



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

March 10, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Cullman Savings Bank
Charter Number 704877

316 2nd Ave SW
Cullman, AL 35055-4117

Office of the Comptroller of the Currency

Birmingham Field Office
3595 Grandview Parkway, Suite 655
Birmingham, AL. 35243

NOTE: 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.

INSTITUTION'S CRA RATING

This institution is rated Satisfactory.

Cullman Savings Bank (CSB) has an overall **satisfactory** record of meeting community credit needs. This is based on the following:

- The level and trend of the bank's loan-to-deposit (LTD) ratio is more than reasonable.
- A substantial majority of loans are made within the bank's assessment area (AA).
- The bank's loan portfolio is heavily weighted towards residential real estate loans. Home loans were identified as a primary lending need in the Cullman County AA.
- Loan analysis indicates that the bank had reasonable penetration for lending to borrowers of different incomes in the Cullman County AA.
- The bank did not receive any consumer complaints regarding Community Reinvestment Act (CRA) performance during the evaluation period.

SCOPE OF EXAMINATION

Cullman Savings Bank (CSB) was evaluated under the Small Bank examination procedures, which is comprised of a lending test. The lending test evaluates the bank's record of meeting the credit needs of its assessment areas (AAs) through its lending activities. The bank's previous CRA rating dated February 2, 2009 was "Satisfactory."

CSB's primary loan product is 1-4 family residential loans. Because 1-4 family residential loans represent a significant portion of CSB's lending activity, conclusions regarding the Lending Test are based on this loan product. In addition, due to the changes in the census data as of 2010, the loans considered in the Lending Test were originated between January 1, 2012 and December 31, 2013. A sample of loans was selected and tested based on internal bank reports. CSB is not a Home Mortgage Disclosure Act (HMDA) reporter.

CSB has one assessment area (AA) which includes all of Cullman County. The bank's overall rating is based on a review of this non-MSA AA

DESCRIPTION OF INSTITUTION

CSB is owned by Cullman Bancorp Incorporated, a one-bank holding company. As of December 31, 2013, CSB had total assets of \$226 million. CSB is an intrastate bank headquartered in Cullman, AL. The city of Cullman is located in Cullman County, AL. In addition to the main branch office, CSB has three full-service branch locations, in Cullman County AL. CSB has four 24-hour accessible ATM's that adjoin each branch location. Since the last Community Reinvestment Act (CRA) evaluation dated February 2, 2009, the bank has opened one branch located on 1652 2nd Avenue SW, Cullman, AL 35055. The bank's primary focus continues to be 1-4 family residential real estate loans. There are no legal or financial impediments to CSB's ability to meet the credit needs in its assessment area (AA).

The table below provides details regarding CSB’s branch and ATM locations by census tract (CT) Income level.

Distribution of Bank Offices and ATMs by Census Tract						
Census Tract Income Level	Tracts		Full-Service Branches		Automated Teller Machines	
	#	%	#	%	#	%
Low	0	0.00%	0	0.00%	0	0.00%
Moderate	0	0.00%	0	0.00%	0	0.00%
Middle	16	88.89%	4	100.00%	4	100.00%
Upper	2	11.11%	0	00.00%	0	0.00%
TOTAL	18	100.00%	4	100.00%	4	100.00%

CSB provides a wide-range of traditional deposit and loan products. The main office is located in an area that is accessible to persons from different areas of the community. Lobby and drive-up hours are the same at each branch location and help to meet customer needs during the week.

Customers have 24-hour access to their accounts via telephone and Internet. Telephone banking services include access to deposit and loan balance information and transfers between CSB accounts. Internet banking services include retail online banking, access to deposit and loan balance information, transfers between CSB accounts, bill payment, and check images.

DESCRIPTION OF ASSESSMENT AREA

CSB has one assessment area (AA) located in Alabama: Cullman County (Non-MSA AA). CSB’s AA meets regulatory requirements and consists of complete political subdivisions that do not arbitrarily exclude low- or moderate-income geographies. In addition, CSB has no natural boundaries within its AA that hinder accessibility. The Cullman County AA is described in greater detail below.

Cullman County (Non-MSA) Assessment Area

The Cullman County Non-MSA AA consists of 18 census tracts with a total population of 80,406. As previously stated, CSB has four full-service branches within its AA. As of December 31, 2013, all branches are located in middle-income tracts.

The average median family income for the Cullman County AA in 2013 was \$47,357, with a HUD adjusted median family income of \$46,000. The table below shows certain demographics of the AA by census tract and income level.

Cullman County AA Demographics						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/CSBs)	18	0	0	88.89%	11.11%	0%
Population by Geography	80,406	0	0	87.24%	12.76%	0%
Total Minority	5,838	0	0	84.79%	15.21%	0%
Persons Over 65	12,399	0	0	87.57%	12.44%	0%
Owner-Occupied Housing by Geography	23,361	0	0	87.81%	12.19%	0%
Family Distribution by Income Level	22,395	20.08%	17.07 %	20.25%	42.60%	0%
Distribution of Low- and Moderate-Income Families throughout AA Geographies	8,320	54.06%	45.94%	-	-	-
Median Family Income	= \$47,357	Median Housing Value		= \$101,950		
HUD Adjusted Median Family Income for 2013	= \$46,000	Unemployment Rates		= 4.80%		
Households Below the Poverty Level	=5,265					

Employers in the Cullman County AA are primarily concentrated in education, medical, retail, and manufacturing. Major employers include Cullman County Schools, Cullman Regional Medical, Wal-Mart Distribution Center and Retail Store, REHAU, State of Alabama, and Topre America Corporation.

Local banking competition in the Cullman County AA is strong. Market leaders include Wells Fargo Bank, Regions Bank, and BBVA Compass. Smaller community peer institutions include EvaBank, First Community Bank, Merchants Bank, Peoples Bank, Premier Bank of the South, and Traditions Bank.

The current local economy is characterized as good and expanding. Due to growth in the local manufacturing sector, additional employment opportunities are anticipated. As of December 2013, the average unemployment rate for Cullman County was 4.80 percent, compared to 6.10 percent for Alabama statewide and 6.70 percent for the U.S. The AA has 5,265 households, or 16.84 percent, living below the poverty level. Approximately 15 percent of the AA or 12,399 persons are over the age of 65.

We discussed community-lending needs with the project coordinator of a local development agency who identified residential lending and affordable housing loans to low income individuals as the most prominent lending need in the AA. Our contact stated that there are no specific community development projects or loan funds where local financial institutions could get involved.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan-to-Deposit Ratio

CSB's loan-to-deposit (LTD) ratio is more than reasonable given the bank's size, financial conditions, and assessment area credit needs. The bank's LTD ratio averaged 121.41 percent over the 20 quarters since the last CRA examination, with a quarterly low of 11.85 percent and a quarterly high of 134.39 percent. The bank's LTD compares favorably with other community banks of similar location and product offerings. CSB ranks first among a total of six banks serving the assessment area.

Institution	Assets as of 4Q13 (in thousands)	Average LTD Ratio
Cullman Savings Bank	\$ 225,620	121.41%
Traditions Bank	\$ 251,677	85.97%
Peoples Bank	\$ 559,096	82.12%
Premier Bank of the South	\$ 141,558	80.27%
Merchants Bank	\$ 246,084	76.80%
First Community Bank	\$ 67,759	72.93%

Source: UBPR and Call Report Data

Lending in Assessment Area

CSB originates a substantial majority of its loans inside the AA. Eighty five percent of the number and nearly 89 percent of the dollar volume of loans originated from January 1, 2012 through December 31, 2013 were to borrowers located within the AA. This meets the standards for outstanding performance. The following table details the bank's lending within the AA by number and dollar amount of sampled loans originated during the evaluation period.

Lending in Cullman County AA										
Loan Type(s)	Number of Loans					Dollars of Loans (000's)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	17	85.00%	3	15.00%	20	\$1,890	88.68%	\$241	11.32%	\$2,131

Source: Loan Sample

Lending to Borrowers of Different Incomes

Lending performance to borrowers of different incomes reflects reasonable penetration, with a proportionate percentage of home loans to low-and-moderate income borrowers. Low income families represent 8.36 percent of the AA. The bank achieved excellent penetration of home loans to low-income borrowers, as 10 percent of the number of loans sampled during the evaluation period were to low-income families. The distribution of home loans to moderate-income borrowers, at 15 percent of the number of loans sampled, is below the percentage of moderate-income families in the AA, at 27.22 percent. However, opportunities to make these

loans are impeded by the 16.84 percent of potential borrowers in the AA that live below the poverty level. Therefore, penetration of home loans to moderate-income borrowers is reasonable. CSB’s record of lending to borrowers of different incomes meets the standards for satisfactory performance. The following table shows the distribution of home loans among borrowers of different income levels as compared to the percent of families in each income category.

Borrower Distribution of Residential Real Estate Loans in Cullman County AA								
Borrower Income Level	LOW		MODERATE		MIDDLE		UPPER	
Loan Type(s)	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number	% of AA Families	% of Number
Home Purchase	8.36%	10.00%	27.22%	15.00%	21.97%	25.00%	42.45%	50.00%

Source: Loan Sample; OTS Comparator Data

Geographic Distribution of Loans

There are no low- or moderate-income census tracts in the Cullman County AA. Further, 16 of the 18 census tracts in the assessment area are designated as middle-income. Due to the homogeneity of census tract income in the assessment area, analysis of the geographic distribution of CSB’s loans would not render any meaningful conclusions about the bank’s record of compliance with the Community Reinvestment Act.

Responses to Complaints

CSB has not received CRA-related complaints from the public since the prior CRA examination.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.