

PUBLIC DISCLOSURE

September 7, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Crest Savings Bank
Certificate Number: 28818

3301 Pacific Avenue
Wildwood, NJ 08260

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

350 Fifth Avenue, Suite 1200
New York, New York 10118

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 **Outstanding**.

An institution in this group has an outstanding 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 Outstanding.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of its small businesses and home mortgage loans in its assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given assessment area demographics, excellent penetration among businesses of different sizes and individuals of different income levels.
- The institution did not receive any CRA-related complaints during the evaluation period; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

- The bank demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Crest Savings Bank (CSB) is a community bank headquartered in Wildwood, New Jersey. CSB is wholly owned by Crest Savings Bancorp, Inc., which is wholly owned by Crest Savings Bancorp, MHC, a mutual holding company. CSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated October 17, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

CSB operates eight full-service branches in Cape May County. Two branches are in moderate-income census tracts, five branches are in middle-income census tracts, and one branch is in an upper-income census tract. Since the previous evaluation, CSB opened a branch in a middle-income census tract in Cape May Court House.

CSB offers a variety of personal and business loan and deposit products. Deposit products include checking, savings, money market, and certificate of deposit accounts. Lending products include residential, small business, commercial, and construction loans and lines of credit. Alternative banking services include personal and business online and mobile banking options, and bank-owned automated teller machines (ATMs) at each branch location plus two standalone ATMs.

Ability and Capacity

As of June 30, 2022, assets totaled \$618.9, loans totaled \$420.3 million, and securities totaled \$105.2 million. Total assets increased 31.4 percent, total loans increased 2.0 percent, and total securities increased approximately 543.0 percent since the prior evaluation. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of June 30, 2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	13,682	3.3
Secured by Farmland	284	0.0
Secured by 1-4 Family Residential Properties	278,285	66.2
Secured by Multifamily (5 or more) Residential Properties	1,903	0.5
Secured by Nonfarm Nonresidential Properties	101,323	24.1
Total Real Estate Loans	395,477	94.1
Commercial and Industrial Loans	2,141	0.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	22,109	5.3
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	574	0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	420,301	100.0
<i>Source: Reports of Condition and Income; Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. CSB designated a single assessment area encompassing all of Cape May County. The assessment area consists of all 33 census tracts in Cape May County. All 33 census tracts are in Metropolitan Statistical Area (MSA) 36140 (Ocean City, New Jersey). The bank's assessment area has not changed since last examination.

Economic and Demographic Data

The assessment area's 33 census tracts reflect the following income designations according to 2015 American Community Survey (ACS) U.S. Census data:

- 1 low-income tract,
- 5 moderate-income tracts,
- 18 middle-income tracts,
- 8 upper-income tracts, and
- 1 tract for which information is unavailable.

The following table presents select demographic, housing, and economic information for the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	3.0	15.2	54.5	24.2	3.0
Population by Geography	95,805	4.1	17.3	59.1	19.6	0.0
Housing Units by Geography	98,747	6.0	19.6	48.9	25.5	0.0
Owner-Occupied Units by Geography	30,683	3.0	15.3	60.6	21.0	0.0
Occupied Rental Units by Geography	9,729	8.5	24.6	50.9	16.0	0.0
Vacant Units by Geography	58,335	7.2	21.0	42.4	29.4	0.0
Businesses by Geography	12,066	5.4	15.0	56.4	23.1	0.0
Farms by Geography	357	1.1	9.8	68.3	20.7	0.0
Family Distribution by Income Level	25,946	19.9	19.0	21.3	39.8	0.0
Household Distribution by Income Level	40,412	24.2	15.9	17.8	42.1	0.0
Median Family Income MSA - 36140 Ocean City, NJ MSA		\$74,509	Median Housing Value			\$452,802
			Median Gross Rent			\$1,039
			Families Below Poverty Level			7.0%
<i>Source: 2015 ACS and 2021 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>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. According to 2015 ACS data, there are 98,747 housing units in the assessment area. Of these, 31.1 percent are owner-occupied, 9.9 percent are occupied rental units, and 59.0 percent are vacant. The high vacancy rate is the result of a large percentage of seasonal vacation homes in the area. Only 933 of the assessment area's owner-occupied housing units are located in the single low-income geography. In contrast, 825 occupied rental units and 4,178 vacant units are located in this geography. This limits opportunities to originate 1-4 residential mortgages for owner-occupied housing units in this geography.

Also shown above, 19.9 percent of the assessment area's families are low-income and 19.0 percent are moderate-income. In addition, 7.0 percent have incomes below the poverty threshold. This data suggest that it would be difficult for these families to qualify for a home mortgage loan or to support a monthly mortgage payment, especially considering the assessment area's median home value of \$452,802. This data illustrates the challenges lenders face in originating loans to low- or moderate-income borrowers.

The Geographic Distribution criterion also compares the bank's small business lending to the distribution of businesses located in each geography, with a focus on lending in the low- and moderate-income census tracts. As shown in the table above, 5.7 percent of businesses are in the single low-income tract and 15.6 percent of businesses are in moderate-income census tracts. This

suggests somewhat limited opportunity for lenders to make small business loans in these tracts, especially in the low-income tract.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2021 D&B data, 12,066 non-farm businesses operate within the assessment area. GARs for area businesses are as follows:

- 89.5 percent have GARs of \$1.0 million or less,
- 3.3 percent have GARs of more than \$1.0 million, and
- 7.2 percent have unreported GARs.

Service industries represent the largest portion of businesses in the assessment area (31.8 percent); followed by non-classifiable establishments (22.3 percent); retail trade (15.6 percent); construction (11.1 percent); and finance, insurance, and real estate (8.2 percent). A significant majority of businesses (91.6 percent) have fewer than 10 employees, and 92.1 percent operate from a single location.

The Borrower Profile criterion also analyzes the distribution of loans by borrower income level. Examiners used the Federal Financial Institutions Examination Council’s (FFIEC) updated median family income data to analyze the bank’s home mortgage lending under the Borrower Profile criterion. The following table reflects the median family income ranges for the low-, moderate-, middle-, and upper-income categories in the assessment area.

Table B – Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Ocean City, NJ MSA Median Family Income (36140)				
2019 (\$83,600)	<\$41,800	\$41,800 to <\$66,880	\$66,880 to <\$100,320	≥\$100,320
2020 (\$85,800)	<\$42,900	\$42,900 to <\$68,640	\$68,640 to <\$102,960	≥\$102,960
2021 (\$85,800)	<\$42,900	\$42,900 to <\$68,640	\$68,640 to <\$102,960	≥\$102,960
<i>Source: FFIEC</i>				

Data obtained from the U.S. Bureau of Labor Statistics show that unemployment rates at the county, state, and national levels generally improved since the previous evaluation. The 2020 unemployment rates reflect the impact of the COVID-19 pandemic. As shown in the following table, unemployment in the assessment area counties declined at a rate similar to the State of New Jersey following the pandemic, however more sharply than the national average. Current unemployment rates in the assessment area are above the state and national averages.

Unemployment Rates			
Area	2020	2021	July 2022
	%	%	%
Cape May County	13.7	9.1	4.0
State of New Jersey	9.5	6.4	3.7
National Average	8.1	5.4	3.5
<i>Source: Bureau of Labor Statistics</i>			

Competition

The bank operates in a moderately competitive market for financial services. According to 2021 FDIC Deposit Market Share data, 10 financial institutions operated 44 branches within the assessment area. Of these institutions, CSB ranked 2nd with a 15.9 percent deposit market share.

There is a high level of competition for small business loans in the assessment area. CSB is not required to report small business lending data and has elected not to do so; therefore, examiners did not use aggregate lending data for comparison purposes. However, examiners reviewed the most recently available aggregate lending data to gauge the level of competition and demand for small business loans within the assessment area. According to 2020 small business lending data, 90 lenders originated 3,864 small business loans in Cape May County. The top five lenders, all larger national or regional institutions, accounted for 51.2 percent of the total market share.

The market for home mortgage loans is also highly competitive. In 2020, 404 institutions reported originating or purchasing 11,879 home mortgage loans in the assessment area. Of these institutions, CSB ranked 10th with a 1.9 percent market share. The top five lenders, all large national banks or internet-based home mortgage lenders, accounted for 26.7 percent of the market share by number of loans originated or purchased.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying credit and community development needs. This information indicates what credit and community development opportunities may be available. It also helps examiners determine if local financial institutions are responsive to those needs.

Examiners contacted a broker manager from a real estate company that serves Cape May County. The contact's mission is to assist buyers and sellers in the real estate market. The contact stated the area has an inadequate inventory of real estate. Tourism is the largest industry in Cape May County. There is large seasonality in the local economy due to significant tourism. The contact noted that there is currently a labor shortage in the area, which causes businesses to either raise wages to attract more workers or cut hours. The contact noted that many people use cash in Cape May and believed that some people in the area are under- or un-banked. These individuals could benefit from affordable bank accounts, and debit or credit cards. The contact also acknowledged that, given the high cost of housing in Cape May County, it is difficult for low-income families to save for a down payment and support a monthly mortgage payment. The contact stated that many

people in the area rent instead of buy. Additionally, the contact suggested that local institutions could increase the support of first time home buyer and get-banked programs.

Examiners also contacted a broker associate from a local real estate office operating in Sea Isle City. The contact stated that local financial institutions are generally responsive to the community's needs. The contact said that there is very low housing inventory. The contact said that typically there are 300 properties for sale in the area and now there are only approximately 40 properties for sale. The contact expressed a need for more housing stock to put downward pressure on real estate prices. Sea Isle City has a limited amount of space, and the contact stated the need to start building higher as well, to appropriately accommodate the housing needs of the area.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable and flexible home mortgage loan products are the primary credit needs of the assessment area. Affordable housing initiatives and more banking services are the primary community development needs of the community. Economic data supports the affordable housing issue that the community contacts identified and represents an opportunity for financial institutions. Specifically, the opportunity exists for financial institutions to assist local housing organizations obtain the capital necessary to construct affordable housing units. A community contact stated that there may be a need to increase banking services for people in the area to transition to a more efficient cashless business environment.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous CRA evaluation dated October 17, 2019, to the current evaluation dated September 7, 2022. Examiners used the FFIEC Intermediate Small Institution Examination Procedures to evaluate CSB's CRA performance. These procedures include the Lending Test and the Community Development Test. Please refer to the Appendix for a complete description of these tests. Examiners used full-scope procedures to assess the bank's performance in its designated assessment area.

Activities Reviewed

CSB's major product lines, considering the bank's business strategy and the number and dollar volume of loans originated during the evaluation period, are home mortgage and small business loans. Home mortgage loans contributed more weight to developing overall conclusions than small business loans, due to the larger volume of this type of loan made during the review period. The bank participated in the Small Business Administration's (SBA) Paycheck Protection Program (PPP) during the COVID-19 pandemic, and these loans are included in the small business loan numbers. The bank did not originate any small farm loans, and no other loan types, such as small farm or consumer loans, represent a major product line or provide material support for conclusions or ratings; therefore, examiners did not present these products. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

Examiners analyzed home mortgage loans reported on CSB's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. In 2019, CSB reported 264 HMDA loans totaling \$58.2 million. In 2020, CSB reported 293 home mortgage loans totaling \$71.8 million. In 2021, the bank reported 257 HMDA loans totaling \$69.7 million. Examiners used 2019 and 2020 aggregate lending data and 2015 ACS data for comparison purposes.

As stated previously, as an Intermediate Small Institution, CSB is not required to collect and report small business data; however, the bank opted to collect this information. Examiners analyzed CSB's 2019, 2020, and 2021 small business lending performance using bank records. In 2019, the bank originated 14 small business loans totaling \$5.5 million. In 2020, the bank originated 266 small business loans totaling \$20.8 million. In 2021, CSB originated 202 small business loans totaling \$21.3 million. Management attributes the significant increase in small business loan volume in 2020 and 2021 to the bank's participation in the PPP during the COVID-19 pandemic. In 2020, CSB made 214 small business loans through the PPP totaling \$12.2 million. In 2021, CSB made 165 small business loans through the PPP totaling \$14.7 million. In analyzing the bank's small business lending performance, examiners compared the bank's performance to 2019, 2020, and 2021 D&B demographic data.

For the Lending Test, the Assessment Area Concentration criterion includes loan data for each of the three years analyzed; however, the other rating criteria only include loan data for 2020 and 2021, as the bank's performance throughout the rating period was generally consistent with the years presented. Examiners reviewed the number and dollar volume of home mortgage and small business loans. While this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because it is a better indicator of the number of individuals and businesses served. For the Community Development Test, management provided data on community development loans, investments, and services since the prior CRA evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

CSB demonstrated excellent performance under the Lending Test. The bank's Loan-to-Deposit Ratio, Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

CSB's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The LTD ratio, calculated from Call Report data, averaged 89.9 percent over the past 11 calendar quarters from December 31, 2019, to June 30, 2022. The ratio ranged from a high of 112.7 percent as of March 31, 2020 to a low of 74.4 percent as of September 30, 2021.

Examiners compared CSB's average net LTD ratio to that of three similarly situated institutions. Examiners selected similarly situated institutions based on their asset size, geographic location, and

lending focus. As shown in the following table, CSB’s average net LTD ratio is higher to those of similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 6/30/2022	Average Net LTD Ratio
	\$(000s)	(%)
Crest Savings Bank	618,943	89.9
Haddon Savings Bank	400,220	53.6
Century Savings Bank	624,181	51.1
1 st Colonial Community Bank	734,572	83.0
<i>Source: Reports of Condition and Income 12/31/2019-06/30/2022</i>		

Assessment Area Concentration

CSB made a substantial majority of its home mortgage and small business loans, by number and dollar volume, inside the assessment area. Please refer to the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	209	79.2	55	20.8	264	53,974	92.8	4,201	7.2	58,175
2020	230	78.5	63	21.5	293	66,739	93.0	5,017	7.0	71,756
2021	204	79.4	53	20.6	257	65,400	93.9	4,253	6.1	69,653
Subtotal	643	79.0	171	21.0	814	186,114	93.3	13,471	6.7	199,585
Small Business										
2019	14	100.0	0	0.0	14	5,495	100.0	0	0.0	5,495
2020	261	98.1	5	1.9	266	20,672	99.2	167	0.8	20,839
2021	200	99.0	2	1.0	202	21,257	99.4	129	0.6	21,386
Subtotal	475	98.5	7	1.5	482	47,424	99.4	296	0.6	47,720
Total	1,118	86.3	178	13.7	1,296	233,538	94.4	13,767	5.6	247,305
<i>Source: Bank Data. Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. The bank’s excellent home mortgage and small business lending performance supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion. Examiners focused on the percentage of loans in low- and moderate-income census tracts. CSB’s performance in low-income census tracts considerably exceeded aggregate performance and area demographics in 2020. In 2021, the bank’s level of lending slightly decreased in low-income census tracts, however still exceeded demographics. CSB’s lending in moderate-income census tracts significantly exceeded the aggregate performance and area demographics in 2020 and exceeded area demographics in 2021. The following table reflects the distribution of loans by census tract income level in 2020 and 2021.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	3.0	4.3	27	11.7	4,757	7.1
2021	3.0	--	10	4.9	2,334	3.6
Moderate						
2020	15.3	18.7	63	27.4	14,701	22.0
2021	15.3	--	39	19.1	14,168	21.7
Middle						
2020	60.6	50.4	102	44.3	28,816	43.2
2021	60.6	--	116	56.9	33,397	51.1
Upper						
2020	21.0	26.6	38	16.5	18,466	27.7
2021	21.0	--	39	19.1	15,501	23.7
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2020	100.0	100.0	230	100.0	66,739	100.0
2021	100.0	--	204	100.0	65,400	100.0

*Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion. Examiners focused on the percentage of loans, by number, in low- and moderate-income census tracts. In 2020 and 2021, the bank’s performance in low-income census tracts notably exceeded area demographic data. In 2020 and 2021, the bank’s lending performance significantly exceeded area demographics in moderate-income census tracts. The following table reflects the distribution of loans by census tract income level in 2020 and 2021.

Geographic Distribution of Small Business Loans						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2020	5.3	61	23.4	5,375	26.0
	2021	5.4	49	24.5	5,743	27.0
Moderate						
	2020	15.2	61	23.4	3,928	19.0
	2021	15.0	53	26.5	5,855	27.5
Middle						
	2020	57.3	118	45.2	8,671	41.9
	2021	56.4	76	38.0	5,733	27.0
Upper						
	2020	22.2	21	8.0	2,698	13.1
	2021	23.1	22	11.0	3,927	18.5
Not Available						
	2020	0.0	0	0.0	0	0.0
	2021	0.0	0	0.0	0	0.0
Totals						
	2020	100.0	261	100.0	20,672	100.0
	2021	100.0	200	100.0	21,257	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of loans to individuals of different income levels and businesses of different sizes is excellent. The bank's excellent penetration of home mortgage loans and reasonable penetration of small business loans supports this conclusion.

Home Mortgage Loans

The distribution of loans reflects excellent penetration among individuals of different income levels. Examiners focused on the bank's lending to low- and moderate-income borrowers. CSB's lending to low- and moderate-income borrowers exceeded aggregate performance in 2020 and 2021. Market share data provides further support for the bank's excellent performance. Specifically, in 2020, only 91 lenders made loans to low-income borrowers. CSB ranked fifth out of all lenders to low-income borrowers. In 2020, only 144 lenders made loans to moderate-income borrowers. CSB ranked seventh out of all lenders to moderate-income borrowers. In addition, for both low- and moderate-income borrowers, only significantly larger institutions operating on a national or regional level were ranked ahead of CSB.

The significant disparity between aggregate performance and percentage of low-income families reflects the difficulties that low-income families face qualifying for a home mortgage loan. Specifically, a low-income family in the assessment area, with an income below \$42,990, would

likely not qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$452,802. Furthermore, 7.0 percent of low-income families are below the poverty level and are unlikely to be able to afford a home mortgage loan. Therefore, the demand and opportunity for lending to low-income families are relatively limited. This helps explain the difference between the aggregate performance of lending to low-income borrowers (2.0 percent) and the percentage of families of this income level (19.9 percent).

The following table illustrates the distribution of home mortgage loans.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	19.9	2.0	7	3.0	653	1.0
2021	19.9	--	5	2.5	332	0.5
Moderate						
2020	19.0	8.0	31	13.5	5,351	8.0
2021	19.0	--	14	6.9	2,223	3.4
Middle						
2020	21.3	11.7	34	14.8	5,784	8.7
2021	21.3	--	40	19.6	8,160	12.5
Upper						
2020	39.8	68.0	151	65.7	52,923	79.3
2021	39.8	--	133	65.2	49,585	75.8
Not Available						
2020	0.0	10.3	7	3.0	2,029	3.0
2021	0.0	--	12	5.9	5,100	7.8
Totals						
2020	100.0	100.0	230	100.0	66,739	100.0
2021	100.0	--	204	100.0	65,400	100.0
<i>Source: 2015 ACS; Bank Data, 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of borrowers reflects adequate penetration among businesses of different sizes. In 2020 and 2021, the bank's lending to businesses with GARs of \$1.0 million or less was significantly below demographic data. This disparity is primarily due to the number of PPP loans the bank originated in 2020 and 2021. Since the PPP does not require lenders to collect business revenue information, a significant portion of the bank's small business loans do not report revenues. For 2020, when excluding these loans, the bank made 40 of 56 small business loans, or 71.4 percent, to businesses with GARs of \$1.0 million or less. For 2021, when excluding these loans, the bank made 33 out of 42 loans, or 78.6 percent, to businesses with GARs of \$1.0 million or less.

The following table displays the distribution of small business loans by revenue category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	85.8	38	14.6	6,295	30.5
2021	89.5	29	14.5	6,306	29.7
>\$1,000,000					
2020	4.7	14	5.4	2,374	11.5
2021	3.3	9	4.5	2,019	9.5
Revenue Not Available					
2020	9.5	209	80.1	12,003	58.1
2021	7.2	162	81.0	12,932	60.8
Totals					
2020	100.0	261	100.0	20,672	100.0
2021	100.0	200	100.0	21,257	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data: "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

CSB did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the rating.

COMMUNITY DEVELOPMENT TEST

The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution’s capacity and the need and availability of such opportunities in the institution’s assessment area.

Community Development Loans

CSB originated 139 community development loans totaling \$61.6 million during the evaluation period, representing 10.0 percent of total assets and 14.7 percent of total loans as of June 30, 2022. CSB made all of its community development loans within the assessment area, which further highlights its excellent responsiveness to the local community. Community development loans significantly increased by number and dollar volume since the prior evaluation, at which time the bank originated 75 community development loans totaling \$19.3 million. CSB made the business decision to concentrate on community development lending, since it has the most direct impact on the bank’s assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending by Activity Year										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	0	0	0	0	0	0	12	6,983	12	6,983
2020	1	160	0	0	0	0	47	10,452	48	10,612
2021	0	0	0	0	0	0	56	31,198	56	31,198
YTD 2022	1	160	0	0	0	0	22	12,691	23	12,851
Total	2	320	0	0	0	0	137	61,324	139	61,644
<i>Source: Bank Data</i>										

Below are notable examples of the bank’s community development loans.

- In 2020, CSB made a \$1.0 million line of credit under a special COVID-19 Line of Credit Program the bank developed to help area businesses during the pandemic. The loan proceeds went to a business located in a low-income census tract within a UEZ, which helped stabilize the area by providing a contingency line of credit in preparation for the unknown effects of COVID-19 pandemic to the local economy.
- In 2021, CSB modified and extended the term of a \$1.0 million loan for a motel located in a moderate-income census tract within a UEZ. The proceeds will stabilize and revitalize this geography by providing permanent jobs for low- and moderate-income individuals.
- In 2022, CSB refinanced a \$2.5 million commercial mortgage for a motel in a moderate-income census tract within a UEZ. The proceeds will stabilize and revitalize this geography by providing permanent jobs for low- and moderate-income individuals.
- In 2022, CSB made a \$1.2 million commercial mortgage for a cleaning supply and appliance business located in a moderate-income census tract within a UEZ. The use of these proceed will stabilize and revitalize this geography by providing permanent jobs for low- and moderate-income individuals and providing supplies to the local businesses located within the UEZ.

Qualified Investments

CSB made 92 qualified investments totaling \$1.6 million. This total includes 86 donations and grants totaling \$135,025. This represents 1.5 percent of total securities and 0.2 percent total assets as of June 30, 2022. Qualified investments increased by 87.8 percent by number, but declined 59.6 percent by dollar volume when compared to the prior evaluation, at which time qualified investments and donations represented 24.4 percent of total securities and 0.8 percent of total assets. The decreasing qualified investment to total securities is largely driven by the significant increase in the bank’s securities portfolio since the prior evaluation. The bank’s community development investments were primarily responsive to community services benefitting low- and moderate-income individuals.

Below are notable examples of the bank’s outstanding investments and qualified donations made over the evaluation period.

- CSB invested in six certificates of deposit accounts totaling approximately \$1.5 million in four different minority-owned depository institutions.
- The bank made two qualified donations totaling \$17,000 to a national education technology company that provides financial literacy training to K-12 students. The investment was targeted to 10 schools in Cape May County where the majority of students are eligible for free- or reduced-lunch program.
- The bank made ten qualified donations totaling \$25,000 to a non-profit organization that promotes the City of Wildwood to tourist and special events. The organizations brings in special events to the City of Wildwood and markets the events to attract tourist to visit Wildwood, bolstering the city’s economy. Wildwood has been designated as a UEZ and Opportunity Zone.

Community Development Services

Bank staff provided 56 instances of financial expertise and/or technical assistance during the evaluation period to 15 community development organizations. This represents a 51.2 percent increase in the number of community development services performed by bank employees when compared to the prior evaluation, during which time bank employees provided 37 instances of financial expertise and/or technical assistance. This is particularly noteworthy given the COVID-19 pandemic, during which time opportunities for providing community development services may have otherwise been limited.

The following table reflects the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	1	3	0	0	4
2020	3	4	1	0	8
2021	1	6	2	1	10
YTD 2022	1	31	0	1	31
Total	6	44	3	2	56

Source: Bank Data

Below are notable examples of the bank’s community development services.

- An officer provided financial expertise to a federally-funded, non-profit agency by meeting with area residents and providing banking assistance. The organization provides affordable housing to low- and moderate-income families, seniors, and people with disabilities.

- An officer provided financial expertise by serving as working member to a non-profit organization dedicated to developing a plan for people seeking to start or expand a small business in Cape May County. The organization identifies, trains, and provides technical assistance to existing and prospective entrepreneurs and business managers with a particular focus on women-, minority-, and veteran-owned businesses.
- An officer serves on the Board of an organization whose primary purpose is to fund arts and music education in schools located in the City of Wildwood and to fund the Greater Wildwood Scholarship. The beneficiaries for all programs are low- and moderate-income individuals.
- During each year of the review period, the bank serviced eight loans on behalf of a non-profit organization that provides affordable housing for low- and moderate-income individuals and families. In addition, several employees provided their financial expertise to the organization by offering counseling sessions on cash management and budgeting principles.

Retail Banking Services

CSB operates two branches in moderate-income census tracts. This represents 25.0 percent of the branch network and enhances the availability of banking services to low- and moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

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.