



PUBLIC DISCLOSURE

June 30, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North State Bank

Raleigh, North Carolina

**Federal Reserve Bank of Richmond
Richmond, Virginia**

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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2915461

6204 Falls of Neuse Road

Raleigh, North Carolina 27609

**Federal Reserve Bank of Richmond
P. O. Box 27622
Richmond, Virginia 23261**

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TABLE OF CONTENTS

	Page
Institution Rating	
Institution's CRA Rating	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Examination	1
Description of Institution	1
Conclusions With Respect to Performance Tests	2
Metropolitan Area (reviewed using full-scope review)	
Description of Institution's Operations in Raleigh-Cary, NC Assessment Area.....	6
Conclusions with Respect to Performance Tests	9
Metropolitan Area (reviewed using limited-scope review)	
Description of Institution's Operations in Wilmington, NC Assessment Area	16
Conclusions with Respect to Performance Tests	16
Appendices	
CRA Appendix A: Limited Review Lending and Demographic Tables	17
CRA Appendix B: Loan, Branch, and Deposit Volume by Assessment Area	23
CRA Appendix C: Glossary.....	24

INSTITUTION RATING

INSTITUTION'S CRA RATING: SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

The major factors supporting this rating include:

- The bank's loan-to-deposit ratio is considered reasonable given the bank's size, financial condition, and credit needs of its assessment areas.
- A majority of the institution's Home Mortgage Disclosure Act (HMDA) and small business loans was originated within the bank's assessment areas.
- The bank's borrower and geographic distribution performances are considered reasonable for both HMDA and small business lending.
- The bank's community development performance demonstrates an excellent level of responsiveness to the community development needs of its assessment areas.
- The institution has not received any complaints regarding its CRA performance since the previous evaluation.

SCOPE OF EXAMINATION

North State Bank (NSB) was evaluated using the interagency examination procedures for intermediate small banks developed by the Federal Financial Institutions Examination Council (FFIEC). Consistent with these procedures, residential mortgage loans reported by the institution in accordance with the HMDA during calendar years 2022 and 2023 were reviewed. Additionally, small business lending is a primary product line and was considered in the evaluation. As such, small business loans originated by the bank during 2023 were also included in the analysis.

Qualified community development loans and services are considered for activities since the previous evaluation (August 16, 2021). All qualified investments made during the same period and those outstanding as of the date of this evaluation, regardless of when made, were also considered.

Based on the FFIEC's evaluation procedures, ratings are assigned to the institution and are based only on the performance in the assessment areas subject to full-scope review. Because of the relative size as determined by lending activity, proportion of bank deposits, and market population, full-scope evaluation procedures were applied to the Raleigh-Cary, NC assessment area. The Wilmington, NC assessment area was subject to the limited review procedures provided for by the FFIEC, and a determination was made as to whether the performance was consistent with the institution's overall assigned ratings. **Appendix B** includes information detailing the lending volume, branch locations, and deposit volume by assessment area.

While the bank has reported its 2024 HMDA data, it is not included in this analysis because the 2024 aggregate HMDA data is not yet available. Similarly, small business loans originated during 2024 were not included in the analysis because 2024 aggregate CRA data is not yet available. Because aggregate data captures lending done under the same business and market conditions, it is an important performance context factor needed to evaluate the bank's lending performance.

DESCRIPTION OF INSTITUTION

NSB is headquartered in Raleigh, North Carolina and operates seven full-service branch offices and automated teller machines (ATMs) in central and eastern North Carolina and one mortgage loan production office (LPO) in Raleigh, North Carolina. The bank received a Satisfactory rating at its previous CRA evaluation dated August 16, 2021. No known legal impediments exist that would prevent the bank from meeting the credit needs of its assessment areas.

As of March 31, 2025, NSB held total assets of \$1.4 billion, of which 80.8% were net loans and 3.8% were securities. As of the same time period, deposits totaled \$1.2 billion. Various deposit and loan products are available through the institution, including loans for residential mortgage, consumer, and business purposes. The composition of the loan portfolio (using gross loans) as of March 31, 2025 is depicted in the following table.

Composition of Loan Portfolio

Loan Type	3/31/2025	
	\$(000s)	%
Secured by 1-4 Family dwellings	386,956	33.1
Multifamily	60,072	5.1
Construction and Development	119,367	10.2
Commercial & Industrial/ NonFarm NonResidential	595,619	51.0
Consumer Loans and Credit Cards	2,812	0.2
Agricultural Loans/ Farmland	747	0.1
All Other	1,746	0.1
Total	1,167,319	100.0

As reflected in the preceding table, a significant portion of the bank's lending resources are directed to residential mortgage, construction, and commercial loans. Small business loans are a subset of commercial and industrial loans, which comprise the largest portion of the bank's loan portfolio. While the bank also originates loans for consumer and agricultural purpose, the dollar volume of such lending is relatively small compared to mortgage and commercial lending.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Overall, the bank is rated Satisfactory, with the Lending Test rated Satisfactory and the Community Development Test rated Outstanding. The Lending Test rating considers the bank's loan-to-deposit ratio, proportion of lending within its combined assessment areas, borrower distribution performance, and geographic distribution performance. The components of each test are discussed in the following sections. All conclusions also take into consideration relevant performance context factors.

Reported residential mortgage loan data from 2022 and 2023, as well as originated small business loan data from 2023 were fully analyzed and considered in this evaluation. During 2022 and 2023, the bank reported a total of 1,532 HMDA loans totaling \$550.7 million. Additionally, the bank originated 256 small business loans totaling \$69.6 million during 2023.

While American Community Survey (ACS) data is collected and published by the U.S. Census Bureau on an annual basis, the demographic data relied upon in this performance evaluation is based on ACS data that is updated once every five years. As such, when evaluating the bank's residential mortgage lending performance, relevant area demographic data is derived from 2020 ACS data, while the 2023 Dun & Bradstreet (D&B) data is relied upon when evaluating the bank's 2023 small business lending performance.

The borrower and geographic distribution performance of HMDA loans focused on performance for Home Purchase and Refinancing. Performance for the Home Improvement, Multifamily, Not Applicable, Other Closed, and Other Line of Credit loan categories was not evaluated because not all HMDA reporters are required to report each loan category or the category contains relatively few loans overall.

To evaluate the borrower and geographic distribution for a specific loan product within an assessment area, primary emphasis is placed on the number (and corresponding percentage) of loans originated. To arrive at an overall conclusion regarding the distribution of lending performance, each loan product is then generally weighted by the dollar volume of such loans made in the assessment area.

Loan-To-Deposit Ratio

The bank's loan-to-deposit ratio as of March 31, 2025 equaled 96.2% and averaged 87.8% for the preceding 15-quarter period ending March 31, 2025. In comparison, the average quarterly loan-to-deposit ratios for three similarly situated institutions that operate in at least one of NSB's assessment areas ranged from 80.5% to 98.7% during the same 15-quarter period. Since September 30, 2021, the bank's assets and net loans have increased by 8.3% and 27.3%, respectively, while deposits have decreased by 1.1%. When considering relevant performance context factors such as the institution's size, local credit needs, and most notably, financial condition during the evaluation period, the bank's loan-to-deposit ratio is considered reasonable.

Lending in Assessment Areas

To determine the institution's volume of lending within its combined assessment areas, the geographic location of the bank's HMDA loans originated or purchased during 2022 and 2023, and small business loans originated during 2023 was considered. The lending distribution inside and outside the bank's combined assessment areas is represented in the following table.

Loan Type	Inside				Outside			
	#	%	\$(000)	%	#	%	\$(000)	%
Home Purchase	783	62.3	302,016	65.8	473	37.7	156,781	34.2
Home Improvement	6	75.0	774	30.0	2	25.0	1,804	70.0
Refinancing	155	67.4	46,868	71.9	75	32.6	18,289	28.1
Multi-Family Housing	15	57.7	14,093	61.3	11	42.3	8,901	38.7
Loan Purpose Not Applicable	0	0.0	0	0.0	0	0.0	0	0.0
Other Purpose Closed/Exempt	10	83.3	1,013	87.5	2	16.7	145	12.5
Other Purpose LOC	0	0.0	0	0.0	0	0.0	0	0.0
Total HMDA related	969	63.3	364,764	66.2	563	36.7	185,920	33.8
Small Business	196	76.6	49,559	71.2	60	23.4	20,033	28.8
TOTAL LOANS	1,165	65.2	414,323	66.8	623	34.8	205,953	33.2

As reflected in the preceding table, a majority of the total number (65.2%) and dollar amount (66.8%) of HMDA and small business loans was originated inside the bank's assessment areas during the review period. Overall, the institution's level of lending in its assessment areas is considered responsive to community credit needs.

Lending to Borrowers of Different Incomes and To Businesses of Different Sizes

The bank's distribution of lending to borrowers of different income levels (including low- and moderate-income) and businesses of different revenue sizes is considered reasonable overall for both HMDA and small business lending based on the bank's performance in the Raleigh-Cary, NC assessment area, which was evaluated using full-scope examination procedures.

Geographic Distribution of Loans

The bank's geographic distribution of lending is considered reasonable overall for HMDA and small business lending based on its performance in the full-scope Raleigh-Cary, NC assessment area.

Community Development Loans, Investments, and Services

NSB's performance under the Community Development Test is rated Outstanding. The bank demonstrates an excellent responsiveness to local community needs through qualified community development loans, investments, and services. During the evaluation period, NSB's total qualified community development activities include:

- 42 loans totaling \$40.6 million
- Seven investments totaling \$4.5 million
- Donations totaling approximately \$1.9 million
- 11 employees providing financial expertise to 12 organizations and four employees providing financial literacy targeted to low- and moderate-income individuals

Of the total community development activities listed above, the following activities benefited the broader statewide area:

- 16 community development loans totaling \$15.4 million, mostly through Centrant Community Capital (CCC), a wholly owned subsidiary of the North Carolina Bankers Association that provides permanent debt financing for nonprofit and for-profit developers building affordable housing communities
- Investment totaling \$107,000 in a designated Minority Financial Institution (MFI) headquartered in North Carolina
- Donations totaling \$33,000 to qualified community development organizations
- One employee served on the board of an organization that provides affordable housing to low- and moderate-income individuals throughout the State of North Carolina and two employees taught financial literacy targeted to low- and moderate-income individuals at organizations serving the State of North Carolina

NSB participates in the North Carolina Interest on Lawyers' Trust Accounts (NC IOLTA) which was established by the North Carolina State Bar and the North Carolina Supreme Court in 1983 to generate income from lawyer's trust accounts in order to fund civil legal services and other programs for low- and moderate-income individuals, families, and children. Financial institutions that partner with NC IOLTA offer competitive interest rates and low service fees on the interest-bearing IOLTA accounts holding client funds. Interest paid by the financial institutions on these accounts are distributed to grantees by NC IOLTA who, in turn, provides legal support services throughout the State of North Carolina. Since the previous evaluation, NSB has paid approximately \$1.2 million in interest on 45 NC IOLTA accounts.

Additionally, the bank partners with numerous organizations to offer downpayment assistance grants and affordable mortgage loan products targeted towards low- and moderate-income borrowers throughout the State of North Carolina, including the bank's assessment areas. The programs and the corresponding dollar amounts provided since the previous evaluation are detailed in the following table.

Program	Amount	Description
City of Raleigh Downpayment Assistance	\$2.1 million	Downpayment assistance of up to \$45,000 available to low- and moderate-income borrowers in Raleigh, NC.
City of Wilmington Downpayment Assistance and Homeownership Pool	\$696,045	Downpayment assistance of up to \$25,000 available to low- and moderate-income borrowers in Wilmington, NC.
DHIC Downpayment Assistance	\$340,000	Downpayment assistance to low- and moderate-income borrowers purchasing a home in Raleigh, NC.
DHIC Wake County Affordable Homeownership Program Downpayment Assistance	\$300,000	Affordable mortgage product and downpayment assistance available to low- and moderate-income borrowers purchasing a home in Wake County, NC.
Federal Home Loan Bank of Atlanta Downpayment Assistance	\$1.3 million	Downpayment assistance available to first-time homebuyers.
North Carolina Housing Finance Agency Downpayment Assistance	\$2.9 million	Downpayment assistance available to qualified first-time homebuyers throughout North Carolina.
North Carolina Housing Finance Agency Community Partners Loan Pool Downpayment Assistance	\$2.8 million	No-interest deferred second mortgage of up to 25% of the sales price, not to exceed \$50,000, or up to 10% of the purchase price when paired with a USDA Section 502 (Direct) loan available to qualified low- and moderate-income borrowers.
North Carolina Office of Recovery and Resiliency Homeownership Assistance Program Downpayment Assistance	\$220,000	Downpayment and closing cost assistance to first-time homebuyers for the purchase of a home within designated counties impacted by Hurricanes Florence and Matthew.
Home Possible	\$11.1 million	A low downpayment mortgage program (3% downpayment requirement) with flexible sources of downpayments, such as family, employer-assistance, secondary financing, and sweat equity, offered to qualified low- and moderate-income borrowers.
HomeReady	\$1.4 million	An affordable loan program (accompanied by a \$2,500 credit towards the downpayment or closing costs for very low-income first-time homebuyers) offering financing of up to 97% loan-to-value, available to qualified low- and moderate-income borrowers.

Additional community development activities directly benefitting specific assessment areas are detailed in subsequent sections of this report.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

METROPOLITAN AREAS
(Reviewed using full-scope review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN RALEIGH-CARY, NC ASSESSMENT AREA

The Raleigh-Cary, NC assessment area is located in central North Carolina and includes all census tracts in Wake and Johnston Counties, North Carolina, which are part of the Raleigh-Cary, NC metropolitan statistical area (MSA). The bank operates six full-service branch offices, six ATMs, and one loan production office (LPO) within this market. NSB has not opened or closed any branch locations in this assessment area since the previous evaluation.

Based on 2020 ACS data, the assessment area has a total population of approximately 1.3 million and a median housing value of \$275,808. Within the assessment area, the owner-occupancy rate is 60.7%, which approximates the owner-occupancy rate for the entire Raleigh-Cary, NC MSA (60.9%) and is higher than the rate for the State of North Carolina (56.5%). The percentage of families living below the poverty level in the assessment area (6%) approximates the percentage of families living below the poverty level in the MSA (6.1%) but is lower than the poverty level in the State of North Carolina (10%). Median family incomes for the MSA since the previous evaluation are detailed in the following table.

Median Family Income	2021	2022	2023	2024
Raleigh-Cary, NC MSA	\$95,700	\$110,100	\$117,000	\$122,300

As indicated in the preceding table, the median family income for the Raleigh-Cary, NC MSA increased 27.8% between 2021 and 2024. The following table provides family and household demographic information for the assessment area during 2023 as well as the census tract and owner-occupied housing unit distribution by tract income level. The table also provides relevant D&B business data.

2023 Raleigh-Cary, NC AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	23	8.1	20,299	6.3	3,576	17.6	68,621	21.3
Moderate	58	20.5	60,807	18.8	5,470	9.0	53,487	16.6
Middle	99	35.0	119,432	37.0	6,062	5.1	67,068	20.8
Upper	95	33.6	117,268	36.3	2,841	2.4	133,473	41.4
Unknown	8	2.8	4,843	1.5	1,279	26.4	0	0.0
Total AA	283	100.0	322,649	100.0	19,228	6.0	322,649	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	38,863	13,558	4.3	34.9	21,368	55.0	3,937	10.1
Moderate	103,677	57,481	18.2	55.4	38,023	36.7	8,173	7.9
Middle	189,626	117,912	37.4	62.2	58,939	31.1	12,775	6.7
Upper	178,440	121,976	38.7	68.4	44,774	25.1	11,690	6.6
Unknown	8,689	4,163	1.3	47.9	3,690	42.5	836	9.6
Total AA	519,295	315,090	100.0	60.7	166,794	32.1	37,411	7.2
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	4,522	6.5	4,082	6.3	401	9.7	39	5.4
Moderate	11,931	17.1	11,160	17.2	679	16.4	92	12.8
Middle	24,621	35.4	22,969	35.4	1,416	34.3	236	33.0
Upper	27,780	39.9	25,874	39.9	1,570	38.0	336	46.9
Unknown	790	1.1	713	1.1	64	1.5	13	1.8
Total AA	69,644	100.0	64,798	100.0	4,130	100.0	716	100.0
Percentage of Total Businesses:				93.0		5.9		1.0
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	55	7.3	55	7.5	0	0.0	0	0.0
Moderate	168	22.2	157	21.3	11	57.9	0	0.0
Middle	262	34.6	255	34.6	6	31.6	1	50.0
Upper	254	33.6	251	34.1	2	10.5	1	50.0
Unknown	18	2.4	18	2.4	0	0.0	0	0.0
Total AA	757	100.0	736	100.0	19	100.0	2	100.0
Percentage of Total Farms:				97.2		2.5		0.3
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

A large portion of area employment for residents comes from professional and technical services, healthcare, retail trade, and accommodations and food services. Major area employers include public school systems for Wake and Johnston Counties, North Carolina State University, WakeMed (healthcare), Johnston Health, Amazon, and Wal-Mart. Average annual unemployment rates from 2019-2023 are included in the following table.

Raleigh-Cary, NC - Annual Average Unemployment Rates					
Area	2019	2020	2021	2022	2023
Johnston County, NC	3.7%	6.2%	4.3%	3.3%	3.2%
Wake County, NC	3.4%	6.3%	4.1%	3.1%	3.0%
Raleigh-Cary, NC MSA	3.5%	6.3%	4.1%	3.2%	3.0%
North Carolina	3.9%	7.2%	4.9%	3.7%	3.5%

Source: Bureau of Labor Statistics(BLS), Local Area Unemployment Statistics

While unemployment rates increased from 2019 to 2020 as a result of the COVID-19 pandemic, rates have steadily decreased from 2020 to 2023 across all counties within the assessment area, the MSA, and the State of North Carolina. Unemployment rates for localities in the assessment area approximate the rates for the entire MSA and are lower than the rates for the State of North Carolina.

As previously noted, the median family income has increased within the assessment area during the evaluation period. Despite the increase in median family income across the area, a majority of low-income and modest percentage of moderate-income renters and owners within the assessment area face housing costs that equal 30% or more of their household income (cost burden), as presented in the chart below, which suggests that housing expense is a significant burden in the area.

Raleigh-Cary, NC Housing Cost Burden						
Area	Cost Burden - Renters			Cost Burden - Owners		
	Low Income	Moderate Income	All Renters	Low Income	Moderate Income	All Owners
Raleigh-Cary, NC	79.9%	37.5%	41.4%	60.1%	26.9%	15.6%
Johnston County, NC	65.7%	13.7%	41.2%	54.8%	18.9%	18.0%
Wake County, NC	82.7%	40.2%	41.4%	62.1%	29.6%	15.1%
Raleigh-Cary, NC MSA	79.2%	36.7%	41.3%	58.8%	25.9%	15.7%
North Carolina	74.3%	44.0%	41.3%	57.5%	30.2%	17.8%

Cost Burden is housing cost that equals 30 percent or more of household income

Source: U.S. Department of Housing and Urban Development (HUD), 2017-2021 Comprehensive Housing Affordability Strategy

An official from an affordable housing organization was recently contacted to discuss area economic conditions and community credit needs. The official indicated that low- and moderate-income families are struggling to find affordable housing in the area mostly due to rising costs to develop properties and significant growth in the area. While businesses are thriving and employment is generally strong, most of the new residential construction in the area has been slated for upper-income families. The organization is working diligently to roll out affordable housing projects that local financial institutions can participate in funding loan commitments for new construction projects or refinancing affordable housing units. The contact felt that banks were reasonably meeting the needs of the area through help in financing these loans and was also unaware of any discriminatory practices by any area financial institutions.

As of June 30, 2024, NSB ranked 9th out of 35 financial institutions in local deposit market share according to data compiled by the Federal Deposit Insurance Corporation (FDIC) and held 1.2% of local deposits (excluding credit union deposits). The 2023 HMDA aggregate data indicates that the institution ranks 30th out of 633 lenders and maintained .7% of the market share for loan originations.

Overall, there is a significant opportunity for community development loans and investments within the assessment area. Despite it being a competitive market, the bank faces no significant constraints in taking advantage of all available community development opportunities. NSB serves the assessment area through its array of banking services and products, which include community development loans, investments, and services that benefit low- and moderate-income borrowers and areas, and small businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

The bank's Lending Test performance in the Raleigh-Cary, NC assessment area is satisfactory. This conclusion is based on an evaluation of the bank's borrower and geographic distributions of lending while considering its market strategy, area demographic data, and aggregate HMDA and small business loan data. Based on the loan data, NSB originated a substantially larger volume of HMDA loans than small business loans within the assessment area during the evaluation period. During 2023, the bank originated 279 purchase and refinance HMDA loans totaling \$96.6 million and 150 small business loans totaling \$37.8 million in the assessment area. Accordingly, the bank's HMDA lending carries greater weight when determining the overall lending performance. Overall conclusions also take into account the strength of performance for each loan product/category.

The bank's Community Development Test performance in the Raleigh-Cary, NC assessment area is outstanding, which is based on the volume of community development loans originated or renewed, community development donations, and community development services provided since the previous evaluation, as well as the amount of qualified community development investments held by the bank as of June 30, 2025.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

The bank's borrower distribution performance is considered reasonable overall for both HMDA and small business lending.

HMDA Lending

The borrower distribution performance of HMDA lending is considered reasonable. Within the assessment area, 21.3% of families are low-income and 16.6% of families are moderate-income. This demographic proxy for credit demand is a factor in the performance conclusion for each HMDA loan category evaluated. From a loan category perspective, performance for home purchase and refinance lending is reasonable overall.

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Raleigh-Cary, NC													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	#	#%	#%	\$(000)	%	%	
Home Purchase Loans													
Low	18	5.0	5.7	3,981	2.6	3.0	24	9.1	4.4	4,206	4.5	2.2	21.3
Moderate	65	18.2	17.3	18,572	12.2	12.9	59	22.3	17.1	15,801	16.9	12.3	16.6
Middle	62	17.3	24.7	21,848	14.3	23.1	71	26.9	23.4	24,185	25.9	21.5	20.8
Upper	174	48.6	39.3	95,374	62.5	48.7	93	35.2	36.9	43,668	46.8	46.2	41.4
Unknown	39	10.9	13.0	12,830	8.4	12.4	17	6.4	18.1	5,519	5.9	17.8	0.0
Total	358	100.0	100.0	152,605	100.0	100.0	264	100.0	100.0	93,379	100.0	100.0	100.0
Refinance Loans													
Low	8	8.4	13.6	1,165	3.8	8.3	0	0.0	13.1	0	0.0	7.8	21.3
Moderate	22	23.2	22.1	5,899	19.5	17.7	2	13.3	22.5	137	4.3	17.9	16.6
Middle	17	17.9	23.0	5,302	17.5	22.5	2	13.3	22.3	385	12.0	20.7	20.8
Upper	30	31.6	31.5	13,723	45.3	40.6	5	33.3	33.1	1,335	41.5	42.3	41.4
Unknown	18	18.9	9.8	4,180	13.8	10.8	6	40.0	9.0	1,358	42.2	11.3	0.0
Total	95	100.0	100.0	30,269	100.0	100.0	15	100.0	100.0	3,215	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	6.0	0	0.0	3.1	0	0.0	7.8	0	0.0	3.8	21.3
Moderate	1	33.3	15.8	80	51.6	9.3	0	0.0	18.6	0	0.0	10.6	16.6
Middle	2	66.7	24.6	75	48.4	19.2	0	0.0	24.7	0	0.0	20.0	20.8
Upper	0	0.0	50.4	0	0.0	65.0	1	100.0	46.3	200	100.0	62.8	41.4
Unknown	0	0.0	3.1	0	0.0	3.4	0	0.0	2.6	0	0.0	2.9	0.0
Total	3	100.0	100.0	155	100.0	100.0	1	100.0	100.0	200	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	26	5.6	8.1	5,146	2.8	4.4	25	8.9	6.5	4,271	4.4	3.0	21.3
Moderate	90	19.5	18.3	24,766	13.5	13.8	61	21.7	18.3	15,938	16.5	12.8	16.6
Middle	82	17.8	24.0	27,295	14.9	22.5	73	26.0	23.5	24,570	25.4	21.2	20.8
Upper	206	44.7	39.0	109,484	59.6	47.9	99	35.2	37.8	45,203	46.7	46.9	41.4
Unknown	57	12.4	10.6	17,010	9.3	11.4	23	8.2	14.0	6,877	7.1	16.1	0.0
Total	461	100.0	100.0	183,701	100.0	100.0	281	100.0	100.0	96,859	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Home Purchase Loans

The bank's home purchase lending performance is considered reasonable overall. This conclusion considers the relative strength of performance each year and gives greater weight to 2022 performance given the larger dollar volume of lending in that year.

During 2022, the bank's percentage of home purchase loans to low-income borrowers (5%) lagged the percentage of area low-income families (21.3%), but approximated the aggregate reporters' level of lending (5.7%). NSB's percentage of lending to moderate-income borrowers (18.2%) exceeded both the percentage of area moderate-income families (16.6%) and the aggregate lending level (17.3%). Overall, the bank's level of lending to low- and moderate-income borrowers during 2022 is considered reasonable.

During 2023, NSB's percentage of home purchase loans to low-income borrowers (9.1%) lagged the demographic proxy for demand, but significantly exceeded the aggregate reporters' level of lending (4.4%). The bank's percentage of lending to moderate-income borrowers (22.3%) exceeded both the demographic proxy and the aggregate lending level (17.1%). The bank's performance during 2023 is considered excellent.

Refinance Loans

The bank's refinance lending performance is considered reasonable overall. This conclusion considers the relative strength of performance each year, and gives greater weight to performance in 2022.

During 2022, NSB's level of refinance lending to low-income borrowers (8.4%) lagged the demographic proxy for demand and the aggregate lending level (13.6%). Conversely, the bank's lending to moderate-income borrowers (23.2%) exceeded the demographic proxy and the aggregate lending level (22.1%). Overall, the bank's level of lending to low- and moderate-income borrowers during 2022 is considered reasonable.

During 2023, the bank did not originate any refinance loans to low-income borrowers, lagging the demographic proxy for demand and the aggregate lending level (13.1%). The bank's lending to moderate-income borrowers (13.3%) also lagged the demographic proxy and the aggregate lending level (22.5%). Overall, the bank's performance during 2023 is considered poor.

Small Business Lending

The bank's small business loan performance is considered reasonable.

Distribution of 2023 Small Business Lending By Revenue Size of Businesses							
Assessment Area: Raleigh-Cary, NC							
	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	\$%	
By Revenue							
\$1 Million or Less	85	56.7	53.9	21,971	58.2	35.2	93.0
Over \$1 Million	65	43.3		15,784	41.8		5.9
Revenue Unknown	0	0.0		0	0.0		1.0
Total	150	100.0		37,755	100.0		100.0
By Loan Size							
\$100,000 or Less	64	42.7	94.6	3,649	9.7	43.1	
\$100,001 - \$250,000	32	21.3	2.9	5,717	15.1	15.2	
\$250,001 - \$1 Million	54	36.0	2.5	28,388	75.2	41.7	
Total	150	100.0	100.0	37,755	100.0	100.0	
By Loan Size and Revenues \$1 Million or Less							
\$100,000 or Less	36	42.4		1,741	7.9		
\$100,001 - \$250,000	18	21.2		3,153	14.4		
\$250,001 - \$1 Million	31	36.5		17,077	77.7		
Total	85	100.0		21,971	100.0		
Source: 2023 FFIEC Census Data							
2023 Dun & Bradstreet Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

D&B data from 2023 indicates that 93% of all local businesses have revenues that do not exceed \$1 million per year. Of the total small business loans considered in the evaluation, 56.7% were to businesses with revenues of \$1 million or less, while 53.9% of the aggregate lending level were to businesses with revenues of \$1 million or less. The remaining percentage of small business loans reported by the aggregate lenders either had revenue exceeding \$1 million per year or revenues were unknown. Because small dollar loans can demonstrate a willingness to provide credit to small businesses, the bank's distribution by loan size was also considered. Overall, the bank originated 42.7% of its small business loans in amounts of \$100,000 or less, which was substantially lower than the aggregate level of such lending (94.6%). Overall, the bank's performance during 2023 is considered reasonable, primarily driven by its small business lending by revenue.

Geographic Distribution of Loans

The bank's geographic distribution performance is considered reasonable overall for both HMDA and small business lending.

HMDA Lending

The geographic distribution performance of HMDA lending is considered reasonable overall. Within the assessment area, 4.3% of owner-occupied housing units are located in low-income tracts and 18.2% are located in moderate-income tracts. This demographic proxy for credit demand is a factor in the performance conclusion for each HMDA loan category evaluated. From a loan category perspective, performance for home purchase and refinance lending is reasonable overall.

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Raleigh-Cary, NC													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	##	##	\$(000)	\$%	\$%	#	##	##	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	20	5.6	4.4	6,870	4.5	3.1	26	9.8	5.9	6,930	7.4	4.1	4.3
Moderate	72	20.1	19.9	19,593	12.8	15.3	68	25.8	21.0	18,363	19.7	16.8	18.2
Middle	145	40.5	42.8	55,698	36.5	39.7	110	41.7	42.6	36,534	39.1	39.8	37.4
Upper	117	32.7	31.6	69,200	45.3	40.4	57	21.6	28.9	29,842	32.0	37.2	38.7
Unknown	4	1.1	1.3	1,244	0.8	1.5	3	1.1	1.7	1,710	1.8	2.1	1.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	358	100.0	100.0	152,605	100.0	100.0	264	100.0	100.0	93,379	100.0	100.0	100.0
Refinance Loans													
Low	5	5.3	3.8	1,580	5.2	2.6	1	6.7	4.5	333	10.4	3.3	4.3
Moderate	16	16.8	18.7	2,958	9.8	14.5	4	26.7	20.3	831	25.8	16.4	18.2
Middle	33	34.7	41.0	9,311	30.8	37.6	3	20.0	39.7	605	18.8	37.1	37.4
Upper	40	42.1	35.4	16,320	53.9	44.2	7	46.7	34.5	1,446	45.0	42.0	38.7
Unknown	1	1.1	1.0	100	0.3	1.2	0	0.0	1.0	0	0.0	1.1	1.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	95	100.0	100.0	30,269	100.0	100.0	15	100.0	100.0	3,215	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	2.4	0	0.0	1.6	0	0.0	3.1	0	0.0	2.0	4.3
Moderate	0	0.0	14.0	0	0.0	9.8	0	0.0	15.5	0	0.0	10.5	18.2
Middle	1	33.3	37.2	40	25.8	30.8	1	100.0	38.9	200	100.0	33.0	37.4
Upper	2	66.7	45.1	115	74.2	55.9	0	0.0	41.5	0	0.0	53.0	38.7
Unknown	0	0.0	1.3	0	0.0	1.9	0	0.0	1.0	0	0.0	1.4	1.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	3	100.0	100.0	155	100.0	100.0	1	100.0	100.0	200	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	1	20.0	17.2	510	16.8	6.2	0	0.0	18.2	0	0.0	13.6	11.0
Moderate	1	20.0	21.2	432	14.2	10.3	4	66.7	25.8	2,404	44.2	11.0	18.9
Middle	2	40.0	33.8	1,389	45.7	55.1	1	16.7	33.3	180	3.3	58.9	35.5
Upper	1	20.0	23.8	706	23.2	26.8	0	0.0	18.2	0	0.0	16.1	32.3
Unknown	0	0.0	4.0	0	0.0	1.6	1	16.7	4.5	2,850	52.4	0.4	2.4
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	5	100.0	100.0	3,037	100.0	100.0	6	100.0	100.0	5,434	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	26	5.6	3.9	8,960	4.8	3.3	27	9.4	5.1	7,263	7.1	4.5	4.3
Moderate	89	19.1	18.4	22,983	12.3	14.0	77	26.8	19.8	21,663	21.2	16.0	18.2
Middle	182	39.1	41.3	66,573	35.7	40.8	115	40.1	41.6	37,519	36.7	40.3	37.4
Upper	164	35.2	35.1	86,878	46.5	40.4	64	22.3	32.0	31,288	30.6	37.4	38.7
Unknown	5	1.1	1.3	1,344	0.7	1.5	4	1.4	1.5	4,560	4.5	1.8	1.3
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	466	100.0	100.0	186,738	100.0	100.0	287	100.0	100.0	102,293	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Home Purchase Lending

The bank's home purchase lending performance is considered reasonable overall. This conclusion is driven by NSB's performance in 2022 given the significantly larger dollar volume of lending that year.

During 2022, NSB's lending in low-income census tracts (5.6%) slightly exceeded the percentage of owner-occupied housing units (4.3%) and the aggregate lending level (4.4%) in such tracts. Similarly, the bank's lending in moderate-income tracts (20.1%) slightly exceeded both the demographic (18.2%) and aggregate (19.9%) proxies for demand. Overall, the bank's level of lending in low- and moderate-income census tracts during 2022 is considered reasonable.

During 2023, the bank's lending in low-income census tracts (9.8%) significantly exceeded the demographic proxy for demand and the aggregate lending level (5.9%) in such tracts. NSB's lending in moderate-income tracts (25.8%) exceeded both the demographic and aggregate (21%) proxies for demand. Overall, the bank's performance during 2023 is considered excellent.

Refinance Lending

The bank's refinance lending performance is considered reasonable overall. This conclusion considers the relative strength of performance and volume of lending each year.

During 2022, NSB's lending in low-income census tracts (5.3%) exceeded the demographic proxy and the aggregate lending level (3.8%) in such tracts. However, the bank's lending in moderate-income tracts (16.8%) slightly lagged both the demographic and aggregate (18.7%) proxies for demand. Overall, the bank's performance during 2022 is considered reasonable.

During 2023, the bank's lending in low-income census tracts (6.7%) significantly exceeded the demographic proxy and the aggregate lending level (4.5%) in such tracts. NSB's lending in moderate-income tracts (26.7%) also significantly exceeded both the demographic and aggregate (20.3%) proxies for demand. Overall, the bank's performance during 2023 is considered excellent.

Small Business Lending

The bank's small business loan performance is considered reasonable.

Distribution of 2023 Small Business Lending By Income Level of Geography							
Assessment Area: Raleigh-Cary, NC							
Geographic Income Level	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	%	%	
Low	7	4.7	5.8	1,551	4.1	7.4	6.5
Moderate	19	12.7	17.3	5,166	13.7	15.1	17.1
Middle	50	33.3	35.6	11,149	29.5	36.7	35.4
Upper	71	47.3	39.5	19,467	51.6	39.4	39.9
Unknown	3	2.0	1.6	422	1.1	1.3	1.1
Tract-Unk	0	0.0	0.2	0	0.0	0.1	
Total	150	100.0	100.0	37,755	100.0	100.0	100.0
Source: 2023 FFIEC Census Data							
2023 Dun & Bradstreet Data							
2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

The bank's percentage of 2023 small business lending in low-income census tracts (4.7%) slightly lagged the aggregate lending level (5.8%) and the percentage of businesses located in such tracts (6.5%). The bank's percentage of small business lending in moderate-income census tracts (12.7%) lagged the aggregate lending level (17.3%) and the percentage of businesses located in such tracts (17.1%). Overall, the bank's performance during 2023 is considered reasonable.

Community Development Loans, Investments, and Services

Discussions with individuals knowledgeable of the local market area and reviews of the performance evaluations of other financial institutions having a local presence indicate that community development opportunities are readily available within the Raleigh-Cary, NC assessment area when considering the bank's strategy, size, competition, and other relevant factors. The bank's performance under the Community Development Test demonstrates excellent responsiveness to local community needs through qualified community development loans, investments, and services.

In addition to the community development loans that serve the broader statewide area including this assessment area, NSB originated 26 community development loans totaling approximately \$25.2 million that facilitate affordable housing and economic development initiatives and provide services for low- and moderate-income residents within this assessment area. The following table details the number and dollar volume of community development loans benefiting this assessment area.

Community Development Definition	#	\$
Affordable Housing	22	\$21 million
Economic Development	2	\$3.9 million
Community Services to Low/Moderate-Income People	2	\$388,830

NSB holds the following investments that directly benefit the Raleigh-Cary, NC assessment area that were purchased since the previous evaluation:

- Loan pool through the Federal Home Loan Mortgage Corporation (FHLMC) that is comprised of six loans to low- or moderate-income borrowers. Of the six loans, four are to borrowers within the Raleigh-Cary, NC assessment area, resulting in a prorated market valuation of \$976,840.
- Loan pool through the FHLMC that is comprised of five loans, of which all loans are to moderate-income borrowers in the Raleigh-Cary, NC assessment area totaling \$959,660.
- Loan pool through Fannie Mae that is comprised of six loans to low- or moderate-income borrowers. Of the six loans, five are to borrowers within the Raleigh-Cary, NC assessment area, resulting in a prorated market valuation of \$921,419.

Additionally, NSB continues to hold an investment in a municipal bond issued by Johnston County, North Carolina that was purchased prior to the previous evaluation totaling approximately \$1 million. This taxable general obligation bond finances the construction and improvement of public-school facilities and community colleges within Johnston County, North Carolina, where a majority of the census tracts (51%), households (50.3%), and families (51.6%) are low- or moderate-income.

The bank made 97 charitable donations totaling approximately \$1.8 million during the evaluation period to organizations or causes that specifically benefit the Raleigh-Cary, NC assessment area. The following table details the number and dollar volume of community development donations benefitting this assessment area.

Community Development Definition	#	\$
Community Services to Low/Moderate-Income People	87	\$1.7 million
Affordable Housing	10	\$80,700

In addition to the community development service activities that benefit the broader statewide area including this assessment area, six bank employees volunteered their time and financial expertise to six organizations providing affordable housing or community development services within the assessment area. Additionally, three employees taught financial literacy targeted to low- and moderate-income individuals within the assessment area.

METROPOLITAN AREAS
(Reviewed using limited-scope review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WILMINGTON, NC ASSESSMENT AREA

NSB's Wilmington, NC assessment area was reviewed using the limited review examination procedures. Facts and data reviewed for each assessment area, including performance and demographic information, can be found in **APPENDIX A** of this evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

A conclusion regarding performance, which did not impact the institution's overall rating, is included in the following table. For each test, the conclusion conveys whether performance in the Wilmington, NC assessment area was below, consistent with, or exceeded the institution's overall rating. In the case where the performance was considered below, the performance was at least satisfactory for this assessment area.

Assessment Area	Lending Test	Community Development Test
Wilmington, NC	Consistent	Below

CRA APPENDIX A

LIMITED REVIEW LENDING AND DEMOGRAPHIC TABLES

DESCRIPTION OF INSTITUTION'S OPERATIONS IN WILMINGTON, NC ASSESSMENT AREA

This assessment area includes all census tracts in New Hanover County, North Carolina, which is a part of the Wilmington, NC MSA. During 2022 and 2023, it included four low-, 16 moderate-, 15 middle-, 17 upper-income census tracts, and three tracts that have unknown incomes. The bank operates one branch with an ATM in the assessment area and did not open or close any locations in this assessment area during the evaluation period. Based on the 2020 ACS data, the assessment area has a population of approximately 225,702, including 54,049 families. The 2022 and 2023 median family incomes for the Wilmington, NC MSA equaled \$89,000 and \$99,600, respectively. According to FDIC deposit data as of June 30, 2024, the bank ranked 14th out of 20 institutions in deposit market share which represents .5% of all FDIC-insured deposits (excluding credit union deposits).

Wilmington, NC Assessment Area

Demographic Data:

2023 Wilmington, NC AA Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low	4	7.3	2,556	4.7	738	28.9	11,983	22.2
Moderate	16	29.1	13,021	24.1	2,217	17.0	9,298	17.2
Middle	15	27.3	17,431	32.3	1,013	5.8	10,096	18.7
Upper	17	30.9	20,579	38.1	547	2.7	22,672	41.9
Unknown	3	5.5	462	0.9	32	6.9	0	0.0
Total AA	55	100.0	54,049	100.0	4,547	8.4	54,049	100.0
	Housing Units by Tract	Housing Type by Tract						
		Owner-occupied			Rental		Vacant	
		#	% by tract	% by unit	#	% by unit	#	% by unit
Low	6,356	1,333	2.3	21.0	4,209	66.2	814	12.8
Moderate	30,758	12,603	22.0	41.0	15,415	50.1	2,740	8.9
Middle	36,539	19,202	33.6	52.6	12,766	34.9	4,571	12.5
Upper	38,533	23,563	41.2	61.2	8,052	20.9	6,918	18.0
Unknown	939	511	0.9	54.4	344	36.6	84	8.9
Total AA	113,125	57,212	100.0	50.6	40,786	36.1	15,127	13.4
	Total Businesses by Tract		Businesses by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	642	4.9	558	4.6	80	8.8	4	2.6
Moderate	4,094	31.1	3,681	30.4	380	41.6	33	21.4
Middle	3,321	25.2	3,096	25.6	190	20.8	35	22.7
Upper	5,026	38.1	4,689	38.7	256	28.0	81	52.6
Unknown	93	0.7	85	0.7	7	0.8	1	0.6
Total AA	13,176	100.0	12,109	100.0	913	100.0	154	100.0
Percentage of Total Businesses:				91.9		6.9		1.2
	Total Farms by Tract		Farms by Tract & Revenue Size					
			Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	19	25.0	17	23.3	1	100.0	1	50.0
Middle	17	22.4	16	21.9	0	0.0	1	50.0
Upper	40	52.6	40	54.8	0	0.0	0	0.0
Unknown	0	0.0	0	0.0	0	0.0	0	0.0
Total AA	76	100.0	73	100.0	1	100.0	2	100.0
Percentage of Total Farms:				96.1		1.3		2.6
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.								

PERFORMANCE TEST DATA

Lending Test

Borrower Distribution Tables:

Distribution of 2022 and 2023 Home Mortgage Lending By Borrower Income Level													
Assessment Area: Wilmington, NC													
Borrower Income Level	Bank And Aggregate Loans By Year												Families by Family Income %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	#%	#%	\$(000)	\$%	\$%	#	#%	#%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	7	8.2	4.1	1,253	4.1	1.9	5	6.6	2.7	590	2.3	1.1	22.2
Moderate	12	14.1	14.2	3,090	10.2	8.8	11	14.5	12.6	2,204	8.5	7.8	17.2
Middle	15	17.6	18.7	4,040	13.4	14.2	17	22.4	17.5	5,086	19.7	13.7	18.7
Upper	48	56.5	49.0	21,058	69.7	59.3	38	50.0	48.1	15,948	61.7	58.8	41.9
Unknown	3	3.5	14.0	764	2.5	15.8	5	6.6	19.1	1,999	7.7	18.6	0.0
Total	85	100.0	100.0	30,205	100.0	100.0	76	100.0	100.0	25,827	100.0	100.0	100.0
Refinance Loans													
Low	4	12.1	11.3	548	6.0	6.3	0	0.0	10.4	0	0.0	5.5	22.2
Moderate	5	15.2	19.8	734	8.0	14.1	2	16.7	19.5	250	5.9	13.3	17.2
Middle	2	6.1	19.9	448	4.9	17.5	1	8.3	20.7	150	3.6	16.7	18.7
Upper	13	39.4	36.5	4,808	52.5	48.2	5	41.7	34.0	1,771	42.0	43.0	41.9
Unknown	9	27.3	12.5	2,628	28.7	13.9	4	33.3	15.5	2,047	48.5	21.4	0.0
Total	33	100.0	100.0	9,166	100.0	100.0	12	100.0	100.0	4,218	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	4.5	0	0.0	3.3	0	0.0	5.0	0	0.0	2.6	22.2
Moderate	0	0.0	15.3	0	0.0	7.6	0	0.0	17.8	0	0.0	9.4	17.2
Middle	0	0.0	19.9	0	0.0	12.8	0	0.0	22.9	0	0.0	15.8	18.7
Upper	0	0.0	55.5	0	0.0	67.0	1	50.0	49.6	400	95.5	67.0	41.9
Unknown	0	0.0	4.9	0	0.0	9.3	1	50.0	4.6	19	4.5	5.3	0.0
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	419	100.0	100.0	100.0
Total Home Mortgage Loans													
Low	11	9.2	6.2	1,801	4.6	3.0	6	6.5	4.8	610	2.0	1.9	22.2
Moderate	17	14.2	15.8	3,824	9.7	9.9	13	14.1	14.9	2,454	8.0	8.7	17.2
Middle	18	15.0	18.9	4,564	11.6	14.5	19	20.7	19.0	5,356	17.5	14.1	18.7
Upper	62	51.7	46.9	25,926	65.6	58.0	44	47.8	45.8	18,119	59.2	57.4	41.9
Unknown	12	10.0	12.2	3,392	8.6	14.6	10	10.9	15.6	4,065	13.3	18.0	0.0
Total	120	100.0	100.0	39,507	100.0	100.0	92	100.0	100.0	30,604	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													
Multifamily loans are not included in the borrower distribution analysis.													

Distribution of 2023 Small Business Lending By Revenue Size of Businesses							
Assessment Area: Wilmington, NC							
	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	%	%	
By Revenue							
\$1 Million or Less	27	58.7	52.6	6,934	58.7	36.3	91.9
Over \$1 Million	19	41.3		4,870	41.3		6.9
Revenue Unknown	0	0.0		0	0.0		1.2
Total	46	100.0		11,804	100.0		100.0
By Loan Size							
\$100,000 or Less	20	43.5	93.9	1,212	10.3	46.0	
\$100,001 - \$250,000	10	21.7	3.4	1,983	16.8	15.3	
\$250,001 - \$1 Million	16	34.8	2.7	8,609	72.9	38.7	
Total	46	100.0	100.0	11,804	100.0	100.0	
By Loan Size and Revenues \$1 Million or Less							
\$100,000 or Less	10	37.0		522	7.5		
\$100,001 - \$250,000	5	18.5		955	13.8		
\$250,001 - \$1 Million	12	44.4		5,457	78.7		
Total	27	100.0		6,934	100.0		
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey							
Note: Percentages may not total 100.0 percent due to rounding.							

Geographic Distribution Tables:

Distribution of 2022 and 2023 Home Mortgage Lending By Income Level of Geography													
Assessment Area: Wilmington, NC													
Geographic Income Level	Bank And Aggregate Loans By Year												Owner Occupied Units %
	2022						2023						
	Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	#	%	%	\$(000)	\$%	\$%	
Home Purchase Loans													
Low	3	3.5	2.2	857	2.8	1.2	0	0.0	1.8	0	0.0	1.1	2.3
Moderate	16	18.8	24.6	4,592	15.2	17.2	17	22.4	25.3	4,624	17.9	18.9	22.0
Middle	30	35.3	37.0	8,816	29.2	32.1	32	42.1	37.4	9,681	37.5	33.2	33.6
Upper	36	42.4	35.5	15,940	52.8	48.9	27	35.5	34.7	11,522	44.6	46.1	41.2
Unknown	0	0.0	0.7	0	0.0	0.5	0	0.0	0.8	0	0.0	0.7	0.9
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	85	100.0	100.0	30,205	100.0	100.0	76	100.0	100.0	25,827	100.0	100.0	100.0
Refinance Loans													
Low	0	0.0	2.2	0	0.0	1.3	1	8.3	1.9	871	20.6	1.7	2.3
Moderate	13	39.4	23.3	1,978	21.6	17.2	4	33.3	26.2	679	16.1	22.1	22.0
Middle	6	18.2	32.8	1,062	11.6	27.8	2	16.7	30.9	316	7.5	27.2	33.6
Upper	14	42.4	40.7	6,126	66.8	52.7	5	41.7	40.4	2,352	55.8	48.4	41.2
Unknown	0	0.0	1.0	0	0.0	1.1	0	0.0	0.6	0	0.0	0.5	0.9
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	33	100.0	100.0	9,166	100.0	100.0	12	100.0	100.0	4,218	100.0	100.0	100.0
Home Improvement Loans													
Low	0	0.0	1.1	0	0.0	0.6	0	0.0	0.7	0	0.0	0.7	2.3
Moderate	0	0.0	15.8	0	0.0	9.2	0	0.0	19.5	0	0.0	12.9	22.0
Middle	0	0.0	31.6	0	0.0	27.7	2	100.0	33.8	419	100.0	26.9	33.6
Upper	0	0.0	50.9	0	0.0	61.6	0	0.0	45.4	0	0.0	59.2	41.2
Unknown	0	0.0	0.6	0	0.0	0.9	0	0.0	0.6	0	0.0	0.3	0.9
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	0	0.0	100.0	0	0.0	100.0	2	100.0	100.0	419	100.0	100.0	100.0
Multifamily Loans													Multi-family Units %
Low	0	0.0	12.2	0	0.0	12.0	1	50.0	14.3	1,500	41.7	9.1	8.1
Moderate	1	50.0	39.0	900	44.5	33.2	1	50.0	28.6	2,100	58.3	5.8	33.2
Middle	0	0.0	34.1	0	0.0	39.6	0	0.0	28.6	0	0.0	64.4	36.4
Upper	1	50.0	14.6	1,122	55.5	15.2	0	0.0	28.6	0	0.0	20.7	22.0
Unknown	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0.4
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	2	100.0	100.0	2,022	100.0	100.0	2	100.0	100.0	3,600	100.0	100.0	100.0
Total Home Mortgage Loans													Owner Occupied Units %
Low	3	2.5	2.0	857	2.1	2.7	2	2.1	1.6	2,371	6.9	1.6	2.3
Moderate	30	24.6	22.9	7,470	18.0	18.9	22	23.4	24.0	7,403	21.6	17.8	22.0
Middle	37	30.3	34.7	9,954	24.0	31.6	37	39.4	35.6	10,436	30.5	33.5	33.6
Upper	52	42.6	39.6	23,248	56.0	46.3	33	35.1	38.1	13,994	40.9	46.5	41.2
Unknown	0	0.0	0.8	0	0.0	0.6	0	0.0	0.7	0	0.0	0.6	0.9
Tract-Unk	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	0	0.0	0.0	
Total	122	100.0	100.0	41,529	100.0	100.0	94	100.0	100.0	34,204	100.0	100.0	100.0
Source: 2023 FFIEC Census Data													
2016-2020 U.S. Census Bureau: American Community Survey													
Note: Percentages may not total 100.0 percent due to rounding.													

Distribution of 2023 Small Business Lending By Income Level of Geography							
Assessment Area: Wilmington, NC 23							
Geographic Income Level	Bank And Aggregate Loans						Total Businesses %
	Bank		Agg	Bank		Agg	
	#	%	%	\$(000)	\$%	\$%	
Low	0	0.0	4.2	0	0.0	4.5	4.9
Moderate	15	32.6	31.6	3,413	28.9	36.5	31.1
Middle	6	13.0	25.0	1,548	13.1	20.6	25.2
Upper	25	54.3	38.5	6,842	58.0	37.6	38.1
Unknown	0	0.0	0.6	0	0.0	0.7	0.7
Tract-Unk	0	0.0	0.2	0	0.0	0.1	
Total	46	100.0	100.0	11,804	100.0	100.0	100.0
Source: 2023 FFIEC Census Data 2023 Dun & Bradstreet Data 2016-2020 U.S. Census Bureau: American Community Survey Note: Percentages may not total 100.0 percent due to rounding.							

Community Development Test

In addition to the community development investment that serves the broader statewide area, NSB holds the following investments that directly benefit the Wilmington, NC assessment area that were purchased since the previous evaluation.

- Loan pool through the FHLMC that is comprised of six loans to low- or moderate-income borrowers. Of the six loans, two are to borrowers within the Wilmington, NC assessment area, resulting in a prorated market valuation of \$406,333.
- Loan pool through Fannie Mae that is comprised of six loans to low- or moderate-income borrowers. Of the six loans, one is to a borrower within the Wilmington, NC assessment area, resulting in a prorated market valuation of \$124,344.

The bank made charitable donations totaling approximately \$64,875 during the evaluation period to organizations or causes that specifically benefit the Wilmington, NC assessment area. The following table details the number and dollar volume of community development donations benefitting this assessment area.

Community Development Definition	#	\$
Community Services to Low/Moderate-Income People	9	\$44,500
Economic Development	7	\$20,375

In addition to the community development service activities that benefit the broader statewide area including this assessment area, five bank employees volunteered their time and financial expertise to five organizations providing affordable housing, economic development, or community development services within the assessment area. Additionally, one employee taught financial literacy targeted to low- and moderate-income individuals within the assessment area.

CRA APPENDIX B

LOAN, BRANCH, AND DEPOSIT VOLUME BY ASSESSMENT AREA

The following table includes the distribution of loans, branches, and deposit volume by assessment area. The deposit volume is current as of June 30, 2024, while the loan volume includes 2022 and 2023 HMDA loans and 2023 small business loans extended within the bank's assessment areas.

Assessment Area	Loan Volume				Branches		Deposit Volume	
	#	%	\$ 000s	%	#	%	\$ 000s	%
Raleigh-Cary, NC	903	77.5%	\$326,786	78.9%	6	85.7%	\$1,102,892	92.5%
Wilmington, NC	262	22.5%	\$87,537	21.1%	1	14.3%	\$89,261	7.5%
Total	1,165	100%	\$414,323	100%	7	100%	\$1,192,153	100.0%

CRA APPENDIX C

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.

Census tract: A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - (A) Rates of poverty, unemployment, and population loss; or
 - (B) Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

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, which 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).

Full-scope review: Performance under the Lending and Community Development Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, 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 applications, the amount of loan requested, and the disposition of the application (for example, approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Limited-scope review: Performance under the Lending and Community Development Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, 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.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent, in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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 qualified investment is defined as any 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.

Small loan(s) to business(es): A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

Small loan(s) to farm(s): 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, or are classified as loans to finance agricultural production and other loans to farmers.

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