



NORTH STATE BANK

Community Reinvestment Act (CRA) Policy (“Policy”)

March 27, 2024

It is the policy of North State Bank (the “Bank”) to be committed to serving the credit needs of the communities in which the Bank does business. In pursuing this commitment, the Bank will ensure that it complies with the letter and spirit of the Community Reinvestment Act (CRA) and its implementing regulation, the Federal Reserve Board’s Regulation BB (12 CFR Part 228). The Bank recognizes that this requires it to take a proactive approach to determining and meeting community needs, including those of small businesses and small farms, and the needs of creditworthy low- and moderate-income areas and individuals, particularly in regard to residential real estate credit. It is the policy of the Bank to respond to all creditworthy segments of its market. The Bank believes that doing so is basic to good business practice and to the Bank’s long-term viability.

Bank Size

For purposes of CRA and Regulation BB, the Bank is considered an intermediate small bank because as of the Bank’s total asset size did not exceed the maximum asset size for two consecutive years in accordance with the new size threshold which was set at \$1.564 billion effective 1/1/2024. As of both December 31, 2022 and December 31, 2023, the Bank had assets of at least \$391 million and had assets of less than \$1.564 billion.

Facility Based Assessment Areas

Pursuant to Regulation BB, the Bank shall designate one or more facility based assessment areas that:

- Consist of one or more MSAs/MDs (Metropolitan Statistical Areas/Divisions) or contiguous political subdivisions (e.g., counties, cities, or towns);
- Include the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated or purchased a substantial portion of its loans;
- Consist only of whole census tracts;
- Consist of separate delineations for areas that extend substantially across MSA/MD or state boundaries unless the facility based assessment area is located in a multi-state MSA/MD;
- Do not reflect illegal discrimination on the basis of race; color; national origin; sex; religion;

marital status; age (provided that the applicant has the capacity to enter into a binding contract); the fact that all or part of the applicant's income is derived from any public assistance program; the fact that the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any similarly applicable state law; handicap or familial status.

- Do not arbitrarily exclude any low- or moderate-income census tracts, taking into account the Bank's size and financial condition.

The Bank may make adjustments to its facility based assessment areas that do not coincide with the boundaries of an MSA/MD or political subdivision, provided the adjustments to the boundaries are made because the facility based assessment area would otherwise be too large for the Bank to reasonably serve, have an unusual configuration, or include significant geographic barriers.

Accordingly, the Bank has determined that it will designate as its facility based assessment areas for CRA purposes those entire counties in which the Bank has its main office, branches, or deposit-taking ATMs. Furthermore, the Bank has determined that no adjustments to the county boundaries related to the reasonable expectation of service are necessitated in the designation of its facility based assessment area. See **Exhibit "A"** attached, for the list of the Bank-designated CRA s.

Corporate Community Reinvestment Act Policy

The Bank recognizes the need for commitment to the spirit and letter of the CRA. It is the policy of the Bank to operate the Bank profitably and to maintain a base from which increased earnings can be realized in the future. The Bank, however, is limited by the factors of liquidity, risk, flexibility, and customer considerations.

The Bank has a consistent and ongoing practice of outreach to determine the needs of the local community. Officers call on businesses to promote Bank products and services and determine community needs. Management attempts to stay informed of the credit needs of the community through personal association with related organizations.

Officers also maintain a continuing liaison with the Housing and Redevelopment Authorities of the cities serviced by the Bank. Pursuant to its community outreach efforts and determination of community needs, the Bank should identify and, to the extent it can do so safely and soundly, maximize opportunities for community development loans, qualified investments, and community development services.

Definitions

For purposes of this Policy, the following definitions shall apply:

Community development shall be defined as any of the following:

- The provision of 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;
- Activities that revitalize or stabilize:
 - Low- or moderate-income geographies;
 - Designated disaster areas; or
 - Distressed or underserved nonmetropolitan middle-income geographies designated by the Federal Reserve Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
 - Rates of poverty, unemployment, and population loss; or
 - Population size, density, and dispersion. Activities 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.

Community development loan is defined as a loan that has as its primary purpose community development; has not been reported or collected by the Bank or an affiliate for consideration in the Bank's assessment as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan; and benefits the Bank's facility based assessment areas or a broader statewide or regional area that includes the Bank's facility based assessment areas.

Community development service is defined as a service that has as its primary purpose community development, is related to the provision of financial services and has not been considered in the evaluation of the Bank's retail banking services.

Qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Credit Offered

Loans are a desirable and profitable means of employing shareholder and depository funds. The Bank believes that a properly administered lending policy, combined with prudent loan administration, will result in a strong loan portfolio. All loans originated or purchased by the Bank, including home mortgage, small business, small farm, consumer and community development loans, are offered in a manner that is consistent with safe and sound banking practices. The Bank does not discriminate against credit applicants on the basis of race, color, religion, national origin, handicap, sex, marital status, familial status, age (provided the applicant has the capacity to enter into a binding contract), because all or part of the applicant's income is derived from public assistance programs, because the applicant resides in or is affiliated with what is considered to be a low- or moderate-income area, or because the applicant has in good faith exercised any right under the Consumer Credit Protection Act or any similarly applicable state law.

Ratio of Loans Inside and Outside of Facility Based Assessment Areas

The Bank shall originate the majority of its loans, both in number and dollar amount, within its facility based assessment areas. The CRA Officer shall periodically review the ratio of loans inside the facility based assessment areas to those outside of the facility based assessment areas and report such to the CRA & Compliance Committee. If the ratio for small business loans drops below 60% or the ratio for home mortgage loans reported in the Bank's HMDA loans drops below 35%, the Bank shall take immediate action to raise this ratio to an acceptable level.

Distribution of Loans Within the Facility Based Assessment Areas

The Bank shall maintain a reasonable distribution of all loans, both in number and dollar amount, among geographies of different income levels. The CRA Officer shall periodically evaluate the geographic distribution of the Bank's loans. This evaluation should identify geographies, by income category, where there is little to no penetration. The CRA Officer shall report the results of such evaluation to the CRA & Compliance Committee who will determine what, if any, corrective action should be taken.

Loan-to-Deposit Ratio

The Bank shall maintain a reasonable loan-to-deposit ratio. The CRA Officer shall evaluate whether the Bank's average loan-to-deposit ratio is reasonable in light of the Bank's capacity to lend, the capacity of other similarly situated Banks to lend in the facility based assessment areas, demographic and economic factors present in the facility based assessment areas, and the lending opportunities available in the Bank's facility based assessment areas. A ratio lower than 70% may be compensated for by the number and the dollar volume of loans sold to the secondary market, or the innovativeness or complexity of community development loans and qualified investments. The Bank, at the direction of the CRA & Compliance Committee, will take action, as warranted, in response to written complaints about its performance in helping to meet credit needs in its facility based assessment areas.

Community Development Performance

The CRA Officer shall monitor and evaluate for compliance with the CRA community development test element of Regulation BB the number and amount of community development loans and qualified investments, the extent to which the Bank provides community development services, and the Bank's responsiveness through such services to community development lending, investment, and services needs. The CRA Officer shall report on a regular basis, but no less than annually, the results of such evaluation to the CRA & Compliance Committee, who will determine what, if any, corrective action should be taken.

Public File

The Chief Credit Officer, along with the CRA Officer, shall maintain the Bank's public file and notices in conformity with Regulation BB. The public file shall contain at a minimum the following

information:

- All written comments received from the public for the current year, updated for the prior quarter, and each of the prior two calendar years that specifically relate to the Bank's performance in helping to meet community credit needs, and any response to the comments by the Bank, if neither the comments nor the responses contain statements that reflect adversely on the good name or reputation of any persons other than the Bank or publication of which would violate specific provisions of law;
- A copy of the public section of the Bank's most recent CRA Performance Evaluation. The Bank shall place this copy in the public file within 30 business days after its receipt;
- A list of the Bank's branches, their street addresses, and geographies;
- A list of branches opened or closed by the Bank during the current year, updated for the prior quarter and each of the prior two calendar years, their street addresses, and geographies;
- A list of services (including hours of operation, available loan and deposit products, and transaction fees) generally offered at the Bank's branches and descriptions of material differences in the availability or cost of services at particular branches, if any. At its option, the Bank may include information regarding the availability of alternative systems for delivering retail banking services (e.g., ATMs, ATMs not owned or operated by or exclusively for the Bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs);
- A map of each facility based assessment area showing the boundaries of the area and identifying the geographies contained within the area, either on the map or in a separate list;
- The HMDA Disclosure Statement for the prior two calendar years. The Bank shall place this copy in the public file within three business days after its receipt from the applicable federal agency; and
- The Bank's loan-to-deposit ratio for each quarter of the prior calendar year. The Bank may, at its option, include any additional data on its loan-to-deposit ratio.

The public file may also contain any other information the Bank determines to be relevant or helpful in understanding the Bank's efforts to comply with the CRA and Regulation BB.

The Bank shall make available to the public for inspection upon request and at no cost as follows:

- At its main office, all information in the public file;
- On the Bank's website, all information in the public file; and
- At each branch:
 - A copy of the public section of the Bank's most recent CRA Performance Evaluation and a list of services provided by the branch; and
 - Within five calendar days of the request, all the information in the public file relating to the facility based assessment area in which the branch is located.

Upon request, the Bank shall provide copies, either on paper or in another form acceptable to the person making the request, of the information in its public file. The Bank may charge a reasonable fee not to exceed the cost of copying and mailing (if applicable).

Public Notice

The Bank shall display in its main office the following notice:

Community Reinvestment Act Notice

Under the Federal Community Reinvestment Act (CRA), the Federal Reserve Board (Board) evaluates our record of helping to meet the credit needs of this community consistent with safe and sound operations. The Board also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA, including, for example, information about our branches, such as their location and services provided at them; the public section of our most recent CRA Performance Evaluation, prepared by the Federal Reserve Bank of Richmond (Reserve Bank); and comments received from the public relating to our performance in helping to meet community credit needs, as well as our responses to those comments. You may review this information today.

At least 30 days before the beginning of each quarter, the Federal Reserve System publishes a list of the banks that are scheduled for CRA examination by the Reserve Bank in that quarter. This list is available from the Officer in Charge of Supervision, Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219. You may send written comments about our performance in helping to meet community credit needs to Mark Snyder at North State Bank, PO Box 18367, Raleigh NC 27619 and Officer in Charge of Supervision, Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219. Your letter, together with any response by us, will be considered by the Federal Reserve System in evaluating our CRA performance and may be made public.

You may ask to look at any comments received by the Reserve Bank. You may also request from the Reserve Bank an announcement of our applications covered by the CRA filed with the Reserve Bank. We are a wholly-owned subsidiary of North State Bancorp, a bank holding company. You may request from Officer in Charge of Supervision, Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219, an announcement of applications covered by the CRA filed by bank holding companies.

The Bank shall display in each branch the following notice:

Community Reinvestment Act Notice

Under the Federal Community Reinvestment Act (CRA), the Federal Reserve Board (Board) evaluates our record of helping to meet the credit needs of this community consistent with safe

and sound operations. The Board also takes this record into account when deciding on certain applications submitted by us.

Your involvement is encouraged.

You are entitled to certain information about our operations and our performance under the CRA. You may review today the public section of our most recent CRA evaluation, prepared by the Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219, and a list of services provided at this branch. You may also have access to the following additional information, which we will make available to you at this branch within five calendar days after you make a request to us: (1) a map showing the facility based assessment area containing this branch, which is the area in which the Board evaluates our CRA performance in this community; (2) information about our branches in this facility based assessment area; (3) a list of services we provide at those locations; (4) data on our lending performance in this facility based assessment area; and (5) copies of all written comments received by us that specifically relate to our CRA performance in this facility based assessment area, and any responses we have made to those comments. If we are operating under an approved strategic plan, you may also have access to a copy of the plan.

If you would like to review information about our CRA performance in other communities served by us, the public file for our entire bank is available at North State Bank, located at 6204 Falls of Neuse Rd, Raleigh, NC 27609.

At least 30 days before the beginning of each quarter, the Federal Reserve System publishes a list of the banks that are scheduled for CRA examination by the Reserve Bank in that quarter.

This list is available from the Officer in Charge of Supervision, Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219. You may send written comments about our performance in helping to meet community credit needs to Mark Snyder at North State Bank, PO Box 18367, Raleigh NC 27619 and Officer in Charge of Supervision, Federal Reserve Bank of Richmond, 701 East Byrd Street, Richmond, VA 23219. Your letter, together with any response by us, will be considered by the Federal Reserve System in evaluating our CRA performance and may be made public.

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Enforcement and Oversight

The Board of Directors shall review and approve this CRA Policy on an annual basis. However, Senior Management is responsible for ensuring that procedures are implemented and administered in compliance with this Policy. Accordingly, Senior Management shall appoint a CRA Officer

who shall have the responsibility of monitoring the Bank's lending activity and evaluating its performance under this Policy. The CRA Officer shall report to the Board of Directors, at least annually, on the level of the Bank's compliance with this Policy.

The CRA Officer shall appoint a CRA & Compliance Committee to implement and review CRA-related activities. See **Exhibit "B"** for a listing of the individuals who comprise the Bank's CRA & Compliance Committee.

Each year, the CRA & Compliance Committee or CRA Officer shall review the Bank's asset size. Should the Bank's size exceed the small intermediate bank threshold, this Policy shall be updated to include the requirements applicable to the Bank's size.

Audit and Monitoring

Periodically, the Bank shall have an independent audit, which may be performed by a third party or by the Internal Audit Department, to audit the Bank's compliance with this policy and report the results of such audit directly to the Board of Directors.

Training

The CRA Officer, through the utilization of BVS, shall provide training to all Bank lending operations personnel on CRA on an annual basis.

Record Retention

The Bank shall retain any records as may be required to demonstrate compliance with this Policy and Regulation BB.

EXHIBIT “A”

FACILITY BASED ASSESSMENT AREA(S)

Wake County, North Carolina
New Hanover County, North Carolina
Johnston County, North Carolina

Exhibit “B”

CRA & COMPLIANCE COMMITTEE

The following individuals comprise the Bank’s CRA Compliance Committee:

Brian Hedges – Chief Credit Officer
Stacy Reedy – Chief Financial Officer
Jonathan Kriebs – Chief Operations Officer
Amanda Lloyd – Chief People Officer
Jeff Gleeson – Director of Credit Administration
Debbie Cook – Compliance Officer/CRA Officer
Kelly Arrington – Chief Risk Officer
Ryan Morgan – Bank Operations Resource Supervisor
Heather Sirgany – Chief Mortgage Sales Officer
Pam Smallwood – CRA/Fair Lending Analyst

Policy History

August 2016 – Policy re-written and revised to include specific Federal Reserve Bank language

December 2017 – Policy revised to include update of facility based assessment area, change of CRA officer, and update of committee members

January 2019 – Policy revisions based on Federal Reserve Exam recommendations and counsel from Poyner Spruill

February 2020 – Policy revisions to include updated regulatory thresholds and modification to committee members

February 2021 – Policy revisions to include updated regulatory thresholds and modification to committee members

February 2022 – Policy revisions to include updated regulatory thresholds, update of facility based assessment area, and modification to committee members

February 2023 – Policy revisions to include updated regulatory thresholds.

November 2023 – Updated CRA Officer and Compliance Committee members.

March 2024 – Policy revisions to include updated regulatory thresholds and changing “Assessment Area(s)” to “Facility Based Assessment Area(s)”, adding comments regarding quarterly update requirement for written comments and quarterly update of listing of branch openings and closings.