

PUBLIC DISCLOSURE

September 30, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Enterprise Bank of South Carolina
Certificate Number: 11539

13497 Broxton Bridge Road
Ehrhardt, South Carolina 29081

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 ratio is generally reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The bank made a majority of the loans reviewed within the assessment areas.
- The bank's geographic distribution of loans reflects an overall reasonable dispersion throughout the assessment areas.
- The bank's distribution of borrowers reflects an overall reasonable penetration of loans to businesses of different sizes and individuals of different income levels.
- The bank has not received any Community Reinvestment Act (CRA) related complaints since the previous evaluation. Therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The bank demonstrated an overall adequate responsiveness to community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development within its assessment areas.

DESCRIPTION OF INSTITUTION

Background

Enterprise Bank of South Carolina is a state-chartered, nonmember, financial institution headquartered in Ehrhardt, Bamberg County, South Carolina. The bank is an independently owned institution, with no holding company, subsidiaries, or affiliates. There have been no changes in control of the bank or its business strategy, and the bank has not engaged in any merger or acquisition activity since the previous evaluation.

Enterprise Bank of South Carolina received a “Satisfactory” rating at its previous FDIC CRA performance evaluation dated October 3, 2018, which was based on Interagency Intermediate Small Institution Examination Procedures.

Operations

Enterprise Bank of South Carolina continues to operate 12 full-service offices in South Carolina, including the main office located in Ehrhardt (Bamberg County). Unless otherwise noted, the bank operates one branch office in the following cities: Barnwell (Barnwell County); Bamberg (Bamberg County); Blackville (Barnwell County); Cottageville (Colleton County); Denmark (Bamberg County); Edisto Island (Charleston County); Walterboro (Colleton County) - two offices; Williston (Barnwell County); Springfield (Orangeburg County); and Ridgeville (Dorchester County). The bank has not opened or closed any branch offices since the previous evaluation.

Enterprise Bank of South Carolina is primarily a commercial lender, which has not changed since the previous evaluation. In addition to commercial loans, the bank offers home mortgage, agricultural, farm, and consumer loans. The bank provides a variety of deposit products including checking, savings, money market, and certificates of deposit accounts. Deposit related services include safe deposit boxes, wire transfers, and direct deposits. Additionally, the bank offers alternative services, which include telephone banking, internet banking, mobile banking, and access to automated teller machines (ATMs) through an interbank network. As detailed in the table below, the majority of the census tracts, population, branches, and proprietary ATMs are in middle-income census tracts.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	#	#	%
Moderate	4	16.7	18,855	19.6	2	16.7	1	12.5
Middle	18	75.0	73,629	76.7	10	83.3	7	87.5
Upper	2	8.3	3,573	3.7	-	-	-	-
NA	-	-	-	-	-	-	-	-
Total	24	100.0	96,057	100.0	12	100.0	8	100.0

Source: 2015 ACS Data and Bank Records. Due to rounding, totals may not equal 100.0 percent.

Ability and Capacity

As of the June 30, 2021, Consolidated Reports of Condition and Income, Enterprise Bank of South Carolina had total assets of \$439,885,000, total loans of \$229,278,000, total deposits of \$403,436,000, and total securities of \$138,811,000. As shown in the following table, commercial loans (loans secured by non-farm, non-residential properties and commercial and industrial loans) represent the largest portion of the loan portfolio at 46.8 percent, followed by loans secured by 1-4 family residential properties at 28.6 percent by dollar amount.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	8,433	3.7
Secured by Farmland	26,658	11.6
Secured by 1-4 Family Residential Properties	65,617	28.6
Secured by Multifamily (5 or more) Residential Properties	19	0.0
Secured by Nonfarm Nonresidential Properties	71,126	31.0
Total Real Estate Loans	171,853	74.9
Commercial and Industrial Loans	36,215	15.8
Agricultural Production and Other Loans to Farmers	7,490	3.3
Consumer Loans	13,421	5.9
Other Loans	299	0.1
Total Loans	229,278	100.0

Source: Reports of Condition and Income.

Examiners did not identify any financial, legal, or other impediments that would significantly affect the bank's ability to meet the credit needs of its assessment areas. However, the high level of poverty within the assessment areas has affected the availability of loans and investment opportunities for the bank. Further, the moderate level of competition in the Non-MSA Assessment Area and the relatively high level of competition in the Charleston Assessment Area from financial institutions, credit unions, and non-depository mortgage lenders also have affected credit opportunities. In addition, the 2019 Coronavirus (COVID-19) Pandemic has limited the bank's ability to provide community development services. Refer to the *Competition* discussion within each *Description of Assessment Area* section for additional details.

DESCRIPTION OF ASSESSMENT AREAS

The CRA regulation requires each financial institution to define one or more assessment areas within which to evaluate its CRA performance. Enterprise Bank of South Carolina delineated two assessment areas; one in a Metropolitan Statistical Area (MSA) and one in a Non-MSA, all within the State of South Carolina. Bank management delineated the assessment areas based on the locations of bank offices and the expectation of attracting and retaining a customer base within the areas surrounding those offices.

The Non-MSA Assessment Area includes portions of Allendale, Bamberg, Barnwell, Colleton, Orangeburg, and Aiken Counties. The Charleston Assessment Area includes portions of Charleston and Dorchester Counties, which are part of the Charleston-North Charleston, South Carolina MSA. The bank does not maintain a branch office in Aiken County, which is part of the Augusta-Richmond County Georgia-South Carolina MSA. However, the bank continues to include the one census tract

located in Aiken County in the Non-MSA Assessment Area, because it is contiguous to Orangeburg County and the bank originates loans in that census tract. In addition, the bank continues to designate one census tract in Allendale County, which was inadvertently omitted from the previous evaluation, as part of the Non-MSA Assessment Area. The census tract in Allendale County is contiguous to Bamberg and Barnwell Counties. The two assessment areas have remained unchanged since the previous evaluation.

The following table provides a summary of the assessment areas, including the counties, number of census tracts, and the number of offices.

Description of Assessment Areas			
Assessment Area	County	# of Census Tracts	# of Offices
Non-MSA Assessment Area	Allendale	1	-
	Bamberg	4	3
	Barnwell	5	3
	Colleton	9	3
	Orangeburg	2	1
	Aiken	1	-
Charleston Assessment Area	Charleston	1	1
	Dorchester	1	1
Total	8	24	12

Source: Bank Records.

Refer to the *Description of Institution’s Operations* in each assessment area section of this performance evaluation for additional details.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the previous evaluation dated October 3, 2018, to the current evaluation dated September 30, 2021. As previously mentioned, examiners used the Interagency Intermediate Small Institutions Examination Procedures to evaluate the bank’s CRA performance. These procedures include the CRA Small Bank Lending Test and the Community Development Test, as described in the Appendices.

Full-scope analysis was conducted for the Non-MSA Assessment Area given the percentage and dollar volume of small business and home mortgage lending activity in this assessment area. Since the previous two evaluations did not include a full- or limited-scope analysis of the Charleston Assessment Area, examiners conducted a full-scope analysis of the assessment area for this evaluation. The bank’s lending in the Charleston Assessment Area is considerably less in comparison to the Non-MSA Assessment Area. The following table details the bank’s loans, deposits, and offices by assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Bank Offices	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA Assessment Area	61,849	96.3	304,175	86.2	10	83.3
Charleston Assessment Area	2,375	3.7	48,881	13.8	2	16.7
Total	64,224	100.0	353,056	100.1	12	100.0

Source: Bank Data and FDIC Summary of Deposits as of June 30, 2021.
*Includes small business and home mortgages loans during review period.

Examiners considered bank lending and deposit volume and the number of offices to determine which assessment area would receive the most weight in determining the overall CRA performance. The bank's performance in the Non-MSA Assessment Area received the most weight, given significant lending and deposit activity, and the number of offices compared to the Charleston Assessment Area.

Activities Reviewed

The bank's major product lines are primarily commercial (small business) and home mortgage loans. This conclusion considered the bank's business strategy and distribution of the loan portfolio. Loans secured by farmland and agriculture production (farm) do not constitute a substantial portion of the loan portfolio or represent a major product line. In 2020, consumer loans represented 39.7 percent by number and 8.5 percent by dollar volume of the loans originated. Of the nine consumer loan products that make up this loan category, none represents a significant volume. Therefore, examiners did not analyze farm or consumer lending as part of this evaluation. Bank records indicate the lending focus and product mix remained consistent throughout the evaluation period.

For the Lending Test, in terms of number of originations, the bank originated more small business loans compared to home mortgage loans during the review period. Therefore, in arriving at the overall CRA rating, small business loans received more weight. The following table details the bank's loans originated from January 1, 2020, through December 31, 2020.

Loans Originated				
Loan Category	\$(000s)	%	#	%
Construction and Land Development	11,806	10.4	33	2.6
Secured by Farmland	7,760	6.8	20	1.6
Secured by 1-4 Family Residential Properties	21,063	18.5	151	11.9
Multi-Family (5 or more) Residential Properties	-	-	-	-
Commercial Real Estate Loans	26,735	23.5	58	4.6
Commercial and Industrial Loans	31,287	27.5	470	37.0
Agricultural Loans	5,279	4.6	32	2.5
Consumer Loans	9,683	8.5	504	39.7
Other Loans	22	0.2	1	0.1
Total Loans	113,635	100.0	1,269	100.0

Source: Bank Data, January 1, 2020 through December 31, 2020. Due to rounding, totals may not equal 100.0 percent.

Additionally, while this evaluation presents both the number and dollar volume of loans, the analyses focused on the number of loans originated rather than dollar volume since loans extended to small business entities and low- and moderate-income borrowers are generally for smaller dollar amounts. Further, it is a better indicator of the number of businesses and individuals served.

The CRA evaluation includes an analysis of small business loans, as defined in the *Glossary*. During the period from January 1, 2019, through December 31, 2020 (small business review period), the bank originated 771 small business loans totaling \$62.4 million. Of the 771 small business loans originated, 581 loans totaling \$34.9 million were originated inside the assessment area. Examiners analyzed the 581 loans for the *Geographic Distribution* performance criteria. For the *Borrower Profile* performance criteria, examiners randomly sampled 152 (70 loans totaling \$3.0 million in 2019 and 82 loans totaling \$4.0 million in 2020) small business loans totaling \$7.0 million, given that income information was not readily available to analyze for these loans. Management considered this sample representative of the bank's performance during the entire review period. Examiners used 2019 and 2020 Dunn & Bradstreet (D&B) business demographic data for comparison purposes.

In 2020, the United States government established the Coronavirus Aid, Relief, and Economic Security Act and implemented the Paycheck Protection Program (PPP) through the Small Business Administration (SBA) to offer economic relief to small businesses adversely impacted by the COVID-19 Pandemic. In 2020, the bank originated 251 PPP loans for \$1 million or less totaling \$12.1 million. This lending activity accounts for 48.5 percent, by number, and 32.5 percent, by dollar amount, of 2020 small business loans.

Enterprise Bank of South Carolina is subject to the Home Mortgage Disclosure Act (HMDA) and, as such, is required to collect and report certain data concerning applications for home purchase, home refinance, and home improvement loans. Therefore, this evaluation also includes an analysis of the bank's home mortgage loans originated from January 1, 2018, through December 31, 2020. During this time period, the bank originated 475 loans totaling \$52.4 million. For calendar years 2018, 2019, and 2020, the bank originated 121, 190, and 164 loans totaling \$13.9, \$16.9, and \$21.6 million, respectively. In addition to the lending of other HMDA reporters (aggregate lending data) within the assessment areas, examiners used 2015 American Community Survey (ACS) demographic data (percentage of owner-occupied housing units by geography and the percentage of families by income level) for comparison purposes. Examiners only presented 2020 HMDA data in the tables within the Conclusions sections (*Geographic Distribution* and *Borrower Profile* performance criteria), as it is the most recent year for which aggregate data is available. In addition, there were no significant trends identified between 2018 through 2020 years' of home mortgage lending that materially affected examiner's conclusions. However, examiners discussed any observed trends, where appropriate.

For both loan products reviewed, the *Geographic Distribution* and *Borrower Profile* discussions focus only on loans originated inside the bank's assessment areas.

For the Community Development Test, examiners reviewed information provided by management on community development loans, qualified investments, and community development services from October 3, 2018 through September 30, 2021. Qualified investments included new investments and donations, as well as prior period qualified investments still held by the bank.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The overall Lending Test rating for this institution is Satisfactory. This rating is supported by the bank’s generally reasonable loan-to-deposit ratio; a majority of loans reviewed being made inside the assessment areas; an overall reasonable distribution of loans in the various geographies; and an overall reasonable penetration of loans to borrowers of different incomes and businesses of different sizes. Additionally, the bank has not received any CRA-related complaints since the previous evaluation. Refer to each assessment area section for detailed discussions of the bank’s Lending Test performance.

Loan-to-Deposit Ratio

Enterprise Bank of South Carolina’s net loan-to-deposit (NLTD) ratio is generally reasonable, given its size, financial condition, and the credit needs of the assessment areas. The bank’s NLTD ratio averaged 61.6 percent over the previous 11 calendar quarters from December 31, 2018, to June 30, 2021. During this time, the bank’s NLTD ratios ranged from a high of 64.5 percent on December 31, 2019, to a low of 56.1 percent on June 30, 2021.

The bank has competitors, but none are considered similarly situated in terms of asset size, markets served, products offered, and office locations. As a result, examiners compared the bank’s average NLTD ratio to its peer group, as identified in the Uniform Bank Performance Report (UBPR). The UBPR’s Peer Group includes insured commercial banks with total assets between \$300 million and \$1 billion. The Peer Group’s average NLTD ratio, as of June 30, 2021, was 79.6 percent, which exceeds the bank’s average NLTD ratio for the same period. The Peer Group’s NLTD ratios ranged from a high of 83.2 percent on June 30, 2019, to a low of 70.9 percent on June 30, 2021. Refer to the following table for details.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2021	Average NLTD Ratio
	(\$000s)	(%)
Enterprise Bank of South Carolina	439,885	61.6
UBPR Peer Group	300 Million to 1 Billion	79.6
<i>Source: Reports of Condition and Income, December 31, 2018 through June 30, 2021.</i>		

Assessment Area Concentration

Enterprise Bank of South Carolina made a majority of its loans in the assessment areas, with a substantial majority of the small business and home mortgage loans originated in the Non-MSA Assessment Area. The following tables detail lending inside and outside of the institution-wide assessment area and the level of small business and home mortgage lending within each assessment area.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	85	70.2	36	29.8	121	8,230	59.1	5,703	40.9	13,933
2019	100	52.6	90	47.4	190	8,909	52.7	7,984	47.3	16,893
2020	104	63.4	60	36.6	164	12,231	56.6	9,362	43.4	21,593
Subtotal	289	60.8	186	39.2	475	29,370	56.0	23,049	44.0	52,419
Small Business										
2019	180	71.4	72	28.6	252	12,304	51.4	11,645	48.6	23,949
2020	401	77.3	118	22.7	519	22,550	58.6	15,905	41.4	38,455
Subtotal	581	75.4	190	24.6	771	34,854	55.9	27,550	44.1	62,404

Source: 2018, 2019, and 2020 HMDA Reported Data and January 1, 2019 through December 31, 2020 Small Business Bank Data.

Small Business Lending Activity in Assessment Area				
Assessment Area	#	%	\$(000s)	%
Non-MSA Assessment Area	548	94.3	33,563	96.3
Charleston Assessment Area	33	5.7	1,291	3.7
Total Small Business Loans	581	100.0	34,854	100.0

Source: Small Business Bank Records from January 1, 2019 through December 31, 2020.

Home Mortgage Lending Activity in Assessment Area				
Assessment Area	#	%	\$(000s)	%
Non-MSA Assessment Area	277	95.8	28,286	96.3
Charleston Assessment Area	12	4.2	1,084	3.7
Total Mortgage Loans	289	100.0	29,370	100.0

Source: 2018, 2019, and 2020 HMDA Reported Data.

Geographic Distribution

The geographic distribution of loans reflects an overall reasonable dispersion throughout the assessment areas. The bank's small business and home mortgage lending performance was consistent throughout the assessment areas, except for home mortgage lending in the Charleston Assessment Area. For home mortgage lending, examiners based the conclusion on performance in the Non-MSA Assessment Area since the volume of loans (two) in the Charleston Assessment Area was insufficient to conduct a meaningful analysis. In arriving at a conclusion, the bank's

performance in the Non-MSA Assessment Area received more weight. Refer to the *Geographic Distribution* sections of each assessment area for further details.

Borrower Profile

The distribution of loans to borrowers reflects, given the demographics of the assessment areas, an overall reasonable penetration among businesses of different sizes and individuals of different income levels, including low- and moderate-income. The bank's small business and home mortgage lending performance was not consistent throughout the assessment areas. For home mortgage lending, examiners based the conclusions on the bank's performance in the Non-MSA Assessment Area since the volume of loans (two) in the Charleston Assessment Area was insufficient to conduct a meaningful analysis. In arriving at a conclusion, the bank's performance in the Non-MSA Assessment Area received more weight. Refer to the *Borrower Profile* sections of each assessment area for a detail analysis of the bank's performance.

Response to Complaints

The bank has not received any CRA-related complaints since the previous evaluation. Therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Enterprise Bank of South Carolina's Community Development Test is rated Satisfactory. Overall, the bank has demonstrated an adequate responsiveness to the community development needs of the institution-wide assessment area and the broader statewide area through community development loans, qualified investments, and community development services. Examiners considered the bank's capacity and the need and availability of such opportunities for community development in arriving at this conclusion. A majority of the bank's community development loans, qualified investments, and community development services were in the Non-MSA Assessment Area.

Community Development Loans

During the evaluation period, the bank originated, renewed, or refinanced five community development loans totaling \$8,881,325 compared to eight community development loans totaling \$4,507,588 at the previous evaluation. Based on dollar volume, the bank's current level of community development loans represents 3.9 percent of total loans and 2.0 percent of total assets, as of June 30, 2021. At the previous evaluation, the percentages were 2.5 percent of total loans and 1.4 percent of total assets. The bank originated, renewed, or refinanced all of its community development loans in the Non-MSA Assessment Area. The following tables detail the bank's community development lending activity by assessment area, year, and purpose during the evaluation period.

Community Development Lending by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA Assessment Area	-	-	-	-	2	5,300	3	3,581	5	8,881
Charleston Assessment Area	-	-	-	-	-	-	-	-	-	-
Total	-	-	-	-	2	5,300	3	3,581	5	8,881

Source: Bank Data from October 3, 2018 through September 30, 2021.

Community Development Lending by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	-	-	-	-	2	5,300	-	-	2	5,300
2019	-	-	-	-	-	-	1	1,180	1	1,180
2020	-	-	-	-	-	-	1	1,055	1	1,055
2021	-	-	-	-	-	-	1	1,346	1	1,346
Total	-	-	-	-	2	5,300	3	3,581	5	8,881

Source: Bank Data from October 3, 2018 through September 30, 2021.

Refer to the *Community Development Test* section for each assessment area for summaries of the bank's community development loans.

Qualified Investments

During the evaluation period, the bank made, maintained, or carried forth 42 qualified investments totaling \$2,779,634 compared to 34 qualified investments totaling \$932,655 at the previous evaluation. Thirty-six (85.7 percent) of the 42 qualified investments were donations totaling \$5,238, which is a slight increase from the 32 donations totaling \$4,948 at the previous evaluation. All of the qualified donations were made within the Non-MSA Assessment Area.

The bank's qualified investments equaled to 0.6 percent of total assets and 2.0 percent of total securities as of June 30, 2021. This level of qualified investment represents an increase in terms of number and dollar volume since the previous evaluation. Additionally, the level of activity increased in terms of percent of total assets (previously 0.3 percent) and percent of total securities (previously 0.9 percent).

Prior-period investments represent outstanding qualified investments made during the previous CRA evaluation. Examiners placed the most weight on investments made by the bank during the current evaluation period, which represent 33.0 percent of the total dollar volume of qualified investments. Refer to the *Community Development Test* section of each assessment area for further details of the bank's qualified investments. The following tables detail the bank's qualified community development investments by assessment area, activity purpose, and year.

Qualified Investments by Assessment Area										
Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA Assessment Area	-	-	36	5	2	824	-	-	38	829
Charleston Assessment Area	-	-	1	513	-	-	-	-	1	513
Statewide Activities	3	1,437	-	-	-	-	-	-	3	1,437
Total	3	1,437	37	518	2	824	-	-	42	2,779

Source: Bank Data from October 3, 2018 through September 30, 2021.

Qualified Investments by Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	525	1	513	2	824	-	-	4	1,862
2018	-	-	-	-	-	-	-	-	-	-
2019	-	-	-	-	-	-	-	-	-	-
2020	2	912	-	-	-	-	-	-	2	912
2021	-	-	-	-	-	-	-	-	-	-
Subtotal	3	1,437	1	513	2	824	-	-	6	2,774
Qualified Grants & Donations	-	-	36	5	-	-	-	-	36	5
Total	3	1,437	37	518	2	824	-	-	42	2,779

Source: Bank Data from October 3, 2018 through September 30, 2021.

Below are details of the statewide investments benefiting the institution-wide assessment area:

- In 2020, the bank made two investments totaling \$412,069 and \$500,000 in the South Carolina State Housing Finance and Development Authority (South Carolina Housing Authority) Mortgage Revenue Bonds. South Carolina Housing Authority is a state agency that finances and supports affordable housing for South Carolina, which includes the bank's assessment areas. The agency's mission is to create affordable housing opportunities for the citizens of South Carolina, so they can live in safe, decent, and affordable housing.
- The bank continues to maintain an investment in a CRA Qualified Investment Fund, originally purchased for \$550,000 in 2006, which has an outstanding balance of \$524,977. The investment consists of securities collateralized by CRA qualified, fixed-income producing affordable housing properties.

Community Development Services

During the evaluation period, bank employees provided 43 instances of financial expertise or technical assistance to various organizations within the institution-wide assessment area. The level of community development services provided by the bank increased since the previous evaluation when there were 25 instances of financial services provided by employees. Aside from the following retail service, all of the community development services benefitted the Non-MSA Assessment Area, where the bank has a substantially greater presence and where 10 of the 12

banking offices, including the main office, are located. Refer to the *Community Development Test* section of each assessment area for further details of the bank’s community development services. The following tables illustrate the bank’s community development services by assessment area, year, and purpose.

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA Assessment Area	-	35	8	-	43
Charleston Assessment Area	-	-	-	-	-
Total	-	35	8	-	43

Source: Bank Data from October 3, 2018 through September 30, 2021.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	-	6	2	-	8
2019	-	9	2	-	11
2020	-	10	2	-	12
2021	-	10	2	-	12
Total	-	35	8	-	43

Source: Bank Data from October 3, 2018 through September 30, 2021.

The following reflects the bank’s involvement in retail services provided during the evaluation period that benefited the institution-wide assessment area.

- The bank offers Interest on Lawyers Trust Accounts (IOLTAs). The interest earned by the law firms on the IOLTAs is used to fund pro bono legal services for low- and moderate-income individuals and is administered by the South Carolina Bar Foundation.

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. No evidence of discriminatory or other illegal credit practices was identified. Therefore, this consideration did not affect the institution’s overall CRA rating.

NON-MSA ASSESSMENT AREA– Full-Scope Review

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

The Non-MSA Assessment Area consists of Bamberg County in its entirety and portions of Aiken, Allendale, Barnwell, Colleton, and Orangeburg Counties. The bank operates 10, or 83.3 percent, of its branch offices in the Non-MSA Assessment Area. The assessment area accounts for 96.3 percent of total loans and 86.2 percent of total deposits when considering the institution wide assessment areas.

Economic and Demographic Data

While lending opportunities exist in moderate-, middle-, and upper-income geographies, they are much more widely available in middle-income census tracts based on the disbursement of the population, housing units, and businesses. All of the middle-income census tracts in the assessment area are designated as distressed due to high poverty, unemployment, and/or population loss. Further, lending opportunities are limited in the assessment area because of the high percentage of families (18.5 percent) living below the poverty level. Poverty poses challenges for the bank’s home mortgage lending, as families living below the poverty level likely face difficulty in qualifying for a home mortgage loan. The below table presents demographic information from the 2015 ACS and 2020 D&B data.

Demographic Information of the Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	22	-	13.6	77.3	9.1	-
Population by Geography	87,814	-	13.8	82.1	4.1	-
Housing Units by Geography	43,651	-	13.6	77.5	8.9	-
Owner-Occupied Units by Geography	25,060	-	12.1	82.8	5.1	-
Occupied Rental Units by Geography	8,611	-	19.0	78.7	2.3	-
Vacant Units by Geography	9,980	-	12.4	63.3	24.3	-
Businesses by Geography (2019)	4,217	-	13.9	81.1	5.1	-
Businesses by Geography (2020)	4,169	-	13.7	81.1	5.2	-
Farms by Geography	306	-	14.1	77.5	8.5	-
Family Distribution by Income Level	22,326	24.6	19.2	17.5	38.8	-
Household Distribution by Income Level	33,671	26.9	16.2	17.2	39.7	-
Median Family Income: South Carolina Non-MSA	\$44,609	Median Housing Value Median Gross Rent Families Below Poverty Level				\$88,212 \$630 18.5%

Source: 2015 ACS Data, 2019 & 2020 D&B Data, and FFIEC Median Family Income. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.*

Examiners used the FFIEC’s median family income (MFI) data to analyze the bank’s home mortgage lending under the *Borrower Profile* criterion. The following table reflects the MFI ranges for the low-, moderate-, middle-, and upper-income categories in the South Carolina Non-MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
South Carolina Non-MSA Median Family Income				
2020 (\$50,600)	<\$25,300	\$25,300 to <\$40,480	\$40,480 to <\$60,720	≥\$60,720
<i>Source: FFIEC.</i>				

According to the 2019 D&B data, there were 4,217 non-farm businesses operating within the Non-MSA Assessment Area. Gross annual revenues for these businesses are:

- 80.8 percent have \$1 million or less,
- 4.4 percent have more than \$1 million, and
- 14.8 percent have unknown revenues.

The analysis of small business loans under the *Borrower Profile* criterion compares the distribution of businesses by gross annual revenues. Service industries represent the largest portion of businesses (36.1 percent) in the assessment area, followed by retail trade (14.0 percent), and non-classifiable establishments (13.0 percent). Construction (7.2 percent), transportation and communication (7.1 percent), agriculture, forestry, and fishing (6.8 percent), and various other sectors make up the remaining percentages. In addition, 63.8 percent of the businesses in the assessment area have four or fewer employees, and 86.0 percent operate from a single location.

According to the 2020 D&B data, there were 4,169 non-farm businesses operating within the Non-MSA Assessment Area. Gross annual revenues for these businesses are:

- 80.4 percent have \$1 million or less,
- 4.3 percent have more than \$1 million, and
- 15.3 percent have unknown revenues.

Service industries represent the largest portion of businesses (35.8 percent) in the assessment area, followed by non-classifiable establishments (13.0 percent) and retail trade (13.7 percent). Transportation and communication (7.3 percent), construction (7.1 percent), and various other sectors make up the remaining percentages. In addition, 63.5 percent of the businesses in the assessment area have four or fewer employees and 85.7 percent operate from a single location.

Employment Conditions/Major Employers

The *Bureau of Labor Statistics* indicates unemployment rates for all counties in the assessment area declined from 2018 to 2019. However, for 2020, unemployment rates increased due largely to COVID-19 Pandemic-induced job losses. Unemployment rates were in line with or above the state

and national rates in all three years. The following table reflects the average annual unemployment rates and trends for the assessment area counties, state, and nation during the evaluation period.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Aiken County	3.3	2.8	5.0
Allendale County	5.6	5.1	9.4
Bamberg County	6.4	5.3	9.0
Barnwell County	4.7	4.1	7.4
Colleton County	3.9	3.1	6.1
Orangeburg County	5.7	4.6	9.0
South Carolina	3.4	2.8	6.2
National Average	3.9	3.7	8.1

Source: Bureau of Labor Statistics.

Major employers in the counties include Rockland Industries, Collins Aerospace, Dayco Products Incorporated, Rockford Manufacturing, and Crescent Dairy & Manufacturing.

Competition

Within the Non-MSA Assessment Area, there is a moderate level of competition among financial institutions. According to the *FDIC's June 30, 2021 Summary of Deposit Market Report*, there were 20 financial institutions operating 78 banking offices in the counties represented in the assessment area. Of these institutions, Enterprise Bank of South Carolina ranked 6th, with a 6.3 percent deposit market share. The top five financial institutions accounted for 67.7 percent deposit market share.

There is a high level of demand for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the counties represented in the assessment area. In 2020, 227 institutions reported 1,765 residential mortgage originations totaling \$327.6 million in this assessment area. Of these lenders, Enterprise Bank of South Carolina ranked 1st, with a market share of 5.8 percent by number of loans.

The bank is not required to collect or report its small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2019 indicates 76 lenders reported 4,306 small business loans totaling \$157.7 million in the counties represented in the assessment area, demonstrating a high level of demand for this product. The top five institutions account for 52.7 percent of the small business market share by number of loans. Peer small business data was not yet available for 2020.

Community Contact

As part of the CRA evaluation process, examiners contact third parties in a bank's assessment area or used recently conducted community contacts to gain additional insight regarding economic

conditions and to assist in identifying the credit and community development needs of the assessment area. This information helps determine whether local financial institutions are responsive to these needs. Contacts may also confirm the types of credit and community development opportunities available in the assessment area.

Examiners used a recently conducted community contact to gain insight into the economic conditions of the assessment area. The community contact was with a representative from an economic development organization serving a portion of the South Carolina Non-MSA Assessment Area. The contact indicated that current economic conditions are improving, but that the area continues to have high poverty rates. The contact note, however, that unemployment has improved year over year.

The contact stated there are numerous opportunities available for financial institutions to meet the credit needs of the assessment area. These opportunities include small business and affordable housing loans; capital investment and community development projects, such as recreational developments and/or downtown renovation projects; Opportunity Zone Funds; and New Market Tax Credit participation. Additionally, the contact indicated that community bank involvement varies by bank, but expressed that some community banks are more active in the community than others.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, as well as community contact information, examiners determined that small business loans represent a primary credit need of this assessment area. The significant percentage of small businesses and the large number of businesses with four or fewer employees support the conclusion for small business lending. Additionally, considering the high percentage of low- and moderate-income families and families living below the poverty level, affordable housing represents another primary credit need for this assessment area. There is also a need for financial assistance and small business credit given the adverse impacts of the COVID-19 Pandemic.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-MSA ASSESSMENT AREA

LENDING TEST

Enterprise Bank of South Carolina's lending performance within the Non-MSA Assessment Area reflects reasonable performance. The bank's overall reasonable geographic distribution and borrower profile performance support this conclusion. Only loans originated within the assessment area were included for analysis purposes. Lending in the Non-MSA Assessment Area represented 94.3 percent of the number of small business loans and 95.8 percent of the number of home mortgage loans analyzed during this evaluation.

Geographic Distribution

The geographic distribution of loans reflects a generally reasonable dispersion throughout the Non-MSA Assessment Area. The distribution of small business and home mortgage loans support this conclusion. In addition, there are no low-income census tracts within this assessment area.

Small Business Loans

In 2019, the bank's small business lending within the moderate-income census tracts was significantly below demographics. However, in 2020, lending performance in moderate-income census tracts improved, but still remained below demographics. The bank's overall lending performance was hampered by declining economic conditions, specifically in 2019. Additionally, lending opportunities are limited given the moderate level of competition from other financial institutions operating within the assessment area; 20 other financial institutions with 78 banking offices. The following table reflects the distribution of small business loans by income level of the census tracts within the Non-MSA Assessment Area.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Moderate						
	2019	13.9	9	5.3	251	2.1
	2020	13.7	36	9.5	1,506	6.9
Middle						
	2019	81.1	147	86.0	10,372	87.6
	2020	81.1	305	80.9	18,213	83.9
Upper						
	2019	5.1	15	8.8	1,219	10.3
	2020	5.2	36	9.5	2,001	9.2
Totals						
	2019	100.0	171	100.0	11,842	100.0
	2020	100.0	377	100.0	21,721	100.0
<i>Source: 2019 & 2020 D&B Data and January 1, 2019 through December 31, 2020 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans

The bank's home mortgage lending in moderate-income census tracts was below aggregate lending, but considered acceptable, and significantly below demographics. The following table reflects the distribution of home mortgage loans within the Non-MSA Assessment Area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate	12.1	8.4	6	5.9	269	2.2
Middle	82.8	76.0	87	85.3	9,891	82.5
Upper	5.1	15.6	9	8.8	1,825	15.2
Total	100.0	100.0	102	100.0	11,985	100.0
<i>Source: 2015 ACS, Bank Data, and 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0% percent.</i>						

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, a reasonable penetration of businesses of different sizes and a generally reasonable penetration among individuals of different income levels, including low- and moderate-income. The distribution of small business loans and loans to individuals of different income levels supports this conclusion.

Small Business Loans

In 2019, the bank originated a majority of the sampled small business loans to business with gross annual revenue of \$1 million or less. For 2020, this level of lending performance declined and was significantly below demographics. However, it is noted that 15.3 percent of the bank’s lending were to businesses where revenues were unknown. These loans represent the bank’s PPP loan originations, where revenue information was not required

Examiners noted that of the 58 small business loans sampled in 2020, 16 or 27.6 percent were PPP loans totaling \$408,500; the remaining 42 core small business loans totaled \$2.8 million. The bank originated 61.9 percent, by number volume, of the core loans to businesses with gross annual revenues of \$1 million or less. All core small business and PPP loan amounts were less than \$325,000, which further evidence the bank’s willingness to make small business loans. The following table reflects the distribution of small business loans by revenue category in the Non-MSA Assessment Area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2019	80.8	50	82.0	2,124	71.4
2020	80.4	26	44.8	979	30.9
> \$1,000,000					
2019	4.4	11	18.0	852	28.6
2020	4.3	16	27.6	1,787	56.3
Subtotal					
2019	85.2	61	100.0	2,976	100.0
2020	84.7	42	72.4	2,766	87.1
Revenue Not Available					
2019	14.8	-	-	-	-
2020	15.3	16	27.6	409	12.9
Total					
2019	100.0	61	100.0	2,976	100.0
2020	100.0	58	100.0	3,175	100.0
<i>Source: 2019 & 2020 D&B Data and January 1, 2019 through December 31, 2019 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

Home Mortgage Loans

The bank’s home mortgage lending to low-income borrowers exceeded aggregate lending, but was significantly below demographics. In regards to the latter, examiners noted that 18.5 of the assessment areas’ families live below the poverty level. As a result, these families may not have the financial capacity to borrow or likely do not meet the minimum qualification requirements to obtain a loan from a financial institution. Home mortgage lending to moderate-income borrowers was relatively consistent with aggregate lending and significantly below demographics. The following table reflects the distribution of home mortgage loans within the Non-MSA Assessment Area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	24.6	2.7	4	3.9	72	0.6
Moderate	19.2	10.5	10	9.8	732	6.1
Middle	17.5	17.9	16	15.7	1,066	8.9
Upper	38.8	46.7	58	56.9	8,339	69.6
Income Not Available	-	22.2	14	13.7	1,777	14.8
Total	100.0	100.0	102	100.0	11,985	100.0
<i>Source: 2015 ACS, 2020 HMDA Reported Data, and 2020 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0 percent.</i>						

COMMUNITY DEVELOPMENT TEST

Enterprise Bank of South Carolina has demonstrated adequate responsiveness to the community development needs of the Non-MSA Assessment Area through community development loans, qualified investments, and community development services.

Community Development Loans

As previously noted, the bank originated all of its five community development loans totaling \$8,881,325 within this assessment area. This represents a decrease in the number of community development loans since the previous evaluation when eight loans were originated in the assessment area. However, the dollar amount of community development loans increased significantly compared to the previous evaluation when community development loans totaled \$4,507,588.

Refer to the *Community Development Lending by Year Table* on page 10 for details of the bank's community development lending activity by year and purpose during the evaluation period for this assessment area.

Below are notable examples of the community development loans originated in the Non-MSA Assessment Area during the evaluation period:

- A renewal of a working capital loan totaling \$3,800,000 to an organization in 2018 whose primary purpose is to promote rural growth and development through financial assistance to low- and moderate-income individuals, small businesses, and small farms in rural areas. The 501(c)(4) organization provides loans to borrowers who live in rural areas who might not otherwise qualify for loans. The organization serves all counties in the Non-MSA Assessment Area.
- A PPP loan originated in 2020 for \$1,055,000 to a company whose primary purpose is to provide innovative energy and utility services to customers. The company is nonprofit and distributes all profits and earnings generated back to the company to fund its working capital. The funds were used by the company to avoid closing due to the effects of the COVID-19 Pandemic. The utility company services residents of Bamberg, Barnwell, and Colleton Counties.
- Two cash out refinance loans totaling \$1,180,000 and \$1,346,325 in 2019 and 2021, respectively, to refurbish a hotel located in a distressed and underserved area in Colleton County. The majority of the hotel's employees are low- and moderate-income individuals.

Qualified Investments

During the evaluation period, the bank maintained two qualified community development investments totaling \$824,052 and made 36 donations totaling \$5,238 within this assessment area. The donations support agencies and organizations that provide community services targeted to low- and moderate-income residents and distressed middle-income census tracts.

The level of qualified investments and donations in this assessment area represents 88.4 percent, by number, and 21.8 percent, by dollar volume, of the total community development investments and donations made or maintained during the evaluation period. In addition, this assessment area benefitted from investments made in the broader statewide area that includes the Non-MSA Assessment Area, as noted in the institution-wide Community Development Test analysis. Below are details of the qualified investments in the Non-MSA Assessment Area:

- The bank continues to maintain two Economic Development Revenue Bonds, originally purchased in 2017, which have outstanding balances of \$422,072 and \$401,980, respectively. The proceeds from the bonds were used to help fund the purchase of the Hampton and Branchville Railroad by the Palmetto Railway. This is a 40+ mile railway that connects the lines of the CSX Transportation railway through Colleton County to a number of industrial sites within the county. The railway represents an extremely important element of Colleton County’s economic development and industry recruitment efforts. This bond investment benefits the bank’s Non-MSA Assessment Area.

Community Development Services

Bank employees conducted 43 instances of community development services that benefited the Non-MSA Assessment Area. This represents 100.0 percent of the total qualified service activities during the review period. Services provided promoted community services and economic development. The following table details the community development services benefitting the Non-MSA Assessment Area by year.

Community Development Services by Year					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	-	6	2	-	8
2019	-	9	2	-	11
2020	-	10	2	-	12
2021	-	10	2	-	12
Total	-	35	8	-	43
<i>Source: Bank Data from October 3, 2018 through September 30, 2021.</i>					

Below are notable examples of the bank’s community development services in the Non-MSA Assessment Area:

- In 2019 through 2021, three of the bank’s employees taught financial education classes to high school students. The training events were held at a Colleton County school where virtually all of the students qualify to receive free or reduced-cost meals.
- In 2018 through 2021, a bank employee served as an officer and provided financial advisory support to an organization that promotes economic development in Bamberg County. Three of the four census tracts in the county were either moderate-income or classified as distressed middle-income census tracts due to high poverty and/or high unemployment during the period.
- In 2019 through 2021, a bank employee served as vice chairman of an organization that provides community services throughout Barnwell and Allendale Counties. The organization worked with community partners to provide financial support and school supplies to students throughout the counties. The vast majority of students attending public schools within these counties qualify for free or reduced-cost meals.

CHARLESTON ASSESSMENT AREA– Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE CHARLESTON ASSESSMENT AREA

The Charleston Assessment Area consists of portions of Charleston and Dorchester Counties. The bank operates two, or 16.7 percent, of its branch offices in the Charleston Assessment Area. The assessment area accounts for 3.7 percent of total loans and 13.8 percent of bank-wide deposits.

Economic and Demographic Data

In the Charleston Assessment Area, there is one moderate- and one middle-income census tract. The majority of the demographics (population, housing units, businesses, etc.) are in the moderate-income census tracts. The below table presents demographic information from the 2015 ACS and the 2019 and 2020 D&B data.

Demographic Information of the Charleston Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2	-	50.0	50.0	-	-
Population by Geography	8,243	-	81.2	18.8	-	-
Housing Units by Geography	3,080	-	64.8	35.2	-	-
Owner-Occupied Units by Geography	2,179	-	70.3	29.7	-	-
Occupied Rental Units by Geography	455	-	81.5	18.5	-	-
Vacant Units by Geography	446	-	20.6	79.4	-	-
Businesses by Geography (2019)	408	-	65.7	34.3	-	-
Businesses by Geography (2020)	407	-	67.8	32.2	-	-
Farms by Geography	28	-	60.7	39.3	-	-
Family Distribution by Income Level	1,816	25.3	27.5	24.0	23.2	-
Household Distribution by Income Level	2,634	24.5	20.8	27.8	26.8	-
Median Family Income: Charleston-North Charleston, South Carolina MSA		\$65,558	Median Housing Value Median Gross Rent Families Below Poverty Level			\$141,724 \$790 9.4%

Source: 2015 ACS Data, 2019 & 2020 D&B Data, and FFIEC Median Family Income. () The NA category consists of geographies that have not been assigned an income classification. Due to rounding, totals may not equal 100.0 percent.*

Examiners used the FFIEC’s MFI data to analyze the bank’s home mortgage lending under the *Borrower Profile* criterion. The following table reflects the MFI ranges for the low-, moderate-, middle-, and upper-income categories in the Charleston-North Charleston, South Carolina MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Charleston-North Charleston, South Carolina MSA Median Family Income				
2020 (\$81,000)	<\$40,500	\$40,500 to <\$64,800	\$64,800 to <\$97,200	≥\$97,200

Source: FFIEC.

According to the 2019 D&B data, there were 408 non-farm businesses operating within the Charleston Assessment Area. Gross annual revenues for these businesses are:

- 87.8 percent have \$1 million or less,
- 3.9 percent have more than \$1 million, and
- 8.3 percent have unknown revenues.

Service industries represent the largest portion of businesses (35.2 percent) in the assessment area, followed by non-classifiable establishments (16.7 percent), and construction (11.7 percent). Retail trade (10.8 percent) and various other sectors make up the remaining percentages. In addition, 67.5 percent of the businesses in the assessment area have four or fewer employees, and 92.4 percent operate from a single location.

According to the 2020 D&B data, there were 407 non-farm businesses operating within the Charleston Assessment Area. Gross annual revenues for these businesses are:

- 87.0 percent have \$1 million or less,
- 4.2 percent have more than \$1 million, and
- 8.8 percent have unknown revenues.

Service industries represent the largest portion of businesses (33.3 percent) in the assessment area, followed by non-classifiable establishments (16.6 percent), and construction (12.2 percent). Retail trade (10.1 percent) and various other sectors make up the remaining percentages. In addition, 67.1 percent of the businesses in the assessment area have four or fewer employees, and 92.4 percent operate from a single location.

Employment Conditions/Major Employers

The *Bureau of Labor Statistics* indicates unemployment rates for all counties in the assessment area declined from 2018 to 2019. However, for 2020, unemployment rates increased due largely to COVID-19 Pandemic-induced job losses. Unemployment rates were in line with or below the state and national rates in all three years. The following table reflects the average annual unemployment rates and trends for the assessment area counties, state, and nation during the evaluation period.

Unemployment Rates			
Area	2018	2019	2020
	%	%	%
Charleston County	2.7	2.2	6.3
Dorchester County	3.0	2.4	5.8
South Carolina	3.4	2.8	6.2
National Average	3.9	3.7	8.1

Source: Bureau of Labor Statistics.

Major employers located include Joint Base Charleston, Medical University of South Carolina, Robert Bosch Corporation, IQor, and Intercontinental Hotels Group.

Competition

Within the Charleston Assessment Area, there is a high level of competition among financial institutions. According to the *FDIC's June 30, 2021 Summary of Deposit Market Share Report*, there were 31 financial institutions operating 157 banking offices in the assessment area. Of these institutions, Enterprise Bank of South Carolina ranked 24th, with a 0.3 percent deposit market share. The top five financial institution accounted for 67.2 percent deposit market share.

There is a high level of demand for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2020, 120 institutions reported 370 residential mortgage originations totaling \$106.2 million in this assessment area. Of these lenders, Enterprise Bank of South Carolina ranked 58th, with a market share of 0.5 percent by number of loans.

The bank is not required to collect or report its small business loan data and has elected not to report such information. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. However, with regard to competition for small business loans, aggregate data for 2019 indicates 115 lenders reported 15,589 small business loans totaling \$665.9 million in the assessment area, demonstrating a very high level of demand for this product. The top five institutions account for 59.7 percent of the small business market share by number of loans. Peer small business data was not yet available for 2020.

Credit and Community Development Needs and Opportunities

Considering information from demographic and economic data, examiners determined that small business and affordable housing loans represent primary credit needs within the assessment area. The high percentage of small businesses in the assessment area and the large number of businesses with four or fewer employees support this assessment. With so many small businesses operating in the assessment area, funding for their operations is a primary credit need. Further, when considering the percentage of low- and moderate-income families and families living below the poverty level, affordable housing represents another primary need for this assessment area. Additionally, there is a need for financial assistance and small business credit given the adverse impacts of the COVID-19 Pandemic.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE CHARLESTON ASSESSMENT AREA

LENDING TEST

Enterprise Bank of South Carolina’s lending performance within the Charleston Assessment Area reflects an overall needs to improve. The bank’s geographic distribution and borrower profile performance support this conclusion. Only loans originated within the assessment were included for analysis purposes. Lending in the Charleston Assessment Area represented 3.7 percent of the number of small business loans and 13.8 percent of the number of home mortgage loans analyzed during this evaluation. It is noted that there are no low- and upper-income geographies within this assessment area.

Geographic Distribution

The geographic distribution of loans reflects poor performance throughout the Charleston Assessment Area. The distribution of small business and home mortgage loans supports this conclusion.

Small Business Loans

In 2019, the bank did not originate any small business loans to businesses located in moderate-income census tracts in the assessment area. In 2020, lending levels increased, but remained significantly below demographics within the assessment area. It is noted that the two census tracts in this assessment area are immediately adjacent to the Non-MSA Assessment Area and are very rural and not highly populated. The Charleston Assessment Area is a highly competitive market for the few small businesses located in the assessment area. Additionally, 10 or 41.7 percent of the 24 loans originated in 2020 within this assessment area represent loans made through the PPP. The following table reflects the distribution of small business loans by census tract income level within the Charleston Assessment Area.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Moderate						
	2019	65.7	-	-	-	-
	2020	67.8	1	4.2	118	14.3
Middle						
	2019	34.3	9	100.0	462	100.0
	2020	32.2	23	95.8	711	85.7
Totals						
	2019	100.0	9	100.0	462	100.0
	2020	100.0	24	100.0	829	100.0
<i>Source: 2019 & 2020 D&B Data and January 1, 2019 through December 31, 2020 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>						

Home Mortgage Loans

The bank originated two home mortgage loans in 2020: One in the moderate-income census tract and one in a middle-income.

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, generally reasonable performance. An excellent penetration of businesses of different sizes support the overall conclusion.

Small Business Loans

In 2019, the bank originated all of its sampled small business loans to businesses with gross annual revenues of \$1 million or less, significantly exceeding demographics. For 2020, this level of lending performance declined and was below demographics. However, it is noted that 41.7 percent of the bank's lending were to businesses with revenues unknown. These loans represent the bank's PPP loan originations, where revenue information was not required.

Examiners noted that of the 24 small business loans sampled in 2020, 10 or 41.7 percent were PPP loans totaling \$474,700; the remaining 14 core small business loans totaled \$354,077. All core small business and PPP loans averaged loan amounts were \$25,291, which further evidence the bank's willingness to make small business loans. The following table reflects the distribution of small business loans by revenue category within the Charleston Assessment Area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2019	87.8	9	100.0	462	100.0
2020	87.0	14	58.3	354	42.7
> \$1,000,000					
2019	3.9	-	-	-	-
2020	4.2	-	-	-	-
Subtotal					
2019	91.7	9	100.0	462	100.0
2020	91.2	14	58.3	354	42.7
Revenue Not Available					
2019	8.3	-	-	-	-
2020	8.8	10	41.7	475	57.3
Total					
2019	100.0	9	100.0	462	100.0
2020	100.0	24	100.0	829	100.0
<i>Source: 2019 & 2020 D&B Data and January 1, 2019 through December 31, 2019 Bank Data. Due to rounding, totals may not equal 100.0 percent.</i>					

Home Mortgage Loans

The bank originated two home mortgage loans in 2020: One to a middle-income borrower and one to a borrower with income information not available.

COMMUNITY DEVELOPMENT TEST

Overall, Enterprise Bank of South Carolina has demonstrated poor responsiveness to the community development needs of the Charleston Assessment Area, as evidenced by the limited activity during the evaluation period.

Community Development Loans

The bank did not originate any community development loans in the Charleston Assessment Area during the evaluation period.

Qualified Investments

The bank maintained one qualified community development investment totaling \$513,298 within this assessment area during the evaluation period. This qualified investment represents 2.3 percent, by number, and 13.5 percent, by dollar volume, of the total community development investments and donations made or maintained during the evaluation period. In addition, this assessment area benefitted from investments made in the broader statewide area that includes the Charleston Assessment Area, as noted in the institution-wide Community Development Test analysis.

Below is a description of the qualified investment made in the Charleston Assessment Area:

- The bank maintains a general obligation bond, originally purchased in 2017, which has an outstanding balance of \$513,298. The proceeds from the bond were used for construction, rehabilitation, and repair of schools and facilities in the Charleston County School District. This investment benefitted a school district, which includes a school located in the assessment area where 67.6 percent qualify for free- or reduced-cost meals.

Community Development Services

Bank employees did not perform any community development services within the Charleston Assessment Area during the evaluation period.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

GLOSSARY

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

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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