

PUBLIC DISCLOSURE

April 3, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

BankGloucester
Certificate Number: 26536

160 Main Street
Gloucester, Massachusetts 01930

Division of Banks
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Federal Deposit Insurance Corporation
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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 Division of Banks or the Federal Deposit Insurance Corporation 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 following points summarize the bank's Community Reinvestment Act (CRA) performance.

- The bank's loan-to-deposit ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans by number and dollar amount inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, give the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes.
- The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the rating.

DESCRIPTION OF INSTITUTION

Background

BankGloucester is a mutually owned community financial institution headquartered in Gloucester, Massachusetts (MA). BankGloucester received an Outstanding rating from the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks (Division) during its prior joint evaluation dated December 16, 2019. Examiners evaluated the bank's performance using Interagency Small Institution Examination Procedures.

Operations

BankGloucester operates three full-service branches in Essex County, Massachusetts. The bank's main office is located at 160 Main Street, Gloucester, Massachusetts, which is located in a moderate-income census tract. During the evaluation period, the bank opened one new location in an upper-income census tract in Ipswich, Massachusetts. The other location is in a middle-income census tract of Essex, Massachusetts. The bank did not close any branches or engage in any merger or acquisition activities since the prior evaluation.

BankGloucester offers both personal and business deposit accounts and loan products. The bank offers residential, multifamily, consumer, and commercial loans. The bank also offers alternative banking services including automated teller machines, on-line banking, and mobile banking with bill pay.

Ability and Capacity

As of December 31, 2022, the bank's assets totaled approximately \$359.5 million and included total loans of approximately \$318.4 million. Deposits totaled approximately \$302.0 million. The primary business focus has not changed since the prior evaluation and 1-4 family residential properties account for approximately 60 percent of the bank's total loans. The following table illustrates the loan portfolio.

| Loan Portfolio Distribution as of 12/31/2022 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 33,486 | 10.5 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 190,826 | 59.9 |
| Secured by Multifamily (5 or more) Residential Properties | 11,317 | 3.6 |
| Secured by Nonfarm Nonresidential Properties | 69,012 | 21.7 |
| Total Real Estate Loans | 304,641 | 95.7 |
| Commercial and Industrial Loans | 13,293 | 4.2 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 505 | 0.2 |
| 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 | 0 | 0.0 |
| Total Loans | 318,439 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |
| <i>Due to rounding, total 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. BankGloucester designated a single assessment area in Essex County, which is part of the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). The assessment area changed since the previous evaluation when the bank added Ipswich upon opening the new branch.

Economic and Demographic Data

BankGloucester’s assessment area consists of Gloucester, Rockport, Manchester, Essex, and Ipswich, Massachusetts. This section discusses the economic and demographic information relevant to the assessment area during the evaluation period. Examiners used 2015 ACS demographic data to review the bank’s assessment area for 2019 and 2020. Based on 2015 ACS data, the bank’s assessment area consisted of 16 census tracts and reflected the following income designations:

- 1 low-income census tract
- 3 moderate-income census tracts,
- 12 middle-income census tracts,
- 0 upper-income census tracts, and
- 0 census tracts with no designation.

With the most recent census data changes, examiners used the 2020 U.S. Census demographic data to review the bank’s assessment area for 2021 and 2022. Based on 2020 U.S. Census data, the bank’s 16 census tracts now reflect the following income designations:

- 1 low-income census tract,
- 3 moderate income census tracts,
- 10 middle-income census tracts,
- 2 upper-income census tracts, and
- 0 census tracts with no designation.

The bank’s low- and moderate-income census tracts are all located within the City of Gloucester. Additionally, the bank’s main branch is located in a moderate-income census tract which borders the sole low-income census tract in the assessment area.

The following table illustrates the bank’s assessment area based on the 2020 U.S. Census demographic data.

| Demographic Information of the Assessment Area | | | | | | |
|---|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 16 | 6.2 | 18.8 | 62.5 | 12.5 | 0.0 |
| Population by Geography | 59,576 | 4.4 | 15.8 | 60.8 | 18.9 | 0.0 |
| Housing Units by Geography | 29,435 | 4.0 | 16.3 | 63.6 | 16.1 | 0.0 |
| Owner-Occupied Units by Geography | 17,631 | 2.7 | 12.4 | 64.5 | 20.4 | 0.0 |
| Occupied Rental Units by Geography | 8,333 | 7.6 | 29.1 | 54.2 | 9.1 | 0.0 |
| Vacant Units by Geography | 3,471 | 2.0 | 4.9 | 81.8 | 11.3 | 0.0 |
| Businesses by Geography | 7,168 | 2.5 | 15.6 | 60.2 | 21.7 | 0.0 |
| Farms by Geography | 247 | 2.8 | 15.8 | 59.9 | 21.5 | 0.0 |
| Family Distribution by Income Level | 16,405 | 23.3 | 17.2 | 22.6 | 36.9 | 0.0 |
| Household Distribution by Income Level | 25,964 | 30.4 | 14.9 | 18.4 | 36.4 | 0.0 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA | | \$121,481 | Median Housing Value | | | \$511,602 |
| | | | Median Gross Rent | | | \$1,262 |
| | | | Families Below Poverty Level | | | 4.7% |
| <i>Source: 2020 U.S Census Data, 2022 D&B Data, and FFIEC Estimated Median Family Income;</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

Examiners used the 2020, 2021, and 2022 FFIEC updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the income categories.

| Median Family Income Ranges | | | | |
|---|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Cambridge-Newton-Framingham, MA Median Family Income (15764) | | | | |
| 2020 (\$118,800) | <\$59,400 | \$59,400 to <\$95,040 | \$95,040 to <\$142,560 | ≥\$142,560 |
| 2021 (\$120,200) | <\$60,100 | \$60,100 to <\$96,160 | \$96,160 to <\$144,240 | ≥\$144,240 |
| 2022 (\$138,700) | <\$69,350 | \$69,350 to <\$110,960 | \$110,960 to <\$166,440 | ≥\$166,440 |
| <i>Source: FFIEC</i> | | | | |

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2022 D&B data, there were 7,168 non-farm businesses in the assessment area. GARs for these businesses are as follows:

- 90.8 percent have \$1.0 million or less,
- 3.6 percent have more than \$1.0 million,
- 5.5 percent have unknown revenues.

Service Industries represent the largest portion of businesses at 37.2 percent, followed by non-classifiable establishments (21.0 percent), retail trade (10.6 percent), finance, insurance, and real estate (9.4 percent), and construction (8.0 percent). According to D&B data, a substantial majority of businesses in the assessment area are very small; 87.8 percent of businesses in the assessment area have GARs of less than \$500,000, 65.4 percent of businesses have one to four employees, and 94.0 percent operate a single location.

Data obtained from the Massachusetts Department of Economic Research indicates that in February 2023, the unemployment rate was 4.2 percent statewide and 4.4 percent in Essex County.

Competition

Financial services are moderately competitive within the assessment area. According to the FDIC June 30, 2022 Deposit Market Share Report, there are 9 financial institutions operating 23 full-service branches in the assessment area. Of these institutions, BankGloucester ranks 5th with a 10.0 percent deposit market share. The four institutions that maintain a higher deposit market share are Institution for Savings for Newburyport and its Vicinity (34.1 percent), Cape Ann Savings Bank (17.1 percent), TD Bank, N.A. (13.4 percent), and Brookline Bank (12.7 percent).

According to 2020 aggregate home mortgage data, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2020, there were 243 lenders that originated or purchased 3,880 home mortgage loans. BankGloucester ranked 19th with 1.3 percent market share. The only community banks that ranked higher than BankGloucester were Cape Ann Savings Bank ranking 2nd (7.5 percent), Institution for Savings in Newburyport and its Vicinity ranking 3rd (4.8 percent), and Salem Five Cents Savings Bank ranking 17th (1.6 percent). Other institutions that outranked BankGloucester were national or regional banks and non-depository mortgage companies.

The analysis of home mortgage lending for 2021 and 2022 does not include comparisons to aggregate data as the bank was not required to report Home Mortgage Disclosure Act (HMDA) data for those years. However, examiners reviewed aggregate data to determine the level of demand and competition for home mortgage loans in 2021 and 2022. According to 2021 aggregate data, there were 252 lenders that reported 3,713 originated or purchased home mortgage loans. The aggregate data reflects a high level of demand for home mortgage loans in the assessment area.

The analysis of small business loans in this evaluation does not include comparisons to aggregate data, as the bank is not required to report small business loans. However, examiners referenced the data to determine the level of demand and competition in the area for small business lending. In 2021, 139 lenders reported 24,791 small business loans, indicating a high level of competition for small business lending in the area. The top three small business lenders in the area were American Express National Bank (26.3 percent), Bank of America, N.A. (11.0 percent), and Eastern Bank (6.8 percent).

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to assist in identifying credit needs. The information helps determine whether local financial institutions are responsive to the particular needs in the communities they serve. It also shows what credit opportunities are available in the assessment area.

Examiners contacted a local community development services agency that serves part of the bank's assessment area. The organization focuses on affordable housing and financial literacy programs. A majority of individuals served by the organizations are low- and moderate-income individuals and families. According to the organization, it is difficult for low- and moderate-income families to purchase homes; therefore, affordable housing and financial literacy are the areas in which individuals would benefit most from in the assessment area.

Credit Needs

Examiners considered information gathered from the community contact and the bank, as well as available economic and demographic data, to determine the assessment area's primary credit needs. Based on the assessment area's high housing costs, examiners determined that affordable home mortgage loans to assist low-income individuals purchase homes is a primary credit need. For the same reason, improving the availability of affordable housing units in the area is a primary community development need. Further, the high percentage of small businesses in the assessment area indicates a need for small business loans.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated December 16, 2019, to the current evaluation dated April 3, 2023. The Division and FDIC used the FFIEC Interagency Small Institution Examination Procedures to evaluate the institution's performance. These procedures include one test, the CRA Small Bank Lending Test.

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area by considering the following criteria:

- Loan-to-Deposit ratio
- Assessment Area Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA related complaints

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. The conclusion considered the bank's business strategy, and the number and dollar volume of loans originated during the evaluation period. Examiners did not include other loan types (i.e., small farm or consumer loans) as the bank did not originate any small farm loans since the previous examination and consumer loans do not represent a major product line.

Examiners considered all home mortgage loans reported on the bank's 2019 and 2020 HMDA Loan Application Registers (LAR). Examiners also considered all residential loans originated in 2021 and 2022. As stated, the bank was not required to collect or report HMDA data in 2021 and 2022. The bank reported 70 home mortgage loans totaling \$34.5 million in 2019, and 79 home mortgage loans totaling \$36.3 million in 2020. During 2021, the bank originated 117 home mortgage loans totaling \$57.9 million, and in 2022 the bank originated 95 home mortgage loans totaling \$47.2 million. Examiners did not present 2019 data in the tables for Borrower Profile or Geographic Distribution, as the bank's performance in 2019 was similar to the rest of the evaluation period. Examiners compared the bank's performance in 2020 to aggregate home mortgage data and 2015 ACS demographic data. Examiners compared the bank's performance in 2021 and 2022 to 2020 U.S. Census demographic data.

Although Bank Gloucester is not required to report small business loan data, it collected small business loan data for 2022. Therefore, examiners evaluated the full universe of bank small business loans originated in 2022. The bank originated 37 small business loans totaling \$16.7 million in 2022. Examiners compared the bank's performance to 2022 D&B demographic data.

The bank's home mortgage loan originations received more weight when determining overall conclusions due to the larger loan volume and business strategy when compared to small business

loan originations. Bank records indicate that the product mix and lending focus has remained consistent throughout the evaluation period.

For the Lending Test, examiners analyzed the number and dollar volume of loans. The evaluation presents the number and dollar volume of loans, but examiners emphasized performance by number of loans as it is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BankGloucester demonstrated excellent performance under the Lending Test. The bank’s performance under Geographic Distribution and Borrower profile supports this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 91.0 percent over the past 13 calendar quarters from December 31, 2019 to December 31, 2022. The ratio ranged from a low of 82.7 percent on September 30, 2021, to a high of 104.5 percent on December 31, 2022. The following table presents the average LTD ratio for BankGloucester compared to similarly situated banks. Examiners selected similarly situated banks based on assets size, geographic location, and lending focus. BankGloucester maintained an LTD ratio that was higher than those comparable institutions.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|--|---|--|
| Bank | Total Assets as of 12/31/2023 (\$000s) | Average Net LTD Ratio (%) |
| BankGloucester | 359,522 | 91.0 |
| Haverhill Bank | 557,992 | 78.3 |
| Marblehead Bank | 280,576 | 79.5 |
| <i>Source: Reports of Condition and Income 12/31/2019 – 12/31/2022</i> | | |

Assessment Area Concentration

The bank originated a majority of its loans inside the assessment area. However, the bank did not originate a majority of its small business loans by number and dollar amount inside the assessment area. A majority of the bank’s small business lending are from referrals outside the assessment area. Please refer to the table below.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|------------|----------------------------------|-------------|---------------|-------------|----------------|
| Loan Category | Number of Loans | | | | Total # | Dollars Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2020 | 51 | 64.6 | 28 | 35.4 | 79 | 18,262 | 50.2 | 18,090 | 49.8 | 36,352 |
| 2021 | 79 | 67.5 | 38 | 32.5 | 117 | 32,836 | 56.7 | 25,072 | 43.3 | 57,908 |
| 2022 | 68 | 71.6 | 27 | 28.4 | 95 | 33,567 | 71.1 | 13,668 | 28.9 | 47,235 |
| Subtotal | 198 | 68.0 | 93 | 32.0 | 291 | 84,665 | 59.8 | 56,830 | 40.2 | 141,495 |
| Small Business | | | | | | | | | | |
| 2022 | 14 | 37.8 | 23 | 62.2 | 37 | 7,138 | 42.8 | 9,538 | 57.2 | 16,676 |
| Subtotal | 14 | 37.8 | 23 | 62.2 | 37 | 7,138 | 42.8 | 9,538 | 57.2 | 16,676 |
| Total | 212 | 64.6 | 116 | 35.4 | 328 | 91,803 | 58.0 | 66,368 | 42.0 | 158,171 |

Source: HMDA Reported Data; Bank Records

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows that the bank’s performance substantially exceeded the aggregate performance in 2020 in both low- and moderate-income census tracts. The bank’s performance in 2019, not shown in the table, was similar to 2020.

Market share data further supports the bank’s excellent performance in 2020. The bank ranked 5th out of 44 lenders with a 4.5 percent market share among lenders that originated or purchased a home mortgage loan located in a low-income census tract in the assessment area. Cape Ann Savings Bank ranked 1st with 20.0 percent market share, and Institution for Savings in Newburyport and its Vicinity, much larger institution, ranked 3rd with 6.36 percent market share. In moderate-income census tracts, the bank ranked 9th out of 80 lenders with a 3.0 percent market share. Cape Ann Savings Bank ranked 2nd with 10.9 percent market share and Institution for Savings in Newburyport and its Vicinity ranked 7th with 3.2 percent market share.

In 2021 and 2022, the bank continued its strong performance in lending in low-income census tracts by outperforming the percentage of owner-occupied housing units. In moderate-income census tracts, the bank’s performance was nearly double the percentage of owner-occupied housing units in 2021. In 2022, the bank’s performance but was in-line with the percentage of owner-occupied housing units. The following table illustrates the bank’s dispersion of home mortgage loans by census tract income level within the assessment area.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 5.7 | 2.8 | 5 | 9.8 | 1,172 | 6.4 |
| 2021 | 5.7 | -- | 6 | 7.6 | 2,335 | 7.1 |
| 2022 | 4.0 | -- | 3 | 4.4 | 1,094 | 3.3 |
| Moderate | | | | | | |
| 2020 | 13.5 | 10.4 | 12 | 23.5 | 3,929 | 21.5 |
| 2021 | 13.5 | -- | 20 | 25.3 | 5,572 | 17.0 |
| 2022 | 16.3 | -- | 17 | 16.3 | 5,487 | 16.3 |
| Middle | | | | | | |
| 2020 | 80.8 | 86.8 | 34 | 66.7 | 13,161 | 72.1 |
| 2021 | 80.8 | -- | 52 | 65.8 | 24,929 | 75.9 |
| 2022 | 63.6 | -- | 44 | 64.7 | 24,480 | 72.9 |
| Upper | | | | | | |
| 2020 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| 2022 | 16.1 | -- | 4 | 7.5 | 2,506 | 7.5 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 51 | 100.0 | 18,262 | 100.0 |
| 2021 | 100.0 | -- | 79 | 100.0 | 32,836 | 100.0 |
| 2022 | 100.0 | -- | 68 | 100.0 | 33,567 | 100.0 |
| <i>Source: 2015 ACS Data; 2020 Census Data; HMDA Reported Data; HMDA Aggregate Data; Bank data, "--" data not available</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. In 2022, the bank's performance exceeded the percentage of small businesses in low-income census tracts by 11.8 percent. In moderate-income census tracts, the bank's performance fell below that of the percentage of businesses by 8.5 percent. While the bank's lending to businesses in moderate-income census tracts was below the percentage of businesses located in those tracts, the bank faces competition from larger national and state-chartered banks for those small business loans. The following table illustrates the bank's lending to small businesses by census tract income level.

| Geographic Distribution of Small Business Loans | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | 2.5 | 2 | 14.3 | 2,300 | 32.2 |
| Moderate | 15.6 | 1 | 7.1 | 1760 | 24.7 |
| Middle | 60.2 | 11 | 78.6 | 3,078 | 43.1 |
| Upper | 21.7 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 14 | 100.0 | 7,138 | 100.0 |
| <i>Source: 2022 D&B Data; Bank Data</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes. The bank's performance in home mortgage lending to low- and moderate-income borrowers supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs 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. The table below shows the bank's performance in lending to low-income borrowers in 2020 was above the aggregate data by 5.6 percent. In 2021 the bank's performance increased by 4.7 percent but was below the demographic data. The bank's performance was also below the demographic data in 2022. In lending to moderate-income borrowers, however, the bank outperformed both the aggregate by 5.8 percent and the demographic data by 6.7 percent in 2020. In 2021 and 2022 the bank continued to outperform the demographic data. Examiners also noted that the bank's 2019 performance was similar to the bank's 2020 performance.

According to 2020 market share data, BankGloucester ranked 10th out of 73 lenders who made loans to low-income borrowers in the assessment area. Cape Ann Savings bank and The Institution for Savings in Newburyport and its Vicinity were the only two state-chartered banks that ranked higher than BankGloucester. The remaining eight lenders were national banks, and non-depository mortgage lenders. In lending to moderate-income borrowers, BankGloucester ranked 15th out of 120 lenders. Similarly, the majority of institutions ranked higher were national banks and non-depository lenders, while only two state-chartered banks ranked higher than BankGloucester. The following table illustrates the bank's lending to borrowers of different income levels in the assessment area.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|------------------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 24.1 | 6.2 | 6 | 11.8 | 760 | 4.2 |
| 2021 | 24.1 | -- | 13 | 16.5 | 2,636 | 8.0 |
| 2022 | 23.3 | -- | 7 | 10.3 | 1,171 | 3.5 |
| Moderate | | | | | | |
| 2020 | 18.8 | 19.7 | 13 | 25.5 | 3,149 | 17.2 |
| 2021 | 18.8 | -- | 15 | 19.0 | 4,485 | 13.7 |
| 2022 | 17.2 | -- | 14 | 20.6 | 4,592 | 13.7 |
| Middle | | | | | | |
| 2020 | 21.7 | 24.0 | 16 | 31.4 | 5,588 | 30.6 |
| 2021 | 21.7 | -- | 20 | 25.3 | 6,986 | 21.3 |
| 2022 | 22.6 | -- | 18 | 26.4 | 9,200 | 27.4 |
| Upper | | | | | | |
| 2020 | 25.5 | 40.0 | 12 | 23.5 | 6,208 | 34.0 |
| 2021 | 35.5 | -- | 27 | 34.2 | 16,745 | 51.0 |
| 2022 | 36.9 | -- | 29 | 42.6 | 18,604 | 55.4 |
| Income Not Available | | | | | | |
| 2020 | 0.0 | 10.2 | 4 | 7.8 | 2,557 | 14.0 |
| 2021 | 0.0 | -- | 4 | 5.0 | 1,984 | 6.0 |
| 2022 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Total | | | | | | |
| 2020 | 100.0 | 100.0 | 51 | 100.0 | 18,262 | 100.0 |
| 2021 | 100.0 | -- | 79 | 100.0 | 32,836 | 100.0 |
| 2022 | 100.0 | -- | 68 | 100.0 | 33,567 | 100.0 |
| <i>Source: 2015 ACS Data; HMDA Reported Data; HMDA Aggregate Data; bank data, "--" data not available</i> | | | | | | |

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. The following table shows that the bank originated 50.0 percent of its small business loans to those businesses. The bank's performance in lending to businesses with GARs less than \$1.0 million is below the percentage of those businesses within the assessment area; however, the bank faces competition from many larger institutions in the assessment area to originate small business loans. Considering the high level of competition for business loans, the bank's performance is reasonable. The following table illustrates the bank's penetration of small business lending by GAR level.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 90.7 | 7 | 50.0 | 2,475 | 34.7 |
| > \$1,000,000 | 3.7 | 7 | 50.0 | 4,663 | 65.3 |
| Revenue Not Available | 5.6 | 0 | 0.0 | 0 | 0.0 |
| Total | 100 | 14 | 100.0 | 7,138 | 100.0 |
| <i>Source: 2022 D&B Data; Bank Data</i> | | | | | |

Response to Complaints

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

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the bank's overall CRA rating.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

The bank was not required to collect or report its home mortgage data; therefore, lending data regarding minority application flow is limited. There are no majority-minority tracts in the bank's assessment area or in the areas immediately outside the bank's assessment area. According to the 2020 ACS data, the bank's assessment area contains a total population of 59,576 individuals of which 12.9 percent are minorities. The assessment area's minority population is 1.3 percent Asian, 0.8 percent Black, 0.2 percent American Indian, 3.7 percent Hispanic and 6.9 percent Other.

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).

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.

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.

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.

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.

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 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.

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.