

PUBLIC DISCLOSURE

February 22, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens Bank
Certificate Number: 16369

301 South Edwards Street
Enterprise, Alabama 36330

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 following points summarize the bank's Lending Test performance:

- The loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment areas' credit needs.
- The bank originated a majority of small business and home mortgage loans within the assessment areas.
- The geographic distribution of small business and home mortgage loans reflects reasonable dispersion throughout the assessment areas.
- The distribution of 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).
- The institution has not received any Community Reinvestment Act (CRA)-related complaints since the January 25, 2016 CRA evaluation. Therefore, this factor did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Background

The Citizens Bank (TCB) is headquartered in Enterprise, Alabama. TCB is a wholly-owned subsidiary of Enterprise Capital Corporation, Inc., a one-bank holding company also located in Enterprise, Alabama. The bank does not operate with any subsidiaries or affiliates. TCB received a “Satisfactory” rating at its previous FDIC CRA Performance Evaluation, dated January 25, 2016. The bank’s CRA performance was evaluated using the Interagency Small Institution Examination Procedures.

Operations

TCB operates two full-service branches (including the main office) in Baldwin and Coffee Counties, Alabama. Since the previous evaluation, its branch structure has changed as the Fairhope, Alabama loan production office (LPO) is now a full-service branch. TCB now operates an LPO in Andalusia, Covington County, Alabama. The bank offers various loan products, to include commercial, home mortgage, construction, home equity lines of credit, agricultural, and consumer loans. The bank primarily focuses on commercial lending, which has not changed since the previous evaluation. TCB also provides a variety of deposit products and services, to include checking, savings, and money market deposit accounts; certificates of deposit; individual retirement accounts; wire transfers; and safe deposit boxes. Alternative banking services include internet and mobile banking, electronic bill payment, remote check deposit, person to person payments, and debit cards. The bank does not own or operate any automated teller machines (ATMs). Lastly, no merger or acquisition activities have occurred since the previous evaluation.

Ability and Capacity

As of the December 31, 2021 Consolidated Reports of Condition and Income, the bank’s total assets were approximately \$204.5 million, which represents an increase of \$90.5 million or 79.4 percent since the previous evaluation. TCB has \$126.7 million in total loans, \$40.8 million in total securities, and \$186.1 million in total deposits. Both loans and deposits have increased by 108.0 percent and 83.7 percent, respectively. As shown in the table on the following page, commercial loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 41.2 percent, followed by loans secured by 1-4 family residential properties at 34.0 percent.

Loan Portfolio Distribution as of 12/31/2021		
Loan Category	\$ (000s)	%
Construction, Land Development, and Other Land Loans	18,363	14.5
Secured by Farmland	7,773	6.1
Secured by 1-4 Family Residential Properties	43,085	34.0
Secured by Multifamily (5 or more) Residential Properties	2,328	1.8
Secured by Nonfarm Nonresidential Properties	33,488	26.4
Total Real Estate Loans	105,037	82.8
Commercial and Industrial Loans	18,720	14.8
Agricultural Production and Other Loans to Farmers	837	0.7
Consumer Loans	2,103	1.7
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	126,697	100.0
<i>Source: Reports of Condition and Income (Call Report) – 12/31/2021</i>		

Examiners did not identify any financial, legal, or other impediments that 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. On February 1, 2016, the bank added seven census tracts within Baldwin County, Alabama, to its CRA assessment areas, as a result of establishing the full-service branch in Fairhope, Alabama. On February 22, 2022, the bank removed the census tract in Geneva County, Alabama, from its designated assessment areas due to a declination in lending activities within that area. However, the removed census tract was designated as a middle-income census tract.

TCB has two designated assessment areas. The first assessment area (AA) is comprised partially of Coffee and Dale Counties, Alabama, which are located in a Non-Metropolitan Statistical Area (NMSA). The second AA is comprised partially of Baldwin County, which is part of the Daphne-Fairhope-Foley, Alabama Metropolitan Statistical Area (MSA). The assessment areas meet the requirements of the regulation and do not arbitrarily exclude low- or moderate-income geographies. The combined assessment areas include a total of 19 census tracts. These tracts reflect the following income designations according to the 2015 American Community Survey (ACS) U.S. Census Data:

- 1 moderate-income tract,

- 7 middle-income tracts, and
- 11 upper-income tracts.

A description of each assessment area is presented in the NMSA Assessment Area – Full-Scope Review and Baldwin County, Alabama – Full-Scope Review sections of this evaluation. Please see the following table regarding a description of each assessment area for the current evaluation.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
NMSA AA	Coffee and Dale	12	1
Baldwin County AL AA	Baldwin	7	1
<i>Source: Bank Data</i>			

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated January 25, 2016, to the current evaluation dated February 22, 2022. Examiners used the Interagency Small Institution Examination Procedures to evaluate TCB's CRA performance. These procedures included the CRA Small Bank Lending Test.

The Lending Test considered the institution's performance according to the following criteria:

- Loan-to-Deposit Ratio
- Assessment Areas Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA-Related Complaints

As previously mentioned, TCB has two designated assessment areas in Alabama. This evaluation utilized full-scope procedures for the NMSA and Baldwin County, Alabama assessment areas given the percentage of small business and home mortgage lending within the areas. Examiners gave equal weight to bank activities in the NMSA and Baldwin County, Alabama assessment areas due to the level of lending and deposit activity within each. Additionally, the bank does not have any affiliates. The following table illustrates the breakdown of loans, deposits, and branches within the assessment areas.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
NMSA AA	7,693	40.1	142,258	81.1	1	50.0
Baldwin County AL AA	11,507	59.9	33,199	18.9	1	50.0
Total	19,200	100.0	175,457	100.0	2	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2021)

Activities Reviewed

Examiners determined that TCB's major product lines are small business and home mortgage loans. Therefore, these products were selected for the review. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating small business and home mortgage loans contributed equal weight to the overall conclusions due to loan volume (by dollar amount and by number) during the most recent calendar year. In addition, no other loan types, such as small farm or consumer loans, represented a major product line. Therefore, those two loan types provided no material support for the conclusions or ratings in this evaluation. The following table shows the bank's originations and purchases over the most recent calendar year by loan type.

Loans Originated or Purchased (2021)				
Loan Category	\$ (000s)	%	#	%
Construction and Land Development	13,670	19.1	36	11.7
Secured by Farmland	1,592	2.2	8	2.6
Secured by 1-4 Family Residential Properties	29,399	41.0	137	44.5
Multi-Family (5 or more) Residential Properties	1,200	1.7	1	0.3
Commercial Real Estate Loans	13,881	19.4	33	10.7
Commercial and Industrial Loans	10,474	14.6	67	21.8
Agricultural Loans	229	0.3	3	0.9
Consumer Loans	837	1.2	19	6.2
Other Loans	399	0.5	4	1.3
Total Loans	71,681	100.0	308	100.0

Source: Bank Data (1/1/2021 – 12/31/2021)

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners selected small business loans originated during the 2021 calendar year. The bank originated 72 small business loans totaling \$12.7 million during the review period, of which the entire universe was reviewed. Presenting one calendar year of data was considered representative of the bank's performance during the entire evaluation period. Dun & Bradstreet (D&B) data for 2021 provided a standard of comparison for the small business loans.

As of July 1, 2020, TCB is no longer required to record and submit residential mortgage data pursuant to the Home Mortgage Disclosure Act (HMDA). Examiners reviewed the full universe of the bank's home mortgage loans originated during the 2021 calendar year. In 2021, the bank originated 63 home mortgage loans totaling \$22.6 million. The bank's lending distribution remained consistent over the review period, and examiners did not identify any trends that materially affect conclusions. Examiners used 2015 ACS U.S. Census Data (i.e. the percentage of owner-occupied housing units by geography and the percentage of families by income level) as a standard of comparison for the bank's home mortgage loans.

The table below displays the bank's small business and home mortgage loans for the review period.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Home Mortgage	63	22,607	63	22,607
Small Business	72	12,683	72	12,683
Total Loans	135	35,290	135	35,290

Source: 2021 Bank Data

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While this evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans, because the number of loans is a better indicator of the number of businesses and individuals served. Examiners also review lending performance and discuss any observed anomalies, where appropriate, under the *Geographic Distribution* and *Borrower Profile* performance factors. Additionally, these performance factor discussions focus only on the loans originated inside the bank's assessment areas.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Overall, TCB demonstrated reasonable performance under the Lending Test. The bank's Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The net loan-to-deposit (NLTD) ratio is reasonable given the bank's asset size, financial condition, and assessment areas' credit needs. TCB's NLTD ratio, calculated from Call Report data, averaged 74.9 percent over the past 24 calendar quarters from March 31, 2016, to December 31, 2021. The bank's NLTD ratio ranged from a low of 62.0 percent as of June 30, 2016, to a high of 89.0 percent as of June 30, 2019. Although the ratio remained generally stable during the evaluation period, there has been a declining trend over the past three calendar years.

Examiners identified two similarly-situated financial institutions with similar asset size, geographic location, and lending focus for this evaluation. Friend Bank (located in Slocomb, Alabama) and Citizens' Bank, Inc. (located in Robertsdale, Alabama) were financial institutions located in TCB's assessment areas that shared similar attributes. The analysis compared the banks' average NLTD ratio during the same 24 calendar quarters. While TCB's NLTD ratio is slightly higher than the averages of Friend Bank and Citizens' Bank, Inc., each bank's ratios are considered consistent. Please refer to the table on the following page for details.

Loan-to-Deposit (LTD) Ratio Comparison			
Bank		Total Assets as of December 31, 2021 (\$000s)	Average Net LTD Ratio (%)
The Citizens Bank (Enterprise, AL)		204,490	74.9
Friend Bank (Slocomb, AL)		186,711	70.0
Citizens' Bank, Inc. (Robertsdale, AL)		140,531	71.5

Source: Reports of Condition and Income (Call Report) 12/31/2021

Assessment Area Concentration

The bank originated a majority of small business and home mortgage loans within the assessment areas. The table below illustrates this information.

Lending Inside and Outside of the Assessment Areas												
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total		
	Inside		Outside			Inside		Outside				
	#	%	#	%		\$	%	\$	%	\$ (000s)		
Home Mortgage												
2021	32	50.8	31	49.2	63	11,715	51.8	10,892	48.2	22,607		
Subtotal	32	50.8	31	49.2	63	11,715	51.8	10,892	48.2	22,607		
Small Business												
2021	44	61.1	28	38.9	72	7,485	59.0	5,198	41.0	12,683		
Subtotal	44	61.1	28	38.9	72	7,485	59.0	5,198	41.0	12,683		
Total	76	56.3	59	43.7	135	19,200	54.4	16,090	45.6	35,290		

Source: Bank Data 1/1/2021 – 12/31/2021

Geographic Distribution

The geographic distribution of loans reflects an overall reasonable dispersion throughout the assessment areas. Examiners focused only on loans originated within the assessment areas. TCB's performance regarding small business and home mortgage loans is reasonable when considering the high level of competition from other banks and the limited opportunity to originate loans in the moderate-income census tract within the NMSA assessment area. The bank's performance was compared to available demographic data. The Baldwin County assessment area does not include any low- or moderate-income census tracts, and a review of the *Geographic Distribution* criterion would not result in a meaningful conclusion. Therefore, this criterion was not evaluated for the Baldwin County assessment area.

Borrower Profile

The distribution of loans to borrowers reflects, given the product lines offered by the institution and demographics of the assessment areas, reasonable penetration among businesses of different

sizes and individuals of different income levels. TCB's performance of small business and home mortgage loans supports this conclusion. The bank's performance was compared to available demographic data. Examiners focused on the percentage by number of small business loans with gross annual revenues of \$1.0 million or less. Additionally, examiners focused on the percentage of families by number of home mortgage loans to low- and moderate-income borrowers. Examiners focused only on loans originated within the assessment areas.

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.

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 evidence of discriminatory or other illegal credit practices inconsistent with helping to meet the credit needs of the community. Therefore, this consideration did not affect the institution's overall CRA rating.

NMSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NMSA ASSESSMENT AREA

TCB's NMSA assessment area includes Coffee and Dale Counties. The bank operates one full-service office in this assessment area. The bank's main office is located in Enterprise, Alabama, within a middle-income census tract.

Economic and Demographic Data

The NMSA assessment area consists of 12 census tracts. The census tracts reflect the following income designations according to the 2015 ACS U.S. Census Data:

- 1 moderate-income tract,
- 3 middle-income tracts, and
- 8 upper-income tracts.

The following table illustrates select demographics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: NMSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	12	0.0	8.3	25.0	66.7	0.0
Population by Geography	50,605	0.0	8.4	16.2	75.3	0.0
Housing Units by Geography	22,915	0.0	8.4	15.9	75.7	0.0
Owner-Occupied Units by Geography	12,401	0.0	3.9	17.4	78.7	0.0
Occupied Rental Units by Geography	6,656	0.0	17.2	13.4	69.4	0.0
Vacant Units by Geography	3,858	0.0	7.6	15.4	77.0	0.0
Businesses by Geography	2,899	0.0	15.4	19.7	64.9	0.0
Farms by Geography	141	0.0	5.0	24.8	70.2	0.0
Family Distribution by Income Level	13,050	14.7	12.2	14.6	58.5	0.0
Household Distribution by Income Level	19,057	17.2	12.1	13.0	57.7	0.0
Median Family Income NMSAs AL		\$45,454	Median Housing Value			\$140,167
			Median Gross Rent			\$775
			Families Below Poverty Level			13.2%

Source: 2015 ACS Census and 2021 D&B Data; Due to rounding, totals may not equal 100%

According to 2021 D&B data, there were 2,899 non-farm businesses operating in this assessment area. Gross Annual Revenues (GARs) for these businesses are below:

- 83.7 percent have \$1.0 million or less in GARs;
- 3.9 percent have more than \$1.0 million in GARs; and
- 12.4 percent have unknown GARs.

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of business by GAR level. Service industries represent the largest portion of businesses at 36.4 percent; followed by non-classifiable establishments (18.5 percent); retail trade (15.7 percent); finance, insurance, and real estate (8.2 percent); and construction (5.1 percent). However, 60.3 percent of the businesses within the assessment area operate with four or less employees, and 87.4 percent operate from a single location. The assessment area's largest employers are M1 Support Services, Wayne Farms, Enterprise City School System, Pilgrim's Pride, and Hwaseung Automotive Alabama.

The 2021 Federal Financial Institutions Examination Council (FFIEC)-updated median family income level is used to analyze home mortgage loans under the *Borrower Profile* criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NMSA (Alabama) Median Family Income (99999)				
2021 (\$53,400)	<\$26,700	\$26,700 to <\$42,720	\$42,720 to <\$64,080	≥\$64,080
<i>Source: FFIEC</i>				

There are 22,915 housing units located in the assessment area. Of these, 54.1 percent are owner-occupied, 29.1 percent are occupied rental, and 16.8 percent are vacant units. Additionally, 13.2 percent of families live below the poverty level in the assessment area. The *Geographic Distribution* criterion compares home mortgage loans to the distribution of owner-occupied housing units.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased in 2020 due to the COVID-19 pandemic. Unemployment rates in the assessment area declined in 2021. In addition, the unemployment rates for Coffee and Dale Counties have remained below the State of Alabama and U.S. national averages since 2019. The table on the following page summarizes the unemployment rates for the NMSA assessment area.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Coffee County, AL	2.9	4.5	2.8
Dale County, AL	3.1	5.0	3.2
State of Alabama	3.2	6.5	3.5
U.S. National Average	3.7	8.1	5.4

Source: U.S. Bureau of Labor Statistics

Competition

The assessment area is highly competitive for financial services. According to the FDIC's June 30, 2021 Deposit Market Share Report, there were 13 financial institutions operating within the assessment area. Of these institutions, TCB ranked 4th, with a deposit market share of 11.6 percent.

The bank is not required to collect or report its small business loan data, and has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the 2020 aggregate data shows that 67 lenders reported 1,335 small business loans in the assessment area. This indicates a high level of competition and demand for this product. Synovus Bank, American Express National Bank, and Troy Bank & Trust were the top three institutions and accounted for 36.1 percent of the small business market share by number of loans.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in this assessment area. According to 2020 aggregate data, 179 lenders reported 2,945 originated and purchased home mortgage loans. The top three mortgage lenders accounted for 29.4 percent of the assessment area's total market share. Those lenders were Mortgage Research Center, LLC (14.0 percent); Envoy Mortgage, Ltd (8.5 percent); and Freedom Mortgage Corporation (6.9 percent).

Community Contact

During CRA evaluations, examiners conduct community contacts to develop a better understanding of the demographic, economic, and credit needs of an institution's assessment area(s). This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a representative of an economic development organization in Coffee County. The organization's mission is to be an advocate for the community by promoting the growth of the community, businesses, and industries. The contact stated that housing stock availability is an issue in the area. In addition, the contact indicated that there is available land in the area, which provides housing developers the opportunity to build additional homes. There are currently four areas zoned to be developed into housing subdivisions. The contact also noted that small business owners need access to more financial education programs, particularly in terms of funding opportunities from local financial institutions.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined there are credit opportunities available. There is an opportunity for financial institutions within the assessment area to work with housing developers to increase the housing stock. Additionally, there are opportunities to conduct financial education programs that provide information to small businesses regarding their credit and funding inquiries.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NMSA ASSESSMENT AREA

LENDING TEST

TCB's lending performance within the NMSA assessment area reflects satisfactory performance. The bank's performance, relative to the *Geographic Distribution* and *Borrower Profile* criteria, supports this conclusion.

Geographic Distribution

The bank's geographic distribution of loans throughout the NMSA assessment area reflects reasonable dispersion of small business and home mortgage loans. This assessment area presents limited opportunities for the bank to lend within the one moderate-income census tract because of a low percentage of businesses and owner-occupied housing units in the area. Furthermore, there are numerous lenders in the area creating a high degree of competition. There are no low-income census tracts in this assessment area.

Small Business Loans

The geographic distribution of small business loans reflects a reasonable dispersion. Although the bank's lending is below demographics, examiners considered the performance as reasonable, given the level of competition and limited opportunities to lend to small businesses in the moderate-income census tract. Please refer to the table on the following page for details.

Geographic Distribution of Small Business Loans					
Assessment Area: NMSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low	0.0	0	0.0	0.	0.0
Moderate	15.4	1	5.9	11	0.3
Middle	19.7	5	29.4	905	28.3
Upper	64.9	11	64.7	2,283	71.4
Not Available	0.0	0	0.0	0	0.0
Totals	100.0	17	100.0	3,199	100.0

Source: 2021 D&B Data; Bank Data 1/1/2021 – 12/31/2021

Home Mortgage Loans

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the assessment area. Although no home mortgage loans were originated in the moderate-income census tract, only 3.9 percent of owner-occupied housing units are located in the moderate-income census tract. Additionally, the level of competition combined with the low percentage of owner-occupied housing units present fewer opportunities for lending. Please refer to the following table for details.

Geographic Distribution of Home Mortgage Loans					
Assessment Area: NMSA					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low	0.0	0	0.0	0	0.0
Moderate	3.9	0	0.0	0	0.0
Middle	17.4	2	11.1	831	18.5
Upper	78.7	16	88.9	3,662	81.5
Not Available	0.0	0	0.0	0	0.0
Total	100.0	18	100.0	4,494	100.0

Source: 2015 ACS Census Data; Bank Data 1/1/2021 – 12/31/2021

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels within the assessment area.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among business customers of different sizes in the assessment area. Although the bank's performance is lower than the assessment area's

demographics, the majority of the bank's small business loans were originated to businesses with GARs of \$1.0 million or less. This demonstrates the bank's willingness to support the growth of small businesses in the assessment area. Please refer to the table below for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: NMSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	83.7	10	58.8	1,156	36.1
>\$1,000,000	3.9	7	41.2	2,043	63.9
Revenue Not Available	12.4	0	0.0	0	0.0
Total	100.0	17	100.0	3,199	100.0

Source: 2021 D&B Data, Bank Data 1/1/2021 – 12/31/2021. Due to rounding, totals may not equal 100.0%.

Home Mortgage Loans

The distribution of home mortgage loans to individuals reflects reasonable penetration among borrowers of different income levels in the assessment area. The bank's lending performance to low-income borrowers was less than the percentage of families within the assessment area. Although lower, the bank's volume of originations for the review period was minimal. The bank did not originate any loans to moderate-income borrowers in 2021. It is noted that approximately 13.2 percent of families in the assessment area live below the poverty level. This reduces the percentage of low-income borrowers that can qualify for traditional home mortgages. Furthermore, the assessment area is highly competitive with home mortgage lenders. Please refer to the table below for details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: NMSA					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	14.7	1	5.6	170	3.8
Moderate	12.2	0	0.0	0	0.0
Middle	14.6	4	22.2	633	14.1
Upper	58.5	13	72.2	3,691	82.1
Not Available	0.0	0	0.0	0	0.0
Total	100.0	18	100.0	4,494	100.0

Source: 2015 ACS Census Data; Bank Data 1/1/2021 – 12/31/2021

BALDWIN COUNTY ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BALDWIN COUNTY ASSESSMENT AREA

TCB operates one office within the Baldwin County, Alabama assessment area, which makes up the Daphne-Fairhope-Foley MSA. The office is located in Fairhope, Alabama, within a middle-income census tract.

Economic and Demographic Data

The Baldwin County assessment area consists of seven census tracts. The census tracts reflect the following income designations according to the 2015 ACS U.S. Census Data:

- 4 middle-income tracts, and
- 3 upper-income tracts.

The following table illustrates select demographics of the assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Baldwin County, Alabama						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	7	0.0	0.0	57.1	42.9	0.0
Population by Geography	52,670	0.0	0.0	51.5	48.5	0.0
Housing Units by Geography	22,342	0.0	0.0	50.9	49.1	0.0
Owner-Occupied Units by Geography	14,227	0.0	0.0	51.9	48.1	0.0
Occupied Rental Units by Geography	5,210	0.0	0.0	47.8	52.2	0.0
Vacant Units by Geography	2,905	0.0	0.0	51.8	48.2	0.0
Businesses by Geography	5,605	0.0	0.0	54.8	45.2	0.0
Farms by Geography	173	0.0	0.0	55.5	44.5	0.0
Family Distribution by Income Level	13,676	12.9	13.4	19.2	54.5	0.0
Household Distribution by Income Level	19,437	16.3	12.2	17.5	54.0	0.0
Median Family Income MSA - 19300 Daphne-Fairhope-Foley, AL MSA		\$62,271	Median Housing Value			\$227,791
			Median Gross Rent			\$1,033
			Families Below Poverty Level			6.5%

Source: 2015 ACS Data and 2021 D&B Data

According to 2021 D&B data, there were 5,605 non-farm businesses operating in this assessment area. Gross Annual Revenues for these businesses are below:

- 87.4 percent have \$1.0 million or less in GARs;
- 4.1 percent have more than \$1.0 million in GARs; and
- 8.5 percent have unknown GARs.

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 38.5 percent; followed by non-classifiable establishments (17.5 percent); retail trade (13.3 percent); finance, insurance, and real estate (10.7 percent); and construction (7.5 percent). Additionally, 65.0 percent of the businesses within the assessment area operate with four or less employees, and 91.3 percent operate from a single location. The assessment area's largest employers are Baldwin County Board of Education, Walmart, Infirmary Health, Collins Aerospace, and Columbia Southern University.

The 2021 FFIEC-updated median family income level is used to analyze home mortgage loans under the *Borrower Profile* criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Baldwin County (Alabama) Median Family Income (19300)				
2021 (\$74,300)	<\$37,150	\$37,150 to <\$59,440	\$59,440 to <\$89,160	≥\$89,160
<i>Source: FFIEC</i>				

There are 22,342 housing units located in the assessment area. Of these, 63.7 percent are owner-occupied, 23.3 percent are occupied rental, and 13.0 percent are vacant units. Additionally, 6.5 percent of families live below the poverty level in the assessment area. The *Geographic Distribution* criterion compares home mortgage loans to the distribution of owner-occupied housing units.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased in 2020 due to the COVID-19 pandemic. Unemployment rates in the assessment area declined in 2021. In addition, the unemployment rate for Baldwin County has remained below the State of Alabama and U.S. national averages since 2019. The table on the following page summarizes the unemployment rates for the Baldwin County assessment area.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Baldwin County, AL	2.8	5.7	2.9
State of Alabama	3.2	6.5	3.5
U.S. National Average	3.7	8.1	5.4

Source: U.S. Bureau of Labor Statistics

Competition

The assessment area is highly competitive in for financial services. According to the FDIC's June 30, 2021 Deposit Market Share Report there were 26 financial institutions operating within the assessment area. Of these institutions, TCB ranked 21st, with a deposit market share of 0.5 percent.

The bank is not required to collect or report its small business loan data, and has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, the 2020 aggregate data shows that 120 lenders reported 8,134 small business loans in the assessment area. This indicates a high level of competition and demand for this product. American Express National Bank, Trustmark National Bank, and Regions Bank were the top three institutions and accounted for 25.6 percent of the small business market share by number of loans.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in this assessment area. According to 2020 aggregate data, 290 lenders reported 5,521 originated and purchased home mortgage loans. The top three mortgage lenders accounted for 21.1 percent of the assessment area's total market share. Those lenders were Trustmark National Bank (9.1 percent); Regions Bank (6.3 percent); and Quicken Loans, LLC (5.7 percent).

Community Contact

Examiners utilized a recent community contact's comments for this assessment area. The contact is a representative of an economic development organization in Baldwin County. The organization is responsible for coordinating educational efforts within the area. The contact stated that Baldwin County is considered the fastest growing county in Alabama despite a shortage of workers. Additionally, the contact mentioned that there has been an increase in the county's population demographics (e.g. racial and ethnicity groups) due to an influx of retirees to the area. However, the ratio of working age versus retirement age has not drastically changed. Lastly, the contact stated that service businesses (e.g. landscaping) are flourishing.

Credit Needs

Considering information from the community contact, bank management, and demographic and economic data, examiners determined there are credit opportunities available. The continuous

need for affordable housing within the assessment area presents an opportunity for financial institutions to meet the credit needs of the community.

CONCLUSIONS ON PERFORMANCE CRITERIA IN BALDWIN COUNTY ASSESSMENT AREA

LENDING TEST

TCB's lending performance within the Baldwin County assessment area reflects satisfactory performance. The bank's performance, relative to the *Borrower Profile* criteria, supports this conclusion.

Geographic Distribution

The assessment area does not include any low- or moderate-income census tracts, and a review of the *Geographic Distribution* criterion would not result in meaningful conclusions. Therefore, this criterion was not evaluated.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels within the assessment area.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among business customers of different sizes in the assessment area. Although the bank's performance is lower than the assessment area's demographics, the majority of the bank's small business loans were originated to businesses with GARs of \$1.0 million or less. This demonstrates the bank's willingness to support the growth of small businesses in the assessment area. Please refer to the table below for details.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Baldwin County					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	87.4	18	66.7	3,051	71.2
>\$1,000,000	4.1	9	33.3	1,235	28.8
Revenue Not Available	8.5	0	0.0	0	0.0
Total	100.0	27	100.0	4,286	100.0

Source: 2021 D&B Data; Bank Data 1/1/2021 – 12/31/2021

Home Mortgage Loans

The distribution of home mortgage loans to individuals reflects reasonable penetration among borrowers of different income levels in the assessment area. The bank's lending performance to low-income borrowers was less than the percentage of families within the assessment area. Although lower, the bank's volume of originations for the review period was minimal. The bank did not originate any loans to moderate-income borrowers in 2021. It is noted that approximately 6.5 percent of families in the assessment area live below the poverty level. This reduces the percentage of low-income borrowers that can qualify for traditional home mortgages. Furthermore, the assessment area is highly competitive with home mortgage lenders. Please refer to the table below for details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Assessment Area: Baldwin County					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	12.9	1	7.1	225	3.1
Moderate	13.4	0	0.0	0	0.0
Middle	19.2	2	14.3	1,375	19.1
Upper	54.5	11	78.6	5,621	77.8
Total	100.0	14	100.0	7,221	100.0

Source: 2015 ACS Data; Bank Data 1/1/2021 – 12/31/2021; Due to rounding, totals may not equal 100.0%

APPENDICES

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 institution'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).

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 institution 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.

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.

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.

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.

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 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.

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.