

# **PUBLIC DISCLOSURE**

June 28, 2022

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Coastal States Bank  
Certificate Number: 57756

5 Bow Circle  
Hilton Head Island, SC 29928

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

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

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

## TABLE OF CONTENTS

INSTITUTION RATING .....	1
DESCRIPTION OF INSTITUTION .....	2
DESCRIPTION OF ASSESSMENT AREAS.....	3
SCOPE OF EVALUATION.....	4
CONCLUSIONS ON PERFORMANCE CRITERIA.....	5
DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	10
SOUTH CAROLINA – Full-Scope Review.....	11
DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH CAROLINA.....	11
SCOPE OF EVALUATION – SOUTH CAROLINA.....	13
CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH CAROLINA .....	13
GEORGIA – Full-Scope Review.....	17
DESCRIPTION OF INSTITUTION’S OPERATIONS IN GEORGIA.....	17
SCOPE OF EVALUATION – GEORGIA.....	17
CONCLUSIONS ON PERFORMANCE CRITERIA IN GEORGIA .....	17
METRO ATLANTA – Full-Scope Review.....	19
SAVANNAH – Full-Scope Review .....	24
APPENDICES .....	29
INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA.....	29
SUMMARY OF RATINGS FOR RATED AREAS .....	30
GLOSSARY .....	31

## 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 loans within the assessment areas.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of borrowers reflects reasonable penetration among businesses of different sizes.
- 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 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 within its assessment areas.

## DESCRIPTION OF INSTITUTION

### **Background**

Coastal States Bank is a state chartered, non-member bank headquartered in Hilton Head Island, South Carolina (SC). The bank is wholly-owned by CoastalSouth Bancshares, Inc., a single-bank holding company also headquartered in Hilton Head Island, SC. Coastal States Bank received a Satisfactory rating at its previous FDIC CRA Performance Evaluation, dated July 24, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

### **Operations**

Coastal States Bank currently operates 10 full-service offices in southeastern SC, central Georgia (GA), and southeastern GA. The bank operates its main office and three full-service offices in Beaufort County, SC; three full-service offices in Fulton County, GA; and one full-service office each in Dawson, Forsyth, and Chatham Counties, GA. Since the previous evaluation, Coastal States Bank opened one office in a low-income census tract in Savannah, GA (Chatham County) on June 18, 2020, and two new offices on June 1, 2021, one in a middle-income census tract in Atlanta, GA (Fulton County), and one in an upper-income census tract in Alpharetta, GA (Fulton County). On October 1, 2021, Coastal States Bank merged with Cornerstone Bank, acquiring three offices, all located in upper-income census tracts in Fulton and DeKalb Counties. The bank closed two of the Cornerstone Bank offices in conjunction with the merger, one each in Fulton and DeKalb Counties.

Coastal States Bank is primarily a commercial lender, which has not changed since the previous evaluation. In addition to commercial loans, the bank offers home mortgage, agriculture, and consumer loans. The bank provides a variety of deposit products including checking, savings, money market, certificates of deposit accounts, and individual retirement accounts. Additionally, the bank offers alternative services, which include telephone banking, internet banking, mobile banking, and access to automated teller machines. Further, the bank continues to offer long-term home mortgage loans to its consumers through its mortgage lending subsidiary, Coastal States Mortgage, headquartered in Hilton Head Island, SC.

Coastal States Bank continues to operate an extensive Mortgage Banker Finance Program, which was implemented by the bank in June 2014. Through this program, the bank provides temporary, warehouse-type funding for various mortgage originators through the purchase of home mortgage loans until permanent financing is received from the assigned secondary market investor. Since the last CRA evaluation, this included funding for approximately 44,700 loans totaling approximately \$13.2 billion. Coastal States Bank does not make credit decisions on the loans, nor are they reportable under the Home Mortgage Disclosure Act. Therefore, these loans were not analyzed as part of this evaluation.

### **Ability and Capacity**

As of the March 31, 2022, Consolidated Reports of Condition and Income, Coastal States Bank had total assets of \$1.7 billion, total loans of \$1.1 billion, total deposits of \$1.5 billion, and total securities of \$367.0 million. As shown in the following table, commercial loans (loans secured by non-farm,

non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 68.0 percent, followed by loans secured by 1-4 family residential properties at 12.0 percent and consumer loans at 11.4 percent.

<b>Loan Portfolio Distribution as of 03/31/2022</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	86,611	8.2
Secured by Farmland	1,135	0.1
Secured by 1-4 Family Residential Properties	126,491	12.0
Secured by Multifamily (5 or more) Residential Properties	3,404	0.3
Secured by Nonfarm Nonresidential Properties	437,651	41.6
<b>Total Real Estate Loans</b>	<b>655,292</b>	<b>62.2</b>
Commercial and Industrial Loans	278,069	26.4
Consumer Loans	119,556	11.4
<b>Total Loans</b>	<b>1,052,917</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments 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. Coastal States Bank has designated three assessment areas in the two rated areas of South Carolina and Georgia. All three of the assessment areas are located in metropolitan statistical areas (MSAs). Bank management delineated the assessment areas based on the location of the bank’s offices and the expectation of attracting and retaining a customer base within the areas surrounding the bank’s offices.

The following table details the counties, number of census tracts, and number of branches included in each assessment area for the current evaluation. Refer to the *Description of Institution’s Operations* in each rated area and individual assessment areas for additional information.

<b>Description of Assessment Areas</b>			
<b>Assessment Area</b>	<b>Counties in Assessment Area</b>	<b># of CTs</b>	<b># of Branches</b>
South Carolina	Beaufort (partial) and Jasper (partial)	24	4
Metro Atlanta	Cobb, Dawson, DeKalb (partial), Forsyth, and Fulton (partial)	438	5
Savannah	Chatham	72	1
<i>Source: Bank Data</i>			

## SCOPE OF EVALUATION

### General Information

The evaluation covers the period from the prior evaluation, dated July 24, 2019, to the current evaluation dated June 28, 2022. 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 all three assessment areas. Examiners reviewed the South Carolina and Metro Atlanta assessment areas under full-scope procedures given the significant level of bank operations in the assessment areas. Examiners reviewed the Savannah assessment area under full-scope procedures given it is new since the previous evaluation. Examiners gave more weight to bank activities in the rated area of South Carolina due to the level of lending activity and deposits. The table below details the breakdown of loans, deposits, and offices by rated area and assessment area.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>South Carolina</b>	<b>40,616</b>	<b>55.9</b>	<b>721,444</b>	<b>64.5</b>	<b>4</b>	<b>40.0</b>
Metro Atlanta	24,834	34.2	352,570	31.5	5	50.0
Savannah	7,178	9.9	44,756	4.0	1	10.0
<b>Georgia Subtotal</b>	<b>32,012</b>	<b>44.1</b>	<b>397,326</b>	<b>35.5</b>	<b>6</b>	<b>60.0</b>
<b>Total</b>	<b>72,628</b>	<b>100.0</b>	<b>1,118,770</b>	<b>100.0</b>	<b>10</b>	<b>100.0</b>
<i>Source: Bank Data (2021 Small Business Loans); FDIC Summary of Deposits (6/30/2021)</i>						

### Activities Reviewed

Examiners reviewed the bank’s small business loans to assess its lending performance. These loans represent the bank’s major product lines based on business strategy and the number and dollar volume of loans originated during the evaluation period. Home mortgage and small farm loans do not constitute a substantial portion of the bank’s loan portfolio, or represent a major product line. Therefore, examiners did not analyze these loan types as part of this evaluation. The bank’s records indicate the lending focus and product mix remained consistent throughout the evaluation period.

The CRA evaluation included an analysis of small business loans, as defined in the *Glossary*, originated from January 1, 2021, through December 31, 2021. The universe of 811 small business loans totaling \$181.0 million was evaluated in the *Assessment Area Concentration* and *Geographic Distribution* analysis, while a sample of 120 small business loans totaling \$22.8 million was evaluated in the *Borrower Profile* analysis. Dun & Bradstreet (D&B) data for 2021 provided a standard of comparison for the small business loans.

For small business loans reviewed, the *Geographic Distribution* and *Borrower Profile* discussions focus only on loans originated inside the bank's assessment areas. While this evaluation presents both the number and dollar volume of loans, the analyses focused on the number of loans originated rather than dollar volume since loans extended to small businesses are generally for smaller dollar amounts. Further, it is a better indicator of the number of businesses served.

For the Community Development Test, examiners reviewed information provided by management on community development loans, qualified investments, and community development services from July 24, 2019, through June 28, 2022. Qualified investments included new investments and donations, as well as prior period qualified investments still held by the bank.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

Coastal States Bank demonstrated satisfactory performance under the Lending Test. The *Loan-to-Deposit Ratio*, *Assessment Area Concentration*, and *Geographic Distribution* analysis primarily support this conclusion. The bank's overall performance is consistent with the conclusions for each rated area.

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

The bank's net loan-to-deposit (NLTD) ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment areas. Examiners calculated the average NLTD ratio of 83.8 percent using the 11 quarter-end ratios since the previous evaluation. The NLTD ratio as of March 31, 2022, was 70.0 percent. Quarterly NLTD ratios have ranged from a high of 93.4 percent as of June 30, 2020, to a low of 70.0 percent as of March 31, 2022. There was a downward trend in the loan-to-deposit ratio from June 30, 2020, through March 31, 2021. The bank's ratio declined from 93.4 percent to 70.0 during this timeframe due to steady quarterly increases in deposits, whereas loan growth was nominal. In addition, the acquisition of Cornerstone Bank further depressed the ratio in the two quarters since the merger.

While Coastal States Bank has many competitors, none are similarly situated in terms of total assets, markets served, products offered, and office locations. As a result, examiners compared the bank's average NLTD ratio to that of a peer group defined by the Uniform Bank Performance Report (UBPR). UBPR Peer Group 4 includes insured commercial banks having total assets between \$1 billion and \$3 billion. The UBPR peer group average NLTD ratio of 78.37 percent was lower than the bank's average NLTD ratio for the same time period.

#### **Assessment Area Concentration**

Coastal States Bank originated a majority of its small business loans, by number of loans, within the assessment areas. The bank has expanded relationships with insurance agents nationwide to originate commercial lines of credit secured by life insurance policies. This product has grown since the previous evaluation to comprise approximately 34.0 percent of the bank's small business loan portfolio. The substantial majority of these loans are outside of the bank's assessment areas,

resulting in a decline of the percentage of loans by number and dollar volume inside the assessment areas. The following table details lending performance inside and outside of 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		
	#	%	#	%		\$	%	\$	%	
Small Business										
2021	414	51.0	397	49.0	811	72,628	40.1	108,411	59.9	181,039
<i>Source: Bank Data</i>										

**Geographic Distribution**

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment areas. The bank’s small business lending performance in the South Carolina and Georgia rated areas were consistent in supporting this conclusion. Refer to the *Geographic Distribution* sections of each rated area and 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. The bank’s small business lending performance in the South Carolina and Georgia rated areas were consistent in supporting this conclusion. Refer to the *Borrower Profile* sections of each rated area and 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**

Coastal States Bank’s community development performance demonstrated adequate responsiveness 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 Georgia and South Carolina. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment areas.



**Community Development Loans**

During the evaluation period, the bank originated, renewed, or refinanced 88 community development loans totaling \$24.7 million, compared to 19 community development loans totaling \$3.6 million at the previous evaluation. Based on dollar volume, the bank’s current level of community development loans represents 2.3 percent of average total assets and 3.2 percent of average total loans, as of March 31, 2022. At the previous evaluation, the percentages were 0.6 percent of total assets and 0.8 percent of total loans. The 88 community development loans included 78 Small Business Administration’s (SBA) Paycheck Protection Program (PPP) loans totaling approximately \$12.3 million. The community development numbers included 22 loans, or 25.0 percent, totaling approximately \$7.5 million, or 30.2 percent, that were extended in a broader statewide area (South Carolina). These loans were included in the analysis since the bank had served the needs of its assessment area in South Carolina.

The community development loans supported affordable housing, community services, economic development, and revitalization or stabilization efforts in low- and moderate-income census tracts. The following tables detail the bank’s community development lending activity by rated area, year, and purpose during the evaluation period.

<b>Community Development Lending by Rated Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
South Carolina	3	8,050	3	1,350	1	561	48	8,640	55	18,601
Georgia	-	-	-	-	-	-	33	6,131	33	6,131
<b>Total</b>	<b>3</b>	<b>8,050</b>	<b>3</b>	<b>1,350</b>	<b>1</b>	<b>561</b>	<b>81</b>	<b>14,771</b>	<b>88</b>	<b>24,732</b>

*Source: Bank Data*

<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>
2019 (partial)	-	-	-	-	-	-	-	-	-	-
2020	1	2,800	1	450	1	561	68	10,120	71	13,931
2021	-	-	1	450	-	-	11	3,717	12	4,167
YTD 2022	2	5,250	1	450	-	-	2	934	5	6,634
<b>Total</b>	<b>3</b>	<b>8,050</b>	<b>3</b>	<b>1,350</b>	<b>1</b>	<b>561</b>	<b>81</b>	<b>14,771</b>	<b>88</b>	<b>24,732</b>

*Source: Bank Data*

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

## Qualified Investments

During the evaluation period, the bank made 74 qualified investments totaling \$17.5 million. As of March 31, 2022, total qualified investments equate to 1.6 percent of average total assets and 11.9 percent of average total securities. Current investment percentage levels are significantly greater than 0.3 percent of total assets and 3.0 percent of total securities at the previous evaluation.

Coastal States Bank implements its community development investment objectives through the following investment vehicles: mortgage-backed securities (MBS), municipal revenue bonds, as well as purchases of certificates of deposit from various minority depository institution and community development financial institution designated banks. In addition, the bank made donations and grants to organizations in the affordable housing, community service, and economic development categories. The following tables detail the bank's qualified investments by rated area, activity purpose, and year.

Qualified Investments by Rated Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
South Carolina	1	3	22	94	11	758	2	2,934	36	3,789
Georgia	5	8,311	27	119	3	1,002	3	4,274	38	13,706
<b>Total</b>	<b>6</b>	<b>8,314</b>	<b>49</b>	<b>213</b>	<b>14</b>	<b>1,760</b>	<b>5</b>	<b>7,208</b>	<b>74</b>	<b>17,495</b>

Source: Bank Data

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	-	-	-	-	-	-	-	-
2019 (partial)	1	2,000	-	-	-	-	-	-	1	2,000
2020	-	-	-	-	3	250	2	2,545	5	2,795
2021	1	1,000	-	-	3	250	3	4,663	7	5,913
YTD 2022	2	5,308	-	-	5	1,250	-	-	7	6,558
<b>Subtotal</b>	<b>4</b>	<b>8,308</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>1,750</b>	<b>5</b>	<b>7,208</b>	<b>20</b>	<b>17,266</b>
Qualified Grants & Donations	2	6	49	213	3	10	-	-	54	229
<b>Total</b>	<b>6</b>	<b>8,314</b>	<b>49</b>	<b>213</b>	<b>14</b>	<b>1,760</b>	<b>5</b>	<b>7,208</b>	<b>74</b>	<b>17,495</b>

Source: Bank Data

Refer to the *Community Development Test* section of each rated area and assessment area for further details of the qualified investments.

**Community Development Services**

During the evaluation period, bank directors, officers, and employees acting as representatives of Coastal States Bank provided 32 community development services to various organizations. Of these services, bank representatives served as a Board or committee member for four organizations during the entire evaluation period, for which they attend regular meetings. The level of community development services provided by the bank was comparable to the previous examination, where bank representatives provided 28 instances of community development services.

The community development services support affordable housing and community services within the assessment areas. The services demonstrate responsiveness to the area’s financial education needs, as bank employees are involved in several organizations that provide financial literacy programs to students in low- and moderate-income areas throughout the rated areas. The following tables detail the community development services by rated area, year, and purpose.

<b>Community Development Services by Rated Area</b>					
<b>Assessment Area</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
South Carolina	1	18	-	-	<b>19</b>
Georgia	-	13	-	-	<b>13</b>
<b>Total</b>	<b>1</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>32</b>
<i>Source: Bank Data</i>					

<b>Community Development Services</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
2019 (partial)	-	4	-	-	<b>4</b>
2020	-	6	-	-	<b>6</b>
2021	1	5	-	-	<b>6</b>
2022 (YTD)	-	16	-	-	<b>16</b>
<b>Total</b>	<b>1</b>	<b>31</b>	<b>-</b>	<b>-</b>	<b>32</b>
<i>Source: Bank Data</i>					

In addition to the community development services, the bank offers the following retail banking services that provide benefits to low- and moderate-income individuals.

- The bank offers a low-cost, non-interest bearing checking account that has no minimum balance requirement, unlimited check writing, and various free services (e.g., telephone, online, and mobile banking), with a \$2.00 monthly maintenance fee. The monthly maintenance fee is waived with electronic statements. This account benefits low- and moderate-income individuals.
- The bank offers free notary service and cashier’s checks for account holders, which benefits 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 and Georgia Bar Foundations.

Refer to the *Community Development Test* section of each rated area and assessment area for further details of the 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. Examiners did not identify any discriminatory or other illegal credit practices.

## SOUTH CAROLINA – Full-Scope Review

**CRA RATING FOR SOUTH CAROLINA: Satisfactory**

**The Lending Test is rated: Satisfactory**

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

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH CAROLINA

The assessment area is comprised of a portion of Beaufort and Jasper Counties, located in the Hilton Head Island, SC MSA. The bank operates four, or 40.0 percent, of its branch offices in the assessment area. The assessment area accounts for 64.5 percent of bank-wide deposits and 55.9 percent of loans.

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

The below table presents demographic information from the 2015 American Community Survey (ACS) census and 2021 D&B data. As illustrated in the table, the assessment area does not include any low-income census tracts.

Demographic Information of the Assessment Area						
Assessment Area: South Carolina						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	24	0.0	12.5	41.7	45.8	0.0
Population by Geography	106,183	0.0	13.5	52.9	33.6	0.0
Housing Units by Geography	64,052	0.0	12.0	44.5	43.5	0.0
Owner-Occupied Units by Geography	31,828	0.0	7.2	51.4	41.4	0.0
Occupied Rental Units by Geography	11,099	0.0	18.3	53.5	28.2	0.0
Vacant Units by Geography	21,125	0.0	15.8	29.4	54.7	0.0
Businesses by Geography	11,872	0.0	11.5	50.8	37.7	0.0
Farms by Geography	299	0.0	16.1	55.2	28.8	0.0
Family Distribution by Income Level	29,425	15.3	16.5	20.8	47.4	0.0
Household Distribution by Income Level	42,927	17.8	15.4	17.4	49.3	0.0
Median Family Income MSA - 25940 Hilton Head Island-Bluffton, SC MSA		\$63,345	Median Housing Value			\$357,595
			Median Gross Rent			\$1,130
			Families Below Poverty Level			6.6%

*Source: 2015 ACS and 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.*

Unemployment rates for Beaufort and Jasper Counties doubled in 2020, due largely to COVID-19 pandemic-related job losses. However, unemployment rates declined over 1.5 percentage points in 2021. Unemployment rates were consistently below the state and national rates across all years. The table below reflects the average annual unemployment rates and trends for the assessment area counties, state, and nation.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Beaufort County	2.6	5.3	3.5
Jasper County	2.5	5.0	3.4
South Carolina	2.8	6.0	4.0
National Average	3.7	8.1	5.4
<i>Source: Bureau of Labor Statistics</i>			

According to D&B data, in 2021, the top industries in this assessment area were services, followed by non-classifiable establishments; retail trade; finance, insurance, and real estate; and construction. Top employers throughout the assessment area include Beaufort and Jasper County School Districts (Beaufort and Jasper), Beaufort Memorial Hospital (Beaufort), and Walmart, Inc. (Beaufort and Jasper).

### **Competition**

The assessment area is highly competitive in the financial services market. The June 30, 2021 Summary of Deposits revealed 20 FDIC-insured institutions operated 59 branches within this area. Of these institutions, Coastal States Bank ranked 4<sup>th</sup> with 11.7 percent market share. The top five financial institutions accounted for 68.9 percent of the deposit market share, and included Wells Fargo Bank, South State Bank, Bank of America, Coastal States Bank, and Truist Bank.

The bank is not required to collect or report its small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2020 indicates 127 lenders reported 6,366 small business loans totaling \$321.7 million in the assessment area, demonstrating a high level of demand and competition for this product. The top five institutions account for 50.5 percent of the small business market share by number of loans.

### **Community Contact**

As part of the CRA evaluation process, examiners typically contact a third party in a bank’s assessment area to gain additional insight regarding local economic conditions and to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs and helps to identify what opportunities are available.

Examiners contacted a representative of an economic development organization. The organization helps to promote trade, commerce, industry, and employment opportunities in the South Carolina assessment area. The contact stated that the local economy is good and relies heavily on tourism. Overall, the contact indicated financial institutions are meeting the credit needs of the community.

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

Considering information from the community contact and demographic and economic data, examiners determined that small business loans represent a primary credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (88.1 percent) and the large number of businesses with four or fewer employees (66.9 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 31.8 percent of families and 33.2 percent of households are low- or moderate-income.

## **SCOPE OF EVALUATION – SOUTH CAROLINA**

The evaluation of performance within the State of South Carolina was based on the bank's small business lending and community development activities in the assessment area. This assessment area received a full-scope review. Refer to the *Scope of Evaluation* for the institution for additional information.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH CAROLINA**

### **LENDING TEST**

Coastal States Bank's lending performance within the State of South Carolina rated 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.

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

The geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. Small business lending in moderate-income census tracts was 3.9 percentage points below area demographics. Given the level of competition and limited lending opportunities in these geographies, this performance is reasonable. The following table reflects the distribution of small business loans by census tract income level within the assessment area.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: South Carolina</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Moderate	11.5	18	7.6	3,383	8.3
Middle	50.8	121	51.3	20,989	51.7
Upper	37.7	97	41.1	16,244	40.0
<b>Total</b>	<b>100.0</b>	<b>236</b>	<b>100.0</b>	<b>40,616</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

### **Borrower Profile**

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

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

The bank's lending to small businesses is 13.1 percentage points below area demographics. The bank's level of lending is considered reasonable given the level of competition. In addition, 33 out of the 54 loans to small businesses, or 61.1 percent, were made to businesses with gross annual revenues of \$250,000 or less, indicating the bank's willingness to lend to smaller businesses. The following table reflects the distribution of small business loans by gross revenue level in the assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: South Carolina</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	88.1	54	75.0	7,351	56.6
>\$1,000,000	4.1	18	25.0	5,644	43.4
Revenue Not Available	7.8	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>72</b>	<b>100.0</b>	<b>12,995</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

### **COMMUNITY DEVELOPMENT TEST**

Coastal States Bank's community development performance demonstrates adequate responsiveness to community development needs in South Carolina 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 55 community development loans totaling \$18.6 million in South Carolina, which increased from the previous evaluation when 19 loans were originated totaling \$3.6 million. This activity represents 62.5 percent by number and 75.2 percent by dollar volume of the total community development loans originated during the evaluation period. Community development loans promoted affordable housing, community services to low- and moderate-income individuals, economic development, and revitalization and stabilization. Of the 55 community development loans, 22 loans, or 40.0 percent, totaling \$7.5 million, or 40.3 percent, were originated outside of the assessment area, but in the broader statewide area. Below are notable examples of the bank's community development loans originated during the evaluation period:

- In 2020, the bank originated an SBA 7(a) loan totaling \$560,500 to open a new location of a restaurant in the South Carolina assessment area, providing economic development by creating several low- and moderate-income jobs.
- In 2020, the bank originated a loan totaling \$2.8 million to purchase two affordable housing facilities for seniors in the broader statewide area, where the majority of residents receive Medicaid.
- In 2020 and 2021, the bank originated 27 PPP loans totaling \$3.7 million in low- and moderate-income census tracts in the assessment area. In addition, the bank originated 21 PPP loans totaling \$4.7 million to businesses located in the broader statewide area. The loans promote revitalization and stabilization.
- In 2022, the bank originated two loans totaling \$5.3 million to construct apartment buildings designated as affordable housing in the South Carolina assessment area.

## **Qualified Investments**

Qualified investments included 11 investments totaling \$3.7 million and 25 donations totaling \$104,000. Donations were made to organizations that promote affordable housing, community services targeted to low- and moderate-income individuals, and economic development in the South Carolina assessment area. The level of investments increased from the previous evaluation whereby the bank made 10 investments totaling \$1.8 million. The level of donations increased from 16 donations totaling \$37,000. Given performance context and information from management, qualified investment opportunities in the South Carolina assessment area have been difficult to identify. Therefore, qualified investments include 11 investments totaling \$3.7 million that were made outside of the assessment area, but in the broader statewide area. Total qualified investments in South Carolina represents 48.6 percent by number and 21.7 percent by dollar volume of the total qualified investments made during the evaluation period. Below are the bank's qualified investments during the evaluation period located in a broader statewide area:

- In 2020, 2021, and 2022, the bank renewed nine certificates of deposit totaling \$750,000 at a minority depository institution located in Columbia, SC, providing economic development.
- In 2020, the bank invested in a revenue bond totaling \$1.6 million that was used to build a judicial center located in a moderate-income census tract that also serves low- and moderate-income geographies, promoting revitalization and stabilization.
- In 2021, the bank invested in a revenue bond totaling \$1.4 million that was used for capital improvements to a sewer district that serves low- and moderate-income geographies, promoting revitalization and stabilization.

### **Community Development Services**

During the evaluation period, bank employees, directors, and officers provided 19 community development services within South Carolina, including four organizations that cover the broader statewide area including the assessment area. The level of community development services declined from the previous evaluation, whereby the bank had 28 services. The services were provided to various organizations, focusing primarily on community services and affordable housing, throughout and surrounding the assessment area. This level of activity represents 59.4 percent of the total community development services provided during the evaluation period. Below are the community development services performed during the evaluation period.

- From 2019 to 2022, an employee serves on the Board for a nonprofit organization that provides community development services to low- and moderate-income individuals, including scholarships and financial education workshops, across South Carolina that includes the bank's assessment area.
- From 2019 to 2022, an employee serves annually on the Board of an organization that provides free medical services to underserved individuals and their families residing in the community.
- In 2020, an employee served on a committee of a non-profit organization that provides educational and recreational activities to after school programs for low- and moderate-income youth. The committee was formed within the organization due to the COVID-19 Pandemic in an effort to assist low- and moderate-income youth with access to virtual classes. The committee also provided meals to these students, who reside in an area where the majority of families in the geography live below federal poverty guidelines.
- In 2021, an employee provided financial expertise for a fundraising event where proceeds were allocated to fund affordable housing. The recipient organization specifically builds homes for low- and moderate-income families in the assessment area.

## GEORGIA

### CRA RATING FOR GEORGIA: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN GEORGIA

The evaluation of performance in Georgia includes the Metro Atlanta and Savannah assessment areas. The Metro Atlanta assessment area was not reviewed at the previous evaluation, and the Savannah assessment area is new since the previous evaluation. The bank operates six, or 60.0 percent, of its branch offices in Georgia. Georgia accounts for 35.5 percent of bank-wide deposits and 44.1 percent of loans.

### SCOPE OF EVALUATION – GEORGIA

The evaluation of performance within the State of Georgia was based on the bank's small business lending and community development activities in the Metro Atlanta and Savannah assessment areas. Both assessment areas were reviewed using full-scope procedures. The Metro Atlanta assessment area received significantly more weight when determining the overall rating for Georgia due to the level of lending activity and deposits in the respective area. The Savannah assessment area received less weight due to limited lending activity in the respective area. Refer to the *Scope of Evaluation* for the institution for additional information.

### CONCLUSIONS ON PERFORMANCE CRITERIA IN GEORGIA

#### LENDING TEST

Coastal States Bank's lending performance within the State of Georgia rated area is satisfactory. The bank's reasonable geographic distribution and borrower profile performance in both the Metro Atlanta and Savannah assessment areas support this conclusion.

#### Geographic Distribution

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment areas. Reasonable performance in both assessment areas supports this conclusion.

#### Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among businesses of different sizes. Reasonable performance in both assessment areas supports this conclusion.

## **COMMUNITY DEVELOPMENT TEST**

Coastal States Bank's community development performance demonstrates adequate responsiveness to community development needs in Georgia through community development loans, qualified investments and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment areas. Adequate performance in the Metro Atlanta and Savannah assessment areas supports this conclusion.

### **Community Development Loans**

The bank originated 33 community development loans totaling \$6.1 million in Georgia. This activity represents 37.5 percent by number and 24.8 percent by dollar volume of the total community development loans originated during the evaluation period. Community development loans promoted revitalization and stabilization.

### **Qualified Investments**

Qualified investments included nine investments totaling \$13.6 million and 29 donations totaling \$125,000. Donations were made to organizations that promote affordable housing, community services targeted to low- and moderate-income individuals, and economic development. Given that the bank adequately met the needs of the assessment areas in Georgia, four investments totaling \$6.3 million and five donations totaling \$26,000 made in the broader statewide area were qualified. Qualified investment activities in Georgia represents 51.4 percent by number and 78.3 percent by dollar volume of the total qualified investments made during the evaluation period. Below are examples of investments made in the broader statewide area.

- In 2019, the bank purchased a \$2.0 million Freddie Mac Guaranteed Multifamily Structured Pass-Through Security for a multi-family development designated as affordable housing located in Atlanta, GA.
- In 2020, the bank purchased a utility revenue bond totaling \$1.2 million that provides revitalization and stabilization by improving utility systems in an area of Monroe County, GA that includes several low- and moderate-income census tracts.
- In 2021, the bank purchased two bonds totaling \$3.1 million that provide revitalization and stabilization by making capital improvements to water and wastewater utilities in the City of Atlanta, GA, which includes several low- and moderate-income tracts.

### **Community Development Services**

During the evaluation period, bank employees and officers provided 13 community development services in the state of Georgia. The activities were provided to various organizations that focus on providing services throughout the assessment areas. This level of activity represents 40.6 percent of community development services provided during the evaluation period.

## METRO ATLANTA – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN METRO ATLANTA

The Metro Atlanta assessment area is comprised of Cobb, Dawson, and Forsyth Counties in their entirety and a portion of DeKalb and Fulton Counties, all located in the Atlanta-Sandy Springs-Alpharetta, GA MSA. The assessment area has expanded since the previous evaluation, when it only included Dawson and Forsyth Counties, given the purchase of Cornerstone Bank. The bank operates five, or 50.0 percent, of its branch offices in the assessment area. The Metro Atlanta assessment area accounts for 31.5 percent of bank-wide deposits and 34.2 percent of loans.

#### Economic and Demographic Data

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

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Metro Atlanta</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	438	14.2	17.8	16.9	49.8	1.4
Population by Geography	2,144,062	9.8	17.0	19.5	53.0	0.7
Housing Units by Geography	919,659	10.8	17.8	18.9	52.2	0.3
Owner-Occupied Units by Geography	476,168	4.3	11.7	19.1	64.9	0.0
Occupied Rental Units by Geography	337,980	17.0	24.4	19.1	38.9	0.6
Vacant Units by Geography	105,511	20.8	23.8	17.5	37.7	0.3
Businesses by Geography	485,180	6.7	15.2	18.0	59.4	0.8
Farms by Geography	6,188	6.2	14.7	23.5	55.4	0.2
Family Distribution by Income Level	493,529	20.0	13.5	15.0	51.5	0.0
Household Distribution by Income Level	814,148	22.7	14.4	15.5	47.4	0.0
Median Family Income MSA - 12060 Atlanta-Sandy Springs-Alpharetta, GA MSA		\$67,322	Median Housing Value			\$244,652
			Median Gross Rent			\$1,041
			Families Below Poverty Level			10.5%
<i>Source: 2015 ACS and 2021 D&amp;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>						

Unemployment rates for all counties in the assessment area increased in 2020, due largely to COVID-19 pandemic induced job losses. However, in 2021, unemployment rates declined to similar levels recorded in 2019. Unemployment rates were consistently below the state and national rates across each year for Cobb, Dawson, and Forsyth County. Unemployment rates were in line with or above national rates and state rates for DeKalb and Fulton Counties. The table below

reflects the average annual unemployment rates and trends for the assessment area counties, state, and nation.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Cobb County	3.1	5.9	3.3
Dawson County	3.0	4.6	2.7
DeKalb County	3.6	8.0	4.7
Forsyth County	2.9	4.5	2.5
Fulton County	3.7	8.0	4.7
Georgia	3.6	6.5	3.9
National Average	3.7	8.1	5.4
<i>Source: Bureau of Labor Statistics</i>			

According to D&B data, in 2021, the top industries in this assessment area were services, followed by non-classifiable establishments; finance, insurance, and real estate; retail trade; and transportation and communication. Top employers throughout the assessment area include Delta Airlines (Fulton), Emory University and Emory University Health Systems (Fulton and DeKalb), The Home Depot (Dawson and Cobb), and Northside Hospital (Forsyth).

### **Competition**

The assessment area is highly competitive in the financial services market. The June 30, 2021 Summary of Deposits revealed 58 FDIC-insured institutions operated 600 branches within this area. Of these institutions, Coastal States Bank ranked 27<sup>th</sup> with 0.2 percent market share. The top five financial institutions accounted for 77.3 percent of the deposit market share, and included Truist Bank, Bank of America, Wells Fargo Bank, JPMorgan Chase Bank, and Synovus Bank.

The bank is not required to collect or report its small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2020 indicates 281 lenders reported 108,761 small business loans totaling \$5.3 billion in the assessment area, demonstrating a high level of demand and competition for this product. The top five institutions accounted for 58.7 percent of the small business market share by number of loans.

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

Considering demographic and economic data, examiners determined that small business loans represent a primary credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (92.3 percent) and the large number of businesses with four or fewer employees (56.9 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 33.5 percent of families and 37.1 percent of households are low- or moderate-income.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN METRO ATLANTA

### LENDING TEST

Coastal States Bank’s lending performance within the Metro Atlanta assessment area reflects satisfactory performance. 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.

#### *Small Business Loans*

The geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. Small business lending in low-income census tracts was 3.7 percentage points below area demographics. Lending in moderate-income census tracts was 3.1 percentage points below demographics. Given the level of competition and limited lending opportunities, this performance is reasonable. The following table reflects the distribution of small business loans by census tract income level within the Metro Atlanta assessment area.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Metro Atlanta</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	6.7	4	3.0	431	1.7
Moderate	15.2	16	12.1	4,074	16.4
Middle	18.0	38	28.8	5,647	22.7
Upper	59.4	74	56.1	14,682	59.1
Not Available	0.8	0	0.0	0	0.0
<b>Totals</b>	<b>100.0</b>	<b>132</b>	<b>100.0</b>	<b>24,834</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data; Bank Data</i>					
<i>Due to rounding, totals may not equal 100.0%</i>					

#### Borrower Profile

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

***Small Business Loans***

The bank’s lending to small businesses is 37.6 percentage points below demographics. The bank’s lending is reasonable given the high level of competition and large number of PPP loans originated, many of which were made to large businesses. In addition, 10 out of the 18 loans to small businesses, or 55.6 percent, were made to businesses with gross annual revenues of \$250,000 or less, indicating the bank’s willingness to lend to smaller businesses. The following table reflects the distribution of small business loans by gross revenue level in the Metro Atlanta assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Metro Atlanta</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	92.1	18	54.5	3,000	40.2
>\$1,000,000	2.6	15	45.5	4,470	59.8
Revenue Not Available	5.3	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>33</b>	<b>100.0</b>	<b>7,470</b>	<b>100.0</b>
<i>Source: 2021 D&amp;B Data, Bank Data. Due to rounding, totals may not equal 100.0%</i>					

**COMMUNITY DEVELOPMENT TEST**

Coastal States Bank’s community development performance demonstrates adequate responsiveness to community development needs in the Metro Atlanta 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 areas.

**Community Development Loans**

The bank originated five community development loans totaling \$3.1 million in the Metro Atlanta assessment area. Loans provided revitalization and stabilization to the area. This activity represents 15.2 percent by number and 50.7 percent by dollar volume of Georgia’s community development loans during the evaluation period. Below are the bank’s community development loans originated in the Metro Atlanta assessment area during the evaluation period.

- In 2020 and 2021, the bank originated two PPP loans totaling \$620,900 in low- and moderate-income census tracts in the assessment area. Both loans promote revitalization and stabilization.



- In 2021, the bank originated a loan totaling \$1.6 million to purchase a retail strip mall located in a moderate-income census tract. This loan promotes revitalization and stabilization by retaining several commercial businesses in the area.
- In 2022, the bank renewed a construction loan totaling \$555,835 to build a duplex home in a low-income area. The loan promotes stabilization and revitalization by attracting new residents to the area.
- In 2022, the bank originated a loan totaling \$378,000 to consolidate the purchase of an investment retail strip mall with multiple existing businesses and a line of credit to improve and expand the building in a low-income census tract, allowing for two additional businesses in the strip mall. The loan promotes stabilization and revitalization by retaining existing and attracting new businesses to the area.

### **Qualified Investments**

Qualified investments included four investments totaling \$6.8 million and 13 donations totaling \$55,000. Donations were made to organizations that provide community services targeted to low- and moderate-income residents. Qualified investment activities in the Metro Atlanta assessment area represents 44.7 percent by number and 50.1 percent by dollar volume of Georgia’s qualified investments during the evaluation period. Below are examples of investments made in the Metro Atlanta assessment area.

- In 2021 and 2022, the bank purchased two Freddie Mac Guaranteed Multifamily Structured Pass-Through Securities totaling \$5.0 million for two multi-family developments designated as affordable housing located in Atlanta, GA.
- In 2022, the bank purchased a mortgage-backed security totaling \$1.3 million comprised of five mortgages to low- and moderate-income borrowers located in Cobb and Fulton Counties, GA, promoting affordable housing.
- In 2022, the bank purchased a certificate of deposit totaling \$500,000 at a minority depository institution located in Atlanta, GA, providing economic development.

### **Community Development Services**

Bank employees provided 11 instances of financial expertise or financial education to various organizations in this assessment area. This represents 84.6 percent of the State of Georgia’s qualified community development services provided during the evaluation period. The activities focused on community services.

In 2022, a bank officer serves as Treasurer for a non-profit organization that assists low- and moderate-income families in a variety of areas. Assistance programs promote community development services by providing services for neglected or abused children, family intervention programs, refugee and immigrant services, and natural disaster relief focusing primarily on low- and moderate-income individuals and families. The organization serves the Metro Atlanta assessment

area and its surrounding counties. Additionally, in 2022, 10 bank employees provided financial education at a school in Atlanta, GA, where the majority of students receive free or reduced lunch, promoting community development services. The presentations centered on enhancing financial skills and the importance of creating positive banking relationships, focusing on the underserved, including low- and moderate-income geographies.

## SAVANNAH – Full-Scope Review

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN SAVANNAH

The Savannah assessment area is comprised of Chatham County in its entirety, located in the Savannah, GA MSA. The bank operates one, or 10.0 percent, of its branch offices in the assessment area. The Savannah assessment area accounts for 4.0 percent of bank-wide deposits and 9.9 percent of loans.

#### Economic and Demographic Data

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

<b>Demographic Information of the Assessment Area</b>						
<b>Assessment Area: Savannah</b>						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	72	13.9	37.5	22.2	22.2	4.2
Population by Geography	279,290	10.1	29.8	29.0	31.1	0.0
Housing Units by Geography	121,877	9.8	29.7	29.2	31.3	0.0
Owner-Occupied Units by Geography	57,315	5.6	21.2	33.5	39.8	0.0
Occupied Rental Units by Geography	47,597	13.4	39.5	24.3	22.7	0.0
Vacant Units by Geography	16,965	13.8	31.2	28.4	26.6	0.1
Businesses by Geography	39,614	8.7	24.0	31.7	35.4	0.2
Farms by Geography	658	5.5	22.6	37.2	34.7	0.0
Family Distribution by Income Level	64,069	25.1	16.6	20.2	38.2	0.0
Household Distribution by Income Level	104,912	26.9	16.5	17.6	39.0	0.0
Median Family Income MSA - 42340 Savannah, GA MSA		\$61,754	Median Housing Value			\$188,202
			Median Gross Rent			\$955
			Families Below Poverty Level			14.4%
<i>Source: 2015 ACS and 2021 D&amp;B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The unemployment rate for the assessment area more than doubled in 2020, due largely to COVID-19 pandemic induced job losses. However, the unemployment rate for the county declined by 3.2 percent in 2021. The unemployment rate for Chatham County was in line with or above the state rates but below national rates across all years. The table below reflects the average annual unemployment rates and trends for the assessment area county, state, and nation.

<b>Unemployment Rates</b>			
<b>Area</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<b>%</b>	<b>%</b>	<b>%</b>
Chatham County	3.4	7.6	4.4
Georgia	3.6	6.5	3.9
National Average	3.7	8.1	5.4

*Source: Bureau of Labor Statistics*

According to D&B data, in 2021, the top industries in this assessment area were services, followed by non-classifiable establishments; retail trade; finance, insurance, and real estate; and transportation and communication. Top employers throughout the assessment area include Gulfstream Aerospace Corporation, Memorial University Medical Center, and Walmart.

### **Competition**

The assessment area is highly competitive in the financial services market. The June 30, 2021 Summary of Deposits revealed 21 FDIC-insured institutions operated 74 branches within this area. Of these institutions, Coastal States Bank ranked 18<sup>th</sup> with 0.6 percent market share. The top five financial institutions accounted for 75.0 percent of the deposit market share, and included Truist Bank, Wells Fargo Bank, Bank of America, South State Bank, and Ameris Bank.

The bank is not required to collect or report its small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2020 indicates 124 lenders reported 8,100 small business loans totaling \$519.1 million in the assessment area, demonstrating a high level of demand and competition for this product. The top five institutions accounted for 48.5 percent of the small business market share by number of loans.

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

Considering demographic and economic data, examiners determined that small business loans represent a primary credit need and opportunity within the assessment area. The significant percentage of businesses with gross annual revenues of \$1 million or less (88.8 percent) and the large number of businesses with four or fewer employees (57.5 percent) support the conclusion that there is a need for small business lending. Affordable housing also represents a need, as 41.7 percent of families and 43.4 percent of households are low- or moderate-income.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN SAVANNAH

### LENDING TEST

Coastal States Bank lending performance within the Savannah assessment area reflects satisfactory performance. The bank’s overall reasonable geographic distribution and reasonable borrower profile performance support this conclusion.

#### **Geographic Distribution**

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

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

The geographic distribution of small business lending reflects reasonable dispersion throughout the assessment area. Small business lending in low-income census tracts was 4.4 percentage points below area demographics. Lending in moderate-income census tracts was 13.1 percentage points below demographics. Given the bank opening its only branch in the assessment area in June 2020, combined with the COVID-19 pandemic and a high level of competition, this performance is reasonable. The following table reflects the distribution of small business loans by census tract income level within the Savannah assessment area.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Assessment Area: Savannah</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	8.7	2	4.3	464	6.5
Moderate	24.0	5	10.9	388	5.4
Middle	31.7	17	37.0	2,047	28.5
Upper	35.4	20	43.5	2,399	33.4
Not Available	0.2	2	4.3	1,880	26.2
<b>Totals</b>	<b>100.0</b>	<b>46</b>	<b>100.0</b>	<b>7,178</b>	<b>100.0</b>
<small>Source: 2021 D&amp;B Data; Bank Data                      Due to rounding, totals may not equal 100.0%</small>					

#### **Borrower Profile**

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

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

The bank’s level of lending to small businesses is 8.8 percentage points below demographics and considered reasonable. In addition, 9 out of the 12 loans to small businesses, or 75.0 percent, were made to businesses with gross annual revenues of less than \$250,000, indicating the bank’s willingness to lend to smaller businesses. The following table reflects the distribution of small business loans by gross revenue level in the assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Assessment Area: Savannah</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000	88.8	12	80.0	1,156	49.1
>\$1,000,000	3.0	3	20.0	1,198	50.9
Revenue Not Available	8.1	0	0.0	0	0.0
<b>Total</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>2,354</b>	<b>100.0</b>

*Source: 2021 D&B Data, Bank Data.  
Due to rounding, totals may not equal 100.0%*

### **COMMUNITY DEVELOPMENT TEST**

Coastal States Bank’s community development performance demonstrates adequate responsiveness to community development needs in the Savannah 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 areas.

#### **Community Development Loans**

The bank originated 28 community development loans totaling \$3.0 million in the Savannah assessment area. This activity represents 84.8 percent by number and 49.3 percent by dollar volume of Georgia’s community development loans during the evaluation period. All of the community development loans originated during the evaluation period were PPP loans from 2020 and 2021. All loans promote revitalization and stabilization.

#### **Qualified Investments**

Qualified investments included one investment totaling \$500,000 and 11 donations totaling \$44,000 in the Savannah assessment area. Donations were made to organizations that provide economic development and community services targeted to low- and moderate-income individuals. Qualified investment activities in the Savannah assessment area represents 31.6 percent by number and 4.0 percent by dollar volume of Georgia’s qualified investments during the evaluation period. In 2022, the bank purchased a certificate of deposit totaling \$500,000 at a minority depository institution located in Savannah, GA, providing economic development.

### **Community Development Services**

The bank provided two instances of community development services within the Savannah assessment area, which equates to 15.4 percent of services provided in the state of Georgia. In 2020 and 2021, a bank employee served as a Board member for a non-profit organization that provides mentoring services and job and trade skills to at-risk youth ages 15 to 25. The organization primarily focuses on low- and moderate-income individuals within the assessment area, promoting community services.

## APPENDICES

### INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

#### **Lending Test**

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

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

#### **Community Development Test**

The Community Development Test considers the following criteria:

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

## SUMMARY OF RATINGS FOR RATED AREAS

<b>Rated Area</b>	<b>Lending Test</b>	<b>Community Development Test</b>	<b>Rating</b>
South Carolina	Satisfactory	Satisfactory	Satisfactory
Georgia	Satisfactory	Satisfactory	Satisfactory



## GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Full-Scope Review:** A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (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.