

PUBLIC DISCLOSURE

June 28, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Quaint Oak Bank
Certificate Number: 35497

501 Knowles Avenue
Southampton, Pennsylvania 18966

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

350 Fifth Avenue, Suite 1200
New York, NY 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 **Satisfactory**.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment areas, 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 areas' credit needs.
- A majority of loans are in the institution's assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects excellent penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

- The bank's community development performance demonstrates adequate responsiveness to community development needs in its assessment areas 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 areas.

DESCRIPTION OF INSTITUTION

Background

Quaint Oak Bank is headquartered in Southampton, Pennsylvania (PA), and operates retail and commercial banking operations through three full-service branches. Quaint Oak Bank is a wholly owned subsidiary of Quaint Oak Bancorp, Inc., a single bank holding company also headquartered in Southampton, PA. The bank operates Quaint Oak Mortgage, LLC (QOM), a limited liability corporation that offers mortgage banking services in the Delaware Valley, Lehigh Valley, and Philadelphia County regions of PA. The bank received an “Outstanding” rating at its previous Federal Deposit Insurance Corporation (FDIC) Performance Evaluation, dated September 14, 2021, based on Interagency Small Institution Examination Procedures. There was no merger or acquisition activity during the evaluation period.

Operations

The bank operates three full-service branches in Southeastern PA, including one each in Bucks County, Lehigh County, and Philadelphia County. The bank did not open or close any branches during the evaluation period. Quaint Oak Bank offers a variety of loan products including home mortgage loans through QOM, commercial loans, and consumer loans. The bank also offers a variety of deposit products including checking accounts, savings accounts, individual retirement accounts, and certificates of deposit. Alternative banking services include online and mobile banking, remote check deposit, and electronic bill pay. The bank does not have any proprietary automated teller machines (ATMs).

Ability and Capacity

Bank assets totaled \$774.1 million as of March 31, 2024, which included total loans of \$615.1 million and securities totaling \$2.2 million. Bank deposits totaled \$678.3 million. Since the prior evaluation, total assets, loans, and deposits increased by 47.1 percent, 28.3 percent, and 58.0 percent, respectively. The following table illustrates the loan portfolio composition as of March 31, 2024.

| Loan Portfolio Distribution as of 3/31/2024 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 35,343 | 5.7 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 75,118 | 12.2 |
| Secured by Multifamily (5 or more) Residential Properties | 46,333 | 7.6 |
| Secured by Nonfarm Nonresidential Properties | 319,289 | 51.9 |
| Total Real Estate Loans | 476,083 | 77.4 |
| Commercial and Industrial Loans | 139,771 | 22.7 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 66 | 0.0 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 0 | 0.0 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | (786) | (0.1) |
| Total Loans | 615,134 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |

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

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which its supervisory agency will evaluate its CRA performance. Quaint Oak Bank designates two assessment areas in PA.

- **Philadelphia-Camden-Wilmington, PA-NJ-DE-MD Metropolitan Statistical Area (Philadelphia, PA MSA):** This assessment area comprises Bucks, Montgomery, and Philadelphia Counties in PA. Philadelphia County is in the Philadelphia, PA Metropolitan Division (MD) #37964. Bucks and Montgomery Counties are in the Montgomery County-Bucks County-Chester County, PA MD #33874. Both MDs are part of the larger Philadelphia-Camden-Wilmington, PA-New Jersey (NJ)-Delaware (DE)-Maryland MSA #37980. In March 2024, Quaint Oak Bank expanded its assessment area designation from partial Montgomery and Philadelphia Counties to include the full counties.
- **Allentown-Bethlehem-Easton, PA-NJ MSA (Allentown, PA MSA):** This assessment area comprises Lehigh and Northampton Counties in the Allentown-Bethlehem-Easton, PA-NJ MSA #10900. Quaint Oak Bank also expanded this assessment area to include Northampton County in March 2024.

Collectively, examiners refer to these two assessment areas as the combined assessment area.

During the evaluation period, the unemployment rates within the combined assessment area declined following the COVID-19 pandemic. The following table summarizes unemployment data from the Bureau of Labor Statistics at county, state, and national levels.

| Unemployment Rates | | | |
|---|-------------|-------------|-------------|
| Assessment Area/Area | 2021 | 2022 | 2023 |
| | % | % | % |
| <i>Philadelphia, PA MSA</i> | | | |
| Bucks County, PA | 3.1 | 2.8 | 2.6 |
| Montgomery County, PA | 2.8 | 2.5 | 2.4 |
| Philadelphia County, PA | 4.8 | 3.9 | 3.7 |
| <i>Allentown, PA MSA</i> | | | |
| Lehigh County, PA | 3.7 | 3.2 | 3.1 |
| Northampton, PA | 3.5 | 3.1 | 3.0 |
| State of PA | 3.7 | 3.3 | 2.9 |
| National Average | 3.9 | 3.5 | 3.7 |
| <i>Source: Bureau of Labor Statistics (Year End).</i> | | | |

For economic and demographic data specific to each assessment area, please refer to the individual assessment area sections of this evaluation.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated September 14, 2021, to the current evaluation, dated June 28, 2024. Examiners used the Federal Financial Institution Examination Council’s Interagency Intermediate Small Institution Procedures to evaluate the bank’s CRA performance. These procedures include the Lending Test and the Community Development Test. Please refer to the Appendices for a complete description of these tests.

Examiners conducted a full-scope review of the bank’s performance in each assessment area. The bank’s performance in the Philadelphia, PA MSA assessment area contributed more weight to overall conclusions, since this area contains a majority of the bank’s loans, deposits, and branches.

Quaint Oak Bank requested the review of activities performed by its subsidiary QOM for this evaluation.

Activities Reviewed

Examiners determined that the bank’s major loan products are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Since the volume of home mortgage loans, by number and dollar volume originated, was greater than that of small business loans during the review period, home mortgage loans received greater weight when arriving at overall conclusions.

The bank originated no small farm loans during the review period. No other loan types, such as consumer loans, represent a major product line.

The bank offers home mortgage loans through its mortgage subsidiary, QOM. QOM sells all mortgages that conform to Fannie Mae and Freddie Mac's underwriting standards on the secondary market. Quaint Oak Bank purchases the QOM-originated loans that do not conform to those standards. Examiners analyzed all home mortgage loans appearing on Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for years during the evaluation period in which the bank and subsidiary reported the data. Quaint Oak Bank reported HMDA data in 2021 and 2023, while QOM reported HMDA data in 2021, 2022, and 2023. The bank and its subsidiary collectively originated or purchased the following home mortgage loans during the evaluation period: 1,032 loans totaling \$253.3 million in 2021, 490 loans totaling \$130.2 million in 2022, and 326 loans totaling \$95.9 million in 2023. Examiners present home mortgage loans from 2022 and 2023, as the bank's performance in 2021 was consistent with the other years. Examiners compared HMDA data to the 2022 aggregate peer mortgage data and United States (U.S.) Census demographic data. At the date of the current evaluation, 2023 aggregate data was not available. References to 2022 lender market share data include loans only made by QOM, as Quaint Oak Bank did not report HMDA data in 2022.

Examiners also analyzed all small business loans originated in 2023. Quaint Oak Bank is not required to collect or report small business data due to its asset size. However, the bank collected sufficient information for analysis of the full universe of small business loans in 2023. During this year, Quaint Oak Bank originated 59 small business loans totaling \$19.5 million. Examiners compared the 2023 small business loan data to D&B demographic data.

According to examination procedures, examiners evaluate the bank's performance in Assessment Area Concentration criterion based on loans made by Quaint Oak Bank only, and not QOM. Examiners evaluate the bank's performance in the geographic distribution and borrower profile criteria based on loans made at both the bank and subsidiary levels collectively.

Examiners did not conduct an analysis of the bank's small business lending under the Geographic Distribution and Borrower Profile criteria for the Allentown, PA MSA assessment area, due to the lack of sufficient loan volume to form conclusions. Within the Allentown, PA MSA assessment area, the bank only originated five small business loans totaling \$527,056 in 2023.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the previous CRA evaluation, dated September 14, 2021, through the current evaluation date. Tables present the bank's community development activities for each year in the evaluation period.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Quaint Oak Bank demonstrated excellent performance under the Lending Test. The bank's excellent performance in the Loan-to-Deposit Ratio, Geographic Distribution, and Borrower Profile criteria, along with its reasonable performance in the Assessment Area Concentration criterion, supports this conclusion.

This section of the evaluation presents the bank's overall performance in the combined assessment area. Separate presentations and evaluations for the Philadelphia, PA MSA and the Allentown, PA MSA assessment areas are included in later sections of this evaluation. The sections below discuss the bank's performance under each criterion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs. Quaint Oak Bank's net LTD ratio, calculated from Call Report data, averaged 116.0 percent over the past eleven calendar quarters from September 30, 2021 to March 31, 2024. During the evaluation period, the net LTD fluctuated from a low of 89.6 percent as of March 31, 2024, to a high of 138.45 percent as of March 31, 2023.

Examiners compared the bank's average Net LTD ratio to those of similarly situated institutions, selected based on geographic location, lending focus, and asset size. As reflected in the following table, Quaint Oak Bank's average Net LTD exceeded the ratios for all comparable banks.

| Loan-to-Deposit Ratio Comparison | | |
|---|--|--|
| Bank | Total Assets as of 3/31/2024 (\$000s) | Average Net LTD Ratio (%) |
| Quaint Oak Bank | 774,147 | 116.0 |
| American Bank | 899,144 | 98.6 |
| Artisans Bank | 683,031 | 75.3 |
| Asian Bank | 507,658 | 102.4 |
| County Bank | 591,521 | 71.4 |

Source: Reports of Condition and Income 9/30/2021 - 3/31/2024

Assessment Area Concentration

A majority of loans and other lending-related activities are in the bank's assessment areas. Examiners evaluated the bank's performance for home mortgage loans based on loans made at the bank level. During the review period, the bank originated a majority of its home mortgage loans, by number, inside the combined assessment area. However, the bank originated a slight majority of its home mortgage loans, by dollar volume, outside the combined assessment area. In 2023, the bank originated a majority of its small business loans, by both number and dollar volume, outside the combined assessment area. While the total dollar volume of loans originated inside the combined

assessment area is only 48.0 percent, the total number of loans originated inside the combined assessment area is 53.7 percent. The majority of loans originated inside the combined assessment area, by number, supports a satisfactory rating. The following table presents, by number and dollar volume, home mortgage and small business loans made inside and outside the combined assessment area.

| Lending Inside and Outside of the Assessment Areas | | | | | | | | | | | |
|---|------------------------|----------|----------------|----------|--------------------|-------------------------------|----------|-----------------|----------|---------------------------|--|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans | | | | Total \$(000s) | |
| | Inside | | Outside | | | Inside | | Outside | | | |
| | # | % | # | % | | \$(000s) | % | \$(000s) | % | | |
| Home Mortgage | | | | | | | | | | | |
| 2021 | 21 | 50.0 | 21 | 50.0 | 42 | 18,949 | 56.7 | 14,457 | 43.3 | 33,406 | |
| 2022 | 17 | 68.0 | 8 | 32.0 | 25 | 10,955 | 65.6 | 5,734 | 34.4 | 16,689 | |
| 2023 | 13 | 61.9 | 8 | 38.1 | 21 | 4,926 | 24.6 | 15,102 | 75.4 | 20,028 | |
| Subtotal | 51 | 58.0 | 37 | 42.0 | 88 | 34,830 | 49.7 | 35,293 | 50.3 | 70,123 | |
| Small Business | | | | | | | | | | | |
| 2023 | 28 | 47.5 | 31 | 52.5 | 59 | 8,214 | 42.1 | 11,281 | 57.9 | 19,495 | |
| Total | 79 | 53.7 | 68 | 46.3 | 147 | 43,044 | 48.0 | 46,574 | 52.0 | 89,618 | |

Source: Bank Data. Due to rounding, totals may not equal 100.0%

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment areas. Examiners based this conclusion upon the bank’s lending performance within low- and moderate-income census tracts within its assessment areas. Quaint Oak Bank’s excellent performance in the Philadelphia, PA MSA and Allentown, PA MSA assessment areas supports this conclusion.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size. Examiners focused on the number of loans to low- and moderate-income borrowers and businesses with gross annual revenues (GARs) of \$1.0 million or less. Quaint Oak Bank’s excellent performance in the Philadelphia, PA MSA and Allentown, PA MSA assessment areas supports this conclusion.

Response to Complaints

Quaint Oak Bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Quaint Oak Bank demonstrated adequate responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. Examiners considered the bank’s capacity and the need and availability of such opportunities. The bank’s community development performance in the Philadelphia, PA MSA assessment area received the greatest weight when assigning an overall rating and conclusions because this area accounts for the largest share of loans, deposits, and branches.

Community Development Loans

During the evaluation period, the bank originated 13 community development loans totaling \$27.0 million. This level of activity represents 3.8 percent of average total assets and 4.2 percent of average total loans since the prior evaluation. All of Quaint Oak Bank’s community development loans supported economic development efforts within its assessment areas, as the bank actively participates in the Small Business Administration’s 504 program. The following table illustrates the community development lending activity by assessment area and community development purpose.

| Community Development Lending By Assessment Area | | | | | | | | | | |
|---|--------------------|----------|--------------------|----------|----------------------|---------------|-------------------------|----------|-----------|---------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Philadelphia, PA MSA | 0 | 0 | 0 | 0 | 11 | 23,121 | 0 | 0 | 11 | 23,121 |
| Allentown, PA MSA | 0 | 0 | 0 | 0 | 2 | 3,898 | 0 | 0 | 2 | 3,898 |
| Total | 0 | 0 | 0 | 0 | 13 | 27,019 | 0 | 0 | 13 | 27,019 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

For details on community development loans, please refer to the individual assessment area sections.

Qualified Investments

During the evaluation period, Quaint Oak Bank made 144 qualified investments totaling \$32,300, all consisting of donations to four nonprofit organizations. These organizations provide community services primarily to low- and moderate-income individuals and families in the assessment areas. This activity level represents less than 0.1 percent of average total assets and 1.0 percent of average total securities since the prior evaluation. The following table shows Quaint Oak Bank’s donations by assessment area and purpose.

| Qualified Investments By Assessment Area | | | | | | | | | | |
|---|--------------------|----------|--------------------|-----------|----------------------|----------|-------------------------|----------|------------|-----------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Philadelphia, PA MSA | 0 | 0 | 120 | 25 | 0 | 0 | 0 | 0 | 120 | 25 |
| Allentown, PA MSA | 0 | 0 | 24 | 7 | 0 | 0 | 0 | 0 | 24 | 7 |
| Total | 0 | 0 | 144 | 32 | 0 | 0 | 0 | 0 | 144 | 32 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

For details on qualified investments, please refer to the individual assessment area sections.

Community Development Services

During the evaluation period, Quaint Oak Bank provided 64 hours of community development service at four organizations. Of the 64 hours, 59 hours directly benefited the Philadelphia, PA MSA assessment area and 5 hours directly benefited the Allentown, PA MSA assessment area. The following table illustrates the bank’s community development service hours by assessment area and purpose.

| Community Development Services by Assessment Area | | | | | |
|---|--------------------|--------------------|----------------------|-------------------------|-----------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| Philadelphia, PA MSA | 0 | 9 | 50 | 0 | 59 |
| Allentown, PA MSA | 0 | 5 | 0 | 0 | 5 |
| Total | 0 | 14 | 50 | 0 | 64 |
| <i>Source: Bank Data</i> | | | | | |

For details on community development services, please refer to the individual assessment area sections.

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; therefore, this consideration did not affect the institution’s overall CRA rating.

PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-DE-MD MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PHILADELPHIA- CAMDEN-WILMINGTON, PA-NJ-DE-MD MSA ASSESSMENT AREA

Quaint Oak Bank designates the entirety of Bucks, Montgomery, and Philadelphia counties as its Philadelphia, PA MSA assessment area. The institution operates two branches in this assessment area. The branch in Bucks County is in a middle-income census tract, and the branch in Philadelphia County is in an upper-income census tract.

Economic and Demographic Data

For 2021, the Philadelphia assessment area included 738 census tracts reflecting the following income designations according to the 2015 American Community Survey (ACS):

- 64 low-income census tracts;
- 205 moderate-income census tracts;
- 261 middle-income census tracts;
- 193 upper-income census tracts;
- 15 census tracts with no income designation.

The results of the 2020 U.S. Census resulted in updated demographic data, which became effective in 2022. The 2020 U.S. Census data changed the number and income level of select tracts within the assessment area. For 2022 and 2023, the same assessment area included 774 census tracts, reflecting the following updated income designations according to the 2020 U.S. Census data:

- 61 low-income census tracts;
- 205 moderate-income census tracts;
- 258 middle-income census tracts;
- 214 upper-income census tracts;
- 36 census tracts with no income designation.

Examiners used 2015 ACS data to evaluate the bank’s 2021 performance and the 2020 U.S. Census data to evaluate the bank’s 2022 and 2023 performance. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Philadelphia, PA MSA Assessment Area | | | | | | |
|---|-----------|------------------------------|------------------------|----------------------|---------------------|-------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 774 | 7.9 | 26.5 | 33.3 | 27.6 | 4.7 |
| Population by Geography | 3,106,888 | 8.2 | 27.5 | 36.3 | 26.4 | 1.6 |
| Housing Units by Geography | 1,276,683 | 8.4 | 27.5 | 35.7 | 27.1 | 1.4 |
| Owner-Occupied Units by Geography | 740,743 | 5.6 | 23.3 | 41.3 | 28.7 | 1.1 |
| Occupied Rental Units by Geography | 431,793 | 12.0 | 32.6 | 28.6 | 25.1 | 1.6 |
| Vacant Units by Geography | 104,147 | 13.4 | 35.8 | 25.2 | 23.4 | 2.3 |
| Businesses by Geography | 497,314 | 5.9 | 22.7 | 34.7 | 34.8 | 1.9 |
| Farms by Geography | 6,946 | 4.0 | 19.2 | 46.4 | 29.3 | 1.1 |
| Family Distribution by Income Level | 721,335 | 24.7 | 18.1 | 19.8 | 37.3 | 0.0 |
| Household Distribution by Income Level | 1,172,536 | 27.6 | 16.0 | 17.1 | 39.4 | 0.0 |
| Median Family Income - 33874 Montgomery County-Bucks County-Chester County, PA MD | \$117,345 | Median Housing Value | | | | \$271,451 |
| Median Family Income - 37964 Philadelphia, PA MD | \$68,458 | Median Gross Rent | | | | \$1,199 |
| | | Families Below Poverty Level | | | | 10.5% |

Source: 2020 U.S. Census and 2023 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.*

There are 1,276,683 total housing units in the assessment area. Of these, 58.0 percent are owner-occupied, 33.8 percent are occupied rental units, and 8.2 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As indicated above, approximately 5.6 percent and 23.3 percent of the assessment area’s owner-occupied housing units are located in low- and moderate-income census tracts, respectively. This data reflects the opportunity for financial institutions to make home mortgage loans in these geographies. Additionally, of the 497,314 businesses in the assessment area, 28.6 percent are located in low- or moderate-income census tracts. This data reflects the opportunities lenders have to originate small business loans in these geographies.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the borrower profile criterion. The following table illustrates the income categories for each MD comprising the Philadelphia, PA MSA assessment area for 2022 and 2023.

| Median Family Income Ranges | | | | |
|--|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Montgomery County-Bucks County-Chester County, PA MD Median Family Income (33874) | | | | |
| 2022 (\$131,400) | <\$65,700 | \$65,700 to <\$105,120 | \$105,120 to <\$157,680 | ≥\$157,680 |
| 2023 (\$142,100) | <\$71,050 | \$71,050 to <\$113,680 | \$113,680 to <\$170,520 | ≥\$170,520 |
| Philadelphia, PA MD Median Family Income (37964) | | | | |
| 2022 (\$75,000) | <\$37,500 | \$37,500 to <\$60,000 | \$60,000 to <\$90,000 | ≥\$90,000 |
| 2023 (\$83,100) | <\$41,550 | \$41,550 to <\$66,480 | \$66,480 to <\$99,720 | ≥\$99,720 |
| <i>Source: FFIEC</i> | | | | |

The geographic distribution criterion for small business loans compares small business lending to the distribution of businesses within the assessment area, while the borrower profile criterion considers the GARs of these businesses. According to the 2023 D&B data, there were 497,314 non-farm businesses in the assessment area having the following GAR characteristics:

- 92.8 percent had GARs of \$1.0 million or less,
- 2.5 percent had GARs of more than \$1.0 million, and
- 4.7 percent had unreported GARs.

Service industries represent the largest share of total businesses in the assessment area at 37.4 percent, followed by non-classifiable establishments (23.3 percent), finance, insurance, and real estate (12.2 percent), retail trade (10.4 percent), and construction (6.2 percent). Most businesses have four or fewer employees (64.9 percent) and 94.9 percent of businesses operate from a single location. This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to PA’s Department of Labor and Industry, several of the top employers in the assessment area include the University of PA; Federal Government; Merck Sharp & Dohme Corporation; Abington Memorial Hospital; Giant Food Stores, LLC; and Central Bucks School District.

Competition

The bank’s assessment area reflects a highly competitive market for financial services. According to the June 30, 2023 FDIC Deposit Market Share Data, 59 financial institutions operated 716 full-service offices in the assessment area. Of these institutions, Quaint Oak Bank ranked 21st with a 0.4 percent deposit market share and ranked 31st with a 0.3 percent branch market share. The top institutions based on deposit market share included Wells Fargo Bank, National Association (NA) (17.4 percent); PNC Bank, NA (14.3 percent); and Citizens Bank, NA (14.2 percent).

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2022 peer mortgage data, 723 lenders originated or purchased 88,975 home mortgage loans. Of these lenders, QOM ranked 60th by number of originations and purchases capturing 0.3 percent of total market share. The top

mortgage lenders in the assessment area included Citizens Bank, NA (6.7 percent); Police and Fire Federal Credit Union (5.1 percent); and Wells Fargo Bank, NA (4.3 percent).

Quaint Oak Bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include aggregate data comparisons. The aggregate data, however, reflects the level of demand for small business loans and is therefore included for performance context. Aggregate data for 2022 shows that 192 institutions originated or purchased 83,515 small business loans in the assessment area, indicating a high level of competition for this product. The top three small business lenders in the assessment area included American Express National Bank (28.4 percent); JPMorgan Chase Bank, NA (11.8 percent); and Bank of America, NA (7.0 percent).

Community Contacts

As part of the evaluation process, examiners contact third-parties active in the assessment area to assist in identifying credit and community development needs. Information obtained reflects the responsiveness of local financial institutions to credit and community development needs, and opportunities for participation in related activities.

Examiners contacted an executive from an organization that provides affordable housing and homeownership opportunities for low- and moderate-income persons and families. The organization primarily serves Montgomery County.

The organization maintains a housing voucher assistance program to help low- and moderate-income persons become homebuyers. The contact noted that program participants are in need of financial counseling and credit repair assistance to become more attractive to lenders. Geographically, the contact stated Pottstown and Norristown are the county's most distressed areas and have opportunities for investment in affordable housing. Housing stock is competitive, and houses are generally in good condition; the county has few instances of blighted and vacant properties. Lastly, the contact stated financial institutions maintain more branches and ATMs in higher-income communities than in low- and moderate-income communities, suggesting a need for greater bank awareness of customer accessibility impact.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable home mortgage products offering principal reduction, mortgage modifications, or down payment assistance would benefit low- and moderate-income individuals and families seeking mortgage loans in the assessment area are a primary credit need. Community development needs and opportunities include financial literacy education and homeownership counseling.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PHILADELPHIA-CAMDEN-WILMINGTON, PA-NJ-DE-MD MSA ASSESSMENT AREA

LENDING TEST

Quaint Oak Bank demonstrated excellent performance under the Lending Test in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Quaint Oak Bank's excellent performance of home mortgage lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank's performance in lending in low-income census tracts in 2022 exceeded area demographics and was nearly double the penetration percentage of the aggregate. Performance in low-income geographies remained about area demographics, despite a decrease in overall in-area lending. The opportunity to lend in low-income census tracts is limited as only 5.6 percent of owner-occupied housing units are in low-income census tracts in 2022 and 2023. The bank's performance in moderate-income tracts exceeded both area demographics and the aggregate in 2022. In 2023, the percentage of the bank's originations in moderate-income census tracts compared favorably to area demographics.

| Geographic Distribution of Home Mortgage Loans Philadelphia, PA MSA Assessment Area | | | | | | |
|--|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2022 | 5.6 | 5.0 | 26 | 9.4 | 4,356 | 5.8 |
| 2023 | 5.6 | -- | 16 | 7.5 | 2,984 | 5.2 |
| Moderate | | | | | | |
| 2022 | 23.3 | 23.6 | 79 | 28.5 | 18,905 | 25.4 |
| 2023 | 23.3 | -- | 69 | 32.5 | 15,142 | 26.6 |
| Middle | | | | | | |
| 2022 | 41.3 | 39.8 | 106 | 38.3 | 30,800 | 41.3 |
| 2023 | 41.3 | -- | 83 | 39.2 | 23,776 | 41.8 |
| Upper | | | | | | |
| 2022 | 28.7 | 30.6 | 60 | 21.7 | 19,510 | 26.2 |
| 2023 | 28.7 | -- | 42 | 19.8 | 14,763 | 25.9 |
| Not Available | | | | | | |
| 2022 | 1.1 | 1.0 | 6 | 2.2 | 983 | 1.3 |
| 2023 | 1.1 | -- | 2 | 0.9 | 261 | 0.5 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 277 | 100.0 | 74,555 | 100.0 |
| 2023 | 100.0 | -- | 212 | 100.0 | 56,926 | 100.0 |

Source: 2020 U.S. Census; Bank Data, 2022 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 reasonable dispersion throughout the assessment area. The bank originated 4.3 percent of its 2023 small business loans in the area's low-income census tracts. This performance trailed demographic data. However, the opportunity to lend in low-income census tracts was limited, as only 5.9 percent of area businesses were located in these geographies in 2023. Similarly, 4.3 percent of the bank's small business loans were to businesses located in the area's moderate-income census tracts, which also compared unfavorably to area demographics. Quaint Oak Bank's performance is still reasonable given that small business loans are not the bank's primary loan product and there is a high degree of competition in the assessment area.

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. Quaint Oak Bank's excellent performance of home mortgage lending supports this conclusion. Examiners focused on the number of home mortgage

loans to low- and moderate-income borrowers and the number of small business loans to businesses with GAR of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. As shown in the following table, the bank's penetration in 2022 of lending to low-income borrowers exceeded aggregate data but trailed demographic data. The bank's penetration in 2023 of lending to such borrowers also trailed demographic data. However, a low-income family in the assessment area may not likely qualify for a mortgage under conventional underwriting standards, considering the median housing value of \$271,451. Therefore, the opportunities for lending to low-income families are limited. This helps explain the difference between the aggregate and bank's performance and the percentage of families at this income level. The bank's penetration in 2022 of lending to moderate-income borrowers greatly exceeded aggregate and demographic data. The bank's penetration in 2023 of lending to such borrowers also greatly exceeded demographic data.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Philadelphia, PA MSA Assessment Area | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2022 | 24.7 | 9.9 | 39 | 14.1 | 6,518 | 8.7 |
| 2023 | 24.7 | -- | 27 | 12.7 | 4,918 | 8.6 |
| Moderate | | | | | | |
| 2022 | 18.1 | 20.3 | 95 | 34.3 | 22,124 | 29.7 |
| 2023 | 18.1 | -- | 81 | 38.2 | 18,685 | 32.8 |
| Middle | | | | | | |
| 2022 | 19.8 | 21.9 | 82 | 29.6 | 21,550 | 28.9 |
| 2023 | 19.8 | -- | 57 | 26.9 | 15,880 | 27.9 |
| Upper | | | | | | |
| 2022 | 37.3 | 32.6 | 48 | 17.3 | 16,980 | 22.8 |
| 2023 | 37.3 | -- | 35 | 16.5 | 12,589 | 22.1 |
| Not Available | | | | | | |
| 2022 | 0.0 | 15.3 | 13 | 4.7 | 7,382 | 9.9 |
| 2023 | 0.0 | -- | 12 | 5.7 | 4,854 | 8.5 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 277 | 100.0 | 74,555 | 100.0 |
| 2023 | 100.0 | -- | 212 | 100.0 | 56,926 | 100.0 |
| <i>Source: 2020 U.S. Census; Bank Data, 2022 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. As shown in the following table, the bank’s penetration of loans in 2023 to businesses with GAR of \$1.0 million or less significantly trailed demographic data. Quaint Oak Bank’s performance is still reasonable, given that small business loans are not the bank’s primary loan product and there is a high degree of competition in the assessment area.

| Distribution of Small Business Loans by Gross Annual Revenue Category Philadelphia, PA MSA Assessment Area | | | | | |
|---|----------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2023 | 92.8 | 8 | 34.8 | 2,078 | 27.0 |
| >\$1,000,000 | | | | | |
| 2023 | 2.5 | 15 | 65.2 | 5,610 | 73.0 |
| Revenue Not Available | | | | | |
| 2023 | 4.7 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2023 | 100.0 | 23 | 100.0 | 7,687 | 100.0 |
| <i>Source: 2023 D&B Data & Bank Data. Due to rounding, totals may not equal 100.0%</i> | | | | | |

COMMUNITY DEVELOPMENT TEST

Quaint Oak Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

During the evaluation period, the bank originated 11 community development loans totaling \$23.1 million in the assessment area. All the community development loans supported the bank’s economic development efforts. The following table illustrates the community development lending activity by year and community development purpose.

| Community Development Lending Philadelphia, PA MSA Assessment Area | | | | | | | | | | |
|---|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 9/14/2021 – 12/31/2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 0 | 4 | 6,593 | 0 | 0 | 4 | 6,593 |
| 2023 | 0 | 0 | 0 | 0 | 6 | 12,826 | 0 | 0 | 6 | 12,826 |
| 1/1/2024 – 6/28/2024 | 0 | 0 | 0 | 0 | 1 | 3,702 | 0 | 0 | 1 | 3,702 |
| Total | 0 | 0 | 0 | 0 | 11 | 23,121 | 0 | 0 | 11 | 23,121 |

Source: Bank Data

The following are notable examples of community development loans that benefitted the assessment area.

- In 2022, the bank originated two loans totaling \$4.2 million in partnership with the SBA 504 Certified Development Company (CDC) program to an LLC. The LLC used the loan funds to acquire real estate, make renovations, and purchase furniture, fixtures and equipment for a daycare center in Montgomery County. Prior to the acquisition, the property was a vacant restaurant. The daycare center will create approximately 25 new jobs. These loans support economic development in the assessment area.
- In 2022, the bank originated two loans totaling \$2.4 million to an LLC. The LLC used the loan proceeds to relocate its business to a moderate-income census tract in Bristol, Bucks County, PA. Quaint Oak Bank originated one of the loans through SBA’s 504 CDC program. While the business employs 18 full-time individuals, the new location will allow for the hiring of 6 additional employees. These loans support economic development in the assessment area.
- In 2023, the bank originated two loans totaling \$4.6 million in partnership with the SBA 504 CDC program to an LLC. The LLC used the loan funds to purchase and renovate commercial property and to purchase equipment. The business, which sells new and used motorcycles in the Montgomery County area, will create approximately 24 jobs. These loans support economic development in the assessment area.

Qualified Investments

During the evaluation period, Quaint Oak Bank made 120 donations totaling \$25,400 to two nonprofit organizations. These donations include the following:

- During the evaluation period, the bank provided 60 donations totaling \$12,600 to a nonprofit organization headquartered in Southampton, PA. The organization provides a food pantry for residents in Bucks County. These donations support community development services in the assessment area.

- During the evaluation period, the bank provided 60 donations totaling \$12,800 to a nonprofit organization headquartered in Philadelphia, PA. The organization provides services to low- and moderate-income individuals in Philadelphia with food access, homeless services, and domestic violence services. These donations support community development services in the assessment area.

Community Development Services

During the evaluation period, Quaint Oak Bank provided 59 hours of community development services at three organizations that directly benefit the assessment area. The following table illustrates the bank’s community development service hours by year and purpose.

| Community Development Services Philadelphia, PA MSA Assessment Area | | | | | |
|--|-------------------------------|-------------------------------|---------------------------------|------------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 9/14/2021 – 12/31/2021 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 3 | 20 | 0 | 23 |
| 2023 | 0 | 4 | 30 | 0 | 34 |
| 1/1/2024 – 6/28/2024 | 0 | 2 | 0 | 0 | 2 |
| Total | 0 | 9 | 50 | 0 | 59 |
| <i>Source: Bank Data</i> | | | | | |

The following are community development services that benefitted the assessment area:

- A bank director serves on the board of a nonprofit organization in Southampton, PA and serves the surrounding communities. The organization advocates for small businesses and professional people to promote growth and enhance networking. The organization supports economic development in the assessment area.
- A bank employee serves on the board and economic development committee of a nonprofit organization based in the Northern Liberties neighborhood of Philadelphia, PA. The organization supports the economic development goals of the business improvement district, which was created through legislative ordinance and supports economic development in an area targeted for redevelopment by the local government. While representing the bank, this employee provides financial expertise to the economic development organization.
- During the evaluation period, a bank employee provided financial education and homebuyer counseling to low- and moderate-income people through a nonprofit organization based in the Chinatown neighborhood of Philadelphia. While representing the bank, this employee provides financial expertise to the community service organization.

ALLENTOWN-BETHLEHEM-EASTON, PA-NJ MSA ASSESSMENT AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN ALLENTOWN- BETHLEHEM-EASTON, PA-NJ MSA ASSESSMENT AREA

Quaint Oak Bank designates the entirety of Lehigh and Northampton counties as its Allentown, PA MSA assessment area. The institution operates one branch in this assessment area. The branch in Lehigh County is in a moderate-income census tract.

Economic and Demographic Data

For 2021, the Allentown assessment area included 144 census tracts reflecting the following income designations according to the 2015 ACS:

- 15 low-income census tracts;
- 28 moderate-income census tracts;
- 62 middle-income census tracts; and
- 39 upper-income census tracts;

The results of the 2020 U.S. Census resulted in updated demographic data, which became effective in 2022. The 2020 U.S. Census data changed the number and income level of select tracts within the assessment area. For 2022 and 2023, the same assessment area includes 155 census tracts, reflecting the following updated income designations according to the 2020 U.S. Census data:

- 14 low-income census tracts;
- 33 moderate-income census tracts;
- 64 middle-income census tracts; and
- 44 upper-income census tracts;

Examiners used 2015 ACS data to evaluate the bank’s 2021 performance and the 2020 U.S. Census data to evaluate the bank’s 2022 and 2023 performance. The following table illustrates select demographic characteristics of the assessment area.

| Demographic Information of the Allentown, PA MSA Assessment Area | | | | | | |
|---|----------|-------------------|------------------------|----------------------|---------------------|-------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 155 | 9.0 | 21.3 | 41.3 | 28.4 | 0.0 |
| Population by Geography | 687,508 | 8.1 | 20.3 | 39.9 | 31.6 | 0.0 |
| Housing Units by Geography | 270,255 | 7.0 | 21.2 | 41.8 | 30.0 | 0.0 |
| Owner-Occupied Units by Geography | 172,759 | 2.8 | 13.7 | 45.1 | 38.4 | 0.0 |
| Occupied Rental Units by Geography | 82,613 | 14.8 | 34.9 | 36.0 | 14.2 | 0.0 |
| Vacant Units by Geography | 14,883 | 13.1 | 30.7 | 36.1 | 20.1 | 0.0 |
| Businesses by Geography | 82,402 | 7.7 | 20.5 | 37.1 | 34.7 | 0.0 |
| Farms by Geography | 2,011 | 1.6 | 10.5 | 47.7 | 40.2 | 0.0 |
| Family Distribution by Income Level | 172,781 | 21.0 | 18.1 | 20.9 | 40.0 | 0.0 |
| Household Distribution by Income Level | 255,372 | 24.1 | 16.4 | 18.1 | 41.4 | 0.0 |
| Median Family Income - 10900 Allentown-Bethlehem-Easton, PA-NJ MSA | | \$84,676 | Median Housing Value | | | \$212,130 |
| Families Below Poverty Level | | 7.6% | Median Gross Rent | | | \$1,114 |

Source: 2020 U.S. Census and 2023 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.*

There are 270,255 total housing units in the assessment area. Of these, 63.9 percent are owner-occupied, 30.6 percent are occupied rental units, and 5.5 percent are vacant. As previously stated, the geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. The above table shows only 2.8 percent and 13.7 percent of owner-occupied housing units are located in low- and moderate-income census tracts, respectively. This distribution reflects limited opportunities to originate home mortgage loans in low- and moderate-income census tracts in the assessment area.

The 2022 and 2023 FFIEC-updated MFI data to analyze home mortgage loans under the borrower profile criterion for the Allentown, PA MSA assessment area is as follows:

| Median Family Income Ranges | | | | |
|---|--------------------|--------------------------------|-------------------------------|--------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Allentown-Bethlehem-Easton, PA-NJ MSA Median Family Income (10900) | | | | |
| 2022 (\$94,300) | <\$47,150 | \$47,150 to <\$75,440 | \$75,440 to <\$113,160 | ≥\$113,160 |
| 2023 (\$99,500) | <\$49,750 | \$49,750 to <\$79,600 | \$79,600 to <\$119,400 | ≥\$119,400 |

Source: FFIEC

According to 2023 D&B data, there were 82,402 non-farm businesses in the assessment area. These businesses have the following GAR characteristics:

- 90.4 percent had GARs of \$1.0 million or less;
- 2.9 percent had GARs of more than \$1.0 million; and
- 6.7 percent had unreported GARs.

Service industries represent the largest share of total businesses in the assessment area at 36.6 percent, followed by non-classifiable establishments (19.5 percent), retail trade (11.5 percent), and finance, trade and real estate (11.1 percent). Most businesses have four or fewer employees (66.2 percent) and operate at a single location (93.1 percent). This information reflects the potential demand for, and the opportunity to originate, small business loans in the assessment area.

According to PA's Department of Labor and Industry, several of the top employers in the assessment area include the Lehigh Valley Hospital Center; Saint Luke's Hospital; Amazon.com Services, Inc.; and United Parcel Service, Inc.

Competition

The bank's assessment area reflects a moderately competitive market for financial services. According to the June 30, 2023 FDIC Deposit Market Share Data, 27 financial institutions operated 152 full-service offices in the assessment area. Of these institutions, Quaint Oak Bank ranked 21st with a 0.5 percent deposit market share and ranked 23rd with a 0.7 percent branch market share. The top institutions based on deposit market share included Wells Fargo Bank, NA (20.8 percent); Truist Bank (12.8 percent); and Fulton Bank, NA (8.9 percent).

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. Based on 2022 peer mortgage data, 492 lenders originated or purchased 20,674 home mortgage loans. Of these lenders, QOM ranked 43rd by number of originations and purchases capturing 0.6 percent of total market share. The top mortgage lenders in the assessment area included Wells Fargo Bank, NA (5.5 percent); Rocket Mortgage (4.6 percent); and First Commonwealth Federal Credit Union (3.8 percent).

As previously mentioned, the analysis of small business loans under the Lending Test does not include aggregate data comparisons, as the bank is not required to collect and report the data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included for performance context. Aggregate data for 2022 shows that 121 institutions reported 16,249 small business loans in the assessment area, indicating a high degree of competition for this product. The top three small business lenders in the assessment area included American Express National Bank (20.9 percent); JPMorgan Chase Bank, NA (10.1 percent); and Capital One, NA (7.4 percent).

CONCLUSIONS ON PERFORMANCE CRITERIA IN ALLENTOWN- BETHLEHEM-EASTON, PA-NJ MSA ASSESSMENT AREA

LENDING TEST

Quaint Oak Bank demonstrated excellent performance under the Lending Test in this assessment area.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Quaint Oak Bank's excellent performance of home mortgage lending supports this conclusion. Examiners focused on the number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As shown in the following table, the bank's performance in lending in low-income census tracts exceeded aggregate and demographic data in 2022 and demographic data in 2023. The bank's performance in moderate-income census tracts was also strong, as 2022 performance exceeded both demographic data and aggregate performance and also greatly exceeded demographic data in 2023. The opportunity to lend in low- and moderate-income census tracts is limited as only 2.8 percent and 13.7 percent of owner-occupied housing units are in low- and moderate-income census tracts, respectively, in 2022 and 2023.

| Geographic Distribution of Home Mortgage Loans Allentown, PA MSA Assessment Area | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2022 | 2.8 | 5.0 | 27 | 23.1 | 7,186 | 25.9 |
| 2023 | 2.8 | -- | 13 | 31.0 | 1,952 | 23.3 |
| Moderate | | | | | | |
| 2022 | 13.7 | 17.1 | 40 | 34.2 | 7,633 | 27.5 |
| 2023 | 13.7 | -- | 15 | 35.7 | 3,367 | 40.1 |
| Middle | | | | | | |
| 2022 | 45.1 | 42.0 | 37 | 31.6 | 9,382 | 33.8 |
| 2023 | 45.1 | -- | 12 | 28.6 | 2,594 | 30.9 |
| Upper | | | | | | |
| 2022 | 38.4 | 35.9 | 13 | 11.1 | 3,573 | 12.9 |
| 2023 | 38.4 | -- | 2 | 4.8 | 483 | 5.8 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 117 | 100.0 | 27,773 | 100.0 |
| 2023 | 100.0 | -- | 42 | 100.0 | 8,397 | 100.0 |

Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%.

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels. Quaint Oak Bank's excellent performance of home mortgage lending supports this conclusion. Examiners focused on the number of home mortgage loans to low- and moderate-income borrowers.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent. As shown in the following table, the bank's penetration in 2022 of lending to low-income borrowers exceeded aggregate and demographic data. In 2023, the bank's penetration of lending to such borrowers trailed demographic data. A low-income family in the assessment area may not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$212,130. Therefore, the opportunities for lending to low-income families are limited. This helps explain the difference between the aggregate's performance and the percentage of families at this income level. The bank's penetration in 2022 of lending to moderate-income borrowers greatly exceeded aggregate and demographic data. The bank's penetration in 2023 of lending to such borrowers also greatly exceeded demographic data.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Allentown, PA MSA Assessment Area | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2022 | 21.0 | 9.0 | 28 | 23.9 | 4,516 | 16.3 |
| 2023 | 21.0 | -- | 7 | 16.7 | 1,032 | 12.3 |
| Moderate | | | | | | |
| 2022 | 18.1 | 21.0 | 50 | 42.7 | 10,474 | 37.7 |
| 2023 | 18.1 | -- | 19 | 45.2 | 4,131 | 49.2 |
| Middle | | | | | | |
| 2022 | 20.9 | 22.4 | 29 | 24.8 | 7,282 | 26.2 |
| 2023 | 20.9 | -- | 12 | 28.6 | 2,804 | 33.4 |
| Upper | | | | | | |
| 2022 | 40.0 | 32.9 | 6 | 5.1 | 1,929 | 6.9 |
| 2023 | 40.0 | -- | 3 | 7.1 | 358 | 4.3 |
| Not Available | | | | | | |
| 2022 | 0.0 | 14.8 | 4 | 3.4 | 3,573 | 12.9 |
| 2023 | 0.0 | -- | 1 | 2.4 | 72 | 0.9 |
| Totals | | | | | | |
| 2022 | 100.0 | 100.0 | 117 | 100.0 | 27,773 | 100.0 |
| 2023 | 100.0 | -- | 42 | 100.0 | 8,397 | 100.0 |
| <i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

COMMUNITY DEVELOPMENT TEST

Quaint Oak Bank demonstrated poor responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

During the evaluation period, the bank originated two community development loans totaling \$3.9 million in the assessment area. In 2023, the bank originated these loans to an LLC in partnership with the SBA 504 CDC program. The LLC, which is a minority-owned business, used the loan funds for start-up costs to operate an entertainment venue including a sports bar and grill, bowling alley, and arcade. The business will create approximately 61 jobs in the Bethlehem, PA area. These loans support economic development in the assessment area.

Qualified Investments

During the evaluation period, Quaint Oak Bank made 24 donations totaling \$6,900 to two nonprofit organizations. These donations include the following:

- During the evaluation period, the bank provided 22 donations totaling \$5,400 to a nonprofit organization headquartered in Allentown, PA. The organization provides a food pantry for residents in Lehigh County. These donations support community development services in the assessment area.
- During the evaluation period, the bank provided two donations totaling \$1,500 to a national nonprofit organization with an office in Bethlehem, PA. The organization advocates for people with intellectual and developmental disabilities in Lehigh and Northampton Counties, PA. These donations support community development services in the assessment area.

Community Development Services

During the evaluation period, Quaint Oak Bank provided five hours of community development services to an organization benefitting the assessment area. The bank employee provided homebuyer-counseling services to low- and moderate-income people in the Allentown, PA community. While representing the bank, this employee provides financial expertise to the community service organization.

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.