

PUBLIC DISCLOSURE

August 19, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Lafayette State Bank
Certificate Number: 16396

340 West Main Street
Mayo, Florida 32066

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

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

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

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of the bank's small business, home mortgage, and small farm loans reviewed were originated in the bank's assessment areas.
- The Geographic Distribution criterion was not evaluated because there are no low- or moderate-income census tracts in the full-scope assessment area, and there were too few loans originated in the limited-scope assessment area during the evaluation period to form a conclusion. Therefore, this criterion did not affect the Lending Test rating.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels as well as businesses and farms of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

DESCRIPTION OF INSTITUTION

Background

Lafayette State Bank (LSB) is a state-chartered commercial bank headquartered in Mayo, Florida. The bank is locally owned, independent of any holding company structure, and does not have any affiliates or subsidiaries. LSB received a Satisfactory Community Reinvestment Act (CRA) rating at the previous FDIC Performance Evaluation, dated November 2, 2015, based on Interagency Small Institution Examination Procedures.

Operations

LSB continues to operate four full-service offices throughout north Florida. In addition to its main office located in Lafayette County, the bank operates two full-service offices in Suwanee County and one full-service office in Gilchrist County. Since the last evaluation, there were no mergers and the bank did not open or close any offices.

LSB offers a variety of products and services to meet the needs of its communities. Commercial credit products offered to businesses and farms include commercial real estate loans, construction loans, commercial lines and letters of credit, and term loans. The bank also offered Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA) during the evaluation period, originating 253 Paycheck Protection Program (PPP) loans totaling \$15.1 million in 2020 and 2021. The SBA guarantees these loans under the Coronavirus Aid, Relief, and Economic Security Act. The PPP loans serve to retain jobs that would otherwise be lost due to business closures resulting from the COVID-19 pandemic. Consumer credit products include installment loans, unsecured lines of credit, home equity loans and lines of credit, credit cards, and one-to-four family residential mortgages. LSB offers in-house adjustable rate residential mortgage loans as well as access to fixed-rate residential loan products in a broker capacity via secondary market investors. Deposit products offered include checking, savings, and money market accounts; certificates of deposit; and individual retirement accounts. Alternative systems for delivering retail banking services include internet banking, mobile banking (including mobile deposit), telephone banking, person-to-person payments, and automated teller machines.

Ability and Capacity

LSB's assets totaled \$174.3 million as of June 30, 2021. Total loans and total deposits were \$100.8 million and \$161.3 million, respectively. Total loans and total assets have increased significantly since the previous evaluation due to the large volume of PPP loans originated in 2020 and 2021. The origination of PPP loans has also contributed to a change in loan portfolio composition since the previous evaluation. Specifically, as of September 30, 2015, farm loans (loans secured by farmland & agricultural loans) and business loans (loans secured by nonfarm nonresidential properties & commercial and industrial loans) constituted 42.8 percent and 27.9 percent of the loan portfolio, respectively. However, as of June 30, 2021, the bank's lending focus now centers on business loans, as they constitute 39.0 percent of the loan portfolio, whereas farm loans constitute 28.2 percent of the loan portfolio. As shown in the following table, loans secured by one-to-four family residential properties also continue to comprise a significant portion of LSB's loan portfolio,

totaling 20.7 percent of the loan portfolio.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$(000s)	%
Construction and Land Development	7,533	7.5
Secured by Farmland	24,649	24.5
Secured by 1-4 Family Residential Properties	20,832	20.7
Secured by Multifamily (5 or more) Residential Properties	802	0.8
Secured by Nonfarm Nonresidential Properties	19,803	19.6
Total Real Estate Loans	73,619	73.1
Commercial and Industrial Loans	19,545	19.4
Agricultural Loans	3,760	3.7
Consumer Loans	3,851	3.8
Other Loans	40	0.0
Total Loans	100,815	100.0
<i>Source: Reports of Condition and Income 6/30/2021</i>		

LSB provides for the credit needs of its communities in a manner consistent with its size, financial condition, resources, and local economic conditions. Examiners did not identify any financial impediments that limited the bank's ability to meet its assessment areas' credit needs during the evaluation period. However, the bank's ability to grow its loan portfolio was curtailed during the evaluation period due to lending restrictions imposed by the October 10, 2014 FDIC Consent Order, which was terminated on December 26, 2019.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its performance will be evaluated. LSB has delineated two assessment areas, which remain unchanged from the previous evaluation. The assessment areas consist of whole census tracts and do not arbitrarily exclude low- or moderate-income areas. The following table provides additional details regarding the bank's assessment areas.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Florida Non-MSA	Lafayette & Suwanee	9	3
Gainesville, FL MSA	Gilchrist	5	1
<i>Source: Bank Records; 2015 American Community Survey</i>			

Examiners conducted a full-scope review of the bank's CRA performance in the Florida Non-MSA assessment area. Examiners conducted a limited-scope review of the bank's performance in the Gainesville, FL MSA assessment area due to the limited volume of lending activity during the

evaluation period. The Florida Non-MSA assessment area received greater weight when determining the overall Lending Test rating because LSB originated a significant majority of loans in this assessment area during the evaluation period. Specifically, by number of loans originated in the assessment areas in 2019 and 2020, LSB originated 93.8 percent of small business loans, 84.0 percent of home mortgage loans, and 100.0 percent of small farm loans in the Florida Non-MSA assessment area. Further, the Florida Non-MSA assessment area contains a significant majority of deposits and branches. Please refer to the individual discussions of the assessment areas for additional details.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated November 2, 2015, to the current evaluation dated August 19, 2021. Examiners used Interagency Small Institution Examination Procedures to evaluate LSB's CRA performance. As described in the Appendices, these procedures include a Lending Test, which considers the bank's performance according to the following criteria.

- Loan-to-Deposit Ratio
- Assessment Area Concentration
- Geographic Distribution
- Borrower Profile
- Response to Complaints

Activities Reviewed

LSB's major product line is small business loans, followed by home mortgage loans, and small farm loans. In reaching this conclusion, examiners considered the bank's business strategy as well as the number and dollar volume of loans originated during the evaluation period. Small business loans received the most weight in the overall Lending Test conclusions, as this category constituted a majority of loan originations during the evaluation period and were the bank's primary business focus. Home mortgage loans received the second most weight, followed by small farm loans, in the overall Lending Test conclusions.

Examiners reviewed the universe of small business loans originated in 2019 and 2020 to draw conclusions about the bank's small business lending performance. In 2019 and 2020, the bank originated 58 small business loans totaling \$7.0 million and 178 small business loans totaling \$13.5 million, respectively. Aggregate small business lending data does not serve as an appropriate comparison because the bank is a non-reporter. Therefore, examiners compared the bank's small business lending performance to 2019 and 2020 Dun and Bradstreet (D&B) business demographic data.

Examiners reviewed the universe of home mortgage loans originated in 2019 and 2020 to draw conclusions about the bank's home mortgage lending performance. Examiners reviewed the

universe of home mortgage loan originations reported pursuant to the Home Mortgage Disclosure Act (HMDA) in 2019, which consisted of 46 home mortgage loans totaling \$5.1 million. Although the bank was not a HMDA reporter in 2020, examiners reviewed the universe of home mortgage loan originations, consisting of 52 loans totaling \$6.4 million. Examiners compared the bank's 2019 and 2020 home mortgage lending performance to demographic data, including 2015 American Community Survey (ACS) data. Additionally, examiners compared the bank's 2019 home mortgage lending performance to aggregate data of HMDA reporters.

Examiners reviewed the universe of small farm loans originated in 2019 and 2020 to draw conclusions about the bank's small farm lending performance. In 2019 and 2020, the bank originated 18 small farm loans totaling \$2.0 million and 29 small farm loans totaling \$4.5 million, respectively. Examiners compared the bank's small farm lending performance to 2019 and 2020 D&B farm demographic data. Of note, the bank did not originate any small farm loans in the Gainesville, FL MSA assessment area during the evaluation period. Therefore, examiners did not conduct an analysis of small farm loans for the Geographic Distribution or Borrower Profile criteria in the Gainesville, FL MSA assessment area.

For the Lending Test, examiners reviewed the number and dollar volume of small business, home mortgage, and small farm loans. While the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as the number of loans is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

LSB demonstrated reasonable performance under the Lending Test. This conclusion is supported by a reasonable LTD ratio, a majority of loans were originated in the bank's assessment areas, the distribution of borrowers reflects reasonable penetration among individuals of different income levels as well as businesses and farms of different sizes, and the bank has not received any CRA-related complaints.

Loan-to-Deposit Ratio

The net loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment areas' credit needs. LSB's net LTD ratio, calculated from its Report of Condition and Income as of June 30, 2021, totaled 61.9 percent, and averaged 68.4 percent over the previous 23 quarters. The ratio has fluctuated quarter-to-quarter, with a slight decline over time. Since the previous evaluation, the net LTD ratio has ranged from a low of 55.9 percent on March 31, 2021, to a high of 75.7 percent on December 31, 2016. Both total deposits and net loans increased significantly in 2020 and 2021, primarily due to COVID-19 pandemic relief efforts including the CARES Act stimulus payments and PPP loans. The bank's total deposits also increased as a result of new large deposit relationships since the previous evaluation. Total deposits increased from \$99.8 million as of December 31, 2019, to \$161.3 million as of June 30, 2021. Net loans increased from \$69.8 million as of December 31, 2019, to \$99.8 million as of June 30, 2021.

There are no similarly-situated institutions in terms of size, branching network, and loan portfolio composition. As a result, examiners compared the bank's net LTD ratio to Uniform Bank Performance Report (UBPR) peer bank data. Peer group banks, as defined by the UBPR, include 514 insured commercial banks having assets of between \$100 million and \$300 million with three or more full-service offices not located in a metropolitan statistical area. The bank's net LTD ratio of 61.9 percent, as of June 30, 2021, is comparable to the peer group banks' LTD ratio of 66.5 percent. Accordingly, examiners concluded the bank's net LTD ratio to be reasonable.

Assessment Area Concentration

As illustrated in the following table, LSB originated a majority of loans by both number and dollar volume within the assessment areas for all loan categories reviewed. This performance demonstrates the bank's efforts to provide credit to individuals, businesses, and farms located inside its assessment areas. In 2020, the bank purchased a portfolio comprised of 13 small business loans, totaling \$2.0 million, that were originated in 2020 to businesses outside of the assessment areas. This purchase, in part, caused the number and dollar of small business loans inside the assessment areas to decline in 2020. However, the small business loan performance for this criterion in 2020 was bolstered by the PPP loans; specifically, 95 of the 142 PPP loans in the universe were originated inside the bank's assessment areas in 2020.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	36	78.3	10	21.7	46	3,664	71.9	1,430	28.1	5,094
2020	39	75.0	13	25.0	52	4,545	70.6	1,891	29.4	6,436
Subtotal	75	76.5	23	23.5	98	8,209	71.2	3,321	28.8	11,530
Small Business										
2019	39	67.2	19	32.8	58	5,451	78.0	1,538	22.0	6,989
2020	106	59.6	72	40.4	178	6,354	47.0	7,167	53.0	13,521
Subtotal	145	61.4	91	38.6	236	11,805	57.6	8,705	42.4	20,510
Small Farm										
2019	16	88.9	2	11.1	18	1,681	84.0	320	16.0	2,001
2020	21	72.4	8	27.6	29	3,206	71.0	1,309	29.0	4,515
Subtotal	37	78.7	10	21.3	47	4,887	75.0	1,629	25.0	6,516
Total	257	67.5	124	32.5	381	24,901	64.6	13,655	35.4	38,556
Source: Bank Data										
Due to rounding, totals may not equal 100.0%										

Geographic Distribution

Examiners did not evaluate the Geographic Distribution criterion because there were no low- or moderate-income census tracts in the Florida Non-MSA assessment area. Additionally, examiners could not form meaningful conclusions on the bank's performance in the Gainesville, FL MSA assessment area due to the limited volume of loans originated during the evaluation period. Therefore, this criterion did not affect the Lending Test rating.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels as well as businesses and farms of different sizes. This conclusion is based on reasonable penetration of small business loans and home mortgage loans, and excellent penetration of small farm loans in the Florida Non-MSA assessment area. Examiners could not form meaningful conclusions on the bank's performance in the Gainesville, FL MSA assessment area due to the limited volume of loans originated during the evaluation period.

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 discriminatory or other illegal credit practices.

FLORIDA NON-MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN FLORIDA NON-MSA ASSESSMENT AREA

LSB operates three of its four full-service branches in the Florida Non-MSA assessment area. The assessment area includes all nine census tracts in Lafayette and Suwanee Counties, which are contiguous and located in a Non-MSA portion of Florida. The assessment area remains unchanged from the previous evaluation.

The Federal Financial Institutions Examination Council (FFIEC) classified all eight (one in Lafayette County and seven in Suwanee County) of the assessment area’s middle-income census tracts as distressed due to having a poverty rate of 20.0 percent or more. The distressed nonmetropolitan middle-income census tract in Lafayette County was also classified as a remote rural underserved area. The remaining census tract in Lafayette County is designated as upper-income.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area based on the 2015 ACS data and the 2020 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	88.9	11.1	0.0
Population by Geography	52,396	0.0	0.0	94.3	5.7	0.0
Housing Units by Geography	22,166	0.0	0.0	97.6	2.4	0.0
Owner-Occupied Units by Geography	12,753	0.0	0.0	96.8	3.2	0.0
Occupied Rental Units by Geography	5,389	0.0	0.0	98.7	1.3	0.0
Vacant Units by Geography	4,024	0.0	0.0	98.5	1.5	0.0
Businesses by Geography	3,526	0.0	0.0	98.2	1.8	0.0
Farms by Geography	418	0.0	0.0	96.7	3.3	0.0
Family Distribution by Income Level	12,573	26.0	16.5	18.3	39.2	0.0
Household Distribution by Income Level	18,142	25.2	17.9	14.2	42.7	0.0
Median Family Income Non-MSAs - FL		\$46,899	Median Housing Value			\$95,960
			Median Gross Rent			\$656
			Families Below Poverty Level			19.7%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area does not have any low- or moderate-income census tracts. As illustrated in the previous table, 96.8 percent of the owner-occupied housing units, 98.2 percent of businesses, and 96.7 percent of farms are located in distressed nonmetropolitan middle-income census tracts. Additionally, 19.7 percent of families have incomes below the federal poverty level, which poses a challenge for home mortgage lending to low-income families, as these families likely face difficulty in qualifying for a home mortgage loan.

Examiners used FFIEC-updated median family income figures to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income ranges in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$52,100)	<\$26,050	\$26,050 to <\$41,680	\$41,680 to <\$62,520	≥\$62,520
2019 (\$50,800)	<\$25,400	\$25,400 to <\$40,640	\$40,640 to <\$60,960	≥\$60,960
2020 (\$52,600)	<\$26,300	\$26,300 to <\$42,080	\$42,080 to <\$63,120	≥\$63,120
<i>Source: FFIEC</i>				

Examiners used gross annual revenues of businesses and farms to analyze small business and small farm lending under the Borrower Profile criterion. According to 2020 D&B data, 3,526 businesses operated in the assessment area. Of these businesses, 88.3 percent had gross annual revenues of \$1.0 million or less, 3.3 percent had gross annual revenues of more than \$1.0 million, and 8.4 percent did not report revenues. According to 2020 D&B data, 418 farms operated in the assessment area. Of these farms, 95.0 percent had gross annual revenues of \$1.0 million or less, 3.1 percent had gross annual revenues of more than \$1.0 million, and 1.9 percent did not report revenues.

According to 2020 D&B data, the services industry represented the largest portion of businesses in the assessment area at 32.7 percent, followed by retail trade at 11.8 percent, and agriculture, forestry, and fishing at 10.6 percent. The North Florida Economic Development Partnership reports that the assessment area's major employers include Pilgrim's Pride Corporation (1600 employees), Advent Christian Village (525 employees), and Wal-Mart Stores Inc. (400 employees).

Data obtained from the U.S. Bureau of Labor Statistics indicates significant changes in the unemployment rate during the evaluation period. As illustrated in the following table, the unemployment rate in the U.S., State of Florida, and Lafayette and Suwanee Counties decreased slightly from 2018 to 2019, but increased significantly in 2020 due to the COVID-19 pandemic. However, the unemployment rate in Lafayette and Suwanee Counties was considerably below the State of Florida and U.S. in 2020.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Lafayette County	3.4	3.1	4.2
Suwanee County	3.8	3.5	5.6
State of Florida	3.6	3.3	7.7
National Average	3.9	3.7	8.1
<i>Source: U.S. Bureau of Labor Statistics (not seasonally adjusted)</i>			

Competition

The assessment area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, six financial institutions operated 11 branches within the assessment area. Of these institutions, LSB ranked second with a deposit market share of 15.7 percent. The three leading financial institutions were First Federal Bank; Lafayette State Bank; and, TD Bank, NA, collectively accounting for 79.8 percent of the total deposit market share.

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 to aggregate data. However, the 2019 aggregate data shows that 46 lenders reported 800 small business loans in the assessment area. This data indicates a high level of competition for this product. The top three lenders collectively accounted for 35.0 percent of the total market share.

The bank is also not required to collect or report its small farm loan data, and has not elected to do so. Therefore, the analysis of small farm loans under the Lending Test does not include comparisons against to aggregate data. However, the 2019 aggregate data shows that 13 lenders reported 111 small farm loans in the assessment area. This data indicates a moderate level of competition for this product. The top three lenders were First Federal Bank of Florida; John Deere Financial, FSB; and US Bank, NA, collectively accounting for 61.3 percent of the total market share.

Significant competition also exists in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2019 Peer Mortgage Data, 95 HMDA-reportable institutions originated or purchased 746 residential mortgage loans in the assessment area. By number of loans, LSB ranked fifth with a market share of 4.0 percent. The top three lenders, by number of loans, included First Federal Bank, Quicken Loans, and 21st Mortgage, collectively accounting for 26.1 percent of the total market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit needs of the area. This information helps determine whether local financial institutions are responsive to these needs and what credit opportunities are available. Examiners conducted a community contact in Suwanee County. The contact noted that the economy is recovering from the COVID-19 pandemic, but emphasized a need for affordable

housing due to the significant number of low- and moderate-income individuals combined with a significant increase in home values and rent prices. The contact also noted a continued need for loans to small businesses, as well as financial literacy education to equip business owners with the ability to better manage financial decisions.

Credit Needs

Based on demographic, economic, and community contact data, examiners identified certain credit and community development needs and opportunities within the assessment area. The high number of low- and moderate-income families, at 26.0 percent and 16.5 percent, respectively, indicates a continuing need for affordable housing. Additionally, the median age of housing stock at 31 years indicates a potential need for home improvement loans. Further, a need for financial literacy education and loans supporting small businesses is evident based on the community contact interview, as small businesses comprise a significant majority of the assessment area's businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN FLORIDA NON-MSA ASSESSMENT AREA

LENDING TEST

LSB demonstrated reasonable performance under the Lending Test in the assessment area. The bank's performance under the Borrower Profile criterion supports this conclusion.

Geographic Distribution

As previously noted, the assessment area does not include any low- or moderate-income geographies. A review of the Geographic Distribution criterion would not result in meaningful conclusions; therefore, examiners did not evaluate this criterion.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses and farms of different sizes and individuals of different income levels. Reasonable penetration of small business and home mortgage loans and an excellent penetration of small farm loans support this conclusion.

Small Business Loans

The distribution of borrowers reflects reasonable penetration among businesses of different sizes. The bank's lending to businesses with gross annual revenues of \$1 million or less was consistent with the percentage of those businesses in the assessment area in 2019. In 2020, the volume of small business lending substantially increased due to the bank's participation in the SBA's PPP. By number, PPP loans comprised 89.1 percent of all 2020 small business loans. Given the program requirements, gross revenue information was not collected for these loans. Therefore, examiners could not conduct a meaningful analysis of lending to businesses of different sizes in 2020. However, excluding PPP loans, LSB originated nine loans, or 81.8 percent, to those businesses with gross annual revenues of \$1 million or less. Examiners also evaluated PPP loans using loan size as

a proxy. Approximately 81.1 percent of PPP loans, by number, had loan sizes of \$50,000 or less, indicating that the bank is helping to serve the needs of small businesses in the assessment area. The following tables illustrate the distribution of loans by the gross annual revenue level of businesses, as well as the distribution of PPP loans by loan size.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2019	87.8	30	85.7	3,303	62.9
2020	88.3	9	8.9	979	16.1
> \$1,000,000					
2019	3.5	5	14.3	1,947	37.1
2020	3.3	2	2.0	927	15.2
Revenue Not Available					
2019	8.7	0	0.0	0	0.0
2020	8.4	90	89.1	4,185	68.7
Totals					
2019	100.0	35	100.0	5,250	100.0
2020	100.0	101	100.0	6,091	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data</i>					

Distribution of PPP Loans by Loan Size (2020)				
Loan Size	#	%	\$(000s)	%
< \$10,000	36	40.0	151	3.6
\$10,000 - \$50,000	37	41.1	986	23.6
\$50,001 - \$100,000	8	8.9	609	14.5
\$100,101 - \$250,000	6	6.7	915	21.9
\$250,001 - \$1,000,000	3	3.3	1,524	36.4
Total	90	100.0	4,185	100.0
<i>Source: 1/1/2020 – 12/31/2020 Bank Data</i>				

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. As illustrated in the following table, in 2019, the bank's performance to low-income borrowers significantly exceeded the aggregate data, as well as the percentage of low-income families when considering the poverty level of 19.7 percent. In 2020, the bank's performance to low-income borrowers was slightly above the percentage of low-income families when considering the poverty level. The bank's performance to moderate-income borrowers was slightly below but comparable to the demographic and aggregate data in 2019, and was consistent with the demographic data in 2020.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	26.0	5.1	5	16.7	196	6.0
2020	26.0	--	3	9.1	135	4.4
Moderate						
2019	16.5	15.0	4	13.3	275	8.4
2020	16.5	--	5	15.2	265	8.6
Middle						
2019	18.3	25.5	9	30.0	821	25.1
2020	18.3	--	7	21.2	663	21.5
Upper						
2019	39.2	38.5	11	36.7	1,168	35.8
2020	39.2	--	14	42.4	1,747	56.5
Not Available						
2019	0.0	15.9	1	3.3	805	24.7
2020	0.0	--	4	12.1	279	9.0
Totals						
2019	100.0	100.0	30	100.0	3,265	100.0
2020	100.0	--	33	100.0	3,089	100.0
Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not applicable. Due to rounding, totals may not equal 100.0%						

Small Farm Loans

The distribution of borrowers reflects excellent penetration among farms of different sizes. The bank originated 100.0 percent of its small farm loans to farms with gross annual revenues of \$1 million or less in 2019. The bank's lending performance to farms with gross annual revenues of \$1 million or less in 2020 declined slightly, comparing marginally below the percentage of those farms in the assessment area. The following table illustrates the distribution of loans by gross annual revenue level of farms.

Distribution of Small Farm Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Farms	#	%	\$(000s)	%
≤ \$1,000,000					
2019	94.6	16	100.0	1,681	100.0
2020	95.0	19	90.5	2,573	80.3
> \$1,000,000					
2019	3.6	0	0.0	0	0.0
2020	3.1	2	9.5	633	19.7
Revenue Not Available					
2019	1.8	0	0.0	0	0.0
2020	1.9	0	0.0	0	0.0
Totals					
2019	100.0	16	100.0	1,681	100.0
2020	100.0	21	100.0	3,206	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data</i>					

GAINESVILLE, FL MSA ASSESSMENT AREA – Limited-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN GAINESVILLE, FL MSA ASSESSMENT AREA

LSB operates one of its four full-service branches in the Gainesville, FL MSA assessment area. The assessment area includes all five census tracts in Gilchrist County, which comprises a portion of the Gainesville, FL MSA. The assessment area remains unchanged from the previous evaluation.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the assessment area based on the 2015 ACS data and the 2020 D&B data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	5	0.0	20.0	80.0	0.0	0.0
Population by Geography	16,992	0.0	32.5	67.5	0.0	0.0
Housing Units by Geography	7,253	0.0	38.0	62.0	0.0	0.0
Owner-Occupied Units by Geography	5,006	0.0	37.2	62.8	0.0	0.0
Occupied Rental Units by Geography	1,181	0.0	32.0	68.0	0.0	0.0
Vacant Units by Geography	1,066	0.0	48.2	51.8	0.0	0.0
Businesses by Geography	1,259	0.0	29.3	70.7	0.0	0.0
Farms by Geography	115	0.0	33.0	67.0	0.0	0.0
Family Distribution by Income Level	4,185	27.3	21.4	23.4	27.9	0.0
Household Distribution by Income Level	6,187	25.7	17.0	18.5	38.9	0.0
Median Family Income MSA - 23540 Gainesville, FL MSA		\$60,014	Median Housing Value			\$100,311
			Median Gross Rent			\$690
			Families Below Poverty Level			16.6%
Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0% (*) The NA category consists of geographies that have not been assigned an income classification.						

The assessment area does not have any low-income census tracts and has only one moderate-income census tract. As illustrated in the previous table, 37.2 percent of the owner-occupied housing units, 29.3 percent of businesses, and 33.0 percent of farms are located in the moderate-income census tract. Additionally, 16.6 percent of families have incomes below the federal poverty level, which poses a challenge for home mortgage lending to low-income families, as these families likely face difficulty in qualifying for a home mortgage loan.

Examiners used FFIEC-updated median family income figures to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
2018 (\$71,300)	<\$35,650	\$35,650 to <\$57,040	\$57,040 to <\$85,560	≥\$85,560
2019 (\$64,000)	<\$32,000	\$32,000 to <\$51,200	\$51,200 to <\$76,800	≥\$76,800
2020 (\$65,600)	<\$32,800	\$32,800 to <\$52,480	\$52,480 to <\$78,720	≥\$78,720
<i>Source: FFIEC</i>				

According to 2020 D&B data, the services industry represented the largest portion of businesses in the assessment area at 30.7 percent, followed by construction at 12.7 percent, and retail trade at 10.3 percent. The North Florida Economic Development Partnership reports that the assessment area's major employers include Trenton Medical Center Inc. (144 employees), North Florida Holsteins L.C. (110 employees), and Cushman & Wakefield, Inc. (51 employees).

Data obtained from the U.S. Bureau of Labor Statistics indicates significant changes in the unemployment rate during the evaluation period. As illustrated in the following table, the unemployment rate in the U.S., State of Florida, and Gilchrist County decreased slightly from 2018 to 2019, but increased significantly in 2020 due to the COVID-19 pandemic. However, the unemployment rate in Gilchrist County was considerably below the State of Florida and U.S. in 2020.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Gilchrist County	3.8	3.6	4.9
State of Florida	3.6	3.3	7.7
National Average	3.9	3.7	8.1
<i>Source: U.S. Bureau of Labor Statistics (not seasonally adjusted)</i>			

Competition

The assessment area is competitive for financial services. According to FDIC Deposit Market Share data as of June 30, 2020, four financial institutions operated six branches within the assessment area. Of these institutions, LSB ranked fourth with a deposit market share of 5.3 percent. The two leading financial institutions were Capital City Bank and Ameris Bank, collectively accounting for 75.2 percent of the total deposit market share.

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 2019 aggregate data shows that 30 lenders reported 299 small business loans in the assessment area. This data indicates a relatively high level of competition for this product. The top three lenders, by number of loans, included American Express National Bank; US Bank, N.A.; and Ameris Bank. These lenders collectively accounted for 40.5 percent of the total market share.

Significant competition also exists in the assessment area for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. According to 2019 Peer Mortgage Data, 77 HMDA-reportable institutions originated or purchased 455 residential mortgage loans in the assessment area. By number of loans, LSB ranked 26th with a market share of 1.3 percent. The top three lenders, by number of loans, included Capital City Bank, American Neighborhood Mortgage, and Quicken Loans, collectively accounting for 18.9 percent of the total market share.

Credit Needs

Based on demographic and economic data, examiners identified certain credit and community development needs and opportunities within the assessment area. The high number of low- and moderate-income families, at 27.3 percent and 21.4 percent, respectively, indicates a continuing need for affordable housing. Additionally, the median age of housing stock at 29 years indicates a potential need for home improvement loans. Further, a need for loans supporting small businesses is evident, as they comprise a significant majority of the assessment area's businesses.

CONCLUSIONS ON PERFORMANCE CRITERIA IN GAINESVILLE, FL MSA ASSESSMENT AREA

LENDING TEST

Examiners could not form meaningful conclusions on the bank's Lending Test performance in the Gainesville, FL MSA assessment area due to the limited volume of small business and home mortgage loans originated during the evaluation period. However, a summary of the bank's performance relative to the Geographic Distribution and Borrower Profile criterion follows.

Geographic Distribution

Small Business Loans

The bank originated four small business loans in the assessment area in 2019 and five small business loans in 2020. All of these loans were originated in the moderate-income census tract, with the exception of two loans originated in middle-income census tracts in 2020.

Home Mortgage Loans

The bank originated six home mortgage loans in the assessment area in 2019 and six home mortgage loans in 2020. All of these loans were originated in the moderate-income census tract, with the exception of two loans originated in middle-income census tracts in 2020.

Borrower Profile

Small Business Loans

All four small business loans that the bank originated in the assessment area in 2019 were originated to businesses with gross annual revenues of \$1 million or less. The five small business loans that the bank originated in the assessment area in 2020 were PPP loans for which gross revenue information was not available given the program requirements.

Home Mortgage Loans

The bank originated six home mortgage loans in the assessment area in 2019; of which, one was to a low-income borrower, two to moderate-income borrowers, two to middle-income borrowers, and one to an upper-income borrower. The bank also originated six home mortgage loans in the assessment area in 2020; of which one was to a low-income borrower, one to a moderate-income borrower, and four to upper-income borrowers.

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.