

PUBLIC DISCLOSURE

July 31, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Citizens Bank of Georgia
Certificate Number: 34229

651 Veterans Memorial Boulevard
Cumming, Georgia 30040

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

10 10th Street NE, Suite 900
Atlanta, Georgia 30309-3849

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

- The bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in its assessment area. The rating is primarily based on the bank's performance in making community development loans and qualified investments.

DESCRIPTION OF INSTITUTION

The Citizens Bank of Georgia is a state chartered non-member community bank headquartered in Cumming, Forsyth County, Georgia. The bank is wholly owned by Forsyth Bancshares, Inc., a single-bank holding company, also located in Cumming, Georgia. The bank received a “Satisfactory” rating at its previous FDIC CRA Performance Evaluation, dated September 28, 2020, based on Interagency Small Institution Examination Procedures.

The Citizens Bank of Georgia is primarily a commercial lender, which remains unchanged since the previous evaluation. The bank currently operates four full-service offices in Georgia, which includes three offices in Forsyth County and one office in Cherokee County. The bank has not opened or closed any offices since the last evaluation.

The Citizens Bank of Georgia offers a variety of commercial, home mortgage, agricultural/farm, and consumer loans. The bank provides a variety of deposit products including checking, savings, money market, certificates of deposit, and individual retirement accounts. Additionally, the bank offers alternative systems for delivering retail service including internet banking, mobile banking, and automated teller machines.

As of the June 30, 2023 Consolidated Reports of Condition and Income, The Citizens Bank of Georgia had total assets of \$502.6 million, total loans of \$266.2 million, total deposits of \$464.0 million, and total securities of \$183.1 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 loan product at 55.7 percent, followed by residential real estate loans (1-4 family and multifamily residential properties) at 26.7 percent. Consumer and farm loans (farmland and agricultural) account for 1.8 percent and 0.5 percent of the bank’s loan portfolio, respectively.

Loan Portfolio Distribution as of 06/30/23		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	41,700	15.4
Secured by Farmland	1,191	0.4
Secured by 1-4 Family Residential Properties	65,306	24.2
Secured by Multifamily (5 or more) Residential Properties	6,629	2.5
Secured by Nonfarm Nonresidential Properties	127,964	47.3
Total Real Estate Loans	242,790	89.8
Commercial and Industrial Loans	22,573	8.4
Agricultural Production and Other Loans to Farmers	41	0.1
Consumer Loans	4,914	1.8
Obligations of State and Political Subdivisions in the U.S.	-	-
Other Loans	9	0
Less: Unearned Income	(159)	(0.1)
Total Loans	270,168	100.0
<i>Source: Reports of Condition and Income.</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. The Citizens Bank of Georgia has designated one assessment area within the State of Georgia. The assessment area is located within the Atlanta-Sandy Springs-Alpharetta, Georgia metropolitan statistical area (MSA). The assessment area includes the entirety of Forsyth County and five census tracts (905.03, 905.04, 905.05, 905.06 and 905.07) in Cherokee County. Due to changes with the 2020 U.S. Census data, the bank’s assessment area has changed from the previous evaluation when it only included two census tracts in Cherokee County, and the census tracts in Forsyth County increased from 47 to 48.

The following table details the counties, number of census tracts (CTs), and branches included in each county of the assessment area for the current evaluation.

Description of Assessment Areas at the Current Performance Evaluation			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
Atlanta-Sandy Springs-Alpharetta MSA	Forsyth	48	3
	Cherokee	5	1
Totals		53	4
<i>Source: Bank Data</i>			

Economic and Demographic Data

Based on 2020 U.S. Census data, the 53 census tracts include one moderate-income, 12 middle-income, and 40 upper-income tracts. The income classifications for this assessment area changed from the previous evaluation when the assessment area was comprised of one moderate-income, 15 middle-income, and 31 upper-income census tracts based on the 2015 American Community Survey (ACS) data. The following table presents demographic information from the 2020 U. S. census and 2022 Dunn and Bradstreet (D&B) data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	53	0.0	1.9	22.6	75.5	0.0
Population by Geography	273,496	0.0	0.9	19.0	80.1	0.0
Housing Units by Geography	91,451	0.0	1.1	20.0	78.9	0.0
Owner-Occupied Units by Geography	74,749	0.0	0.9	17.9	81.2	0.0
Occupied Rental Units by Geography	12,898	0.0	2.1	28.9	69.1	0.0
Vacant Units by Geography	3,804	0.0	3.3	29.8	67.0	0.0
Businesses by Geography	47,083	0.0	1.1	19.4	79.5	0.0
Farms by Geography	1,217	0.0	1.3	25.8	72.9	0.0
Family Distribution by Income Level	71,295	10.8	10.9	15.4	62.9	0.0
Household Distribution by Income Level	87,647	11.6	10.7	13.5	64.2	0.0
Median Family Income MSA - 12060 Atlanta-Sandy Springs-Alpharetta, GA MSA		\$84,791	Median Housing Value			\$358,549
			Median Gross Rent			\$1,368
			Families Below Poverty Level			3.8%
<i>Source: 2020 U.S. Census and 2022 D&B Data; Due to rounding, totals may not equal 100.0%; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Based on the 2022 D&B data, gross annual revenues (GARs) for businesses in the assessment area are as follows:

- 93.8 percent have \$1 million or less;
- 2.2 percent have more than \$1 million; and,
- 4.0 percent have unknown revenues.

In 2022, the top industries in the Atlanta-Sandy Springs-Alpharetta MSA assessment area were services, followed by non-classifiable establishments, and healthcare. Top employers in the area include Northside Hospital Forsyth and Tyson Foods.

The 2022 FFIEC’s estimated median family income levels for the Atlanta-Sandy Springs-Alpharetta MSA assessment area were used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income ranges and 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%
Atlanta-Sandy Springs-Alpharetta, GA MSA Median Family Income (12060)				
2022 (\$95,700)	<\$47,850	\$47,850 to <\$76,560	\$76,560 to <\$114,840	≥\$114,840
<i>Source: FFIEC</i>				

According to the Bureau of Labor Statistics, unemployment data indicates that in prior years, Forsyth and Cherokee County’s unemployment rates were lower than state and national averages. Rates in 2020 were higher, primarily due to impacts of the pandemic. The following table reflects the average annual unemployment rates and trends for the assessment area by counties, state, and the nation.

Unemployment Rates – Atlanta – Sandy Springs - Alpharetta, GA MSA Assessment Area			
Area	2020	2021	2022
	%	%	%
Cherokee County	4.8	2.6	2.3
Forsyth County	4.5	2.5	2.3
State of Georgia	6.5	3.9	3.0
National Average	8.1	5.4	3.6
<i>Source: Bureau of Labor Statistics; *Not seasonally adjusted</i>			

Competition

The assessment area is extremely competitive in the financial services market. According to the FDIC’s June 30, 2022 *Summary of Deposits Report*, there are nine FDIC-insured financial institutions operating 21 offices in this assessment area. Of these institutions, The Citizens Bank of Georgia ranked ninth, with 3.8 percent deposit market share. The top five financial institutions accounted for 66.5 percent of the deposit market share.

Additionally, The Citizens Bank of Georgia is not required to report its small business loan data and has elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the level of demand for small business loans and is, therefore, included for context. In 2021 (the most recent data available), the top five lenders originated 64.7 percent of the small business loans, and 138 lenders originated 19,970 small business loans totaling \$663 million.

The Citizens Bank of Georgia is not required to report its home mortgage loan data and has elected not to do so. There is also a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2021, the top five lenders originated 27.9 percent of the loans in the assessment area, with 511 lenders originating 27,925 loans totaling \$9.3 billion.

Community Contact

Examiners rely on contacts with community organizations to gain insight regarding the credit needs and economic conditions of a bank's assessment area. Individuals interviewed provide information based upon their knowledge and expertise in the housing, business, or economic sectors. During this evaluation, examiners contacted a non-profit organization that serves the Atlanta-Sandy Springs-Alpharetta, GA MSA assessment area, providing access to quality affordable housing to low- and moderate-income individuals.

The contact stated the area is in need of affordable housing, as new homes prices are out of reach for low- and moderate- income families. The contact also stated there are not enough loans targeted to those who do not have credit, which limits the accessibility to home mortgage financing. However, the organization is working to build and redevelop affordable new homes for the low- and moderate-income population. Additionally, the contact provided positive feedback on the local banks and their ability to serve the area.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, examiners determined that affordable housing and small business loans represent credit needs within the assessment area. The significant percentage of businesses with GARs of \$1 million or less (89.1 percent) and information obtained from the community contact support this conclusion.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated September 28, 2020, to the current evaluation dated July 31, 2023. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include the CRA Small Bank Lending Test and the Community Development Test. A full scope analysis was conducted.

Activities Reviewed

Examiners determined the bank's major product lines are small business and home mortgage loans. This conclusion considered the bank's business strategy and the distribution of the loan portfolio. No other loan types, such as small farm or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. Small business loans received greater weight in determining the overall rating given the level of loans originated and reviewed by product type, as shown in the following table.

Loan Products Reviewed				
Loan Category	Universe		Reviewed	
	#	\$(000s)	#	\$(000s)
Small Business 2022	151	24,371	151	24,371
Home Mortgage 2022	48	13,977	48	13,977
Total	199	38,348	199	38,348
<i>Source: Bank Data</i>				

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

The CRA evaluation included an analysis of small business loans, as defined in the *Glossary*, originated from January 1, 2022, through December 31, 2022. The universe of 151 small business loans totaling \$24.4 million was evaluated in the *Assessment Area Concentration*, *Geographic Distribution*, and *Borrower Profile* analyses, as applicable. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter. Therefore, examiners reviewed home mortgage loans originated from January 1, 2022 through December 31, 2022. The universe of 48 home mortgage loans totaling \$14.0 million was evaluated in the *Assessment Area Concentration*, *Geographic Distribution*, and *Borrower Profile* analyses. The 2020 U.S. Census demographic data (owner-occupied housing units by geography and the distribution of families by income level) provided a standard of comparison for home mortgage loans.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

The Citizens Bank of Georgia's NLTD ratio is reasonable, given the bank's size, financial condition, and assessment area credit needs. The bank's NLTD ratio, calculated from Call Report data, averaged 56.6 percent over the past 24 calendar quarters from September 30, 2020 to March 31, 2023. The ratio fluctuated from a low of 52.8 percent, as of September 30, 2022, to a high of 67.6 percent, as of September 30, 2020.

A bank's NLTD ratio is compared to similarly-situated institutions. These institutions typically operate within a bank's assessment area and share similar attributes, such as size, branching network, and product offerings. The bank maintained a reasonable NLTD ratio when compared to that of similar-situated institutions. Refer to the following table for details.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 03/31/2023 (\$000s)	Average Net LTD Ratio (%)
The Citizens Bank of Georgia	512.5	56.6
Peach State Bank and Trust (Gainesville)	616.4	64.7
Peoples Bank and Trust (Buford)	530.3	37.8

Source: Reports of Condition and Income 09/30/2020 - 03/31/2023

Assessment Area Concentration

The Citizens Bank of Georgia originated a majority of its small business and home mortgage loans by number and dollar volume within the assessment area. The following table details lending inside and outside of the assessment area.

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										
2022	102	67.5	49	32.5	151	15,789	64.8	8,582	35.2	24,371
Home Mortgage										
2022	27	56.3	21	43.8	48	8,465	60.6	5,512	39.4	13,977
Totals	129	64.8	70	35.2	199	24,254	63.2	14,094	36.8	38,348

Source: Bank Data; Due to rounding, totals may not equal 100.0%

Geographic Distribution

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the assessment area. Reasonable lending performance throughout the assessment area supports this conclusion.

Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The bank did not originate any small business loans in moderate-income census tracts. However, given the level of competition and the low percent of businesses within the moderate-income geography, the bank's performance is considered reasonable. The following table reflects the distribution of small business loans within the assessment area.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	1.1	0	0.0	0	0.0
Middle	19.4	29	28.4	4,273	27.1
Upper	79.5	73	71.6	11,516	72.9
Totals	100.0	102	100.0	15,789	100.0

Source: 2022 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%

Home Mortgage Loans

The geographic distribution of home mortgage lending reflects reasonable dispersion throughout the assessment area. The bank did not originate any home mortgage loans in the moderate-income census tract. Based on information from the community contact detailing the lack of availability of affordable housing and the low level of owner-occupied housing units in the area, this is considered reasonable. The following table reflects the distribution of home mortgage loans within the assessment area.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	0.9	0	0.0	0	0.0
Middle	17.9	4	14.8	1,116	13.2
Upper	81.2	23	85.2	7,349	86.8
Not Available	0.0	0	0.0	0	0.0
Total	100.0	27	100.0	8,465	100.0

Source: 2020 U.S. Census, Bank Data; Due to rounding, totals may not equal 100.0%

Borrower Profile

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

Small Business

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. Lending to small businesses was below demographics by 45 percentage points. However, this is reasonable given the level of competition and the percent of loans to businesses with no reported revenue. The following table reflects the distribution of small business loans among businesses of different sizes.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000	93.8	50	49.0	8,615	54.6
>\$1,000,000	2.2	29	28.4	5,818	36.8
Revenue Not Available	4.0	23	22.5	1,356	8.6
Total	100.0	102	100.0	15,789	100.0
<i>Source: 2022 D&B Data, Bank Data; Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage

The distribution of home mortgage loans reflects reasonable penetration among borrowers of different income levels. The bank’s lending to low-income families was slightly below demographics. The bank’s lending to moderate-income families exceeded demographics by 7.9 percentage points. Refer to the following table for details.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	10.8	2	7.4	485	5.7
Moderate	10.9	5	18.5	698	8.2
Middle	15.4	9	33.3	2,292	27.1
Upper	62.9	8	29.6	4,684	55.3
Not Available	0.0	3	11.1	306	3.6
Total	100.0	27	100.0	8,465	100.0
<i>Source: 2020 U.S. Census; Bank Data; Due to rounding, totals may not equal 100.0%</i>					

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

The Citizens Bank of Georgia’s community development performance demonstrates reasonable responsiveness to community development needs in the assessment area through community development loans and qualified investments, as appropriate, considering the institution’s capacity as well as the need and availability of such opportunities for community development in the institution’s assessment area. However, the bank’s community development services performance reflected poor responsiveness to community development needs.

Community Development Loans

The Citizens Bank of Georgia originated 113 community development loans totaling \$17.8 million during the review period. In 2020 and 2021, the bank originated loans through the Small Business Administration’s Paycheck Protection Program (PPP). The PPP was a temporary program implemented through the Coronavirus Aid, Relief, and Economic Security Act to provide economic relief to small businesses adversely impacted by the COVID-19 pandemic.

As of June 30, 2023, the dollar volume of all community development loans equates to 6.6 percent of total loans. The bank’s community development loans to total loans is comparable to one of the similarly-situated institution’s community development loans to total loans of 6.4 percent. It was noted that only one of the two similarly-situated institutions were reviewed under the Community Development Test at its last performance evaluation.

The community development loans primarily supported community services and economic development. The following table details the bank’s community development lending activity made during the evaluation period, by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2020	-	-	1	1,487	1	167	-	-	2	1,654
2021	-	-	1	2,274	103	8,119	-	-	104	10,393
2022	-	-	3	2,325	4	3,422	-	-	7	5,747
YTD 2023	-	-	-	-	-	-	-	-	-	-
Total	-	-	5	6,086	108	11,708	-	-	113	17,794

Source: Bank Data

The following are examples of community development loans in the bank’s assessment area:

- In 2021, the bank originated a loan totaling \$2.2 million to a non-profit religious organization that operates as an affiliate to assists with housing indigent and homeless men, women, and families in the community. The service provides shelter and other community services to low- and moderate-income individuals in Forsyth County.
- In 2022, the bank renewed a SBA 504 loan totaling \$1.5 million for an organization that provides childcare for individuals in the geography, including to low- and moderate-income individuals.
- In 2022, the bank originated two SBA 504 loans totaling \$2.9 million to a business that purchased two locations that provided permanent jobs primarily to low-and moderate-income individuals in the assessment area.

Qualified Investments

During the evaluation period, The Citizens Bank of Georgia made 4 qualified investments and 14 donations totaling \$3.7 million, focusing on community services. The total qualified investments and donations equates to 0.7 percent of total assets and 2.0 percent of total securities. The bank’s qualified investments and donations as a percentage of total assets and total securities are less than the percentages of total assets and total securities of the similarly-situated institution at 2.8 percent and 5.2 percent, respectively.

The following table details the bank’s qualified investments and donation activity made during the evaluation period, by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	-	-	2	2,035	-	-	-	-	2	2,035
2020	-	-	-	-	-	-	-	-	-	-
2021	-	-	2	1,618	-	-	-	-	2	1,618
2022	-	-	-	-	-	-	-	-	-	-
YTD 2023	-	-	-	-	-	-	-	-	-	-
Subtotal	-	-	4	3,653	-	-	-	-	4	3,653
Qualified Grants & Donations	-	-	11	25	3	3	-	-	14	28
Total	-	-	15	3,678	3	3	-	-	18	3,681
<i>Source: Bank Data</i>										

Below are examples of qualified investments:

- A prior period bond totaling \$1.0 million that was issued to improve existing water and sewer systems, investing in community infrastructure that benefits the entire county of Forsyth, which includes the moderate-income geography.
- In 2021, the bank purchased a bond totaling \$1.2 million that was used to construct and equip new school buildings, as well as repairing and upgrading existing schools, investing in community infrastructure.
- A prior period bond totaling \$1.0 million to finance various projects that support educational infrastructure throughout the State of Georgia, which includes the bank’s assessment area.

Community Development Services

During the evaluation period, members of management and employees acting as representatives of The Citizens Bank of Georgia provided seven community development services to various organizations. The type and level of financial and technical assistance varied with each employee and organization, with services generally ongoing from year-to-year, providing community services.

The Citizens Bank of Georgia’s community development service activity is well below the similarly-situated institution’s service activities of 22. The following table details the bank’s community development services, by year and purpose, performed during the evaluation period.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	-	-	1	-	1
2021	-	1	1	-	2
2022	-	1	1	-	2
YTD 2023	-	1	1	-	2
Total	-	3	4	-	7
<i>Source: Bank Data</i>					

The following are examples of community development services in the bank’s assessment area:

- From 2021 through 2023, a bank employee served on the Board of a State of Georgia organization that provides legal services to low- and moderate-income individuals, providing community services.
- From 2020 through 2023, a bank employee served on the Board of an organization that provides economic development for the county. The organization provides support for existing businesses, including the retention of jobs for low- and moderate-income individuals. The organization also worked to repair infrastructure in the county, supporting economic development in the assessment area.
- The Citizens Bank of Georgia operates one of its locations adjacent to the moderate-income census tract in the assessment area. The bank also offers two checking accounts with no monthly fees throughout its assessment area. Further, the bank offers Interest on Lawyers Trust Accounts, which support nonprofit legal aid organizations that provide civil legal aid to indigent and low- and moderate-income people.

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.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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