

PUBLIC DISCLOSURE

March 1, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Oconee State Bank

Certificate Number: 18143

35 North Main Street
Watkinsville, Georgia 30677

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 assessment areas' credit needs.
- The bank made a majority of the small business and home mortgage loans reviewed within the assessment areas.
- The geographic distribution of loans reflects poor penetration throughout the assessment areas, particularly to low- or moderate-income geographies in the assessment areas.
- The distribution of borrowers reflects an overall reasonable penetration of loans to businesses of different sizes and individuals of different income levels.
- The bank has not received any Community Reinvestment Act (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 an overall adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in arriving at this conclusion. The overall level of community development activities increased institution-wide since the last evaluation.

DESCRIPTION OF INSTITUTION

Background

Oconee State Bank is a state-chartered institution headquartered in Watkinsville, Oconee County, Georgia. The bank is a wholly owned subsidiary of Oconee Financial Corporation, a one-bank holding company also located in Watkinsville. The bank operates one subsidiary, Oconee State Financial Services, which offers investment products and services to its customers. There has not been any merger or acquisition activity since the previous evaluation.

Oconee State Bank received a “Satisfactory” rating at its previous FDIC CRA performance evaluation dated, April 30, 2019. The bank’s CRA performance was evaluated using Interagency Intermediate Small Bank Examination Procedures.

Operations

Oconee State Bank operates four full-service branch offices, all within the State of Georgia. Operations include branches in the following cities: the main office in Watkinsville and one full-service office in Bogart (both Oconee County), one in Athens (Clarke County), and one in Duluth (Gwinnett County). In addition to the full service offices, the bank operates a limited-service, detached drive-thru facility in Watkinsville. Since the previous evaluation, the bank converted its loan production office in Clarke County to a full-service branch office. In addition, the Gwinnett County office was relocated to an area approximately one mile from its original location. The Oconee and Clarke County offices operate in upper-income census tracts. The Gwinnett County office is located in a middle-income census tract.

The bank offers a variety of loan and deposit products to help meet the needs of businesses and individuals within its assessment areas. Commercial loan products offered include real estate and construction loans, lines of credit, and various secured and unsecured installment loans. Consumer loan products include automobile loans, secured and unsecured installment loans, lines-of-credit, and credit cards. The bank also offers traditional long-term mortgage options through its mortgage department, which are sold on the secondary market.

Deposit products offered for commercial and consumer products include checking, savings, money market accounts, certificates of deposit, and individual retirement accounts. Retail banking services are available through alternative delivery systems such as online banking and billpay, telephone banking, and mobile banking with mobile check deposit. In addition, automated teller machines are located throughout the assessment areas and all offer deposit capabilities. The bank’s website, www.oconeeestatebank.com, provides details on bank products and services and allows transfers between accounts.

Ability and Capacity

As of the December 31, 2021, Consolidated Reports of Condition and Income, Oconee State Bank had total assets of \$570.1 million, total loans of \$303.7 million, total deposits of \$522.7 million, and total securities of \$162.1 million. As indicated in the table below, commercial loans (loans secured by

non-farm, non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 69.6 percent, followed by loans secured by 1-4 family residential properties at 15.8 percent.

| Loan Portfolio Distribution as of 12/31/2021 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 24,065 | 7.9 |
| Secured by Farmland | 2,678 | 0.9 |
| Secured by 1-4 Family Residential Properties | 48,070 | 15.8 |
| Secured by Multifamily (5 or more) Residential Properties | 15,812 | 5.2 |
| Secured by Nonfarm Nonresidential Properties | 196,801 | 64.8 |
| Total Real Estate Loans | 287,426 | 94.6 |
| Commercial and Industrial Loans | 14,621 | 4.8 |
| Agricultural Production and Other Loans to Farmers | 17 | 0 |
| Consumer Loans | 2,440 | 0.8 |
| Obligations of State and Political Subdivisions in the U.S. | - | - |
| Other Loans | 13 | 0 |
| LESS: unearned income | 781 | 0.2 |
| Total Loans | 303,736 | 100.0 |
| <i>Source: Reports of Condition and Income. Totals may not equal 100.0 percent due to rounding.</i> | | |

Examiners did not identify any financial or legal impediments that would affect the bank’s ability to meet the credit needs of its assessment areas. However, there is a moderate level of competition in the Athens Assessment Area and a high level of competition in the Atlanta Assessment Area from financial institutions, credit unions, and non-depository lenders that may affect loan and investment opportunities. Refer to the *Competition* discussions under *Description of Assessment Area* section(s) for additional details.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which to evaluate its CRA performance. Oconee State Bank defined its assessment areas consistent with the technical requirements of the CRA regulation. The bank’s assessment areas include whole geographies and do not arbitrarily exclude any low- or moderate-income geographies that it would reasonably be expected to serve.

Oconee State Bank has designated two assessment areas within the State of Georgia. Both are located within a metropolitan statistical area (MSA): the Athens-Clarke County (Athens) MSA and the Atlanta-Sandy Springs-Alpharetta, GA (Atlanta) MSA assessment areas. The Athens Assessment Area is comprised of the entirety of Clarke and Oconee counties. The Atlanta Assessment Area is comprised of the entirety of Gwinnett County. Refer to the *Description of Institution’s Operations* section for each assessment area for additional information.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated April 30, 2019, to the current evaluation dated March 1, 2022, using Interagency Intermediate Small Institutions Examination Procedures. These procedures include the CRA Small Bank Lending Test and the Community Development Test, as described in the Appendices.

A full scope evaluation was performed for the Athens Assessment Area, as this is where the majority of branch offices are located and a substantial majority of lending activity occurs. A limited-scope evaluation was performed for the Atlanta Assessment Area due to its considerably lower lending volume. More weight is given to the conclusions within the Athens Assessment Area as this area received a full scope evaluation.

Activities Reviewed

A review of bank records indicate the lending focus and product mix has not changed significantly since the previous evaluation; however, the bank reestablished its mortgage department due to increased demand in the assessment areas. While the overall mortgage loan volume significantly increased since the previous evaluation, the bank remains primarily a commercial lender. Examiners reviewed small business and home mortgage loans to assess the bank’s lending performance, as these loans represent the major product lines as indicated by the loan portfolio. Consumer loans and loans secured by farmland do not represent a major product line and were not evaluated. Small business loans were given more weight in the analysis as they represent a larger portion of the bank’s lending activity by volume and dollar amount from January 1, 2021, through December 31, 2021, as revealed in the table below.

| Loans Originated | | | | |
|---|------------|--------------|----------------|--------------|
| Loan Category | # | % | \$ | % |
| Construction and Land Development | 79 | 8.5 | 33,226 | 16.3 |
| Secured by Farmland | 6 | 0.6 | 2,204 | 1.1 |
| Secured by 1-4 Family Residential Properties | 208 | 22.5 | 31,179 | 15.3 |
| Multi-Family (5 or more) Residential Properties | 4 | 0.4 | 24,336 | 11.9 |
| Commercial Real Estate Loans | 92 | 9.9 | 82,070 | 40.3 |
| Commercial and Industrial Loans | 341 | 36.9 | 28,497 | 14.0 |
| Agricultural Loans | - | - | - | - |
| Consumer Loans | 195 | 21.1 | 2,189 | 1.1 |
| Other Loans | - | - | - | - |
| Total Loans | 925 | 100.0 | 203,701 | 100.0 |
| <i>Source: Bank Data, January 1, 2021 through December 31, 2021. Due to rounding, totals may not equal 100.0 percent.</i> | | | | |

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While the number and dollar volume of loans are presented, examiners focused on performance by number of loans as it is a better indicator of the number of businesses and individuals served.

Examiners reviewed 2020 and 2021 small business loans given that the Covid-19 Pandemic affected economic conditions and lending in its assessment areas. The bank originated/purchased 781 small business loans totaling \$74.5 million in calendar year 2020 and 389 small business loans totaling \$44.8 million in calendar year 2021. The entire universe of small business loans was evaluated for *Assessment Area Concentration*. Due to pertinent information not readily available, examiners selected a random sample of 88 small business loans totaling \$8.2 million for 2020 and 80 loans totaling \$8.4 million originated within the assessment areas to analyze *Borrower Profile* performance. Dun & Bradstreet (D&B) data for 2020 and 2021 provided a standard of comparison for small business loans.

Examiners noted the government implemented the Paycheck Protection Program (PPP) through the Small Business Administration (SBA) in 2020 to offer economic relief to small businesses adversely impacted by the Covid-19 Pandemic. The bank participated in the program, originating 588 PPP loans (75.3 percent of originations) totaling \$36.1 million in 2020 and 234 PPP loans (60.2 percent of originations) totaling \$18.1 million in 2021.

Oconee State Bank is subject to the Home Mortgage Disclosure Act (HMDA) and, therefore, required to collect and report certain data concerning applications for home purchase, home refinance, and home improvement loans. This evaluation includes an analysis of the bank's home mortgage loans originated from January 1, 2019, through December 31, 2021. During 2019, 2020, and 2021, the bank originated 102, 322, and 269 loans totaling \$24.7, \$82.9, and \$74.9 million, respectively. Examiners considered the percentage of families by income level, the percentage of owner-occupied housing units by geography, and aggregate lending data of other HMDA reporters within the assessment areas for comparison purposes. Only 2020 HMDA data is presented in the *Geographic Distribution* and *Borrower Profile* tables, as it is the most recent year for which aggregate lending data was available. Also, no significant trends were identified between the 2019 to 2021 home mortgage lending that materially affected the conclusions. Aggregate data for 2020 and the 2015 American Community Survey (ACS) data provided a standard of comparison for home mortgage loans.

For the Community Development Test, examiners reviewed information provided by bank management on community development loans, qualified investments, and community development services from May 1, 2019 through March 1, 2022.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Oconee State Bank demonstrated reasonable performance under the Lending Test. The net loan-to-deposit ratio, assessment area concentration, and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

Oconee State Bank's net loan-to-deposit (NLTD) ratio is reasonable, given the bank's size, financial condition, and assessment areas credit needs. Oconee State Bank averaged a NLTD ratio of 71.8

percent over the previous 11 calendar quarters, from June 30, 2019 through December 31, 2021, since the prior evaluation. The quarterly NLTD ratios ranged from a high of 84.8 percent on September 30, 2020, to a low of 57.2 percent on December 31, 2021.

While the bank has several competitors within the assessment areas, none is similarly situated relative to total assets, markets served, products offered, and office locations. As a result, the bank’s average NLTD ratio was compared to that of a peer group as defined by the Uniform Bank Performance Report (UBPR), which includes insured commercial banks with total assets of \$300 million to \$1 billion. The UBPR peer group’s average NLTD ratio, calculated over the same 11 quarters at 77.0 percent, is slightly higher than Oconee State Bank’s average NLTD ratio. The UBPR peer group NLTD ratios ranged from a low of 68.0 percent on December 31, 2021, to a high of 83.2 percent on June 30, 2019.

Oconee State Bank assists in meeting the home mortgage financing needs of individuals within its assessment areas through its secondary market lending channel. Loans sold to the secondary market do not show on the bank’s books and is not reflected in the NLTD ratio. Since the previous evaluation, the bank sold 69 loans totaling \$18.4 million from May 1, 2019 through year-end 2019, 299 loans totaling \$77.8 million in 2020, and 258 loans totaling \$72.6 million in 2021.

Assessment Area Concentration

The bank originated a majority of small business loans and home mortgage loans inside the institution-wide assessment area, with a substantial majority originated in the Athens Assessment Area. Refer to the tables below for details on lending activity inside and outside the assessment areas.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|------------|---------------------------------|-------------|---------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2019 | 65 | 63.7 | 37 | 36.3 | 102 | 16,315 | 65.9 | 8,446 | 34.1 | 24,762 |
| 2020 | 199 | 61.8 | 123 | 38.2 | 322 | 50,835 | 61.3 | 32,079 | 38.7 | 82,914 |
| 2021 | 164 | 61.0 | 105 | 39.0 | 269 | 46,160 | 61.6 | 28,763 | 38.4 | 74,922 |
| Subtotal | 428 | 61.8 | 265 | 38.2 | 693 | 113,310 | 62.1 | 69,288 | 37.9 | 182,598 |
| Small Business | | | | | | | | | | |
| 2020 | 391 | 57.4 | 290 | 42.6 | 681 | 31,999 | 48.8 | 33,550 | 51.2 | 65,549 |
| 2021 | 182 | 57.6 | 134 | 42.4 | 316 | 21,056 | 57.5 | 15,575 | 42.5 | 36,631 |
| Subtotal | 573 | 57.5 | 424 | 42.5 | 997 | 53,055 | 51.9 | 49,125 | 48.1 | 102,180 |
| <i>Source: 2019, 2020, and 2021 HMDA Data, 2020 and 2021 Small Business Bank Data; Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | |

| Small Business Lending Activity in Assessment Area | | | | |
|---|------------|--------------|-----------------|--------------|
| Assessment Area | # | % | \$(000s) | % |
| Athens Assessment Area | 421 | 73.5 | 30,903 | 58.2 |
| Atlanta Assessment Area* | 152 | 26.5 | 22,152 | 41.8 |
| Total Small Business Loans | 573 | 100.0 | 53,055 | 100.0 |

*Source: Small Business Bank Records from January 1, 2020 through December 31, 2021. *Limited Scope Review*

| Home Mortgage Lending Activity in Assessment Area | | | | |
|--|------------|--------------|-----------------|--------------|
| Assessment Area | # | % | \$(000s) | % |
| Athens Assessment Area | 397 | 92.8 | 103,500 | 91.4 |
| Atlanta Assessment Area* | 31 | 7.2 | 9,800 | 8.6 |
| Total Mortgage Loans | 428 | 100.0 | 113,300 | 100.0 |

*Source: 2018, 2019, and 2020 HMDA Reported Data. *Limited Scope Review*

Geographic Distribution

The geographic distribution of small business and home mortgage loan reflects poor penetration, particularly in low- or moderate-income geographies in the assessment areas. This conclusion is consistent throughout the assessment areas. Home mortgage loans reflect reasonable penetration in the Athens Assessment Area. Analyses of this section consider only loans originated inside the bank's assessment areas. Refer to the *Geographic Distribution* sections of each assessment area for further details.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes and individuals of different income levels, including low- and moderate-income. This conclusion is not consistent throughout the assessment areas, but reflects the bank's performance in the Athens Assessment Area as it received more weight. Analyses of this section consider only loans originated inside the bank's assessment areas. Refer to the *Borrower Profile* sections of each assessment area for further details.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Oconee State Bank's Community Development Test is rated Satisfactory. Overall, the bank has demonstrated adequate responsiveness to the community development needs of the institution-wide assessment area through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in arriving at this conclusion. The overall level of community development activities increased institution-wide since the last evaluation.

Community Development Loans

During the evaluation period, the bank originated, renewed, or refinanced 53 community development loans totaling \$19.0 million compared to 11 community development loans totaling \$10.6 million at the previous evaluation. Based on dollar volume, the bank's current level of community development loans represents 6.2 percent of total loans and 3.3 percent of total assets, as of December 31, 2021. At the previous evaluation, the percentages were 4.7 percent of total loans and 3.0 percent of total assets. The increase in community development loans is attributed to PPP loan originations; 83 percent (44 of 53) of these loans totaling \$10.4 million were PPP loans.

The bank originated, renewed, or refinanced the majority of its community development loans in the institution-wide area. The following tables detail the bank's community development lending activity by rated area, purpose, and year during the evaluation period.

| Community Development Lending by Assessment Area | | | | | | | | | | |
|--|--------------------|----------|--------------------|----------|----------------------|--------------|-------------------------|---------------|-----------|---------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total* | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Athens | - | - | - | - | 3 | 6,629 | 19 | 5,878 | 22 | 12,507 |
| Atlanta | - | - | - | - | 1 | 213 | 25 | 4,558 | 26 | 4,771 |
| Statewide Activities | - | - | - | - | 5 | 1,664 | - | - | 5 | 1,664 |
| Total* | - | - | - | - | 9 | 8,506 | 44 | 10,436 | 53 | 18,942 |

*Source: Bank Records from May 1, 2019 through March 1, 2022. *Totals may differ due to rounding.*

| Community Development Lending by Year | | | | | | | | | | |
|---------------------------------------|--------------------|----------|--------------------|----------|----------------------|--------------|-------------------------|---------------|-----------|---------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total* | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2019 (Partial) | - | - | - | - | 1 | 1,777 | - | - | 1 | 1,777 |
| 2020 | - | - | - | - | 6 | 5,960 | 44 | 10,436 | 50 | 16,396 |
| 2021 | - | - | - | - | 2 | 769 | - | - | 2 | 769 |
| 2022 (YTD) | - | - | - | - | - | - | - | - | - | - |
| Total* | - | - | - | - | 9 | 8,506 | 44 | 10,436 | 53 | 18,942 |

*Source: Bank Records from May 1, 2019 through March 1, 2022. *Totals may differ due to rounding.*

Below are details of the statewide community development loans originated during the evaluation period:

- In 2020, the bank originated one loan totaling \$580,500 under the SBA's Certified Development Company/504 Loan Program, which is designed to promote economic development through job creation and retention. The SBA 504 Loan Program helps businesses grow by providing financing for major fixed assets, including owner-occupied real estate and heavy equipment. The funds were used to purchase a 23-acre recreational vehicle (RV) park and campgrounds located in Clarkesville (Rabun County), Georgia. Most jobs created were primarily low- or moderate-income positions.

- In 2020, the bank originated one loan totaling \$364,000 under the SBA’s Certified Development Company/504 Loan Program. The funds were used to purchase a 3,300 square foot dental clinic located in Monroe (Walton County), Georgia. Most jobs created were primarily moderate-income administrative and entry-level healthcare positions.
- In 2020, the bank originated one loan totaling \$307,000 under the SBA’s Certified Development Company/504 Loan Program. The funds were used to purchase a 3,400 square foot dental clinic located in Greensboro (Greene County), Georgia. Most jobs created were primarily moderate-income administrative and entry-level healthcare positions.

Refer to the *Community Development Test* section of each assessment area for additional details concerning the bank’s Community Development Lending within the individual assessment areas.

Qualified Investments

During the evaluation period, the bank made one qualified investment in a Federal National Mortgage Association (FNMA) Multifamily Mortgage-Backed Security (MBS) in 2021 for \$512,469. The underlying mortgage loan associated with this MBS is secured by a 108-unit apartment building located in a moderate-income census tract in Conyers (Rockdale County), GA. Approximately 99.0 percent of the apartment residents are eligible for the U.S Department of Housing and Urban Development (HUD) Section 8 rental assistance program. In addition, the bank made 19 donations totaling \$36,267.

The bank’s qualified investments and donations totaled \$548,736, which equates to 0.1 percent of total assets and 0.3 percent of total securities as of December 31, 2021. Since the previous evaluation, the level of investment activity has remained relatively unchanged as a percent of total assets and total securities, but has increased in terms of dollar volume. Qualified investments at the previous evaluation totaled \$376,000 and represented 0.1 percent of total assets and 0.4 percent of total securities. The following tables detail community development qualified investments and donations by purpose, rated area, and year during the evaluation period.

| Qualified Investments by Assessment Area | | | | | | | | | | |
|---|---------------------------|----------------|---------------------------|----------------|-----------------------------|----------------|--------------------------------|----------------|---------------|----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total* | |
| | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) |
| Athens | - | - | 11 | 21 | - | - | - | - | 11 | 21 |
| Atlanta | - | - | 3 | 1 | - | - | 1 | 1 | 4 | 2 |
| Statewide | 1 | 512 | 4 | 14 | - | - | - | - | 5 | 526 |
| Total* | 1 | 512 | 18 | 36 | - | - | 1 | 1 | 20 | 549 |

*Source: Bank Records from May 1, 2019 through March 1, 2022. *Totals may differ due to rounding.*

| Community Development Qualified Investments by Year | | | | | | | | | | |
|---|--------------------|------------|--------------------|-----------|----------------------|----------|-------------------------|----------|-----------|------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total* | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | - | - | - | - | - | - | - | - | - | - |
| 2019 (Partial) | - | - | - | - | - | - | - | - | - | - |
| 2020 | - | - | - | - | - | - | - | - | - | - |
| 2021 | 1 | 512 | - | - | - | - | - | - | 1 | 512 |
| 2022 (Year-to-Date) | - | - | - | - | - | - | - | - | - | - |
| Subtotal | 1 | 512 | - | - | - | - | - | - | 1 | 512 |
| Qualified Grants & Donations | - | - | 18 | 36 | - | - | 1 | 1 | 19 | 37 |
| Total* | 1 | 512 | 18 | 36 | - | - | 1 | 1 | 20 | 549 |

*Source: Bank Records: May 1, 2019 through March 1, 2022. *Totals may differ due to rounding.*

Refer to the *Community Development Test* section of each assessment area for further details of Qualified Investments and Donations.

Community Development Services

Oconee State Bank provided community development services that helped to address community development needs within the institution-wide assessment area. These services meet the definition of community development and relate to the provision of financial services, as required by the CRA regulation. The institution’s officers and employees served in various financial capacities providing financial expertise to community organizations that provide services primarily to low- and moderate-income families and individuals.

During the evaluation period, bank employees provided 80 instances of financial expertise or technical assistance to various organizations, all within the Athens Assessment Area. The level of community development services provided by the bank increased since the previous evaluation when there were 10 instances of services provided by employees. The following table illustrates the bank’s community development services within the Athens Assessment Area by year and purpose.

| Community Development Services | | | | | |
|--------------------------------|--------------------|--------------------|----------------------|-------------------------|-----------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Total |
| | # | # | # | # | # |
| 2019 (Partial) | - | 8 | 11 | - | 19 |
| 2020 | - | 12 | 16 | - | 28 |
| 2021 | - | 12 | 16 | - | 28 |
| 2022 (YTD) | - | 2 | 3 | - | 5 |
| Total | - | 34 | 46 | - | 80 |

Source: Bank Data from May 1 2019 through March 1, 2022

The bank also maintains accounts and services that are intended to benefit low- and moderate-income families. The following are examples of retail services provided during the evaluation period that benefited the institution-wide assessment area.

- The bank offers a free checking account that has no minimum balance requirement and no maintenance or check charge fees, which benefits low- and moderate-income individuals.
- The bank provides mobile banking capability, including mobile deposit, for account holders, which is particularly helpful in reaching and delivering services to low- and moderate-income individuals.
- The bank maintains Interest on Lawyers Trust Accounts (IOLTAs). The interest earned by law firms on the IOLTAs is used to fund pro bono legal services for low- and moderate-income individuals who cannot afford to pay for legal services.

Refer to the *Community Development Test* section of each assessment area for further details of the bank's Community Development Services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. No evidence of discriminatory or other illegal credit practices was identified. Therefore, this consideration did not affect the institution's overall CRA rating.

ATHENS ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE ATHENS ASSESSMENT AREA

The Athens Assessment Area is comprised of the entirety of Clarke and Oconee Counties. The bank operates 3 full-service branch locations and a detached drive-thru only facility (80.0 percent of operations) in the assessment area. The bank's lending in this assessment area represents 80.9 percent of the loans originated inside its assessment areas and 92.6 percent of its deposits (based on the *FDIC's June 30, 2021 Summary of Deposit Market Share Report*.)

Economic and Demographic Data

The following table presents demographic information from the 2015 ACS and 2020 and 2021 D&B data.

| Demographic Information of the Athens MSA Assessment Area | | | | | | |
|--|---------|------------|------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 36 | 19.4 | 11.1 | 27.8 | 38.9 | 2.8 |
| Population by Geography | 155,305 | 17.1 | 10.0 | 28.4 | 39.5 | 5.0 |
| Housing Units by Geography | 64,376 | 17.7 | 10.4 | 32.4 | 39.0 | 0.5 |
| Owner-Occupied Units by Geography | 27,002 | 9.1 | 6.8 | 30.1 | 53.9 | 0.0 |
| Occupied Rental Units by Geography | 28,234 | 24.2 | 13.3 | 34.3 | 27.2 | 1.0 |
| Vacant Units by Geography | 9,140 | 23.0 | 12.2 | 33.1 | 31.1 | 0.7 |
| Businesses by Geography (2020) | 15,463 | 12.0 | 6.6 | 28.7 | 51.5 | 1.2 |
| Businesses by Geography (2021) | 18,539 | 12.3 | 7.0 | 29.0 | 50.6 | 1.1 |
| Farms by Geography | 643 | 7.8 | 6.2 | 21.5 | 64.1 | 0.5 |
| Family Distribution by Income Level | 30,336 | 25.2 | 13.8 | 16.9 | 44.0 | 0.0 |
| Household Distribution by Income Level | 55,236 | 29.9 | 13.5 | 14.3 | 42.3 | 0.0 |
| Median Family Income MSA - 12020 Athens-Clarke County, GA MSA | | \$57,116 | Median Housing Value | | | \$173,689 |
| | | | Median Gross Rent | | | \$809 |
| | | | Families Below Poverty Level | | | 16.8% |
| Source: 2015 ACS and 2020 & 2021 D&B Data; Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification. | | | | | | |

The 2015 ACS data shows that a significant majority of owner-occupied housing units and businesses in the assessment area are in middle- and upper-income areas.

According to 2020 D&B data, gross annual revenues (GARs) for businesses in the assessment area were:

- 86.6 percent have \$1 million or less;
- 3.5 percent have more than \$1 million; and,
- 9.9 percent have unknown revenues.

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of businesses by GARs. Service industries represent the largest portion of businesses (38.2 percent) in the assessment area, followed by non-classifiable establishments (23.2 percent) and retail trade (11.4 percent). Various other sectors make up the remaining percentages. In addition, 59.7 percent of the businesses in the assessment area have four or fewer employees, and 90.3 percent operate from a single location.

The 2021 D&B data reveals GARs for businesses in the assessment area are:

- 88.3 percent have \$1 million or less;
- 2.8 percent have more than \$1 million; and,
- 8.9 percent have unknown revenues.

Service industries continued to represent the largest portion of businesses (36.7 percent) in the assessment area, followed by non-classifiable establishments (25.5 percent), and retail trade (10.7 percent). Various other sectors make up the remaining percentages. In addition, 59.4 percent of the businesses in the assessment area have four or fewer employees and 91.7 percent operate from a single location.

Examiners used the FFIEC’s median family income (MFI) data to analyze the bank’s home mortgage lending under the *Borrower Profile* criterion. The following table reflects the MFI ranges for the low-, moderate-, middle-, and upper-income categories in the Athens MSA assessment area.

| Median Family Income Ranges | | | | |
|--|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Athens-Clarke County, GA MSA Median Family Income (12020) | | | | |
| 2020 (\$65,600) | <\$32,800 | \$32,800 to <\$52,480 | \$52,480 to <\$78,720 | ≥\$78,720 |
| <i>Source: FFIEC</i> | | | | |

According to the Bureau of Labor Statistics, unemployment rates increased between 2019 and 2020 due to the effects of the Covid-19 Pandemic. However, significant improvement was noted during 2021. The following table reflects the average annual unemployment rates and trends for the assessment area, Georgia, and the nation during the evaluation period.

| Unemployment Rates – Athens, GA MSA Assessment Area | | | |
|--|-------------|-------------|-------------|
| Area | 2019 | 2020 | 2021 |
| | % | % | % |
| Clarke County | 3.7 | 6.5 | 3.8 |
| Oconee County | 2.6 | 3.8 | 2.4 |
| Georgia | 3.6 | 6.5 | 3.9 |
| National Average | 3.7 | 8.1 | 5.4 |
| <i>Source: Bureau of Labor Statistics</i> | | | |

Major employers in the Athens Assessment Area include the University of Georgia, Piedmont Athens Regional, and St. Mary’s Health Care System.

Competition

There is a moderate level of competition in the Athens Assessment Area. According to the *FDIC’s June 30, 2021 Summary of Deposit Market Report*, there were 18 financial institutions operating 45 bank offices in the counties represented in the assessment area. Of these institutions, Oconee State Bank ranked 5th, with an 8.0 percent deposit market share. The top three financial institutions accounted for approximately 54.4 percent of deposit market share.

In addition, demand is high for small business loans within the assessment area. The bank is not required to collect or report its small business loan data and has elected not to do so. However, aggregate data provides information in regard to competition for small business loans. Aggregate

data for 2020 indicates 85 lenders reported 2,565 small business loans in the assessment area, demonstrating a high level of demand for this product. The top five institutions account for 52.7 percent of the small business market share by number of loans. Peer small business data was not yet available for 2021.

There is a high level of demand for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2020, 380 institutions reported 11,737 residential mortgage originations in this assessment area. Of these lenders, Oconee State Bank ranked 15th, with a market share of 1.7 percent by number of loans.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying area credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs and helps identify credit and community development opportunities available. During this evaluation, examiners used a recent community contact from Athens-Clarke County. The contact's organization promotes economic development in Clarke County.

The contact indicated that the area continues to be suppressed due to the Covid-19 Pandemic. While manufacturing has continued to thrive, retail services and entertainment continues with slow progression. The contact also indicated that the area has a high poverty rate amongst its permanent residents; however, employment opportunities remain high. The contact identified small business financial literacy workshops as a primary need within the community.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that small business loans represent a primary credit need in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ATHENS ASSESSMENT AREA

LENDING TEST

Oconee State Bank's lending performance within the Athens Assessment Area reflects reasonable performance. The bank's overall reasonable borrower profile performance supports this conclusion. Only loans originated within the assessment area were included for analysis purposes. Lending in the Athens Assessment Area represented 73.5 percent by number of small business loans and 92.8 percent by number of home mortgage loans analyzed during this evaluation.

Geographic Distribution

The geographic distribution of loans reflects poor penetration throughout the Athens Assessment Area. The distribution of small business loans support this conclusion.

Small Business Loans

In 2020 and 2021, the bank’s small business lending within the low-income census tracts was significantly below demographics. Lending activity in moderate-income census tracts was also well below demographics in 2020 and 2021. The lower percentage of businesses located in these income census tracts coupled with competition from other financial institutions, limits the bank’s lending opportunities in these tracts. Refer to the following table for details.

| Geographic Distribution of Small Business Loans Athens Assessment Area | | | | | |
|--|------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2020 | 12.0 | 10 | 3.4 | 1,396 | 6.7 |
| 2021 | 12.3 | 3 | 2.4 | 215 | 2.1 |
| Moderate | | | | | |
| 2020 | 6.6 | 1 | 0.3 | 75 | 0.4 |
| 2021 | 7.0 | 1 | 0.8 | 87 | 0.9 |
| Middle | | | | | |
| 2020 | 28.7 | 54 | 18.2 | 3,435 | 16.5 |
| 2021 | 29.0 | 24 | 19.2 | 2,251 | 22.3 |
| Upper | | | | | |
| 2020 | 51.5 | 227 | 76.7 | 15,623 | 75.1 |
| 2021 | 50.6 | 96 | 76.8 | 7,496 | 74.2 |
| Not Available | | | | | |
| 2020 | 1.2 | 4 | 1.4 | 275 | 1.3 |
| 2021 | 1.1 | 1 | 0.8 | 50 | 0.5 |
| Totals | | | | | |
| 2020 | 100.0 | 296 | 100.0 | 20,804 | 100.0 |
| 2021 | 100.0 | 125 | 100.0 | 10,099 | 100.0 |
| <i>Source: 2020 & 2021 D&B Data; January 1, 2020 through December 31, 2021 Bank Data; Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The bank’s home mortgage lending performance in low-income census tracts was below demographics and aggregate lending, but considered reasonable. Lending performance in moderate-income census tracts was also below demographics and aggregate lending and considered reasonable. The majority of

owner-occupied housing units are located in the middle- and upper-income census tracts within this assessment area, reflecting limited lending opportunities. Refer to the following table for details.

| Geographic Distribution of Home Mortgage Loans – Athens Assessment Area | | | | | | |
|--|--|-------------------------------------|------------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 9.1 | 5.6 | 5 | 2.8 | 729 | 1.6 |
| Moderate | 6.8 | 5.1 | 5 | 2.8 | 657 | 1.5 |
| Middle | 30.1 | 29.3 | 31 | 17.2 | 6,309 | 14.0 |
| Upper | 53.9 | 60.0 | 138 | 76.7 | 37,201 | 82.5 |
| Not Available | 0.0 | 0.0 | 1 | 0.6 | 170 | 0.4 |
| Total | 100.0 | 100.0 | 180 | 100.0 | 45,065 | 100.0 |

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

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration of businesses of different sizes and among individuals of different income levels, including low- and moderate-income individuals. The distribution of small business loans and loans to individuals of different income levels supports this conclusion.

Small Business Loans

In 2020, the small business loans sampled to businesses with gross annual revenue of \$1 million or less was significantly below demographics. In 2021, lending levels increased, but remained significantly below demographics. However, it was noted that 77.6 percent and 31.9 percent in 2020 and 2021, respectively, were PPP loans where revenue information were not required. Excluding PPP loans, lending performance to businesses with gross annual revenues of \$1 million or less increased to 66.7 percent and 85.1 percent, respectively, for 2020 and 2021. Refer to the table below for details.

| Distribution of Small Business Loans by Gross Annual Revenue Category – Athens Assessment Area | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2020 | 86.6 | 10 | 14.9 | 1,378 | 22.3 |
| 2021 | 88.3 | 40 | 58.0 | 4,106 | 66.0 |
| >\$1,000,000 | | | | | |
| 2020 | 3.4 | 5 | 7.5 | 465 | 7.5 |
| 2021 | 2.8 | 7 | 10.1 | 478 | 7.7 |
| Revenue Not Available | | | | | |
| 2020 | 9.9 | 52 | 77.6 | 4,337 | 70.2 |
| 2021 | 8.9 | 22 | 31.9 | 1,639 | 26.3 |
| Totals | | | | | |
| 2020 | 100.0 | 67 | 100.0 | 6,180 | 100.0 |
| 2021 | 100.0 | 69 | 100.0 | 6,223 | 100.0 |
| <i>Source: 2020 & 2021 D&B Data; January 1, 2020 through December 31, 2021 Bank Data; Due to rounding, totals may not equal 100.0%</i> | | | | | |

Home Mortgage Loans

The bank's home mortgage lending performance to low-income borrowers is in line with aggregate performance, but significantly below demographics. However, examiners noted that 16.8 percent of families residing in the assessment area live below the poverty level. Home mortgage lending performance to moderate-income borrowers was comparable to aggregate lending levels and slightly below demographics. Refer to the table below for details.

| Distribution of Home Mortgage Loans by Borrower Income Level – Athens Assessment Area | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | 25.2 | 2.7 | 4 | 2.2 | 427 | 0.9 |
| Moderate | 13.8 | 10.3 | 17 | 9.4 | 2,577 | 5.7 |
| Middle | 16.9 | 17.6 | 39 | 21.7 | 8,657 | 19.2 |
| Upper | 44.1 | 54.9 | 109 | 60.6 | 31,026 | 68.8 |
| Not Available | 0.0 | 14.6 | 11 | 6.1 | 2,378 | 5.3 |
| Total | 100.0 | 100.0 | 180 | 100.0 | 45,065 | 100.0 |
| <i>Source: 2015 ACS; 2020 HMDA Data; 2020 HMDA Aggregate Data; Due to rounding, totals may not equal 100.0%</i> | | | | | | |

COMMUNITY DEVELOPMENT TEST

Overall, Oconee State Bank has demonstrated an adequate responsiveness to the community development needs of the Athens Assessment Area through community development loans, qualified investments, and community development services

Community Development Loans

The bank originated 22 community development loans totaling \$12.5 million within the assessment area. This represents 41.5 percent by number and 66.0 percent by dollar volume of the total community development loans made during the evaluation period. This performance is significantly higher by number when compared to the previous evaluation when 11 community development loans totaling \$10.6 million were made within the Athens Assessment Area. The following table details the bank's community development lending activity by year and purpose during the evaluation period.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|--------------------|---------|--------------------|---------|----------------------|---------|-------------------------|---------|-------|---------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Total | |
| | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) | # | \$(000) |
| 2019 (Partial) | - | - | - | - | 1 | 1,778 | - | - | 1 | 1,778 |
| 2020 | - | - | - | - | 1 | 4,371 | 19 | 5,878 | 20 | 10,249 |
| 2021 | - | - | - | - | 1 | 480 | - | - | 1 | 480 |
| 2022 (YTD) | - | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 3 | 6,629 | 19 | 5,878 | 22 | 12,507 |

Source: Bank Records from May 1, 2019 through March 1, 2022.

Below are notable details of the loans originated during the evaluation period:

- In 2019, the bank originated one loan totaling \$1,777,850 under the SBA's Certified Development Company/504 Loan Program. The funds were used to construct a 17,500 square foot auto repair facility located in Athens (Clarke County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.
- In 2020, the bank originated one loan totaling \$4,371,500 under the SBA's Certified Development Company/504 Loan Program. The funds were used to purchase and renovate an 8,000 square foot car wash facility located in Athens (Clarke County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.
- In 2021, the bank originated one loan totaling \$480,000 under the SBA's Certified Development Company/504 Loan Program. The funds were used to purchase and renovate a 2,500 square foot restaurant building located in Watkinsville (Oconee County), Georgia. The loan helped facilitate economic development through job creation for low- and moderate-income individuals in the Athens Assessment Area.

- Nineteen PPP loans totaling \$5,877,884 were originated in the assessment area. The funds were used to revitalize and stabilize geographies within the Athens Assessment Area by financing small businesses operating under emergency protective measures resulting from the COVID-19 pandemic, particularly for small businesses operating in low- and moderate-income geographies.

Qualified Investments

Oconee State Bank's qualified investments within the Athens Assessment Area consisted of 11 donations totaling \$20,645. The donations were to nine organizations that provide community services for low- and moderate-income individuals. Community services provided by these organizations included counseling and education, health care services, assistance with meals and clothing, and other support services for low- and moderate-income families.

Community Development Services

As previously noted, Oconee State Bank employees conducted 80 instances of community development services that benefited the Athens Assessment Area. The following table details notable examples of community development services provided during the current evaluation period.

| Community Development Services | | | | |
|---|--------------------------------------|---|--|--------------------------------|
| Brief Service Description | Community Development Purpose | Bank Sponsored Event, Program or Seminar | Technical Assistance or Direct Involvement by Bank Employee | Bank Product or Service |
| Athens Assessment Area | | | | |
| Bank officer serves as Chairman of the Board of Directors of Mercy Health Center. The non-profit organization administers health and wellness assistance programs and provides various medical, dental, and pharmaceutical services to low- and moderate-income families within the Athens Assessment Area. The bank officer provides an array of financial advisory and budgeting expertise to the center. | Community Service | | 2019-2022 | |
| Bank officer serves on the Board of the Oconee County Chamber of Commerce. The Chamber is active in supporting small business growth and job creation in the Athens Assessment Area. Board responsibilities include, but are not limited to, reviewing and approving budgets. | Economic Development | | 2019-2022 | |
| Bank employee serves on the Board of Athens Made. This non-profit organization attracts small employers to the area by connecting entrepreneurs to financial resources and public-private conduits resulting in job creation within the Athens Assessment Area. Board responsibilities include, but are not limited to providing financial advisory and budgeting guidance to the organization. | Economic Development | | 2019-2022 | |

ATLANTA MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ATLANTA ASSESSMENT AREA

The Atlanta Assessment Area is comprised of Gwinnett County in its entirety. Oconee State Bank operates 1 full-service branch location (20 percent of operations) in this assessment area. The bank originated 19.1 percent of its lending in this assessment area during the lending activity review period and has approximately 7.4 percent of its total deposits in this assessment area (according to the *FDIC’s June 30, 2021 Summary of Deposit Market Report*.)

The following table represents 2015 ACS demographic data and 2020 and 2021 D&B data.

| Demographic Information of the Atlanta Assessment Area (Gwinnett County) | | | | | | |
|---|----------|-------------------|------------------------------|----------------------|---------------------|-------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 113 | 5.3 | 29.2 | 38.9 | 26.5 | 0.0 |
| Population by Geography | 859,234 | 4.9 | 23.2 | 42.3 | 29.6 | 0.0 |
| Housing Units by Geography | 296,368 | 5.2 | 24.7 | 42.3 | 27.9 | 0.0 |
| Owner-Occupied Units by Geography | 181,829 | 2.1 | 15.9 | 45.3 | 36.8 | 0.0 |
| Occupied Rental Units by Geography | 92,188 | 10.6 | 40.6 | 36.2 | 12.6 | 0.0 |
| Vacant Units by Geography | 22,351 | 8.0 | 30.0 | 42.8 | 19.2 | 0.0 |
| Businesses by Geography (2020) | 129,043 | 4.4 | 24.6 | 41.0 | 30.0 | 0.0 |
| Businesses by Geography (2021) | 167,359 | 4.3 | 25.0 | 41.6 | 29.1 | 0.0 |
| Farms by Geography | 2,629 | 3.2 | 24.2 | 42.4 | 30.3 | 0.0 |
| Family Distribution by Income Level | 209,434 | 22.4 | 17.7 | 18.9 | 41.0 | 0.0 |
| Household Distribution by Income Level | 274,017 | 20.4 | 16.9 | 18.7 | 44.1 | 0.0 |
| Median Family Income MSA - 12060 Atlanta, GA MSA | | \$67,322 | Median Housing Value | | | \$168,905 |
| | | | Median Gross Rent | | | \$1,071 |
| | | | Families Below Poverty Level | | | 11.3% |
| <i>Source: 2015 ACS and 2020 & 2021 D&B Data; Due to rounding, totals may not equal 100.0%; (*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

The 2015 ACS Census data shows that a significant majority of owner-occupied housing units and businesses in the assessment area are in middle- and upper-income areas. Further, there is a high level of competition in the assessment area for small business and home mortgage loans. According to 2020 aggregate data for small business loans, there were 175 lenders reporting 33,364 loans. During the same period, 623 mortgage lenders reported 82,912 loans.

According to 2021 D&B data, service industries represent the largest portion of businesses at 33.6 percent, followed by non-classifiable establishments and retail trade at 28.8 percent and 9.3 percent,

respectively. In addition, 93.7 percent of businesses reported GARs of \$1 million or less, 2.1 percent reported GARs over \$1 million, and 4.2 percent did not report GAR information.

The Gwinnett County Board of Commissioners lists major employers in the county as Gwinnett County Public Schools, Gwinnett County Government, and Northside Hospital.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE ATLANTA ASSESSMENT AREA

LENDING TEST

The institution's lending performance in the Atlanta Assessment Area is below the lending performance in the Athens Assessment Area that was reviewed using full scope procedures; however, it does not change the conclusion for Athens Assessment Area.

Geographic Distribution

The bank's overall geographic distribution of loans reflects poor dispersion throughout this assessment area. The bank encounters significant competition within the assessment area.

Small Business Loans

In 2020, the bank did not originate any small business loans in low-income census tracts, but originated three loans (5.3 percent) in low-income census tracts in 2021, which exceeded demographics (4.4 percent). In 2020, the bank originated three loans in moderate-income geographies (3.2 percent), which was well below demographics (24.6 percent). In 2021, the bank originated three loans in moderate-income geographies (5.3 percent), which was also well below demographics (25.0 percent).

Home Mortgage Loans

During 2020, of the 19 home mortgage loans originated, none was in low- or moderate-income census tracts. It should be noted that the majority of owner-occupied housing units are in the middle- and upper-income areas of the assessment area, indicating limited lending opportunities.

Borrower Profile

The distribution of borrowers reflects an overall reasonable penetration of businesses of different sizes.

Small Business Loans

During 2020, of the 21 small business loans sampled totaling \$2.7 million, 100.0 percent were PPP. Of the 11 small business loans sampled for 2021, 5 or 45.5 percent were PPP loans, totaling \$1 million where revenue was not required. The remaining loans included four with GARs over \$1 million and two with GARs less than \$1 million. This lending activity reflects the economic impact of the Covid-

19 pandemic on the assessment area. In addition, the bank encounters significant competition for small business loans in this assessment area.

Home Mortgage Loans

During 2020, the bank did not originate any home mortgage loans to low- or moderate-income borrowers. It is noted that 11.3 percent of families live below the poverty line, making it harder for these families to meet the minimum credit qualification requirements to obtain a loan from a financial institution.

COMMUNITY DEVELOPMENT TEST

The institution's community development performance in this assessment area is consistent with the institution's community development performance in the Athens Assessment Area that was reviewed using full-scope examination procedures.

Community Development Loans

The bank originated 26 community development loans totaling \$4.8 million within the assessment area. This represents 49.1 percent by number and 25.2 percent by dollar volume of the total community development loans made during the evaluation period. These loans promoted economic development through the SBA's Certified Development Company/504 Loan Program and helped stabilize low- and moderate-income geographies through participation in the PPP.

Qualified Investments

Oconee State Bank's qualified investments within the Atlanta Assessment Area consisted of four donations totaling \$1,622. The donations were to three organizations that provide community services for low- and moderate-income individuals and promote revitalization or stabilization in low- and moderate-income geographies. Community services provided by these organizations included counseling and education, assistance with meals and clothing, and other support services for low- and moderate-income families. Revitalization/stabilization promoted by a public-private partnership organization included attracting and retaining jobs and capital investment located in low- and moderate-income areas.

Community Development Services

None of the bank's Director or employee community development service activities impacted the Atlanta Assessment Area. However, as previously noted, the bank maintained Interest on Lawyers Trust Accounts where the interest earned by law firms on these accounts is used to fund pro bono legal services for low- and moderate-income individuals who cannot afford to pay for legal representation. The bank also offers a free checking account that has no minimum balance requirement and no maintenance or check charge fees, which benefits low- and moderate-income individuals.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

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.