



PUBLIC DISCLOSURE

April 06, 2020

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

Piedmont Federal Savings Bank
Charter Number 700007

201 South Stratford Road
Winston Salem, North Carolina 27103

Office of the Comptroller of the Currency
212 South Tryon Street Suite 700
Charlotte, NC 28281

NOTE: This document is an evaluation of this bank'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 bank. This evaluation is not, and should not be construed as, an assessment of the financial condition of this bank. The rating assigned to this bank does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial bank.

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Overall CRA Rating

Institution's CRA Rating: This institution is rated **Satisfactory**

The lending test is rated: Satisfactory

The community development test is rated: Satisfactory

The major factors that support this rating include:

- The Lending Test rating is based on the bank's performance in the State of North Carolina.
- The Community Development (CD) Test rating is based on the bank's CD activities, including lending and services, in the State of North Carolina.
- Piedmont Federal Savings Bank's (Piedmont Federal) average loan-to-deposit (LTD) ratio is reasonable.
- A substantial majority of the loans originated during the evaluation period were inside the bank's assessment area (AA).
- The distribution of borrowers reflects an overall reasonable penetration to borrowers of different incomes.
- The geographic distribution of loans reflects poor dispersion throughout the low- and moderate-income census tracts in the AA.
- Piedmont Federal community development (CD) activities demonstrate adequate responsiveness to the credit needs of its AAs through CD loans, donations, investments, and services.

Loan-to-Deposit Ratio

Considering the bank's size, financial condition, and credit needs of the AA(s), the bank's loan-to-deposit ratio (LTD) is reasonable.

As of December 31, 2019, the Piedmont Federal's LTD ratio was 81.3 percent. The bank's average LTD ratio over the 12-quarter evaluation period was 82.9 percent, ranging from a low of 74.2 percent to a high of 80.9 percent. We compared the bank's loan to deposit ratio to nine other financial institutions of similar asset sizes operating in North Carolina. The average loan to deposit ratio for these nine institutions was 96.2 percent ranging from an average high of 104.55 percent to an average low of 86.9 percent.

Lending in Assessment Area

A substantial majority of the bank's loans are inside its AAs. The bank originated 96.2 percent of its total loans inside the bank's AAs during the evaluation period. This analysis is performed at the bank, rather than the AA level.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	1,176	96.2	46	3.8	1,222	209,701	96.1	8,427	3.9	218,128

Source: Evaluation Period: 1/1/2017 - 12/31/2019 Bank Data

Description of Institution

Piedmont Federal is a \$871 million federally chartered, mutual savings association headquartered in Winston-Salem, North Carolina. The bank operates ten full-service branches in Forsyth, Watauga, Wilkes, and Guilford Counties in North Carolina. All branch locations maintain the same operating hours. Of the ten branch locations, the bank has one branch in a low-income census tract and two branches in moderate-income census tracts. The branch location in Guilford county opened on August 19, 2019 to expand Piedmont Federal's operations into counties that are adjacent to the existing Winston Salem, North Carolina Metropolitan Statistical Area (MSA) AA. This branch is in an upper income census tract. The Reynolda Road branch in Forsyth county was closed on February 28, 2019 due to market overlap which resulted in declining deposits and loans. This branch was in a moderate-income census tract. Piedmont Federal does not operate automated teller machines (ATMs). In lieu of ATMs, the bank reimburses customers for any fees or charges incurred from use of third-party ATMs.

Piedmont Federal offers a full range of home mortgage loan and deposit products. All checking, savings, and loan products are available at every branch location. Piedmont Federal does not originate home mortgage loans for sale on the secondary market. The bank offers online and mobile banking services to both business and consumers. Piedmont Federal's internet website, www.piedmontfederal.bank, provides detailed information about products and services for consumers and businesses. In addition to traditional loan products, the bank has an Affordable First Time Home Buyer Product that features a below market interest rate and no origination fees. Piedmont Federal also began funding loans underwritten by Habitat for Humanity of Forsyth County for low- and moderate-income borrowers.

Piedmont Federal operates as a traditional thrift. During the evaluation period, 100 percent of the loans originated were home mortgage loans (excludes participations purchased). As of December 31, 2019, home mortgage loans totaled \$509 million and represented 98.6 and 58.4 percent of total loans and total assets, respectively. As of December 31, 2019, the bank's tier 1 capital totaled \$233 million.

Piedmont Federal designated the Winston Salem, North Carolina MSA, the Greensboro-High Point, North Carolina MSA and the Non-MSA counties of Wilkes and Watauga as AAs.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs in its AAs during the evaluation period. Piedmont Federal's rating at the preceding CRA Examination dated March 13, 2017, was "Satisfactory."

Scope of the Evaluation

Evaluation Period/Products Evaluated

Piedmont Federal's performance was evaluated under the Intermediate-Small Bank Community Reinvestment Act (CRA) examination procedures. These procedures consist of two components: a lending test and a community development (CD) test. The lending test is an assessment of the bank's record of meeting the credit needs of its AAs through its lending activities. The CD test is an assessment of the bank's responsiveness to community development needs in the AAs through qualified lending, investment, donation, and service activities in the AA.

The evaluation period for the lending test is January 1, 2017 through December 31, 2019. Piedmont Federal's lending activity during the evaluation period evidenced that home mortgage loans are the bank's primary loan product. Home mortgage loans includes home purchase, home improvement, and home mortgage refinance loans reported on the Loan Application Register (LAR) as required by the Home Mortgage Disclosure Act (HMDA). The evaluation period for qualified CD loans, donations, investments, and services is March 14, 2017 through December 31, 2019.

Selection of Areas for Full-Scope Review

In each state where the bank has an office, one or more of AAs within that state was selected for a full-scope review. For purposes of this evaluation, bank delineated AAs located within the same metropolitan statistical area (MSA), multistate metropolitan statistical area (MMSA), or combined statistical area (CSA) are combined and evaluated as a single AA. Similarly, bank delineated non-MSA AAs within the same state are combined and evaluated as a single area. These combined AAs may be evaluated as full- or limited-scope. Refer to the "Scope" section under State Rating for details regarding how full-scope AAs were selected. Refer to Appendix A, Scope of Examination, for a list of full- and limited-scope AAs.

Ratings

The bank's overall rating is a combination of the individual AA ratings. The AA ratings are based on the bank's performance under lending test and the CD test. For evaluation purposes, the Winston Salem, North Carolina MSA AA and the Greensboro-High Point, North Carolina MSA AA were combined under the Greensboro-Winston Salem-High Point NC CSA. We placed greater weight on the bank's performance in the Greensboro-Winston Salem-High Point NC CSA AA, as the vast majority of the bank's deposits and loans are in this AA.

Discriminatory or Other Illegal Credit Practices Review

Pursuant to 12 CFR 25.28(c) or 195.28(c), respectively, in determining a national bank's or federal savings association's (collectively, bank) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank, or in any AA by an affiliate whose loans have been considered as part of the bank's lending performance. As part of this evaluation process, the OCC consults with other federal agencies with responsibility for compliance with the relevant laws and regulations, including the U.S. Department of Justice, the U.S. Department of Housing and Urban Development, and the Bureau of Consumer Financial Protection, as applicable.

The OCC has not identified that this bank (or any affiliate whose loans have been considered as part of the bank's lending performance) has engaged in discriminatory or other illegal credit practices that require consideration in this evaluation.

The OCC will consider any information that this bank engaged in discriminatory or other illegal credit practices, identified by or provided to the OCC before the end of the bank's next performance evaluation in that subsequent evaluation, even if the information concerns activities that occurred during the evaluation period addressed in this performance evaluation.

State Rating

State of North Carolina

CRA rating for the State of North Carolina¹: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory

The major factors that support this rating include:

- The distribution of borrowers reflects an overall reasonable penetration to borrowers of different incomes.
- The geographic distribution of loans reflects poor dispersion throughout the low- and moderate-income census tracts in the AA.
- Piedmont Federal community development (CD) activities demonstrate adequate responsiveness to the credit needs of its AAs through CD loans, donations, investments, and services.

Description of Institution's Operations in North Carolina

Greensboro Winston-Salem High Point NC CSA

The Greensboro Winston-Salem High Point NC CSA AA consists of Forsyth, Davidson, Davie, Stokes, Yadkin, Guilford, Rockingham, and Randolph counties. The Greensboro Winston-Salem High Point NC CSA AA meets regulatory requirements and does not arbitrarily exclude low-or moderate-income geographies.

The Greensboro Winston-Salem High Point NC CSA AA consists of 318 geographies. Of the 318 geographies, 8.5 percent and 22.6 percent, respectively are designated as low-income and moderate-income. Piedmont operates eight branches in the AA. Approximately 13 percent of the branches are located in low-income geographies and 13 percent are located in moderate-income geographies. The 2015 Census data for the Greensboro Winston-Salem High Point NC CSA AA reported a total population of 1.39 million. Approximately, 28.5 percent of the population lives in low and moderate-income census tracts.

Piedmont Federal faces strong competition in the AA. According to the FDIC Deposit Market Share Report as of June 30, 2019, there were \$48.2 billion in deposits held among 26 financial institutions with 315 offices located in the AA. The primary competitors were large national and regional banks. The top five competitors in the AA had 159 offices and controlled 84.9 percent of the total deposit market share. The bank had a deposit market share of 1.26 percent in the AA.

¹ This rating reflects performance within the state. The statewide evaluations do not reflect performance in the parts of those states contained within the MMSA.

The Greensboro Winston-Salem High Point NC CSA AA accounted for 92.4 percent of Piedmont Federal’s total deposits as of June 30, 2019. An analysis of HMDA peer mortgage data in the AA in 2018 further demonstrates the strong level of competition faced by the bank. The bank originated 323 home mortgage loans in the Greensboro Winston-Salem High Point NC CSA AA in 2018 for a market share of 0.9 percent. During the same period, an average of 508 other lending institutions originated or purchased a total of thirty-eight thousand home mortgage loans within the same AA. The top five competitors originated 31.2 percent of the home mortgage loans in the AA, totaling 11,777 loans. In addition to market competition, the home purchase opportunities in low- and moderate-income census tracts is limited, as 59.2 and 42.9 percent of available units are renter occupied in low- and moderate-income census tracts, respectively. Compared to respective percentages of 26.8 and 20.8 in middle- and upper-income census tracts.

As of December 31, 2019, the Greensboro Winston-Salem High Point NC CSA AA unemployment rate was reported as 3.2 percent, which compared favorably to the national unemployment rate of 3.6 percent. Major employment sectors in the AA included education, health services, retail and banking. According to the December 2019 Moody’s Analytics report, in the Winston Salem, North Carolina MSA solid population growth and larger job gains are adding fuel to an already-strong housing market. Households are forming at an above-average rate and consumers are in their best financial position in years, helping to release pent-up housing demand that has vaulted existing single-family home sales in the MSA to near prerecession levels. Moody’s analysis indicates that the Winston Salem, North Carolina MSA’s strengths include larger boost to incomes from growth in higher-value-added services, stronger house price appreciation, and the presence of biotech development outside of the research triangle. However, weaknesses include the technical abilities of workforce being unable to attract specialized manufacturing and the impact of regulations on certain industries in the AA. The December 2019 Moody Analytics report states that the Greensboro-High Point, North Carolina MSA has consistently underperformed the state and U.S. economies in recent years but has recently improved. Nonetheless, weak demographics and softness in the labor market have caused declines in housing demand. As a result, single-family construction decreased since 2017 to about half their pre-Great Recession level. Moody’s analysis indicates that the Greensboro-High Point, North Carolina MSA’s strengths include low business costs and a large consumer base that draw firms, as well as high housing affordability, coupled with low living costs. While weaknesses include prolonged and deepening income inequality that hurt long-term growth along with population growth that fails to accelerate, and insufficient consumer-related industries and housing.

We consulted two community contacts in the AA to better understand the general credit and community development needs as well as local economic conditions. One of the community contacts stated that economically, Winston-Salem is a tale of two cities. There is a growing biotech industry, but a large part of the population does not have the skills for the jobs. Over the prior years, the area has been transitioning from an industrial/manufacturing base to more high-tech jobs. The area used to support manufacturing related to tobacco, textiles, and furniture – but all of these industries have been declining for years and many are getting left behind. The poverty rate is relatively high resulting in challenges in the area such as hunger and affordable housing. The projected housing needs over the next 10 years is an estimated 14,000 units. The

area is losing more units than its producing while most homes being constructed are high end. There is not a lot of capacity in the nonprofit sector to help meet housing needs. Biggest needs in the AA is affordable housing and small business lending. Significant investment in low- and moderate-income neighborhoods is needed.

According to the second community contact, the poverty rate is at about 17 percent, including 26 percent of which that are children. Economic mobility is third worst in country. About 13,000 households are spending about 50 percent of their income on rent. There is a severe lack of affordable housing and a significant need for more supportive housing for those with disabilities. Other issues include economic mobility, as there is growth in white collar jobs, but not a lot of growth in manufacturing jobs or internship opportunities for post-secondary graduates. The “poverty benefits cliff” is a huge issue for those whose public assistance benefits are immediately cut off once they get a job or a wage increase. Other major issues that are impacting low- and moderate-income individuals is education equity, veteran homelessness, and lack of efficient public transportation. Graduation rates have improved over the years – from 70 percent in mid 1980s to 80 percent in 2019, which partially reflects increased investments in programs for middle and high school students. Economic conditions have not seen significant change besides growth in the innovation sector. The new tech companies that are expanding in the AA are offering white-collar jobs. Additionally, many companies have left the AA after mergers resulting in significant job loss and not much growth in manufacturing jobs (e.g. tobacco, furniture).

Table A – Demographic Information of the Assessment Area						
Assessment Area: Greensboro Winston-Salem High Point NC CSA 2017-2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	318	8.5	22.6	39.0	28.9	0.9
Population by Geography	1,393,063	6.6	21.9	41.8	29.3	0.3
Housing Units by Geography	616,833	6.6	22.4	42.3	28.6	0.1
Owner-Occupied Units by Geography	358,497	3.0	16.5	45.4	35.1	0.0
Occupied Rental Units by Geography	190,789	12.7	31.1	36.6	19.2	0.4
Vacant Units by Geography	67,547	8.8	28.9	41.7	20.4	0.2
Businesses by Geography	102,958	4.9	19.8	37.2	37.8	0.3
Farms by Geography	3,496	1.8	14.7	50.8	32.6	0.1
Family Distribution by Income Level	360,040	22.0	17.9	18.7	41.4	0.0
Household Distribution by Income Level	549,286	23.5	16.7	17.3	42.6	0.0
Median Family Income MSA - 24660 Greensboro-High Point, NC MSA		\$55,218	Median Housing Value			\$145,528
Median Family Income MSA - 49180 Winston-Salem, NC MSA		\$56,536	Median Gross Rent			\$728
			Families Below Poverty Level			13.3%

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

Watauga and Wilkes Counties

The Watauga and Wilkes AA consists of Watauga and Wilkes counties. The Watauga and Wilkes AA meets regulatory requirements and does not arbitrarily exclude low- or moderate-income geographies.

The Watauga and Wilkes AA consists of 27 geographies. Of the 27 geographies, there were no low-income census tracts and one moderate-income census tract. Piedmont Federal operates two branches in the AA, one of which is in a moderate-income census tract.

The bank faces strong competition in the AA. As of June 30, 2019, there was \$1.9 billion in deposits held among 16 financial institutions with 30 offices located in the AA. The primary competitors were large national and regional banks. The top five competitors had 159 offices and controlled 74.8 percent of the total market share. Piedmont Federal had a deposit market share of 2.56 percent in the AA. The Watauga and Wilkes AA accounted for 7.5 percent of Piedmont Federal's total deposits as of June 30, 2019. The 2015 Census data for the Watauga and Wilkes AA reported a total population of approximately 121 thousand. An analysis of HMDA peer mortgage data in the AA for 2018 further demonstrates the strong level of competition faced by the bank. The bank originated 29 home mortgage loans in the Watauga and Wilkes AA in 2018 for a market share of 1.06 percent. During the same period, an average of 230 other lending institutions originated or purchased a total of 2,736 home mortgage loans within the same AA. As of December 31, 2019, the Watauga and Wilkes counties unemployment rates were reported as 3.1 and 3.7 percent, respectively, which compared favorably with the national unemployment rate of 3.6 percent. Major employment sectors in Wilkes county included manufacturing, health services, and retail. The largest industries in Watauga County, NC are educational services, retail trade, and accommodation & food services.

We consulted two community contacts in the AA to better understand the general credit and community development needs as well as local economic conditions. One of the community contacts stated that while the official poverty rate is high at 31 percent, this is misleading as the statistic is skewed by college students who are included in the count. Even so, 21 percent of the children in Watauga county are living in poverty. There is a significant income gap, with a high level of affluent retirees at the top and a high level of people in poverty, but a low middle-class population. Many of the younger adults leave the area to find work due to the lack of suitable jobs in the area. The big driver of the economy is tourism and low wage service jobs. There are high levels of working poor, with many working several jobs to make ends meet. Unemployment is low, but the median income is also very low. The biggest employers are the hospital systems and universities. There is one manufacturing facility. Most jobs are low paying hourly positions. Philanthropically, banks are not considered to be that engaged. There are plenty of opportunities for banks to support several community needs, including financial education, youth development, and family development. There is also a need for banks to be more engaged in serving on boards of local nonprofits. The second community contact stated that the economy in Wilkes county is making good process and that banks are responsive to area needs.

Table A – Demographic Information of the Assessment Area						
Assessment Area: Watauga and Wilkes 2019						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	27	0.0	11.1	51.9	37.0	0.0
Population by Geography	121,186	0.0	7.6	62.1	30.3	0.0
Housing Units by Geography	65,754	0.0	6.6	53.5	39.9	0.0
Owner-Occupied Units by Geography	31,955	0.0	6.7	63.3	30.0	0.0
Occupied Rental Units by Geography	15,463	0.0	9.5	54.4	36.1	0.0
Vacant Units by Geography	18,336	0.0	3.8	35.8	60.5	0.0
Businesses by Geography	8,109	0.0	11.9	50.7	37.4	0.0
Farms by Geography	412	0.0	4.6	63.3	32.0	0.0
Family Distribution by Income Level	29,541	21.6	17.3	19.3	41.8	0.0
Household Distribution by Income Level	47,418	30.2	14.4	16.1	39.3	0.0
Median Family Income Non-MSAs - NC		\$47,217	Median Housing Value			\$181,045
			Median Gross Rent			\$730
			Families Below Poverty Level			15.2%
<i>Source: 2015 ACS and 2019 D&B Data</i>						
<i>Due to rounding, totals may not equal 100.0%</i>						
<i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Scope of Evaluation in North Carolina

All assessment areas were subject to full scope reviews. The Winston Salem, North Carolina MSA AA and the Greensboro-High Point, North Carolina MSA AA were combined under the Greensboro-Winston Salem-High Point NC CSA. We placed greater weight on the bank's performance in the Greensboro-Winston Salem-High Point NC CSA AA, as the vast majority of the bank's deposits and loans are in this AA. According to June 30, 2019 FDIC Deposit Market Share Report, 92.4 percent of the bank's total deposits are in the Greensboro-Winston Salem-High Point NC CSA AA. During the evaluation period, 88.8 percent of the bank's total home mortgage loan originations were in the Greensboro-Winston Salem-High Point NC CSA AA. In comparison, 7.6 percent and 11.2 percent of the bank's total deposits and home mortgage loan originations are in the Wilkes-Watauga Non-MSA AA, respectively.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NORTH CAROLINA

LENDING TEST

The bank's performance under the Lending Test in North Carolina is rated Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on the full-scope reviews of the Greensboro-Winston Salem-High Point NC CSA AA and the Watauga and Wilkes AA, the bank's lending performance in the state of North Carolina is reasonable. To determine the overall lending test rating, more weight was placed on the borrower distribution in the Greensboro-Winston Salem-High Point NC CSA AA due to impediments lending in diverse geographies. The bank is limited in its ability to penetrate low- and moderate-income geographies in this AA, because it does not sell loans on the secondary market and has more conservative underwriting standards. To address these limitations, the bank has implemented two loan programs aimed at meeting the needs of low- and moderate-income individuals, the impact of these programs is reflected in its borrower income distribution percentages which aligns with peer performance.

Distribution of Loans by Income Level of the Geography

The bank exhibits poor geographic distribution of loans in the AAs.

Home Mortgage Loans

Refer to Table O in Appendix D for the facts and data used to evaluate the geographic distribution of the bank's home mortgage loan originations and purchases.

The geographic distribution of home mortgage loans in the Greensboro-Winston Salem-High Point NC CSA AA was poor. During the evaluation period, the percentage of home mortgage loans in low-income and moderate-income census tracts was significantly below the percentage of owner-occupied housing units and the aggregate percentage of peer lending in those census tracts. The lower distribution in the low-income and moderate-income census tracts is attributed to high level of competition in the AA from lenders that sell their loans into the secondary market. Piedmont Federal is exclusively a portfolio lender, retaining all the mortgages originated. While the bank has implemented two loan programs aimed at meeting the needs of low- and moderate-income individuals, the level of lending in low- and moderate-income geographies remains low. More conservative underwriting standards coupled with competition impeded the bank's ability to lend in low- and moderate-income geographies in the AA.

The geographic distribution of home mortgage loans in the Watauga and Wilkes AA was excellent. The percentage of home mortgage loans in moderate-income census tracts significantly exceeded the percentage of owner-occupied housing units and was almost equal to the aggregate percentage of peer lending. There are no low-income census tracts in the AA.

Distribution of Loans by Income Level of the Borrower

The bank exhibits a reasonable distribution of loans to individuals of different income levels.

Home Mortgage Loans

Refer to Table P in Appendix D for the facts and data used to evaluate the borrower distribution of the bank's home mortgage loan originations and purchases.

The borrower distribution of home mortgage loans was reasonable in the Greensboro-Winston Salem-High Point NC CSA AA. During the evaluation period, the percentage of home mortgage loans to low-income borrowers was significantly below the percentage of low-income families but near to the aggregate percentage of peer lending. Higher levels of poverty have impeded the bank and other financial institutions ability to lend to low income families in the AA. The percentage of home mortgage loans to moderate-income borrowers was slightly below the percentage of moderate-income families and the aggregate percentage of peer lending.

The borrower distribution of home mortgage loans was reasonable in the Watauga and Wilkes AA. During the evaluation period, the percentage of home mortgage loans to low-income borrowers was significantly below the percentage of low-income families but nearly equal to the aggregate percentage of peer lending. The percentage of home mortgage loans to moderate-income borrowers was below the percentage of moderate-income families but near to the aggregate percentage of peer lending.

Responses to Complaints

The bank did not receive any CRA-related complaints during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The bank's performance under the Community Development Test is rated Satisfactory.

Conclusions for Areas Receiving Full-Scope Reviews

Based on the full-scope reviews the bank exhibits adequate responsiveness to community development needs in the state through community development loans, qualified investments, and community development services, as appropriate, considering the bank's capacity and the need and availability of such opportunities for community development in the bank's AAs.

Number and Amount of Community Development Loans

The Community Development Loans Table, shown below, sets forth the information and data used to evaluate the bank's level of CD lending. The table includes all CD loans, including multifamily loans that also qualify as CD loans.

Community Development Loans				
Assessment Area	Total			
	#	% of Total #	\$ (000's)	% of Total \$
Greensboro-Winston Salem-High Point NC CSA	6	6%	450	5%
Watauga and Wilkes	1	2%	80	2.3%
Broader Statewide Area	46	92%	3,258	92.7%
Total	53	100%	3,788	100%

The bank's overall CD lending activity reflects adequate responsiveness to community development needs in the AAs.

During the evaluation period, Piedmont Federal participated \$3.5 million or 5 percent of the aggregate cost to construct fifty multifamily affordable housing developments. In aggregate, these loan participations represented 1.5 percent of tier 1 capital and were funded through a lending consortium that offers first-lien, permanent financing for multifamily developments offering rents that are affordable to households earning 60 percent or less of the area median income. With the support of its member banks and borrowers, this lending consortium offers loans across the southeast in the following states: Georgia, North Carolina, South Carolina, Tennessee, Virginia, and West Virginia. Of the \$3.5 million participated through this lending consortium, \$175 thousand funded three developments located in the Greensboro-Winston Salem-High Point NC CSA AA and \$80 thousand funded one development in the Watauga and Wilkes AA. Piedmont Federal funded three additional CD loans in the Greensboro-Winston Salem-High Point NC CSA AA totaling \$275 thousand for affordable housing through Habitat for Humanity of Forsyth. The loan proceeds funded three mortgage loans for low- and moderate-income families.

Number and Amount of Qualified Investments

Qualified investments made in the Greensboro-Winston Salem-High Point NC CSA AA reflect adequate responsiveness to community development needs. The CD investments made during the evaluation period consisted of \$205 thousand in financial contributions to community development organizations in the AA. Qualified investments in the Watauga and Wilkes AA reflect adequate responsiveness to community development needs in the AA. During the evaluation period, Piedmont Federal originated qualified investments totaling \$1 thousand. Qualified investments in the AA consisted of a donation to an organization providing affordable single-family homes for low- and moderate-income individuals.

Additionally, the bank continues to maintain one mortgage back security from a prior period with a market value of \$1.1 million. This investment is secured by 10 mortgage loans to low- and moderate-income borrowers, eight of the ten homes are located in the Greensboro-Winston Salem-High Point NC CSA AA and the remaining two homes are located in the Watauga and Wilkes AA. Piedmont Federal also made donations totaling \$11 thousand to two community development organizations that serve a broader statewide area that includes both AAs.

Qualified Investments										
Assessment Area	Prior Period*		Current Period		Total				Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	% of Total #	\$(000's)	% of Total \$	#	\$(000's)
Greensboro-Winston Salem-High Point NC CSA	1	1,104 ***	13	205	14	82%	1,309	99%	11	80
Watauga and Wilkes	0	0	1	2	1	6%	2	0.2%	0	0
Broader Statewide Area	0	0	2	11	2	12%	11	0.8%	0	0
Total	1	1,104	16	218	17	100%	1,322	100%	11	80

* Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.
 ** Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.
 ***This investment is a mortgage backed security.

Extent to Which the Bank Provides Community Development Services

Piedmont Federal’s CD services reflect adequate responsiveness to community development needs in the Greensboro-Winston Salem-High Point NC CSA AA. Nine bank employees and board members provided technical expertise to community organizations. These organizations provide affordable housing and social services for low- and moderate-income individuals. Additionally, Piedmont Federal processed payments on 276 loans for Habitat for Humanity of Forsyth. This payment processing is valued at \$21 thousand annually.

Piedmont Federal’s CD services reflect poor responsiveness to community development needs in the Watauga and Wilkes AA. There were no CD services provided in the AA.

An employee and a board member also provided CD services to two community development organizations that serve a broader statewide area that includes both AAs.

Piedmont Federal’s branch distribution in the Greensboro-Winston Salem-High Point NC CSA AA is adequate. Branches are reasonably accessible to essentially all geographies and individuals of different income levels. The bank’s percentage of branch offices in low- and moderate-income geographies is near to the percentage of the population living in these geographies.

Piedmont Federal’s branch distribution in the Watauga and Wilkes AA is adequate. While the bank does not have any low-income census tracts in the AA, one of the two branches in the AA is in a moderate-income census tract. Approximately 7.9 percent of the total population in the AA live in a moderate-income census tract.

Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the MSA(s) and non-MSA(s) that received comprehensive examination review, designated by the term “full-scope,” and those that received a less comprehensive review, designated by the term “limited-scope”.

Time Period Reviewed:	January 1, 2017 to December 31, 2019	
Bank Products Reviewed:	Home Mortgage Loans Community Development Loans, Qualified Investments, Community Development Services	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None	None	None
List of Assessment Areas and Type of Examination		
Rating and Assessment Areas	Type of Exam	Other Information
Greensboro -Winston-Salem-High Point, NC Combined Statistical Area	Full Scope	<i>Limited to the Winston Salem, North Carolina MSA and the Greensboro-High Point, North Carolina MSA</i>
Watauga and Wilkes Counties	Full Scope	

Appendix B: Summary of State Rating

RATINGS: Piedmont Federal Saving Bank			
	Lending Test Rating*	CD Test Rating	Overall Bank/State Rating
Overall Bank:			
Piedmont Federal	Satisfactory	Satisfactory	Satisfactory
State:			
North Carolina	Satisfactory	Satisfactory	Satisfactory

(*) The Lending Test and Community Development Test carry equal weight in the overall rating.

Appendix C: Definitions and Common Abbreviations

The following terms and abbreviations are used in this performance evaluation, including the CRA tables. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if the same company directly or indirectly controls both companies. For example, a bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Aggregate Lending (Aggt.): The number of loans originated and purchased by all reporting lenders (HMDA or CRA) in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the state/assessment area.

Census Tract (CT): A small, relatively permanent statistical subdivision of a county delineated by a local committee of census data users for the purpose of presenting data. Census tracts nest within counties, and their boundaries normally follow visible features, but may follow legal geography boundaries and other non-visible features in some instances, Census tracts ideally contain about 4,000 people and 1,600 housing units.

Combined Statistical Area (CSA): A geographic entity consisting of two or more adjacent Core Based Statistical Areas with employment interchange measures of at least 15. An employment interchange measure is a measure of ties between two adjacent entities. The employment interchange measure is the sum of the percentage of workers living in the smaller entity who work in the larger entity and the percentage of employment in the smaller entity that is accounted for by workers who reside in the larger entity.

Community Development (CD): 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 Small Business Administration Development Company or Small Business Investment Company programs size eligibility standards or have gross annual revenues of \$1 million or less; or activities that revitalize or stabilize low- or moderate-income geographies, distressed or underserved nonmetropolitan middle-income geographies, or designated disaster areas.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its entire community, including LMI areas, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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, other secured consumer loans, and other unsecured consumer loans.

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

Full-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 conduct 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, the disposition of the application (e.g., approved, denied, and withdrawn), the lien status of the collateral, any requests for preapproval, and loans for manufactured housing.

Home Mortgage Loans: A closed-end mortgage loan or an open-end line of credit as these terms are defined under 12 CFR 1003.2, and that is not an excluded transaction under 12 CFR 1003.3(c)(1) through (c)(10) and (c)(13).

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

Limited-Scope Review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

Low-Income Individual: Individual income that is less than 50 percent of the area median income.

Low Income Geography: A census tract with a median family income that is less than 50 percent.

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

Median Family Income (MFI): The median income determined by the U.S. Census Bureau every five years and used to determine the income level category of geographies. The median is the point at which half of the families have income above, and half below, a range of incomes. Also, the median income determined by the Federal Financial Banks Examination Council (FFIEC) annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above, and half below, a range of incomes.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Core Based Statistical Area that contains an urbanized population of at least 2.5 million. A Metropolitan Division consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as a core based statistical area associated with at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties 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 percent and less than 120 percent, in the case of a geography.

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

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

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

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

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

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

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

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with non-cumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

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

Appendix D: Tables of Performance Data

Content of Standardized Tables

A separate set of tables is provided for each state. All multistate metropolitan statistical areas, if applicable, are presented in one set of tables. References to the “bank” include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Examination). For purposes of reviewing the Lending Test tables, the following are applicable: (1) purchased are treated as originations; and (2) “aggregate” is the percentage of the aggregate number of reportable loans originated and purchased by all HMDA or CRA-reporting lenders in the MMSA/assessment area. Deposit data are compiled by the FDIC and are available as of June 30th of each year. Tables without data are not included in this PE.

The following is a listing and brief description of the tables included in each set:

Table O. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle-, and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents aggregate peer data for the years the data is available.

Table P. Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle-, and upper-income borrowers to the percentage distribution of families by income level in each MMSA/assessment area. The table also presents aggregate peer data for the years the data is available.

Table O: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Geography																				2017-2019		
Assessment Area:	Total Home Mortgage Loans				Low-Income Tracts			Moderate-Income Tracts			Middle-Income Tracts			Upper-Income Tracts			Not Available-Income Tracts					
	#	\$	% of Total	Overall Market	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate	% of Owner-Occupied Housing Units	% Bank Loans	Aggregate			
Greensboro-Winston Salem-High Point NC CSA	1,044	188,978	88.8	37,744	3.0	0.6	1.8	16.5	6.5	13.3	45.4	28.5	42.5	35.1	64.1	42.3	0.0	0.3	0.1			
Watauga and Wilkes Counties	132	20,722	11.2	2,736	0.0	0.0	0.0	6.7	12.1	12.4	63.3	53.0	39.3	30.0	34.8	48.3	0.0	0.0	0.0			
Total	1,176	209,701	100.0	40,480	2.8	0.5	1.7	15.7	7.1	13.2	46.8	31.3	42.3	34.7	60.8	42.7	0.0	0.3	0.1			

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Table P: Assessment Area Distribution of Home Mortgage Loans by Income Category of the Borrower																				2017-2019		
Assessment Area:	Total Home Mortgage Loans				Low-Income Borrowers			Moderate-Income Borrowers			Middle-Income Borrowers			Upper-Income Borrowers			Not Available-Income Borrowers					
	#	\$	% of Total	Overall Market	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate	% Families	% Bank Loans	Aggregate			
Greensboro-Winston Salem-High Point NC CSA	1,044	188,978	88.8	37,744	22.0	4.2	6.2	17.9	13.1	18.1	18.7	21.4	21.8	41.4	60.3	39.8	0.0	1.0	14.0			
Watauga and Wilkes Counties	132	20,722	34.0	2,736	21.6	3.8	4.0	17.3	9.1	11.5	19.3	23.5	18.4	41.8	62.9	57.5	0.0	0.8	8.7			
Total	1,176	209,701	100.0	40,480	22.0	4.2	6.1	17.9	12.7	17.7	18.7	21.6	21.6	41.4	60.6	41.0	0.0	0.9	13.7			

*Source: 2015 ACS Census; 01/01/2017 - 12/31/2019 Bank Data, 2018 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*