20.3	29.9	45.9	1.1
Farms by Geography	1,682	2.4	25.0	37.5	34.5	0.6
Family Distribution by Income Level	138,699	22.5	15.9	18.3	43.3	-
Household Distribution by Income Level	205,022	23.7	15.3	16.1	44.9	-
Median Family Income: Greenville-Anderson, SC MSA	\$58,097	Median Housing Value Median Gross Rent Families Below Poverty Level				\$149,307 \$766 12.4%

*Source: 2015 ACS Data and 2022 D&B Data, and FFIEC Estimated Median Family Income. (\*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.*

According to the Bureau of Labor Statistics, unemployment rates for both counties significantly increased in 2020, due largely to COVID-19 pandemic-related job losses. However, unemployment rates have consistently declined for both counties since 2020. For Greenville County, unemployment rates were below the state and national rates across all years. For Laurens County, unemployment rates were slightly above the state rates, but below the national rates. The following table reflects the average annual unemployment rates for the assessment area counties, state, and nation.

Unemployment Rates Greenville Assessment Area				
Area	2019	2020	2021	2022
	%	%	%	%
Greenville County	2.4	5.5	3.4	2.8
Laurens County	2.9	6.7	4.3	3.4
South Carolina	2.8	6.0	4.0	3.3
National Average	3.7	8.1	5.4	3.6
<i>Source: Bureau of Labor Statistics</i>				

According to the 2022 D&B data, the top industry in this assessment area was services, followed by non-classifiable establishments; finance, insurance, and real estate; retail trade; and construction. Top employers in Greenville County include Greenville County Schools, U.S. Government – Greenville County, GE Power, World Acceptance Corporation, and Prisma Health – Greenville Memorial Hospital Campus. Top employers in Laurens County include ZF Transmissions, Laurens County School District, Walmart Distribution Center, Yanfeng Automotive Interiors and Sterilite Corporation.

## Competition

The assessment area is highly competitive in the financial services market. According to the FDIC's June 30, 2022 *Summary of Deposits Report*, 32 FDIC-insured institutions operate 158 branches within this assessment area. Of these institutions, Arthur State Bank ranked 16<sup>th</sup> and held a market share of 0.7 percent. The top five financial institutions accounted for 59.4 percent of the deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, 559 lenders reported 40,736 residential mortgage loans originated or purchased. Of these lenders, Arthur State Bank ranked 73<sup>rd</sup> with a market share of 0.2 percent, by number of loans.

Arthur State Bank is not required to collect or report its small business loan data under the CRA and has elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is relevant to understand the level of competition in the bank's assessment area. With regard to the competition for small business loans, aggregate data for 2021 indicates 143 lenders reported 16,259 small business loans, totaling \$768.9 million in the assessment area, which demonstrates a high level of competition. The top five small business lenders accounted for 49.2 percent of total market share, by number of loans.

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

Considering demographic and economic data, as well as information gathered from the community contact, examiners determined that small business loans represent a credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (90.8 percent) and the large number of businesses with four or fewer employees (56.7 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 38.4 percent of families and 39.0 percent of households are low- or moderate-income.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE GREENVILLE ASSESSMENT AREA**

### **LENDING TEST**

Arthur State Bank's lending performance within the Greenville Assessment Area is satisfactory. The bank's excellent geographic distribution and reasonable borrower profile performance support this conclusion.

#### **Geographic Distribution**

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

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The low percentage of owner-occupied housing and aggregate data performance indicate very limited lending opportunities in low-income census tracts. However, the bank's performance in low-income census tracts was comparable to demographic and aggregate data. Home mortgage lending in moderate-income census tracts was nearly double and triple demographic and aggregate data, respectively. The following table reflects the distribution of home mortgage lending within the assessment area.

Geographic Distribution of Home Mortgage Loans Greenville Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	3.4	3.1	2	2.0	751	4.0
Moderate						
2021	20.1	13.4	39	39.0	5,810	30.7
Middle						
2021	36.3	35.8	46	46.0	8,978	47.4
Upper						
2021	40.3	47.7	13	13.0	3,403	18.0
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>	<b>100.0</b>	<b>18,942</b>	<b>100.0</b>
<i>Source: 2015 ACS, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### ***Small Business Loans***

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Small business lending in the low-income census tract was consistent with demographic data. Lending in moderate-income census tracts exceeded demographic data. The following table reflects the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans Greenville Assessment Area						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Low						
2022	2.9	1	2.5	70	1.0	
Moderate						
2022	20.3	10	25.0	1,321	19.7	
Middle						
2022	29.9	16	40.0	1,137	17.0	
Upper						
2022	45.9	13	32.5	4,164	62.2	
Not Available						
2022	1.1	-	-	-	-	
<b>Total</b>						
<b>2022</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>6,692</b>	<b>100.0</b>	
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### **Borrower Profile**

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. In 2019, the bank's lending of 14.0 percent to low-income borrowers was 2.5 times aggregate data of 5.6 percent, but was below demographic data of 22.5 percent. The bank's performance declined by 8.7 percent in 2020. The 2020 performance at 4.8 percent was consistent with aggregate data but significantly below demographic data. In 2021, the bank's performance improved, slightly exceeding aggregate data, but significantly below demographic data. Considering the assessment area's poverty rate of 12.4 percent, lending opportunities to low-income borrowers are limited as these families may have difficulty qualifying for credit. Home mortgage lending performance to moderate-income borrowers slightly exceeded demographic and aggregate data. The following table reflects the distribution of home mortgage loans to borrowers of different income levels.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Greenville 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						
2021	22.5	5.7	8	8.0	770	4.1
Moderate						
2021	15.9	17.0	19	19.0	2,168	11.4
Middle						
2021	18.3	20.6	23	23.0	3,971	21.0
Upper						
2021	43.4	38.8	43	43.0	11,168	59.0
Income Not Available						
2021	0.0	17.9	7	7.0	865	4.6
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>100</b>	<b>100.0</b>	<b>18,942</b>	<b>100.0</b>
<i>Source: 2015 ACS Data, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to small businesses was below demographic data, but considered reasonable. The following table reflects the distribution of small business loans among businesses of different sizes.



Distribution of Small Business Loans by Gross Annual Revenue Category Greenville Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2022	90.8	23	76.7	3,927	74.8
> \$1,000,000					
2022	2.7	7	23.3	1,321	25.2
Revenue Not Available					
2022	6.5	-	-	-	-
<b>Total</b>					
<b>2022</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,248</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

## COMMUNITY DEVELOPMENT TEST

Arthur State Bank's community development performance demonstrates adequate responsiveness to community development needs in the Greenville Assessment Area through adequate community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

### Community Development Loans

The bank originated 45 community development loans totaling \$7.1 million in the assessment area, which increased from the previous evaluation when one loan was originated totaling \$360,000. This activity represents 20.2 percent by number and 27.7 percent by dollar volume of the total community development loans originated during the evaluation period. Community development loans primarily consisted of PPP loans, which promoted revitalization and stabilization. The following are notable examples of the bank's community development loans originated during the evaluation period in the Greenville Assessment Area.

- In 2022, the bank originated one loan totaling \$500,000 to fund expansion of housing for a non-profit organization. The organization provides emergency shelter, crisis counseling, intervention, legal advocacy, and other services for abused women and children. The organization primarily focuses on low- and moderate-income individuals within the assessment area, promoting community services.
- In 2023, the bank originated one loan totaling \$331,000 to fund the purchase of a bed and breakfast that includes a restaurant located in a moderate-income census tract. The borrower plans to expand services to include spa and wedding planning. The loan promotes revitalization and stabilization.
- In 2020, the bank originated 42 PPP loans totaling \$6.1 million in low- and moderate-income census tracts in the assessment area. The loans promote revitalization and stabilization by retaining jobs for low- and moderate-income individuals.

### **Qualified Investments**

During the evaluation period, the bank made 14 donations totaling \$25,275 within the assessment area. The level of qualified investments and donations in this assessment area represents 31.8 percent by number and 0.5 percent by dollar volume of the total qualified investments made during the evaluation period. This assessment area also benefitted from an investment made in the bank-wide area that includes the Greenville Assessment Area, as noted in the bank-wide Community Development Test analysis. The donations were all to community service organizations. The following are notable examples of donations provided in the assessment area:

- In 2020, the bank donated \$4,000 to a non-profit organization that provides food, pays utilities, and assists with tax preparation and budgeting to low- and moderate-income individuals.
- In 2020, the bank donated \$4,000 to a non-profit organization that provides free after school and summer programs for elementary age kids from low- to moderate-income families.
- In 2020, the bank donated \$5,000 to a non-profit organization that provides food for the needy and to non-profit organizations that support the same goal.

### **Community Development Services**

Bank representatives conducted 45 community development services that benefitted the Greenville Assessment Area during the evaluation period, which primarily supported community services followed by economic development and revitalization or stabilization. This represents 30.4 percent of the total number of community development services provided during the evaluation period. The following are notable examples of the bank's community development services in the assessment area.

- During 2020 through 2023, a bank representative served on the Board and was Treasurer for a medical clinic that provides free health care services to low-income individuals and families.
- During 2020 through 2023, a bank representative served on the Board for an economic development organization. The organization's mission is to help with creating jobs and attracting industries to the area.
- During 2020 through 2023, a bank representative served on the Board for a non-profit organization that provides rent assistance to qualifying low- and moderate-income individuals and families in the assessment area.

## COLUMBIA ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN COLUMBIA ASSESSMENT AREA

The Columbia Assessment Area consists of Lexington and Richland Counties in their entirety, which are part of the Columbia, South Carolina MSA. The bank operates four, or 26.7 percent, of its branch offices in the Columbia Assessment Area. The assessment area accounts for 22.6 percent of total loans and 7.1 percent of bank-wide deposits. Since the previous evaluation, the Columbia Assessment Area changed as a result of the 2020 U.S. Census. The following table reflects the changes in tract income level and number of census tracts based on the 2015 ACS and 2020 U.S. Census data.

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	15	10
Moderate	40	43
Middle	50	70
Upper	53	60
Income Not Assigned	5	7
<b>Total</b>	<b>163</b>	<b>190</b>

*Source: 2015 ACS Data and 2020 U.S. Census Data*

### Economic and Demographic Data

The following table presents demographic information from the 2015 ACS census and 2022 D&B data.

Demographic Information of the Columbia Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	163	9.2	24.5	30.7	32.5	3.1
Population by Geography	671,742	6.0	22.7	32.4	36.3	2.6
Housing Units by Geography	283,117	6.7	24.2	32.9	36.1	0.1
Owner-Occupied Units by Geography	164,451	2.6	19.1	34.2	44.0	-
Occupied Rental Units by Geography	87,255	13.6	31.8	31.3	23.3	-
Vacant Units by Geography	31,411	9.1	29.4	30.1	30.5	0.8
Businesses by Geography	98,881	3.2	22.2	36.5	36.4	1.7
Farms by Geography	2,166	1.9	19.0	42.0	36.3	0.7
Family Distribution by Income Level	160,794	21.9	15.9	19.3	42.9	-
Household Distribution by Income Level	251,706	23.2	15.9	18.0	42.9	-
Median Family Income: Columbia, South Carolina MSA	\$62,665	Median Housing Value Median Gross Rent Families Below Poverty Level				\$154,808 \$878 11.5%

*Source: 2015 ACS Data and 2022 D&B Data, and FFIEC Estimated Median Family Income. (\*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.*

According to the Bureau of Labor Statistics, unemployment rates for both counties significantly increased in 2020, due largely to COVID-19 pandemic-related job losses. However, the unemployment declined by 1.1 and 0.4 percentage points for Lexington County and 1.5 and 0.9 percentage points for Richland County in 2021 and 2022, respectively. The unemployment rates for the counties were relatively consistent with or below South Carolina and national rates across all years. The following table reflects the average annual unemployment rates and trends for the assessment area counties, state, and nation.

Unemployment Rates Columbia Assessment Area				
Area	2019	2020	2021	2022
	%	%	%	%
Lexington County	2.3	4.2	3.1	2.7
Richland County	2.7	5.7	4.2	3.3
South Carolina	2.8	6.0	4.0	3.3
National Average	3.7	8.1	5.4	3.6
<i>Source: Bureau of Labor Statistics</i>				

According to the 2022 D&B data, the top industry in this assessment area was services, followed by non-classifiable establishments; finance, insurance, and real estate; retail trade; and construction. Top employers in Lexington County include Lexington Medical Center, Dominion Energy, Amazon.com Fulfillment Center, Michelin North America Incorporated, and United Parcel Service. Top employers in Richland County include State of South Carolina; Prisma Health; BlueCross BlueShield of South Carolina and Palmetto GBA; University of South Carolina; and United States Department of the Army.

## Competition

The assessment area is highly competitive in the financial services market. According to the FDIC's June 30, 2022 *Summary of Deposits Report*, 24 FDIC-insured institutions operate 140 branches within this assessment area. Of these institutions, Arthur State Bank ranked 19<sup>th</sup> and held a market share of 0.2 percent. The top five financial institutions accounted for 82.1 percent of the deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, 559 lenders reported 40,736 residential mortgage loans originated or purchased. Of these lenders, Arthur State Bank ranked 73<sup>rd</sup> with a market share of 0.2 percent, by number of loans.

Arthur State Bank is not required to collect or report its small business loan data under the CRA and has elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is relevant to understand the level of competition in the bank's assessment area. With regard to the competition for small business loans, aggregate data for 2021 indicates 134 lenders reported 17,459 small business loans, totaling \$709.7 million in the assessment area, which also demonstrates a high level of competition. The top five small business lenders accounted for 49.2 percent of total market share, by number of loans.

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

Considering demographic and economic data, examiners determined that small business loans represents a credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (91.7 percent) and the large number of businesses with four or fewer employees (56.4 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 37.8 percent of families and 39.1 percent of households are low- or moderate-income.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE COLUMBIA ASSESSMENT AREA**

### **LENDING TEST**

Arthur State Bank's lending performance within the Columbia Assessment Area is satisfactory. The bank's reasonable geographic distribution and borrower profile performance support this conclusion.

### **Geographic Distribution**

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

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. In 2020, the bank's performance in low-income census tracts increased by 5.3 percentage points to 7.3 percent compared to 2.0 percent in 2019, and exceeded demographic data by 2.8 times and aggregate data by 6.1 times. In 2021, the bank's performance declined by 5.9 percent and was 1.2 percent below demographic data, but consistent with aggregate data. In 2022, the bank's performance increased to 5.9 percent, exceeding demographic data by 3.1 times. The low percentage of owner-occupied housing and aggregate data indicate very limited lending opportunities in low-income census tracts. Home mortgage lending in moderate-income census tracts slightly exceeded demographic data and nearly doubled aggregate data. The following table reflects the distribution of home mortgage lending within the assessment area.

Geographic Distribution of Home Mortgage Loans Columbia Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	2.6	1.5	1	1.4	55	0.3
Moderate						
2021	19.1	11.0	14	20.3	2,554	15.7
Middle						
2021	34.2	29.4	19	27.5	4,026	24.8
Upper						
2021	44.0	58.1	35	50.7	9,596	59.1
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>16,231</b>	<b>100.0</b>
<i>Source: 2015 ACS, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Demographic data indicates opportunities in low-income census tracts are very limited. However, small business lending in the low-income census tracts was consistent with demographic data. Lending in moderate-income census tracts was slightly below demographic data. The following table reflects the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans Columbia Assessment Area						
Tract Income Level	% of Businesses	#	%	\$(000s)	%	
Low						
2022	3.2	2	2.5	320		2.0
Moderate						
2022	22.2	16	20.3	3,268		20.7
Middle						
2022	36.5	23	29.1	4,266		27.0
Upper						
2022	36.4	38	48.1	7,948		50.3
Not Available						
2022	1.7	-	-	-		-
<b>Total</b>						
<b>2022</b>	<b>100.0</b>	<b>79</b>	<b>100.0</b>	<b>15,802</b>		<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						

## **Borrower Profile**

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. In 2021, the bank did not originate any home mortgage loans to low-income borrowers. Although performance was poor in 2021, performance was reasonable in 2019 and 2020. It is noted that lending opportunities to low-income borrowers are limited based on the low percentage of aggregate lending during all years. Further, considering the assessment area's poverty rate of 11.5 percent, lending opportunities to low-income borrowers are limited as these families may have difficulty qualifying for credit.

In 2021, the bank's lending to moderate-income borrowers was significantly below demographic and aggregate data; however, performance was reasonable in 2019, 2020, and 2022. Of note, the bank originated a significant number of home mortgage loans for investment property purposes in 2021. The following table reflects the distribution of home mortgage loans to borrowers of different income levels.

<b>Distribution of Home Mortgage Loans by Borrower Income Level Columbia 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						
2021	21.9	5.4	--	--	--	--
Moderate						
2021	15.9	17.0	3	4.3	427	2.6
Middle						
2021	19.3	19.4	9	13.0	1,716	10.6
Upper						
2021	42.9	34.5	33	47.8	9,438	58.2
Income Not Available						
2021	--	23.7	24	34.8	4,650	28.6
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>69</b>	<b>100.0</b>	<b>16,231</b>	<b>100.0</b>
<i>Source: 2015 ACS Data, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### ***Small Business Loans***

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. While the following table indicates that a majority of the sampled small business loans were originated to small businesses, the bank's level of lending was below demographic data. However, by dollar volume, the bank's lending to small businesses was in a reasonable range of the demographic data. Strong competition in the assessment area affected lending opportunities.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category Columbia Assessment Area</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000					
2022	91.7	25	61.0	6,903	76.5
> \$1,000,000					
2022	2.1	16	39.0	2,115	23.5
Revenue Not Available					
2022	6.2	-	-	-	-
<b>Total</b>					
<b>2022</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>9,018</b>	<b>100.0</b>

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

### **COMMUNITY DEVELOPMENT TEST**

Arthur State Bank's community development performance demonstrates adequate responsiveness to community development needs in the Columbia Assessment Area through adequate community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

#### **Community Development Loans**

The bank originated 30 community development loans totaling \$4.8 million in the assessment area, which increased from the previous evaluation when no loans were originated. This activity represents 13.5 percent by number and 18.8 percent by dollar volume of the total community development loans originated during the evaluation period. All of the community development loans promoted revitalization and stabilization in the assessment area, and primarily consisted of PPP loans. The following are notable examples of the bank's community development loans originated during the evaluation period in the Columbia Assessment Area.

- In 2020, the bank refinanced a loan totaling \$900,000 to purchase a multi-tenant strip center located in a moderate-income census tract. The loan promotes revitalization and stabilization in the area.
- In 2021, the bank refinanced a loan totaling \$1.9 million to fund expansion of a business located in a moderate-income census tract. The borrower plans to add a new paint division, which will create 10 jobs. The loan promotes revitalization and stabilization.



- In 2020, the bank originated 26 PPP loans totaling \$1.6 million in low- and moderate-income census tracts in the assessment area. The loans promote revitalization and stabilization by retaining jobs for low- and moderate-income individuals.

### **Qualified Investments**

During the evaluation period, the bank made six donations totaling \$16,500 within the assessment area. The level of qualified investments and donations in this assessment area represents 13.6 percent by number and 0.4 percent by dollar volume of the total qualified investments made during the evaluation period. This assessment area also benefitted from investments made in the statewide area that includes the Columbia Assessment Area, as noted in the bank-wide Community Development Test analysis. The donations were all to community service organizations. The following are notable examples of donations provided in the assessment area.

- In 2020, the bank donated \$5,000 to a non-profit organization that provides meals, rehabilitation, transitional housing, and career development to the homeless, those in poverty, or individuals addicted to drugs.
- In 2020, the bank donated \$2,500 to a non-profit organization that provides shelter for abused and neglected children.
- In 2022, the bank donated \$2,500 to a non-profit organization that provides services to victims of abuse.

### **Community Development Services**

A bank representative conducted four community development services that benefitted the Columbia Assessment Area during the evaluation period, which supported affordable housing. This represents 2.7 percent of the total number of community development services provided during the evaluation period. The following is the bank's community development service in the assessment area.

- During 2020 through 2023, a bank representative served on the Board of a foundation that provides affordable housing in the Central Midlands region of South Carolina through financing and technical support. The organization serves 23 counties, which includes Lexington and Richland Counties.

## UNION ASSESSMENT AREA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN UNION ASSESSMENT AREA

The Union Assessment Area consists of Union County in its entirety. The bank operates two, or 13.3 percent, of its branch offices in the Union Assessment Area. The assessment area accounts for 11.1 percent of total loans and 29.8 percent of bank-wide deposits. Since the previous evaluation, the Union Assessment Area changed as a result of the 2020 U.S. Census. The following table reflects the changes in tract income level and number of census tracts based on the 2015 ACS and 2020 U.S. Census data.

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	-	-
Moderate	-	1
Middle	9	7
Upper	-	1
Income Not Assigned	-	1
<b>Total</b>	<b>9</b>	<b>10</b>
<i>Source: 2015 ACS Data and 2020 U.S. Census Data</i>		

### Economic and Demographic Data

The following table presents demographic information from the 2015 ACS census and 2022 D&B data.

Demographic Information of the Union Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	-	-	100.0	-	-
Population by Geography	28,125	-	-	100.0	-	-
Housing Units by Geography	14,049	-	-	100.0	-	-
Owner-Occupied Units by Geography	8,421	-	-	100.0	-	-
Occupied Rental Units by Geography	3,245	-	-	100.0	-	-
Vacant Units by Geography	2,383	-	-	100.0	-	-
Businesses by Geography	1,761	0.0	12.4	65.6	11.0	11.0
Farms by Geography	67	0.0	6.0	61.2	19.4	13.4
Family Distribution by Income Level	7,820	29.7	19.0	20.1	31.3	-
Household Distribution by Income Level	11,666	32.3	17.7	17.4	32.5	-
Median Family Income: South Carolina Non-MSA		\$44,609	Median Housing Value Median Gross Rent Families Below Poverty Level			\$71,242 \$614 17.3%
Source: 2015 ACS Data and 2022 D&B Data, and FFIEC Estimated Median Family Income. (*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.						

According to the Bureau of Labor Statistics, the unemployment rates for Union County significantly increased in 2020, due largely to COVID-19 pandemic-related job losses. However, unemployment rate declined by 2.3 and 1.3 percentage points in 2021 and 2022, respectively. The unemployment rate for the county was above the South Carolina rate, and relatively consistent or above the national rate across all years. The following table reflects the average annual unemployment rate for the assessment area by county, state, and nation.

<b>Unemployment Rates Union Assessment Area</b>				
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Union County	3.4	8.8	6.5	5.2
South Carolina	2.8	6.0	4.0	3.3
National Average	3.7	8.1	5.4	3.6
<i>Source: Bureau of Labor Statistics</i>				

According to the 2022 D&B data, the top industry in this assessment area was services, followed by non-classifiable establishments; retail trade; finance, insurance, and real estate; and transportation and communication. Top employers in Union County include Gestamp, Dollar General Distribution, Union County Schools, Union Medical Center, and The Timken Company South Carolina.

### Competition

The assessment area is moderately competitive in the financial services market. According to the FDIC's June 30, 2022 *Summary of Deposits Report*, three FDIC-insured institutions operate five branches within this assessment area. Of these institutions, Arthur State Bank ranked 1<sup>st</sup> and held a market share of 64.5 percent.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, 100 lenders reported 420 residential mortgage loans originated or purchased. Of these lenders, Arthur State Bank ranked 1<sup>st</sup> with a market share of 18.6 percent, by number of loans.

Arthur State Bank is not required to collect or report its small business loan data under the CRA and has elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is relevant to understand the level of competition in the bank's assessment area. With regard to the competition for small business loans, aggregate data for 2021 indicates 36 lenders reported 266 small business loans, totaling \$100 million in the assessment area, which demonstrates a high level of competition. The top five small business lenders accounted for 49.6 percent of total market share, by number of loans.

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

Considering demographic and economic data, as well as information gathered from the community contact, examiners determined that small business loans represents a credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (85.2 percent) and the large number of businesses with four or fewer employees (61.2 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 48.7 percent of families and 50.0 percent of households are low- or moderate-income.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN THE UNION ASSESSMENT AREA**

### **LENDING TEST**

Arthur State Bank's lending performance within the Union Assessment Area is satisfactory. The bank's reasonable geographic distribution and borrower profile performance support this conclusion.

### **Geographic Distribution**

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

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The assessment area only consisted of middle-income census tracts during 2019 through 2021; therefore, a review of the Geographic Distribution criterion during the respective timer period would not result in meaningful conclusions. Based on the census tract income delineation changes resulting from the 2020 U.S. Census, the bank's assessment area had one moderate-income census tract in 2022. The bank's lending performance in the moderate-income census tract at 12.1 percent is more than double demographic data of 4.8 percent.

### ***Small Business Loans***

The geographic distribution of small business loans reflects poor dispersion throughout the assessment area. Lending in the moderate-income census tract was considerably below demographic data. The following table reflects the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans Union Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	12.4	1	2.7	37	0.6
Middle					
2022	65.6	34	91.9	4,908	82.1
Upper					
2022	11.0	-	-	-	-
Not Available					
2022	11.0	2	5.4	1,033	17.3
<b>Total</b>					
<b>2022</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>5,978</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

### **Borrower Profile**

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

### ***Home Mortgage Loans***

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. The bank's home mortgage lending performance to low-income borrowers more than doubled aggregate data, but was significantly below demographic data. In 2022, the bank's performance improved by 7.5 percentage points, but remained below demographic data. Lending opportunities in low-income census tracts are limited based on the low percentage of aggregate data and strong competition. Further, the assessment area's poverty rate of 17.3 percent limits lending opportunities to low-income borrowers as these families may have difficulty qualifying for credit. Home mortgage lending performance to moderate-income borrowers was slightly below aggregate data and below demographic data. The following table reflects the distribution of home mortgage loans to borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level Union Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	29.7	5.2	6	10.7	443	5.8
Moderate						
2021	19.0	16.7	8	14.3	553	7.2
Middle						
2021	20.1	23.8	9	16.1	937	12.3
Upper						
2021	31.3	35.7	31	55.4	5,559	72.7
Income Not Available						
2021	0.0	18.6	2	3.6	157	2.0
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>56</b>	<b>100.0</b>	<b>7,649</b>	<b>100.0</b>
<i>Source: 2015 ACS Data, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

### Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to small businesses was below, but in a reasonable range of, demographic data. It is noted that 46.7 percent of the small business loans made were to businesses with gross annual revenues less than \$250,000, indicating the bank's willingness to lend to smaller businesses. The following table reflects the distribution of small business loans among businesses of different sizes

Distribution of Small Business Loans by Gross Annual Revenue Category Union Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2022	85.2	20	66.7	2,713	49.0
> \$1,000,000					
2022	2.5	10	33.3	2,819	51.0
Revenue Not Available					
2022	12.3	-	-	-	-
<b>Total</b>					
<b>2022</b>	<b>100.0</b>	<b>30</b>	<b>100.0</b>	<b>5,532</b>	<b>100.0</b>
<i>Source: 2022 D&amp;B Data and 2022 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

## COMMUNITY DEVELOPMENT TEST

Arthur State Bank's community development performance demonstrates excellent responsiveness to community development needs in the Union Assessment Area through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

### Community Development Loans

The bank originated 84 community development loans totaling \$4.9 million in the assessment area, which increased from the previous evaluation when no loans were originated. This activity represents 37.7 percent by number and 19.4 percent by dollar volume of the total community development loans originated during the evaluation period. Community development loans primarily consisted of PPP loans, which promoted revitalization and stabilization. The following are notable examples of the bank's community development loans originated during the evaluation period in the Union Assessment Area.

- In 2020, the bank originated a loan totaling \$127,000 to fund the purchase and renovation of a town hall located in a distressed middle-income census tract. The hall provides municipal services to residents. The loan promotes revitalization and stabilization.
- In 2021, the bank originated a \$1.9 million loan to purchase equipment to outfit a new warehouse for a national distribution company that will create 61 new jobs, mostly for low- and moderate-income individuals. This loan promotes economic development by creating jobs for low- and moderate-income individuals.
- In 2020, the bank originated 78 PPP loans totaling \$2.7 million to businesses in distressed non-metropolitan middle-income census tracts in the assessment area. The loans promote revitalization and stabilization.

### Qualified Investments

During the evaluation period, the bank made one investment and five donations totaling \$3.5 million within the assessment area. The level of qualified investments and donations in this assessment area represents 13.6 percent by number and 76.7 percent by dollar volume of the total qualified investments made during the evaluation period. The current level of qualified investments is an increase from the previous evaluation, as the bank did not have any at that time. The donations were all to community service organizations. The following are notable examples of donations provided in the assessment area.

- In 2021, the bank invested \$3.5 million in a general obligation bond that was used to acquire, improve, and renovate a county's sheriff's office facilities, EMS facility, detention center, and county government complex. Funds were also used to purchase EMS equipment, county vehicles, road maintenance, communication, and recycling equipment.

- In 2020, the bank donated \$5,000 to a non-profit organization whose mission is to provide counseling for the abused, addicted, and others in need.
- In 2021, the bank donated \$1,000 to a non-profit organization that provides food, clothing, and shelter to low- and moderate-income individuals.

### **Community Development Services**

Bank representatives conducted 73 community development services that benefited the Union Assessment Area during the evaluation period, which primarily supported community services. This represents 49.3 percent of the total number of community development services provided during the evaluation period. The following are notable examples of the bank's community development services in the assessment area.

- During 2023, a bank representative served on the Board of a county disability and special needs agency that provides services to low-income residents in the county.
- During 2020 through 2023, two bank representatives taught an educational financial literacy program to students at a high school. All of the students receive free or reduced-price meals.
- During 2022, a bank representative assisted a civic organization with fundraising. The organization provides grants to community organizations that offer essential services to low- and moderate-income individuals.



## YORK ASSESSMENT AREA – Limited-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN YORK ASSESSMENT AREA

The York Assessment Area consists of York County in its entirety, which is part of the Charlotte-Concord-Gastonia, North Carolina-South Carolina MSA. The bank operates one, or 6.7 percent, of its branch offices in the York County Assessment Area. The assessment area accounts for 13.4 percent of total loans and 1.9 percent of bank-wide deposits. Since the previous evaluation, the York Assessment Area changed as a result of the 2020 U.S. Census. The following table reflects the changes in tract income level and number of census tracts based on the 2015 ACS and 2020 U.S. Census data.

Tract Income Level	# of Census Tracts 2015 ACS	# of Census Tracts 2020 U.S. Census
Low	2	1
Moderate	12	11
Middle	19	27
Upper	12	15
Income Not Assigned	1	1
<b>Total</b>	<b>46</b>	<b>55</b>

Source: 2015 ACS Data and 2020 U.S. Census Data

### Economic and Demographic Data

The following table presents demographic information from the 2015 ACS census and 2022 D&B data.

Demographic Information of the York Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	46	4.3	26.1	41.3	26.1	2.2
Population by Geography	240,076	2.7	20.7	42.8	33.0	0.8
Housing Units by Geography	97,834	3.0	22.1	44.0	30.9	-
Owner-Occupied Units by Geography	64,200	1.8	16.4	45.9	35.9	-
Occupied Rental Units by Geography	26,122	5.1	35.0	38.1	21.8	-
Vacant Units by Geography	7,512	5.8	25.9	48.5	19.7	-
Businesses by Geography	31,220	2.8	19.2	40.1	37.8	0.1
Farms by Geography	792	0.8	12.6	59.1	27.5	-
Family Distribution by Income Level	64,399	21.0	17.5	19.4	42.1	0.0
Household Distribution by Income Level	90,322	23.7	15.7	17.3	43.2	0.0
Median Family Income: Charlotte-Concord-Gastonia, North Carolina-South Carolina MSA	\$64,187	Median Housing Value Median Gross Rent Families Below Poverty Level				\$169,492 \$845 10.5%

Source: 2015 ACS Data and 2022 D&B Data, and FFIEC Estimated Median Family Income. (\*) The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.

According to the Bureau of Labor Statistics, the annual unemployment rates for York County for 2019, 2020, 2021, and 2022 were 2.7 percent, 5.8 percent, 3.7 percent, and 3.2 percent, respectively. The county's unemployment rate was consistent with the state rate, but below or consistent with the national rate, for all years. The assessment area's largest employers include Ross Store, Incorporated, LPL Financial, Rock Hill School District, Fort Mill School District, and Piedmont Medical Center.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN YORK ASSESSMENT AREA**

### **LENDING TEST**

Arthur State Bank's lending performance in the York Assessment Area is consistent with the lending performance in the four assessment areas that were reviewed using full-scope examination procedures. Tables illustrating the bank's geographic distribution and borrower profile performance for the assessment area is included in the Appendices.

### **COMMUNITY DEVELOPMENT TEST**

The bank's community development performance in the assessment area is below the community development performance in the four assessment areas that were reviewed using full-scope examination procedures. However, it does not change the institution rating. Tables illustrating the bank's community development performance for the assessment area are included in the Appendices.

## APPENDICES

LENDING TEST PERFORMANCE TABLES –  
LIMITED SCOPE ASSESSMENT AREAS

## York Assessment Area

Geographic Distribution of Home Mortgage Loans York Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	1.8	1.0	1	3.0	180	1.9
Moderate						
2021	16.4	12.9	3	9.1	1,074	11.5
Middle						
2021	45.9	33.8	25	75.8	6,818	73.1
Upper						
2021	35.9	52.3	4	12.1	1,254	13.4
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>9,326</b>	<b>100.0</b>
<i>Source: 2015 ACS, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Distribution of Home Mortgage Loans by Borrower Income Level York Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2021	21.0	4.9	3	9.1	484	5.2
Moderate						
2021	17.5	14.7	4	12.1	1,209	13.0
Middle						
2021	19.4	20.1	12	36.4	3,381	36.3
Upper						
2021	42.1	43.4	14	42.4	4,252	45.6
Not Available						
2021	0.0	16.9	0	0.0	0	0.0
<b>Total</b>						
<b>2021</b>	<b>100.0</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>9,326</b>	<b>100.0</b>
<i>Source: 2015 ACS Data, 2021 HMDA Reported Data, and 2021 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

## COMMUNITY DEVELOPMENT TEST PERFORMANCE TABLES

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Spartanburg Assessment Area	-	-	1	91	2	2,125	55	5,166	58	7,382
Greenville Assessment Area	-	-	1	500	-	-	44	6,583	45	7,083
Columbia Assessment Area	-	-	-	-	-	-	30	4,808	30	4,808
Union Assessment Area	-	-	4	220	1	1,900	79	2,843	84	4,963
York Assessment Area	-	-	-	-	-	-	3	136	3	136
Bank-wide	-	-	-	-	3	1,200	-	-	3	1,200
<b>Total</b>	-	-	6	811	6	5,225	211	19,536	223	25,572
<i>Source: Bank Data.</i>										

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Total	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Spartanburg Assessment Area	-	-	15	23	-	-	-	-	15	23
Greenville Assessment Area	-	-	14	25	-	-	-	-	14	25
Columbia Assessment Area	-	-	5	16	1	<1	-	-	6	16
Union Assessment Area	-	-	6	3,510	-	-	-	-	6	3,510
York Assessment Area	-	-	2	3	-	-	-	-	2	3
Bank-wide	1	1,000	-	-	-	-	-	-	1	1,000
<b>Total</b>	1	1,000	42	3,577	1	<1	-	-	44	4,577
<i>Source: Bank Data.</i>										

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Total
	#	#	#	#	#
Spartanburg Assessment Area	-	1	8	-	9
Greenville Assessment Area	-	24	17	4	45
Columbia Assessment Area	4	-	-	-	4
Union Assessment Area	-	66	7	-	73
York Assessment Area	-	17	-	-	17
<b>Total</b>	4	108	32	4	148
<i>Source: Bank Data</i>					

## **INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA**

### **Lending Test**

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

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

### **Community Development Test**

The Community Development Test considers the following criteria:

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

## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



### **Home Mortgage Disclosure Statement**

The HMDA data about our residential mortgage lending is available online for review. The data shows geographic distribution of loans and applications; ethnicity, race, sex, age, and income of applicants and borrowers; and information about loan approvals and denials.

These data are available online at the Consumer Financial Protection Bureau's website([Home Mortgage Disclosure Act \(HMDA\) Data | Consumer Financial Protection Bureau \(consumerfinance.gov\)](https://www.consumerfinance.gov/home-mortgage-disclosure-act-hmda-data)).

HMDA data for many other financial institutions are also available at this website.