

# **PUBLIC DISCLOSURE**

July 11, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Berkshire Bank  
Certificate Number: 23621

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Pittsfield, Massachusetts 01201

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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 **Satisfactory** by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division).

An institution in this group has a satisfactory 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. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	
High Satisfactory			X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			
<p>* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.  ** FDIC rules and regulations stipulate use of a "high satisfactory" and "low satisfactory" rating for the three tests. This jointly issued public evaluation uses the term "satisfactory" in lieu of "low satisfactory" for the Lending, Investment, and Service Test ratings, as the Division does not have a "low satisfactory" rating.</p>			

**The Lending Test is rated Satisfactory.**

- The bank's lending levels reflect good responsiveness to assessment area credit needs.
- An adequate percentage of loans are made in the institution's assessment areas.
- The geographic distribution of loans reflects adequate penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the bank, adequate penetration among retail customers of different income levels and business customers of different size.
- The bank uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The bank has made a relatively high level of community development loans.

**The Investment Test is rated Outstanding.**

- The bank has an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The bank makes significant use of innovative and/or complex investments to support community development initiatives.

**The Service Test is rated High Satisfactory.**

- Delivery systems are reasonably accessible to essentially all portions of the institution's assessment area.
- To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including, where appropriate, business hours) do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provides a relatively high level of community development services.

## SCOPE OF EVALUATION

### ***General Information***

This evaluation covers the period from the prior evaluation dated January 20, 2015, to the current evaluation dated July 9, 2018. Examiners used Interagency Large Institution Examination Procedures to evaluate Berkshire Bank's CRA performance. These procedures include three tests: the Lending Test, the Investment Test, and the Service Test.

The Lending Test assessed the bank's performance according to the following criteria:

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative or flexible lending practices
- Community development lending

The Investment Test assessed the bank's performance according to the following criteria:

- The dollar amount of qualified investments
- The innovativeness or complexity of qualified investments
- The responsiveness of qualified investments to credit and community development needs
- The degree to which qualified investments are not routinely provided by private investors

The Service Test assessed the bank's performance according to the following criteria:

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business house and services
- The extent, innovativeness, and responsiveness of community development services

Banks must achieve at least a Satisfactory rating under the Lending Test to obtain an overall Satisfactory rating. The evaluation does not include any lending activity performed by affiliates.

### ***CRA Assessment Areas***

The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate discussions and ratings of CRA performance in each Multistate Metropolitan Area and each state in which the bank maintains a branch. Examiners assign an overall rating of the bank's overall performance in all these areas combined (referred to as the combined assessment area throughout this evaluation), as well as individual ratings for each state and each Multistate Metropolitan Area. Examiners also determine if a full-scope or limited-scope review should be conducted of the statistical areas. Bank performance is weighted based on the significance of bank lending, qualified investments, and lending-related services in each area compared to the bank's overall activities, the level of competition, and opportunities in each area.

Since Berkshire Bank operates branches in six states: Massachusetts (MA), New York (NY), Connecticut (CT), Vermont (VT), New Jersey (NJ), and Pennsylvania (PA), examiners assigned separate ratings for each state. Berkshire Bank has eleven assessment areas, including three in MA, four in NY, and one each in CT, VT, NJ, and PA.

Examiners selected each MA assessment area, the Boston-Worcester-Providence, MA-Rhode Island-New Hampshire-CT Combined Statistical Area (Boston, MA CSA), the Pittsfield, MA Metropolitan Statistical Area (MSA), and the Springfield, MA MSA, for a full-scope review since these areas contain a significant portion of loan volume, deposits, and branches.

Within NY, examiners selected the Albany-Schenectady-Troy, NY CSA (Albany, NY CSA), the Utica-Rome, NY MSA, and the NY nonmetropolitan (NY Non-MSA) assessment areas for full-scope reviews since these areas contain the largest volume of lending, deposits, and branches within the state. The Syracuse, NY MSA received a limited-scope review based on minimal loan, deposit, and branch activity.

Examiners conducted full-scope reviews of the Hartford-West Hartford-East Hartford, CT MSA (Hartford, CT MSA); the VT Non-MSA; the Trenton, NJ MSA; and the Montgomery County-Bucks County-Chester County, PA Metropolitan Division (MD) (Montgomery-Bucks-Chester, PA MD), as these are the only assessment areas in their respective states. The Trenton, NJ MSA and the Montgomery-Bucks-Chester, PA MD assessment areas are new to the bank, added after the acquisition of First Choice Bank in December 2016. Performance in these states did not substantially affect the overall rating due to the bank's limited operations and recent entry in these states.

Considering MA contains a majority of lending and deposits, as well as a high percentage of full-service branches, the evaluation weighed MA performance more than performance in other states when arriving at overall ratings and conclusions. Bank performance in NY also carried significant weight when determining overall ratings. The sections of this evaluation assessing bank performance in MA and NY indicate weight assigned to specific assessment area performances when arriving at state ratings and conclusions. As noted above, bank performance in VT, CT, NJ, and PA carried limited weight.

The following table illustrates Berkshire Bank's lending activity, deposits, and branches by assessment area. The highest percentage of loan volume occurred within the Boston, MA CSA due to significant activity from a loan production office, while the bank maintains the highest percentage of deposits in the Pittsfield, MA MSA. The high deposit concentration is due to Berkshire Bank's Pittsfield, MA origins. The bank initially formed and has its main office in the Pittsfield, MA MSA.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
<b>Massachusetts</b>						
Boston, MA CSA	1,085,809	66.9	280,141	4.1	19	16.5
Pittsfield, MA MSA	68,661	4.2	2,270,325	32.9	17	14.8
Springfield, MA MSA	100,570	6.2	1,170,767	17.0	16	13.9
<b>Total Massachusetts</b>	<b>1,255,040</b>	<b>77.3</b>	<b>3,721,233</b>	<b>54.0</b>	<b>52</b>	<b>45.2</b>
<b>New York</b>						
Albany, NY CSA	158,774	9.8	729,924	10.6	20	17.4
Syracuse, NY MSA	43,686	2.7	285,564	4.2	2	1.7
Utica-Rome, NY MSA	29,882	1.8	635,411	9.2	13	11.3
NY Non-MSA	14,315	0.9	160,962	2.3	5	4.4
<b>Total New York</b>	<b>246,657</b>	<b>15.2</b>	<b>1,811,861</b>	<b>26.3</b>	<b>40</b>	<b>34.8</b>
<b>Connecticut</b>						
Hartford, CT MSA	47,041	2.9	287,803	4.2	9	7.8
<b>Total Connecticut</b>	<b>47,041</b>	<b>2.9</b>	<b>287,803</b>	<b>4.2</b>	<b>9</b>	<b>7.8</b>
<b>Vermont</b>						
VT Non-MSA	29,890	1.8	331,153	4.8	6	5.2
<b>Total Vermont</b>	<b>29,890</b>	<b>1.8</b>	<b>331,153</b>	<b>4.8</b>	<b>6</b>	<b>5.2</b>
<b>New Jersey</b>						
Trenton, NJ MSA	34,484	2.1	648,937	9.4	6	5.2
<b>Total New Jersey</b>	<b>34,484</b>	<b>2.1</b>	<b>648,937</b>	<b>9.4</b>	<b>6</b>	<b>5.2</b>
<b>Pennsylvania</b>						
Montgomery-Bucks-Chester, PA MD	10,179	0.6	85,919	1.3	2	1.8
<b>Total Pennsylvania</b>	<b>10,179</b>	<b>0.6</b>	<b>85,919</b>	<b>1.3</b>	<b>2</b>	<b>1.8</b>
<b>Totals</b>	<b>1,623,291</b>	<b>100.0</b>	<b>6,886,906</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>
Source: Bank Records. Loan amounts based on home mortgage and small business loans reported during the review period. Deposit amounts are as of June 30, 2017. Due to rounding, totals may not equal 100.0 percent.						

### ***Loan Products Reviewed***

Examiners determined that the bank's major product lines 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. Overall, Berkshire Bank originated significantly more home mortgage loans than small business loans during the review period. While home mortgage lending performance contributed more weight to overall conclusions, the bank's product focus varies by assessment area. Therefore, state and assessment area sections indicate if product weight differs when determining conclusions for a specific area.

The bank did not originate any small farm loans during the review period. In addition, no other loan types, such as consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2016, the bank reported 3,081 loans totaling \$1.1 billion, and for 2017, the bank reported 2,375 loans totaling

\$972.2 million. For comparative purposes, examiners reviewed HMDA aggregate data for 2016, which consists of all loans reported in the bank's assessment areas by institutions subject to HMDA data collection requirements. HMDA aggregate data for 2017 was not available as of the evaluation date. Furthermore, examiners reviewed 2010 United States (U.S.) Census data and U.S. Census Bureau's 2011 – 2015 American Community Survey (2015 ACS) data as additional comparative standards for Berkshire Bank's home mortgage lending performance in 2016 and 2017, respectively.

This evaluation also considered all small business loans reported on the bank's 2016 and 2017 CRA Small Business Loan Registers. For 2016, the bank reported 1,031 loans totaling \$136.4 million, and for 2017, the bank reported 911 loans totaling \$155.0 million. For comparison, examiners reviewed CRA aggregate data for 2016, which consists of all small business loans reported in the bank's assessment areas by institutions subject to CRA data reporting requirements. CRA aggregate data for 2017 was not available as of the evaluation date. Furthermore, examiners reviewed 2016 and 2017 D&B business demographic data as additional comparative standards for Berkshire Bank's small business lending performance.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While lending tables present the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans better indicates the number of individuals and businesses served.

For the Lending, Investment, and Service Tests, bank management provided data on innovative and/or flexible lending practices, community development loans, qualified investments, and community development services since the prior CRA evaluation dated January 20, 2015 through the date of this evaluation.

## DESCRIPTION OF INSTITUTION

### ***Background***

Berkshire Bank is a state-chartered stock savings bank operating in MA, NY, CT, VT, NJ, and PA. The bank formed in 1997, with the merger of Great Barrington Savings Bank and Berkshire County Savings Bank. Berkshire Hills Bancorp, Inc. (BHB), now headquartered in Boston, MA and incorporated in Delaware, is the sole stockholder and holding company of Berkshire Bank. BHB is also the holding company for the Berkshire Insurance Group.

Berkshire Bank has eleven wholly owned subsidiaries, including two newly acquired entities. The bank acquired Firestone Financial Corporation, an equipment leasing company, in August 2015, and First Choice Loan Services, Inc., a national mortgage company, in December 2016 as part of the bank's acquisition of First Choice Bank. Other subsidiaries include the following:

- North Street Securities Corporation, Woodland Securities, Inc., and Hampden Investment Corporation, qualified securities corporations that benefit from reduced MA income tax;
- FCB New Jersey Investment Company, a NJ securities corporation that owns NOVUS Asset Management, Inc., a Delaware securities corporation;
- RSB Properties, Inc., a Real Estate Investment Trust that holds mortgages in NY;
- CSB Service Corp, a MA corporation that holds title to foreclosed real estate;
- Old Spot Properties, LLC, a NJ limited liability company that holds title to foreclosed real estate;
- Legacy Insurance Services of the Berkshires, LLC, an inactive Delaware chartered insurance agency; and
- Beacon Comprehensive Services Corp., an inactive NY chartered corporation that provided insurance, tax, and investment services.

The institution received a Satisfactory rating at its previous FDIC and Division joint CRA Performance Evaluation, dated January 20, 2015, based on Interagency Large Institution CRA Examination Procedures.

### ***Operations***

Berkshire Bank operates 115 full-service branches throughout 6 states: 52 in MA, 40 in NY, 9 in CT, 6 in NJ, 6 in VT, and 2 in PA. In addition, the bank operates its legal headquarters in Pittsfield, MA and operates a loan production office in Woburn, MA, both of which are excluded from branch totals.

The bank has more than tripled in asset size since 2010, primarily through acquisitions. Berkshire Bank acquired three banks during the evaluation period: Hampden Bank (April 2015), First Choice Bank (December 2016), and Commerce Bank & Trust Company (October 2017). Hampden Bank was a \$709.5 million bank headquartered in Springfield, MA that operated 14 retail offices in MA. First Choice Bank, a \$1.1 billion bank headquartered in Lawrenceville, NJ, operated eight offices in NJ and two in PA. As noted previously, the First Choice Bank acquisition created new CRA assessment areas, as the bank previously had no branches in NJ or PA. Commerce Bank & Trust Company (Commerce Bank) was a \$2.2 billion bank headquartered in Worcester, MA that operated 17 offices in MA.

In addition to acquiring 39 branches, Berkshire Bank opened 3 branches, closed 15 branches, and relocated 1 branch since the prior CRA evaluation. Berkshire Bank opened two branches in the Hartford, CT MSA and one branch in the Boston, MA CSA. The following list reflects branch closings by assessment area. The bank relocated one branch in the Albany, NY CSA.

- Springfield, MA MSA – five branch closings
- Utica-Rome, NY MSA – three branch closings
- NY Non-MSA – two branch closings (Greene County)
- Hartford, CT MSA – one branch closing
- Albany, NY CSA – one branch closing
- Tennessee Non-MSA – one branch closing

Berkshire Bank no longer maintains a presence in Tennessee after closing its branch in Warren County in December 2015.

During the review period, Berkshire Bank also purchased and acquired assets of 44 Business Capital LLC, a Small Business Administration (SBA) lender in Blue Bell, PA, and Ronald N. Lazzaro, LLC, a private wealth management firm in Rutland, VT. The bank integrated 44 Business Capital, LLC assets into its SBA Lending Division and Ronald N. Lazzaro, LLC assets into BerkshireBanc Investment Services.

Berkshire Bank is a full-service financial institution, offering a variety of loan products for individuals and businesses. Loan products include fixed- and adjustable-rate mortgages, jumbo mortgages, first-time homebuyer loans, Federal Housing Administration (FHA) loans, Veterans Affairs (VA) loans, Home Equity Lines of Credit (HELOCs), SBA loans, commercial real estate loans, and other commercial and consumer loan products. The bank also offers reverse mortgages.

The bank offers standard deposit products, including a premium checking account and a free checking account, as well as standard savings products such as passbook accounts, certificates of deposit, and money market accounts. In addition, Berkshire Bank operates a wealth management group that offers investment and wealth management services throughout its market areas.

### ***Ability and Capacity***

Assets totaled \$11.5 billion as of the March 31, 2018 Call Report and included total loans of \$8.5 billion and total securities of \$1.9 billion. The bank reported total deposits of \$8.7 billion with a net loan-to-deposit ratio of 95.1 percent. The bank's loan portfolio distribution has not changed significantly since the prior evaluation. The following table presents the distribution of the bank's loan portfolio.

<b>Loan Portfolio Distribution as of March 31, 2018</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	390,978	4.6
1-4 Family Residential	2,908,543	34.3
Multi-family (5 or more) Residential	488,037	5.8
Commercial Real Estate	2,332,783	27.6
<b>Total Real Estate Loans</b>	<b>6,120,341</b>	<b>72.3</b>
Commercial and Industrial	1,740,172	20.5
Consumer	577,955	6.8
Other Loans	33,555	0.4
Lease Financing Receivables	2,835	0.0
<b>Total Loans</b>	<b>8,474,858</b>	<b>100.0</b>
<i>Source: 3/31/2018 Consolidated Reports of Condition and Income</i>		

Berkshire Bank is primarily a real estate lender as loans secured by real estate represent 72.3 percent of the loan portfolio. Commercial loans, consisting of commercial real estate and commercial and industrial loans, comprise 48.1 percent of the portfolio. Loans secured by residential real estate, including both one-to-four family and multi-family properties, comprise 40.1 percent of total loans.

While the portfolio reflects a similar business focus on residential and commercial lending, the bank originated a much higher volume of residential loans compared to commercial loans since the prior evaluation. This is attributed to Berkshire Home Lending (formerly known as Greenpark Mortgage), which is Berkshire Bank's loan production office (LPO) in Middlesex County, MA (within the Boston, MA CSA). The LPO generates a substantial portion of the bank's residential loans. The bank has had significant residential lending activity in the Boston, MA CSA since purchasing the assets of Greenpark Mortgage in April 2012. Berkshire Bank sells most residential loans originated through its LPO. In 2016 and 2017, the bank sold 2,320 home mortgage loans totaling \$667.7 million on the secondary market. The loan portfolio does not reflect these loans.

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 AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. As previously mentioned, Berkshire Bank designated 11 assessment areas, including 3 in MA, 4 in NY, and 1 each in CT, VT, NJ, and PA. The following is each bank assessment area.

- Boston, MA CSA
- Pittsfield, MA MSA
- Springfield, MA MSA
- Albany, NY CSA
- Syracuse, NY MSA
- Utica-Rome, NY MSA
- NY Non-MSA
- Hartford, CT MSA
- VT Non-MSA
- Trenton, NJ MSA
- Montgomery-Bucks-Chester, PA MD

The evaluation refers to the 11 assessment areas collectively as the combined assessment area.

### ***Economic and Demographic Data***

The table below shows counties included in each assessment area, as well as the number of census tracts and branches. Individual assessment area sections include a detailed discussion of demographic and economic data in each area.

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
Boston, MA CSA	Essex*, Middlesex*, Norfolk, Suffolk, and Worcester	878	19
Pittsfield, MA MSA	Berkshire	39	17
Springfield, MA MSA	Hampden and Hampshire	139	16
Albany, NY CSA	Albany, Rensselaer, Saratoga, Schenectady, Warren, and Washington	246	20
Syracuse, NY MSA	Onondaga	140	2
Utica-Rome, NY MSA	Herkimer and Oneida	93	13
NY Non-MSA Area	Columbia, Fulton, and Montgomery	52	5
Hartford, CT MSA	Hartford* and Tolland*	224	9
VT Non-MSA Area	Bennington, Rutland, and Windsor	50	6
Trenton, NJ MSA	Mercer and Middlesex*	116	6
Montgomery-Bucks-Chester, PA MD	Montgomery* and Bucks*	144	2
<b>Totals</b>		<b>2,121</b>	<b>115</b>
<i>Source: Bank Records and 2010 U.S. Census data. * Denotes portion of the county.</i>			

Examiners referenced 2010 U.S. Census data when analyzing 2016 lending data. For 2016, the combined assessment area included 2,121 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 257 low-income tracts,
- 409 moderate-income tracts,
- 876 middle-income tracts,
- 549 upper-income tracts, and
- 30 census tracts with no income designation.

Examiners referenced 2015 ACS data when analyzing 2017 lending data, which changed the income level of 599 census tracts in the combined assessment area. Some tracts changed to a higher income level while others changed to a lower income level. Combined assessment area census tracts currently reflect the following income designations according to the 2015 ACS:

- 287 low-income tracts,
- 397 moderate-income tracts,
- 825 middle-income tracts,
- 572 upper-income tracts, and
- 40 census tracts with no income designation.

### ***Competition***

The combined assessment area includes markets with unique competitive environments. Individual state and assessment area sections include discussion of competition in these areas.

According to the FDIC Deposit Market Share data as of June 30, 2017, there were 231 financial institutions operating 2,842 full-service branches within the combined assessment area. Of these institutions, Berkshire Bank ranked 9<sup>th</sup> with a 1.6 percent deposit market share and 6<sup>th</sup> with a 3.4 percent branch market share. The bank's deposit and branch market share data does not include the deposits and branches associated with its acquisition of Commerce Bank in October 2017.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 1,141 lenders reported 273,079 residential mortgage loans originated or purchased. Berkshire Bank ranked 25<sup>th</sup> out of this group of lenders, with a market share of 0.8 percent. The three most prominent home mortgage lenders accounted for 13.8 percent of total market share.

There is also a high level of competition for small business loans among banks. In 2016, 308 lenders reported 258,441 small business loans originated or purchased. Berkshire Bank ranked 25<sup>th</sup> out of this group of lenders, with a market share of 0.3 percent. The three most prominent small business lenders accounted for 47.0 percent of total market share.

### ***Community Contact***

As part of the evaluation process, examiners contact third parties active in the assessment areas to assist in identifying the credit and community development needs of the community. This information helps examiners determine whether local financial institutions are responsive to

those needs. In conjunction with this evaluation, examiners used community contacts in MA, NY, and CT.

#### Massachusetts (Pittsfield, MA MSA)

Examiners contacted an organization that serves northern Berkshire County by providing community services to the low- and moderate-income population. The organization stated the greatest issues facing the community are poverty, lack of long-term affordable housing, substance abuse, an aging population, and lack of public transportation.

#### New York (Statewide)

Examiners contacted a small business development center that serves all of NY. The organization identified a significant need for flexible small business lending, particularly start-up capital and general economic development for entrepreneurs. The contact indicated that many of the small businesses they work with are unable to access capital through mainstream lending channels.

#### Connecticut (Hartford, CT MSA)

Examiners relied on a recently completed community contact in CT. The community organization specializes in providing affordable housing and community services to low- and moderate-income individuals. The contact stated that the area's greatest needs are affordable housing, mental health treatment, and substance abuse services. He also stated that local banks have been responsive to the credit and community development needs of the area.

#### ***Credit and Community Development Needs and Opportunities***

While credit and community development needs and opportunities varied by assessment area, information from the community contacts, bank management, and demographic and economic data showed some common needs and opportunities. Most assessment areas have a significant need for community services supporting low- and moderate-income individuals. Examiners also determined that affordable housing and flexible small business lending programs represent common needs throughout the combined assessment area. Individual assessment area sections include additional comments on credit and community development needs if relevant.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

Berkshire Bank received an overall Satisfactory rating under the Lending Test. A Satisfactory Lending Test rating in MA and High Satisfactory rating in NY primarily contributed to this rating. In addition, all other states had Satisfactory Lending Test ratings. The following sections discuss overall bank performance for each criterion.

### Lending Activity

Lending levels reflect good responsiveness to credit needs within the combined assessment area. Excellent home mortgage lending levels in MA bolstered this conclusion, as all other states had adequate lending levels. Lower small business lending totals in MA, however, lessened the positive affect of strong home mortgage lending on the overall conclusion.

### Assessment Area Concentration

An adequate percentage of home mortgage and small business loans are made in the institution's combined assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	2,230	72.4	851	27.6	3,081	796,461	69.6	348,276	30.4	1,144,737
2017	1,681	70.8	694	29.2	2,375	637,357	65.6	334,857	34.4	972,214
Subtotal	3,911	71.7	1,545	28.3	5,456	1,433,818	67.7	683,133	32.3	2,116,951
Small Business										
2016	860	83.4	171	16.6	1,031	91,569	67.1	44,844	32.9	136,413
2017	705	77.4	206	22.6	911	98,366	63.4	56,672	36.6	155,038
Subtotal	1,565	80.6	377	19.4	1,942	189,935	65.2	101,516	34.8	291,451
Total	5,476	74.0	1,922	26.0	7,398	1,623,753	67.4	784,649	32.6	2,408,402
Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0										

### Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the combined assessment area. Examiners focused on the percentage by number of home mortgage and small business loans in moderate-income census tracts, comparing bank performance to aggregate lending and demographic data. Berkshire Bank had adequate geographic distribution in all six

states for both home mortgage and small business lending. State and individual assessment area sections analyze geographic distribution performance in detail for each respective area.

### **Borrower Profile**

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1 million or less. The evaluation compared bank borrower distribution to aggregate lending and demographic data.

Adequate borrower profile performance in MA primarily supported the adequate conclusion. Strong lending in NY to businesses with GARs of \$1 million or less resulted in good borrower profile performance in NY. The bank generally had better borrower distribution for small business lending than home mortgage lending in its assessment areas. The bank's weakest borrower profile performances were in NJ and PA, although the bank only began operating in these states in December 2016, so the performance had nominal effect on the overall conclusion. State and individual assessment area sections analyze borrower profile performance in detail for each respective area.

### **Innovative or Flexible Lending Practices**

The institution uses innovative and flexible lending programs in order to serve assessment area credit needs. Examiners assessed these programs according to the following criteria: 1) the degree in which the loans serve low- and moderate-income borrowers in new ways or serve creditworthy borrowers not previously served by the institution; and 2) the success of these products in terms of number and dollar volume originated during the evaluation period.

Berkshire Bank originated 4,676 loans totaling \$307.9 million using innovative or flexible loan programs. The table below illustrates the bank's flexible lending programs offered during the evaluation period. Not every program is available throughout the combined assessment area, as some programs are state specific.

Innovative and/or Flexible Lending Programs										
Type of Program	2015		2016		2017		2018		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Veterans Administration	22	5,786	19	4,716	23	4,714	2	459	66	15,675
Home Equity Builder	8	88	8	88	8	88	4	44	28	308
FHA	117	38,132	166	24,432	49	9,841	15	2,699	347	75,104
USDA	7	1,444	0	0	3	631	0	0	10	2,075
One Program*	45	8,806	47	9,447	47	8,806	19	3,089	158	30,148
MHFA*	40	7,880	42	8,517	21	3,994	6	1,479	109	21,870
Business Banking	470	26,000	566	39,779	377	23,890	153	10,004	1,566	99,673
Small Business Administration	4	1,200	48	46,308	95	11,062	0	0	147	58,570
CBT Tech Loans**	5	93	3	82	4	90	1	1	13	266
Emergency Loan Fund Prog.*	11	6	19	10	14	7	7	4	51	27
Fresh Start Repayment Plan	438	273	483	324	687	478	343	243	1,951	1,318
HEAT Loan*	0	0	0	0	104	1,224	126	1,624	230	2,848
<b>Totals</b>	<b>1,167</b>	<b>89,708</b>	<b>1,401</b>	<b>133,703</b>	<b>1,432</b>	<b>64,825</b>	<b>676</b>	<b>19,646</b>	<b>4,676</b>	<b>307,882</b>
Source: Bank Records. * Available only in MA; ** Available only in CT										

The following list highlights flexible lending programs offered by the bank.

#### Home Mortgage Programs

- *Veteran's Administration (VA) Mortgage Loans* – A VA loan is a mortgage loan guaranteed by the U.S. Department of Veterans Affairs. The VA loan offers long-term financing to eligible American veterans or their surviving spouses at more favorable terms than offered by the private market. During the evaluation period, the bank originated 66 VA loans totaling \$15.7 million.
- *Home Equity Builder Program* – In partnership with the Federal Home Loan Bank (FHLB) of Boston, lenders use funds from this program for down payment and closing costs, or rehabilitation assistance, to eligible households at or below 80 percent of the median family income for the property location. During the evaluation period, the bank originated 28 loans totaling \$308,000 under this program.
- *Federal Housing Administration (FHA) Loan Program* – FHA mortgage loans allow homebuyers to make a minimal down payment, finance a portion of the closing costs, and qualify at higher debt ratios. During the evaluation period, the bank originated 347 loans totaling \$75.1 million under this program.
- *U.S. Department of Agriculture (USDA) Residential Program* – This program assists approved lenders in providing low- and moderate-income households the opportunity to own adequate, modest, decent, safe, and sanitary dwellings as their primary residence in eligible rural areas. Eligible applicants may build, rehabilitate, improve or relocate a dwelling in an eligible rural area. The program provides a 90 percent loan note guarantee to approved lenders in order to reduce the risk of extending 100 percent loans to eligible

rural homebuyers. During the evaluation period, the bank originated 10 loans totaling \$2.1 million under this program.

- *One Program* – The bank offers this loan product in partnership with the Massachusetts Housing Program. This program allows homebuyers in MA to get a discounted 30-year fixed interest rate mortgage. This program offers a low down payment and no points. During the evaluation period, the bank originated 158 loans totaling \$30.1 million under this program.
- *MHFA (Massachusetts Housing Finance Agency) First-time Homebuyer Program* – This program assists low- and moderate-income homebuyers in MA with obtaining an affordable, 30-year fixed-rate loan. The program offers a reduced rate, low down payment, flexible underwriting, and payment protection services. During the evaluation period, the bank originated 109 loans totaling \$21.9 million under this program.

#### Small Business Programs

- *Business Banking Small/Express Business Credit* – The bank created this program to increase the availability of credit to small businesses. The bank provides expedited credit decisions, reduced rates and fees, a variety of payment options, and real estate loans up to 80 percent of assessed value for businesses with annual sales less than \$10 million. During the evaluation period, the bank originated 1,566 loans totaling \$99.7 million under this program.
- *Small Business Association (SBA) 7A Loan Program* – This program allows the bank to offer smaller down payments and flexible terms to assist small businesses in opening, expanding, and continuing their business. During the evaluation period, the bank originated 147 loans totaling \$58.6 million under this program.
- *CBT Tech Loans* – The bank offers this program in conjunction with the State of Connecticut. The Assistive Technology Loan Program is a low-interest loan to help individuals with disabilities, or their families, purchase assistive technology devices and services to enhance independence and function in the community, education, and employment. Consumers can also use funds from this loan program to purchase modified automobiles. During the evaluation period, the bank originated 13 loans totaling \$265,755 under this program.

#### Other Programs

- *Emergency Loan Fund Program* – Berkshire Bank partnered with Berkshire Community Action Council to offer this loan program. This program offers short-term term loans of \$500 or less to people in MA in need of immediate financial assistance. The goal of these loans is to help improve the borrower's credit score. During the evaluation period, the bank originated 51 loans totaling \$27,250 under this program.

- *Fresh Start Repayment Plan* – The bank offers a non-interest, fee-free product to personal or business customers facing overdraft issues. The program freezes the customer’s overdraft amount to prevent additional overdraft fees. The bank and customer establish a repayment plan to get the account out of overdraft status. Berkshire Bank’s Overdraft Customer Service Representatives notify all potentially eligible customers of this free service via telephone and direct mail. During the evaluation period, the bank originated 1,951 loans totaling \$1.3 million under this program.
- *HEAT Loan* – In partnership with Mass Saves, the bank offers this product to make energy efficiency more affordable for MA Residents. Borrowers can qualify for an interest-free loan up to \$25,000 toward energy efficient home improvements with terms up to seven years. The bank adopted this program after acquiring Commerce Bank in October 2017. Since the acquisition, the bank originated 230 loans totaling \$2.8 million under this program.

### **Community Development Lending**

Berkshire Bank has made a relatively high level of community development loans within its combined assessment area. The bank originated 47 community development loans totaling \$186.9 million during the evaluation period. This level of activity represents 2.2 percent of average total assets and 3.0 percent of average total loans since the prior CRA evaluation. Since the bank was responsive to community development needs and opportunities within its combined assessment area, examiners included 12 community development loans totaling approximately \$21.2 million originated in MA, NY, and CT but outside the bank’s designated assessment areas.

This level of community development loans is a significant increase from the previous CRA evaluation. At that evaluation, the bank originated 20 community development loans totaling \$42.9 million during a 27-month evaluation period, representing 0.7 percent of total assets and 0.9 percent of total loans as of September 30, 2014.

The following table shows the bank’s community development lending by state and purpose. State and individual assessment area sections contain details for community development loans.

<b>Community Development Lending by State</b>										
<b>State</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Massachusetts	9	7,639	3	13,422	0	0	2	10,724	<b>14</b>	<b>31,785</b>
New York	7	1,560	7	44,333	5	9,438	8	83,186	<b>27</b>	<b>138,517</b>
Connecticut	4	11,468	1	5,000	0	0	1	115	<b>6</b>	<b>16,583</b>
Vermont	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
New Jersey	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
Pennsylvania	0	0	0	0	0	0	0	0	<b>0</b>	<b>0</b>
<b>Total</b>	<b>20</b>	<b>20,667</b>	<b>11</b>	<b>62,755</b>	<b>5</b>	<b>9,438</b>	<b>11</b>	<b>94,025</b>	<b>47</b>	<b>186,885</b>
<i>Source: Bank Records</i>										

## **INVESTMENT TEST**

Berkshire Bank received an overall Outstanding rating under the Investment Test. Outstanding Investment Test performances in MA and NY primarily support the rating. The bank has an excellent level of qualified community development investments and grants. Berkshire Bank exhibits good responsiveness to credit and community economic development needs. The bank makes significant use of innovative and/or complex investments to support community development initiatives. Berkshire Bank's qualified investment growth outpaced asset size growth during the evaluation period.

### **Investment Activity**

The bank made an excellent level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors. Qualified investments and grants totaled \$112.2 million, which equates to 1.3 percent of average total assets and 8.1 percent of average securities since the prior evaluation. Qualified investments significantly increased from the previous evaluation when investments totaled \$25.7 million. Acquiring additional investments from the First Choice Bank, Hampden Bank, and Commerce Bank acquisitions contributed to the increase. The following table depicts the number and dollar volume by state and community development category.

<b>Qualified Investments by State</b>										
<b>State</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Massachusetts	79	31,253	363	34,991	64	279	29	4,605	535	71,128
New York	35	7,347	178	1,573	39	411	11	23,209	263	32,540
Connecticut	7	1,533	76	228	18	46	0	0	101	1,807
Vermont	6	14	38	2,065	9	17	0	0	53	2,096
New Jersey	3	4,547	20	62	2	4	0	0	25	4,613
Pennsylvania	0	0	7	17	2	4	0	0	9	21
<b>Totals</b>	<b>130</b>	<b>44,694</b>	<b>682</b>	<b>38,936</b>	<b>134</b>	<b>761</b>	<b>40</b>	<b>27,814</b>	<b>986</b>	<b>112,205</b>
<i>Source: Bank Records</i>										

### **Equity Investments**

The bank made 38 qualified equity investments totaling \$108.2 million, of which 22 totaling \$78.2 million are new, 7 totaling \$16.8 million are from bank acquisitions, and 9 totaling \$13.3 million are from the prior period.

The bank made some qualified equity investments that benefited a statewide or regional areas that included the bank's assessment areas. Examples of these investments are provided below. State and individual assessment area sections include details on equity investments benefitting these respective areas.

### *Prior Period Investments*

- The bank continues to hold an investment in the New York Business Development Corporation (NYBDC), which works in partnership with banks to provide term loans to small businesses, many of which do not meet the requirements for traditional financing. This investment promotes economic development and benefits the NY statewide area, including the bank's NY assessment areas. The current book value is \$252,547. (NY statewide area)
- Berkshire Bank maintains its investment in the Statewide Zone Capital Corporation, which is a privately owned loan fund committed to supporting the growth of jobs and economic opportunity in New York's Empire Zones by providing capital for new and existing businesses. Based on New York General Law, the characteristics of an Empire Zone include pervasive poverty, high unemployment, and general economic distress. This program provides flexible, creative, and low-cost financing for qualified zone certified businesses. The current book value of the bank's investment is \$31,727. (NY statewide area)

### *Investments Acquired via Bank Acquisitions*

- Through the acquisition of Commerce Bank in 2017, the bank obtained an investment in a fund that supports community development and affordable housing activities. The fund benefits a greater statewide area within Massachusetts that includes the bank's assessment areas. The current book value of this investment is \$10.5 million. (MA statewide area)
- Through the acquisition of First Choice Bank in 2016, the bank obtained an investment in a CRA mutual fund that identifies, purchases, and earmarks CRA investments in the investor's assessment area. With a current book value of \$4.6 million, the bank's investment targeted Mercer County, NJ and Bucks County, PA and benefitted multiple community development purposes, including services for low- and moderate-income individuals. (NJ and PA statewide areas)
- Through the acquisition of Hampden Bank in 2015, the bank obtained five CRA-targeted Mortgage Backed Securities (MBS) in which the majority of mortgages collateralizing the securities were to low- and moderate-income borrowers. The investment targets a greater statewide area within Massachusetts that includes the bank's assessment areas. The current book value of these investments total \$1.8 million. (MA statewide area)

### *Current Period Investments*

- During the evaluation period, the bank purchased nine CRA-qualifying MBS totaling \$22.6 million. Home mortgage loans originated in bank assessment areas or a statewide or regional areas that includes the assessment areas secured these investments. A majority of underlying mortgages in each MBS were given to low- and moderate-income borrowers. Of the nine securities, six totaling \$17.0 million primarily benefitted MA

assessment areas, one totaling \$1.5 million primarily benefitted CT, and two totaling \$4.1 million primarily benefitted NY assessment areas. (MA, CT, and NY statewide areas)

### Donations

The bank makes qualified donations through its charitable foundation. During the evaluation period, the bank's charitable foundation made \$4.0 million in qualified donations. This is a significant increase from the prior evaluation, when the bank made a total of \$1.5 million in qualified donations. All qualified donations benefitted the combined assessment area or the broader statewide or regional areas that included the bank's assessment areas. The majority of qualified donations supported organizations that provide community services to low- and moderate-income individuals and families.

The following is a sample of organizations supported by the bank's qualified donations.

- *Berkshire Housing Development Corporation* – This private nonprofit organization aims to improve the lives of Berkshire County residents by creating affordable housing, providing housing services and programs, and helping communities to access and administer community development projects. During the evaluation period, the bank donated to this organization's down payment assistance program. (Pittsfield, MA MSA)
- *Central Berkshire Habitat for Humanity* – Central Berkshire Habitat builds homes for low- and moderate-income individuals. The organization also helps with critical home repairs, new construction projects, and provides financial education, budgeting, coaching, and free tax preparation services. (Pittsfield, MA MSA)
- *Revitalize Community Development Corporation* – This organization performs critical repairs, modifications, and rehabilitation to homes and non-profit facilities. These services primarily benefit low-income families with children, elderly, veterans, and people with disabilities. (Springfield, MA MSA)
- *HAPHousing* – This organization provides affordable and safe housing for low- and moderate-income individuals. Efforts include eliminating homelessness, increasing the supply of stable, affordable housing, and helping people buy their first homes. (Springfield, MA MSA)
- *Bridge Over Troubled Waters* – Since 1970, this organization provides shelter and basic needs for homeless youth. (Boston, MA CSA)
- *Rescue Mission of Syracuse* – This organization provides emergency shelter and low-income permanent supportive housing for homeless individuals. (Syracuse, NY MSA)
- *Community Loan Fund of the Greater Capital Region* – Founded in 1985 as Capital District Community Loan Fund, the Community Loan Fund strengthens low-income neighborhoods by lending money to local nonprofit organizations and small businesses with limited access to traditional financing. (Albany, NY CSA)

- *Regional Food Bank of Northeastern New York* – The Regional Food Bank of Northeastern NY works to alleviate hunger and prevent food waste. It collects large donations of food from the food industry for distribution to charitable agencies feeding hungry people in northeastern NY. (Albany, NY CSA and NY Non-MSA Area)
- *HomeOwnership Center (HOC)* – This organization promotes revitalization and stabilization activities in low- and moderate-income geographies in central NY. First established in 1979 to serve Utica’s distressed and historic Cornhill neighborhood, HOC today serves households and families from a much larger area, including Oneida, Herkimer, Madison, Fulton, Montgomery, and Otsego Counties. (NY Non-MSA Area)
- *Burr and Burton Academy* – The bank donated to the Student Success Program at Burr and Burton Academy in Manchester, VT. The program helps low-income students develop college and career readiness skills, character, and a sense of purpose. (VT Non-MSA Area)

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community economic development needs. During the current evaluation period, the bank made several investments in the form of Historic Tax Credits (HTCs) to help rehabilitate underutilized or vacant buildings in distressed urban areas throughout the combined assessment area. These investments are responsive to the revitalization initiatives and plans set forth by the respective local and regional governments.

The bank purchased several MBS during the evaluation period that help promote affordable housing. Although a common investment vehicle, the bank’s investments into the MBS are responsive, as the majority of underlying mortgages were made to low- and moderate-income borrowers located throughout the combined assessment area.

The majority of the bank’s qualified investments promoted affordable housing and community services to low- and moderate-income individuals, both of which are key community development needs throughout the combined assessment area.

### **Innovativeness or Complexity of Qualified Investments**

The bank makes significant use of innovative and/or complex investments to support community development initiatives. The bank’s current period investments include HTCs, which are important sources of funding for historical rehabilitation projects that frequently have higher costs, greater design challenges, and have difficulty obtaining traditional private financing. The bank’s purchase of HTCs funded these challenging projects. The bank targeted its HTC investments in projects that revitalize low- or moderate-income urban areas throughout the combined assessment area.

HTCs often consist of partnerships between the bank, government entities, private developers, and nonprofit community development groups, which further supports the complexity of such investments. For several projects, the bank also supplemented its purchase of HTCs with commercial loan financing.

The bank's current period investments also included tax-exempt bonds, including one project involving participation by three banks. This particular tax-exempt bond provided community services to low- and moderate-income individuals, and Berkshire Bank served as the agent bank in this deal.

## **SERVICE TEST**

The Service Test is rated High Satisfactory. The sections below discuss the bank's performance under each criterion. Berkshire Bank's High Satisfactory performance in Massachusetts and Satisfactory performance in New York primarily support the overall rating. The bank's leadership in providing community development services in Massachusetts carried notable weight in determining the overall Service Test rating.

The bank's delivery systems are reasonably accessible to essentially all portions of its assessment areas. To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems particularly in low- and moderate-income geographies or to low- and moderate-income individuals. Services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Additionally, the bank provides a relatively high level of community development services throughout its assessment areas.

## **Accessibility of Delivery Systems**

Berkshire Bank's delivery systems are reasonably accessible to essentially all portions of its assessment areas. Alternative delivery systems supplement the bank's branches. The bank maintains 115 branches and 140 ATMs within the combined assessment area. As displayed in the following table, the branch and ATM distribution is less than the percentage of low-income tracts and population, and is slightly below that of moderate-income tracts and population.

<b>Overall Assessment Area Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	287	13.5	1,014,805	11.3	6	5.2	9	6.4
Moderate	397	18.7	1,676,860	18.7	17	14.8	22	15.7
Middle	825	38.9	3,566,825	39.8	51	44.4	63	45.1
Upper	572	26.9	2,642,235	29.4	39	33.9	44	31.4
NA	40	2.0	59,940	0.8	2	1.7	2	1.4
<b>Total</b>	<b>2,121</b>	<b>100.0</b>	<b>8,960,665</b>	<b>100.0</b>	<b>115</b>	<b>100.0</b>	<b>140</b>	<b>100.0</b>
<i>Source: 2015 ACS and Bank Records</i>								

Included in the 140 ATMs are 25 standalone ATMs that have both deposit taking and/or cash dispensing functions. Berkshire Bank also established seven interactive teller machines (ITMs)

during the evaluation period. ITMs accept deposits, dispense cash, and provide a real time, face-to-face conversation with a Berkshire Bank teller using video chat. ITMs help Berkshire Bank provide and expand services. The bank has MA ITM locations in Boston and Pittsfield; NY ITM locations in Albany, Latham, and Malta; and CT ITM locations in Farmington and Simsbury. Of the seven ITMs, one is in a low-income tract (Pittsfield, MA) and one is in a moderate-income tract (Albany, NY). The bank also offers online banking, mobile banking, and a customer call center as alternative delivery systems.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. The bank opened or acquired 39 branches and closed 15 branches during the evaluation period.

In 2015, the bank acquired 10 branches through the Hampden Bank merger. In the same year, the bank closed eight branches. In 2016, the bank acquired eight branches through the First Choice Bank merger, and closed two branches. In 2017, the bank acquired 16 branches through the Commerce Bank acquisition. In the same year, the bank opened an additional two branches and closed four branches. In 2018, the bank opened three branches and closed one branch.

Of branches opened or acquired during the evaluation period, four were in low-income census tracts and seven were in moderate-income census tracts. Of closed branches, four were in low-income census tracts and two were in moderate-income tracts. In total, the bank maintained the same number of branches in low-income census tracts and added five branches in moderate-income tracts since the prior evaluation.

Three branch closings occurred in areas that are no longer part of the bank's combined assessment area. These include two branch closings in Greene County, NY and one branch closing in Warren County, TN.

Please refer to the *Changes in Branch Locations* sections within the state and individual assessment area sections for further information regarding branch openings and closings, including their effect on low- and moderate-income geographies.

### **Reasonableness of Business Hours and Services**

Berkshire Bank's retail services and business hours do not vary in a way that inconveniences portions of the combined assessment area. All retail branches offer the full range of bank products and services, with the exception of some flexible lending programs offered in partnership with a specific state agency. Branch hours are convenient and comparable to other institutions. There are variations in hours among the 115 branches, although none of the variations reflects a substantial difference. Business hour variations did not negatively affect low- and moderate-income people or geographies. Most branches open Monday through Friday with shortened hours on Saturday. One branch located in a middle-income tract in Pittsfield, MA is open for limited hours on Sunday.

Furthermore, the bank offers community room spaces that consist of a multi-functional room provided expressly for holding meetings, cultural activities, and events that are of interest to the communities. The Community Room program was created to help customers by providing a convenient meeting space. Berkshire Bank offers community room space at 12 NY locations, 7 MA locations, 1 VT location, and 1 CT location. Of these 19 Community Rooms, 3 are in low-income tracts and 3 are in moderate-income tracts.

### **Community Development Services**

The institution provides a relatively high level of community development services. Bank leadership in providing community development services in MA and an adequate level of services in most other states support this conclusion. Berkshire Bank employees contributed nearly 9,000 community service hours during the evaluation period to over 200 organizations. Employees devoted time to community development organizations supporting affordable housing, community services, economic development, neighborhood revitalization and stabilization initiatives, first-time homebuyer seminars, and financial literacy. The following table summarizes community development service hours by purpose and state.

<b>Community Development Services by State</b>					
<b>State</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<i>Hours</i>	<i>Hours</i>	<i>Hours</i>	<i>Hours</i>	<i>Hours</i>
Massachusetts	346	3,609	439	999	5,393
New York	52	2,264	287	50	2,653
Connecticut	0	501	24	0	525
Vermont	20	142	0	0	162
New Jersey	0	180	0	0	180
Pennsylvania	0	7	21	0	28
<b>Totals</b>	<b>418</b>	<b>6,703</b>	<b>771</b>	<b>1,049</b>	<b>8,941</b>
<i>Source: Bank Records</i>					

The following examples highlight noteworthy community development services.

### **Employee Involvement**

- *Elder Services of Merrimack Valley* – This organization serves elders and disabled adults in northeast MA through a variety of support programs. The majority of Elder Services clients are low- or moderate-income. A bank advisory board member oversees federal funds for Elder Services. (Boston, MA CSA)
- *New England Certified Development* – This CDC supports New England businesses with SBA 504 financing and a suite of other lending products, such as lines of credit and down payment assistance. This organization has a primary purpose of economic development. A bank employee serves on the loan committee. (Boston MA, CSA)

- *Junior Achievement* – Bank employees volunteered within the Boston Public Schools to help teach young people job readiness and financial literacy skills. Employees participated in a variety of volunteer activities with Junior Achievement, including job shadow days and teaching in the classrooms about economics, personal finance, and other professional topics. Greater than 50 percent of Boston Public Schools students receive free or reduced-price lunch. (Boston, MA CSA)
- *YWCA of Western Massachusetts* – YWCA serves the Western Massachusetts region providing shelter, support services, and tools for self-sufficiency for women and girls. It offers women counseling, job training, childcare, and health and fitness. The YWCA also offers job training to people ages 16-21 not in school. These programs primarily benefit low- and moderate-income individuals and families. A bank employee serves on the organization's finance committee. (Springfield, MA MSA)
- *Hilltown Community Development Corporation (CDC)* – Hilltown CDC addresses economic, housing, educational, and social needs for low- and moderate-income families within the Springfield, MA MSA. A mortgage lending officer participates on the CDC's Board. (Springfield, MA MSA)
- *New York Business Development Council (NYBDC)* – NYBDC provides loans to small businesses, including start-up, early stage, and mature businesses, with a particular emphasis on minority and women owned businesses. NYBDC has flexible underwriting and often uses participations, SBA guarantees, flexible amortization, and long-term payouts to provide financing not available in the private market. A bank chair serves on the NYBDC Board. (Albany, NY CSA)
- *Voluntary Income Tax Assistance Program (VITA)* – VITA assists low- and moderate-income families, persons with disabilities, and the elderly with preparing their tax returns. IRS-certified volunteers provide free basic income tax return preparation with electronic filing to qualified individuals. Bank employees provided tax assistance through several non-profit organizations and by training volunteers for tax preparation. (Albany, NY CSA)
- *New York Regional Food Bank* – This food bank provides food for organizations serving low- and moderate-income individuals. A senior vice president serves on the Board of Directors. (Albany, NY CSA)
- *Utica Neighborhood Housing Services* – This organization revitalizes low- and moderate-income areas through homebuyer education, housing assistance, and financial coaching. Bank staff provided financial education to low- and moderate-income individuals. (Utica-Rome, NY MSA)
- *HEDCO* – HEDCO serves businesses and non-profit organizations with flexible lending programs, revolving loan funds, and technical assistance throughout Connecticut. A vice president of commercial lending participates on the HEDCO Board and Loan Committee. (Hartford, CT MSA)

- *Black River Good Neighbor Services (BRGN)* – BRGN serves families and individuals in Ludlow, Cavendish, Proctorville, Plymouth, and Mt. Holly, Vermont, all within the VT Non-MSA Area. BRGN includes partnerships with USDA and the State of Vermont. A branch manager serves on BRGN's Board. (VT Non-MSA Area)

## **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.

## STATE OF MASSACHUSETTS

**CRA RATING FOR MASSACHUSETTS: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Investment Test is rated: Outstanding**

**The Service Test is rated: High Satisfactory**

### SCOPE OF EVALUATION

This portion of the evaluation only considers activity within the three MA assessment areas: Boston, MA CSA; Springfield, MA MSA; and Pittsfield, MA MSA. Please refer to the Scope of Evaluation section for information on products reviewed and the review timeframe.

Performance in MA carried the greatest weight among all states in determining the overall rating and conclusions. Of the six states where Berkshire Bank operates, MA accounts for the largest portion of lending, deposits, and branches. Examiners conducted full-scope reviews of each MA assessment area.

Performance in each MA assessment area carried similar weight when determining the overall MA ratings and conclusion. Despite having a similar number of branches, MA assessment areas have significant differences in deposits and loan activity. For example, the Boston, MA CSA contained a significant majority of home mortgage lending despite having the least amount of deposits. The Pittsfield, MA MSA, however, contained a majority of deposits but the least amount of lending. Last, the Springfield, MA MSA contains a fair portion of deposits and the largest share of small business lending. Refer to the individual MA assessment area sections for a detailed description of Berkshire Bank's deposit and lending activity in each area.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

Berkshire Bank designated three assessment areas in MA. This section of the evaluation collectively refers to the three assessment areas as the combined MA assessment area. The bank operates 52 branches in 6 MA counties. The combined MA assessment area comprises 77.3 percent of all assessment area loans, 45.2 percent of bank branches, and 54.0 percent of its total deposits (as of June 30, 2017). The bank offers all products and services discussed in the overall combined assessment area in the combined MA assessment area.

The combined MA assessment area included 1,056 census tracts in 2016. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 136 low-income tracts,
- 222 moderate-income tracts,
- 402 middle-income tracts,
- 280 upper-income tracts, and
- 16 census tracts with no income designation.

The 2015 ACS changed 314 census tract income levels within the combined MA assessment area.

For 2017, the combined MA assessment area census tracts reflect the following income designations:

- 152 low-income tracts,
- 216 moderate-income tracts,
- 367 middle-income tracts,
- 301 upper-income tracts, and
- 20 census tracts with no income designation.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2016 and 2017 FFIEC-updated median family income of the MSA or MD.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Boston, MA MD Median Family Income (14454) – Boston, MA CSA</b>				
2016 (\$90,800)	<\$45,400	\$45,400 to <\$72,640	\$72,640 to <\$108,960	≥\$108,960
2017 (\$94,300)	<\$47,150	\$47,150 to <\$75,440	\$75,440 to <\$113,160	≥\$113,160
<b>Cambridge-Newton-Framingham, MA MD Median Family Income (15764) – Boston, MA CSA</b>				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
<b>Worcester, MA-CT MSA Median Family Income (49340) – Boston, MA CSA</b>				
2016 (\$78,500)	<\$39,250	\$39,250 to <\$62,800	\$62,800 to <\$94,200	≥\$94,200
2017 (\$84,000)	<\$42,000	\$42,000 to <\$67,200	\$67,200 to <\$100,800	≥\$100,800
<b>Pittsfield, MA MSA Median Family Income (38340)</b>				
2016 (\$68,400)	<\$34,200	\$34,200 to <\$54,720	\$54,720 to <\$82,080	≥\$82,080
2017 (\$69,000)	<\$34,500	\$34,500 to <\$55,200	\$55,200 to <\$82,800	≥\$82,800
<b>Springfield, MA MSA Median Family Income (44140)</b>				
2016 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
<i>Source: FFIEC.</i>				

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the unemployment rate was 3.3 percent statewide in MA and 3.9 percent nationwide as of April 2018. The rate varied from a low of 2.6 percent for Middlesex County, to a high of 4.5 percent for Hampden County. Unemployment rates within each county generally decreased throughout the evaluation period. The following table illustrates unemployment rates at the county level for each MA assessment area throughout the evaluation period.

Unemployment Rates				
Geographic Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b><i>Boston, MA CSA</i></b>				
Essex County	4.3	3.6	3.2	3.4
Middlesex County	3.3	2.8	2.5	2.6
Norfolk County	3.5	3.0	2.7	2.9
Suffolk County	3.6	3.1	2.8	2.8
Worcester County	4.3	3.6	3.2	3.5
<b><i>Pittsfield, MA MSA</i></b>				
Berkshire County	5.0	4.3	3.8	4.3
<b><i>Springfield, MA MSA</i></b>				
Hampden County	5.6	4.7	4.1	4.5
Hampshire County	3.8	3.0	2.6	2.9
<b>Massachusetts Statewide</b>	4.1	3.5	3.1	3.3
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

Refer to individual MA assessment area sections for additional economic and demographic data.

### ***Competition***

The combined MA assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 135 financial institutions operating 1,520 full-service branches within the combined MA assessment area. Of these institutions, Berkshire Bank ranked 9<sup>th</sup> with a 1.2 percent deposit market share and 7<sup>th</sup> with a 2.4 percent branch market share. The bank's deposit and branch market share data does not include the deposits and branches associated with its acquisition of Commerce Bank in October 2017.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 668 lenders reported a total of 166,953 residential mortgage loans originated or purchased. Berkshire Bank ranked 20<sup>th</sup> out of this group of lenders, with a market share of 1.1 percent. The three most prominent home mortgage lenders accounted for 12.5 percent of total market share.

There is also a high level of competition for small business loans among banks. In 2016, 191 lenders reported a total of 124,533 small business loans originated or purchased. Berkshire Bank ranked 30<sup>th</sup> out of this group of lenders, with a market share of 0.2 percent. The three most prominent small business lenders accounted for 51.5 percent of total market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MASSACHUSETTS**

### **LENDING TEST**

Berkshire Bank received a Satisfactory rating under the Lending Test for MA. Adequate Lending Test performances in the Boston, MA CSA and Pittsfield, MA MSA primarily support the MA rating. While the bank had good Lending Test performance in the Springfield, MA MSA, it did not carry enough weight to elevate the state rating.

#### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs within MA. The Boston, MA CSA and Springfield, MA MSA assessment areas each had good lending levels, while the Pittsfield, MA MSA had adequate lending levels. The bank's significant home mortgage loan volume in the Boston, MA CSA had the largest impact on this conclusion.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the combined MA assessment area. All three MA assessment areas had adequate geographic distribution for both product types. The only exception occurred with small business lending in the Springfield, MA MSA, which reflected good geographic distribution. Refer to the individual MA assessment area sections for performance details.

#### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the combined MA assessment area. Both the Boston, MA CSA and Pittsfield, MA MSA assessment areas had adequate borrower distributions, while the Springfield, MA MSA assessment area had good borrower distribution. The bank had good or better performance for small business loans in each MA assessment area, but adequate home mortgage lending performance in the Boston, MA CSA and Pittsfield, MA MSA resulted in adequate overall performance for MA.

#### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve MA assessment area credit needs. With the exception of the CBT Tech Loans program, Berkshire Bank offers all flexible lending programs discussed in the overall section in the combined MA assessment area. The bank offers two flexible home mortgage products exclusively in MA: the One Program and the MHFA First-time Homebuyer Program. Please refer to the combined assessment area discussion of *Innovative and Flexible Lending* for applicable loan programs and activity totals.

#### **Community Development Lending**

Berkshire Bank has made an adequate level of community development loans in MA. The bank

made 14 community development loans totaling approximately \$31.8 million within MA. Individual MA assessment area sections discuss noteworthy community development loans and assess their responsiveness to community development needs. Overall, the bank's MA community development loans addressed community service, revitalization, and affordable housing needs. With substantial dollar amounts devoted to each of these purposes, Berkshire Bank's lending adequately responded to the state's community development needs. The following table shows community development lending by MA assessment area and purpose.

<b>Community Development Lending by MA Assessment Area</b>										
<b>Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Boston, MA CSA	2	1,706	2	13,282	0	0	0	0	4	14,988
Pittsfield, MA MSA	1	464	0	0	0	0	0	0	1	464
Springfield, MA MSA	4	3,304	1	140	0	0	2	10,724	7	14,168
Statewide	2	2,165	0	0	0	0	0	0	2	2,165
<b>Total</b>	<b>9</b>	<b>7,639</b>	<b>3</b>	<b>13,422</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>10,724</b>	<b>14</b>	<b>31,785</b>

Source: Bank Records

## **INVESTMENT TEST**

Berkshire Bank received an Outstanding rating in MA under the Investment Test. The excellent level of qualified investments in the Boston, MA CSA, Pittsfield, MA MSA, and statewide support this rating. The following sections address the bank's performance under each criterion.

### **Investment Activity**

The bank made an excellent level of qualified community development investments and grants in MA, often in a leadership position, particularly those that are not routinely provided by private investors. Qualified investments totaled \$71.1 million, which represents 63.4 percent of bank-wide investment activity. Qualified investments include 22 equity investments totaling \$68.4 million and 513 qualified donations totaling \$2.7 million. The following table illustrates qualified investments and donations by MA assessment area and community development purpose.

<b>Qualified Investments by MA Assessment Area</b>										
<b>MA Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Boston, MA CSA	24	63	79	25,077	23	89	2	2,142	128	27,371
Pittsfield, MA MSA	23	430	152	9,410	18	97	11	1,599	204	11,536
Springfield, MA MSA	20	1,496	132	504	23	93	16	864	191	2,957
Statewide	12	29,264	0	0	0	0	0	0	12	29,264
<b>Total Massachusetts</b>	<b>79</b>	<b>31,253</b>	<b>363</b>	<b>34,991</b>	<b>64</b>	<b>279</b>	<b>29</b>	<b>4,605</b>	<b>535</b>	<b>71,128</b>

Source: Bank Records

Statewide activities consisted of equity investments obtained from the Commerce Bank and Hampden Bank acquisitions. The combined assessment area *Investment Activity* section describes some of the qualified investments benefitting the MA statewide area. Individual MA assessment area discussions provide details on investments directly benefitting these areas.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits excellent responsiveness to credit and community economic development needs. Most MA qualified investments promoted community services and affordable housing. Community services benefitting low- and moderate-income individuals represent the primary community development need in MA. Affordable housing investments also addressed a critical need due to the high cost of housing in MA.

### **Community Development Initiatives**

The bank makes significant use of innovative and/or complex investments to support community development initiatives. The bank invested in a variety of investment vehicles including HTCs, CRA-targeted MBS, and equity funds. The combined assessment area discussion of *Community Development Initiatives* comprehensively assesses bank performance under this factor.

## **SERVICE TEST**

Berkshire Bank received a High Satisfactory rating in MA under the Service Test. The bank's good Service Test performances in the Boston, MA CSA and Pittsfield, MA MSA, and excellent Service Test performance in the Springfield, MA MSA support the rating. The following sections discuss the bank's performance in MA under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the combined MA assessment area. The bank operates 52, or 45.2 percent of all branches, in MA assessment areas. Of the 52 branches, 19 are in the Boston, MA CSA, 17 are in the Pittsfield, MA MSA, and 16 are in the Springfield, MA MSA.

The bank also offers alternative systems that effectively deliver retail banking services throughout the assessment areas. For details, please refer to the *Accessibility of Delivery Systems* discussion for the overall combined assessment area.

The following table shows the bank's branches and ATMs by tract income level. The percentage of branches and ATMs in low-income tracts slightly trails the population percentage in these tracts. Similarly, the percentage of MA branches and ATMs in moderate-income tracts is slightly below the population percentage in moderate-income tracts.

MA Assessment Area Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	152	14.4	589,232	12.3	5	9.7	6	9.8
Moderate	216	20.4	986,800	20.5	8	15.4	10	16.4
Middle	367	34.8	1,753,820	36.5	19	36.5	22	36.1
Upper	301	28.5	1,449,730	30.1	19	36.5	22	36.1
NA	20	1.9	30,956	0.6	1	1.9	1	1.6
<b>Total</b>	<b>1,056</b>	<b>100.0</b>	<b>4,810,538</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>61</b>	<b>100.0</b>
<i>Source: 2015 ACS &amp; Bank Records</i>								

### **Changes in Branch Locations**

To the extent changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. The bank opened or acquired 27 branches and closed 5 branches. All five branches closed were in the Springfield, MA MSA, with one in a low-income tract and one in a moderate-income tract. Of the 27 new MA branches, 26 resulted from the Hampden Bank and Commerce Bank acquisitions, including 3 in low-income tracts and 6 in moderate-income tracts. Berkshire Bank also opened a branch in Boston's Financial District. Please refer to separate assessment area sections for information on branches opened in low- and moderate-income tracts.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank is a leader in providing community development services in MA. The table below represents service hours within each MA assessment area. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within MA.

Community Development Services by MA Assessment Area					
MA Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Boston, MA CSA	29	992	16	52	1,089
Pittsfield, MA MSA	99	1,241	111	716	2,167
Springfield, MA MSA	218	1,376	312	231	2,137
<b>Totals</b>	<b>346</b>	<b>3,609</b>	<b>439</b>	<b>999</b>	<b>5,393</b>
<i>Source: Bank Records</i>					

## **BOSTON, MA COMBINED STATISTICAL AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN BOSTON, MA CSA**

This assessment area includes Norfolk and Suffolk Counties in the Boston, MA MD; portions of Essex and Middlesex Counties in the Cambridge-Newton-Framingham, MA MD; and Worcester County in the Worcester, CT-MA MSA. The MDs and MSA are contiguous and part of the larger Boston, MA CSA. The bank operates 19 of its 115 branches in this area. The assessment area accounted for 35.8 percent of total loans (by number), 4.1 percent of total deposits (as of June 30, 2017), and 16.5 percent of branches.

Berkshire Bank significantly expanded its physical presence in the Boston, MA CSA by acquiring Commerce Bank in October 2017, adding 17 branches in Worcester, Suffolk, and Middlesex Counties. The bank previously had just one branch in this assessment area. As noted in the MA statewide section, the bank also opened a branch in Suffolk County in Boston's Financial District.

In addition, the bank operates Berkshire Home Lending (formerly known as Greenpark Mortgage Corporation), a LPO in Woburn, MA that operates as a division of Berkshire Bank. As a result, the bank originates a significant volume of home mortgage loans within the Boston, MA CSA. Home mortgage lending activity in this area far exceeds the proportion of branches and deposits in the area. Although the Commerce Bank acquisition substantially increased the bank's commercial lending focus in the Boston, MA CSA, Berkshire Home Lending activities result in home mortgage lending carrying significantly more weight when determining Lending Test conclusions in this assessment area.

#### ***Demographic and Economic Data***

During 2016, the assessment area included 878 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 113 low-income tracts,
- 192 moderate-income tracts,
- 328 middle-income tracts,
- 231 upper-income tracts, and
- 14 tracts with no income designation.

For 2017, assessment area census tracts reflect the following income designations:

- 125 low-income tracts,
- 190 moderate-income tracts,
- 304 middle-income tracts,
- 243 upper-income tracts, and
- 16 tracts with no income designation.

The following table illustrates select demographic characteristics of the Boston, MA CSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Boston, MA CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	878	14.2	21.6	34.6	27.7	1.8
Population by Geography	4,052,450	12.0	21.6	36.7	29.3	0.3
Housing Units by Geography	1,636,670	11.6	22.1	37.4	28.5	0.3
Owner-Occupied Units by Geography	872,418	4.4	16.4	42.2	36.8	0.1
Occupied Rental Units by Geography	661,586	20.5	29.0	31.8	18.1	0.6
Vacant Units by Geography	102,666	14.6	26.7	32.9	25.2	0.6
Businesses by Geography	286,223	8.8	16.7	34.5	39.2	0.9
Family Distribution by Income Level	946,534	25.0	16.4	19.2	39.4	0.0
Median Family Income - 14454 Boston, MA MD		\$90,699	Median Housing Value			\$380,374
Median Family Income - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Gross Rent			\$1,241
Median Family Income - 49340 Worcester, MA-CT MSA		\$81,137	Families Below Poverty Level			8.6%
Source: 2010 U.S. Census & 2015 ACS and 2017 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 1,636,670 housing units. Of these, 53.3 percent are owner-occupied, 40.4 percent are occupied rental units, and 6.3 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Low percentages of owner-occupied units in low- and moderate-income tracts indicate low owner-occupancy rates, creating significant competition for owner-occupied home mortgage loans in these geographies.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The MA statewide section indicates low-, moderate-, middle, and upper-income categories for this assessment area in the *Median Family Income Ranges* table.

According to 2017 D&B data, there were 286,223 businesses. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. GARs for these businesses are below.

- 83.2 percent have \$1 million or less,
- 7.1 percent have more than \$1 million, and
- 9.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 47.0 percent; followed by retail trade (12.9 percent); finance, insurance and real estate (10.2 percent); and non-classifiable

establishments (8.7 percent). In addition, 69.2 percent of area businesses have four or fewer employees, and 88.4 percent operate from a single location.

The MA statewide section contains unemployment rate information for the assessment area. The following sections discuss 2017 economic conditions and top employers for the MDs and MSA included in the Boston, MA CSA assessment area. Examiners obtained the information from Moody's Analytics.

#### Boston, MA MD

The Boston, MA MD has favorable economic conditions due to growth in technology and a thriving healthcare industry. Employment in Boston's financial sectors reflected strong gains as securities firms accounted for 40 percent of jobs. Boston's housing prices have reached record highs directly attributed to low inventories. According to the Greater Boston Realtors Association, unsold inventory has decreased, and higher interest rates have not lowered demand in the Boston, MA MD. Top employers include Partners HealthCare, University of Massachusetts, Steward Health Care System, and Beth Israel Deaconess Medical Center.

#### Cambridge-Newton-Framingham, MA MD

The Cambridge-Newton-Framingham, MA MD also has favorable economic conditions. The area has a 2.5 percent unemployment rate, and the labor force is growing faster than the national rate. The area relies heavily on the education and high-tech industries for employment. Above-average household incomes are attributed to the higher skilled workforce, contributing to record high housing prices. Single-family and multi-family housing permits for construction or home improvement have declined in 2017, but lower housing inventories have kept house prices and rental rates high. Top employers in the area are Harvard University, Massachusetts Institute of Technology, Biogen IDEC, and Novartis Institute of Biomedical Research.

#### Worcester, MA-CT MSA

The Worcester, MA-CT MSA unemployment rate is continuously declining despite an increase in the labor force. Employers are offering higher wages to fill openings, subsequently increasing incomes of local employees. Further, existing home sales have increased, driving inventories to record lows and encouraging more new construction. Economic strengths in the area include many colleges and universities, a strong concentration in healthcare, low employment volatility, and relatively low living costs for New England. Economic weaknesses include elevated foreclosure rates and high business costs. The largest employers in Worcester include UMass Memorial Health Care, UMass Medical School, Fallon Clinic, and Resilient Medical Group.

#### ***Competition***

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 119 financial institutions operating 1,273 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 69<sup>th</sup> with a 0.2 percent deposit market share and 66<sup>th</sup> with a 0.2 percent branch market share. The bank's deposit and branch market share data does not include deposits and branches acquired from Commerce Bank in October 2017.

There is significant competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 637 lenders reported 148,416 home mortgage loans originated or purchased. Berkshire Bank ranked 23<sup>rd</sup> with a market share of 1.0 percent. The three most prominent home mortgage lenders (Wells Fargo Bank, NA; JPMorgan Chase, NA; and LoanDepot.com, LLC) accounted for 13.0 percent of total market share.

The area also has significant competition for small business loans. In 2016, 184 lenders reported 109,034 small business loans originated. Berkshire Bank ranked 79<sup>th</sup> with a market share under 0.1 percent. The three most prominent small business lenders (American Express, FSB; Citibank, NA; and Bank of America, NA) combined for a 52.2 percent market share.

### ***Credit and Community Development Needs and Opportunities***

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that Boston, MA CSA credit and community development needs are similar to those of many other metropolitan areas. Specifically, Boston and Worcester have affordable housing needs and a high population of low- and moderate-income families, which creates needs and opportunities for community services targeted to low- and moderate-income individuals. These cities also need projects to revitalize and stabilize low- and moderate-income geographies.

Further, assessment area individuals and businesses have several credit needs. In addition to traditional commercial financing, area businesses need smaller dollar loans. High home prices also indicate the need for home mortgage loans with lower costs or down payment assistance.

Demographic disparities in the assessment area convey significant variation in lending and community development needs and opportunities. Needs and opportunities in Boston and Worcester include all community development categories, including economic development and revitalization. Other communities, however, provide significant home mortgage lending opportunities and have more pressing affordable housing needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN BOSTON, MA CSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The bank had adequate or better performance in the Boston, MA CSA for all performance factors.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs within the Boston, MA CSA assessment area.

### ***Home Mortgage Loans***

Berkshire Bank originated 1,506 home mortgage loans totaling \$607.6 million in 2016 and 1,053 home mortgage loans totaling \$459.2 million in 2017. As noted previously, Berkshire Bank

ranked 23<sup>rd</sup> out of 637 institutions that originated or purchased 148,416 home mortgage loans in the assessment area in 2016, which represents a 1.0 percent market share.

### ***Small Business Loans***

The bank originated 29 small business loans totaling \$5.2 million in 2016 and 64 loans totaling \$13.8 million in 2017. Berkshire Bank ranked 79<sup>th</sup> out of 184 CRA-reportable institutions that originated or purchased 109,034 small business loans in the assessment area in 2016, with a market share under 0.1 percent.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's adequate home mortgage and small business lending performances support this conclusion. Notable increases in 2017 lending to low- and moderate-income tracts for both products offset poor comparisons to aggregate lending and demographic data in 2016.

Examiners focused on the percentage by number of loans in low- and moderate-income tracts.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Boston, MA CSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.9	4.6	39	2.6	14,572	2.4
2017	4.4	--	46	4.4	19,633	4.3
Moderate						
2016	15.3	15.3	163	10.8	50,562	8.3
2017	16.4	--	174	16.5	64,722	14.1
Middle						
2016	46.5	45.2	633	42.0	236,581	38.9
2017	42.2	--	314	29.8	115,302	25.1
Upper						
2016	34.2	34.9	671	44.6	305,870	50.3
2017	36.8	--	516	49.0	256,803	55.9
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.1	--	3	0.3	2,737	0.6
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>1,506</b>	<b>100.0</b>	<b>607,585</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>1,053</b>	<b>100.0</b>	<b>459,197</b>	<b>100.0</b>

Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available.  
Due to rounding, totals may not equal 100.0

In 2016, bank lending in low-income census tracts was below aggregate performance and the percentage of owner-occupied housing units. In 2016, the bank ranked 45<sup>th</sup> out of 362 lenders that made loans in low-income census tracts with a 0.6 percent market share. However, both the number and percentage of low-income tract loans increased in 2017, and the bank's lending was consistent with the percentage of owner-occupied units. The increased number of low-income tract loans is notable considering the bank's overall HMDA lending decreased in 2017. This positive trend in 2017 supports the adequate conclusion for this factor.

Similar to low-income tract lending, 2016 bank lending in moderate-income tracts trailed both aggregate performance and the percentage of owner-occupied units. The bank ranked at 35<sup>th</sup> out of 450 lenders that made loans in moderate-income census tracts with a 0.7 percent market share. However, the bank increased the number and percentage of loans in moderate-income tracts in 2017, matching the percentage of owner-occupied units.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Significant 2017 increases in lending to low- and moderate-income tracts

support the adequate conclusion. The following table shows the distribution of small business loans, aggregate lending, and demographic data by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Boston, MA CSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	8.5	7.2	1	3.4	1,000	19.3
2017	8.8	--	7	10.9	300	2.2
Moderate						
2016	15.7	16.0	4	13.8	322	6.2
2017	16.7	--	14	21.9	2,467	17.8
Middle						
2016	38.8	40.6	14	48.3	2,540	48.9
2017	34.5	--	24	37.5	6,759	48.9
Upper						
2016	36.8	36.0	10	34.5	1,331	25.6
2017	39.2	--	19	29.7	4,308	31.1
Not Available						
2016	0.2	0.2	0	0.0	0	0.0
2017	0.9	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>5,193</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>64</b>	<b>100.0</b>	<b>13,834</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

The bank's 2016 performance in low-income census tracts was below aggregate performance and the percentage of businesses in these tracts. The bank's 2017 performance, however, reflects a notable increase in the number and percentage of low-income tract loans. Bank lending at 10.9 percent exceeded the percentage of businesses in such tracts by 2.1 percentage points.

In 2016, the bank's performance in moderate-income census tracts was slightly below aggregate performance and the percentage of businesses. As with low-income tract lending, the bank's moderate-income tract lending in 2017 increased by number and percentage, exceeding the percentage of businesses. The Commerce Bank acquisition in October 2017 resulted in more focus and resources on commercial lending in the Boston, MA CSA.

## **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's adequate home mortgage lending and good small business lending performances support this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1 million or less. Examiners compared the bank's performance to aggregate data and demographics.

### ***Home Mortgage Loans***

The distribution of borrowers reflects adequate penetration among individuals of different income levels, including low- and moderate-income. The following table shows the distribution of bank borrowers, aggregate borrowers, and demographic data by income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Boston, MA CSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	24.0	4.2	42	2.8	6,213	1.0
2017	25.0	--	32	3.0	4,355	0.9
Moderate						
2016	16.6	14.9	197	13.1	45,908	7.6
2017	16.4	--	122	11.6	26,134	5.7
Middle						
2016	20.4	22.8	347	23.0	104,129	17.1
2017	19.2	--	199	18.9	57,922	12.6
Upper						
2016	39.0	44.2	908	60.3	430,331	70.8
2017	39.4	--	697	66.2	369,747	80.5
Not Available						
2016	0.0	13.9	12	0.8	21,004	3.5
2017	0.0	--	3	0.3	1,039	0.2
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>1,506</b>	<b>100.0</b>	<b>607,585</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>1,053</b>	<b>100.0</b>	<b>459,197</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS ; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's lending to low-income borrowers was below aggregate lending and significantly trailed the percentage of low-income families. Examiner took into consideration impacts on loan demand from low-income families. A low-income family in the Boston, MA

CSA earned at most \$52,399 annually and would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$380,374. In 2017, the percentage of bank loans to low-income borrowers was similar, but the number decreased. Despite trailing aggregate lending in 2016, bank performance is adequate based on market rank and the high cost of housing in the Boston, MA CSA. In addition, the assessment area's significant competition mitigates bank performance. In 2016, the bank ranked 32<sup>nd</sup> out of 333 lenders that made loans to low-income borrowers, with a 0.7 percent market share.

For moderate-income borrowers, the bank's 2016 lending was slightly below aggregate performance and the percentage of moderate-income families. Moderate-income borrower lending decreased in 2017, falling further below the demographic comparator. However, the bank ranked 29<sup>th</sup> out of 418 lenders that made loans to moderate-income borrowers, with a 0.9 percent market share. The bank's market rank in light of significant competition supports the adequate conclusion.

### ***Small Business Loans***

The distribution of borrowers reflects good penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Boston, MA CSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2016	82.9	44.7	19	65.5	1,681	32.4
2017	83.2	--	43	67.2	3,638	26.3
<b>&gt;1,000,000</b>						
2016	7.3	--	10	34.5	3,512	67.6
2017	7.1	--	20	31.3	9,196	66.5
<b>Revenue Not Available</b>						
2016	9.8	--	0	0.0	0	0.0
2017	9.7	--	1	1.6	1,000	7.2
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>29</b>	<b>100.0</b>	<b>5,193</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>64</b>	<b>100.0</b>	<b>13,834</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, bank lending to businesses with GARs of \$1 million or less exceeded aggregate performance by 20.8 percentage points, but was below the percentage of businesses in this category. Bank lending to businesses with GARs of \$1 million remained stable in 2017. Market share data further supports the bank's good performance. In 2016, the bank ranked 43<sup>rd</sup> out of

115 lenders that made loans to businesses with GARs of \$1 million or less with a 0.1 percent market share. This rank exceeded Berkshire Bank's overall rank of 79<sup>th</sup>.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of the CBT Tech Loans program, all innovative and flexible lending programs discussed in the overall combined assessment area are offered in the Boston, MA CSA assessment area.

### **Community Development Lending**

Berkshire Bank made an adequate level of community development loans within its Boston, MA CSA assessment area. The bank made four community development loans totaling \$15.0 million that specifically benefited this area. The following table shows community development lending by activity year and purpose.

<b>Community Development Lending Assessment Area: Boston, MA CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2015	1	576	2	13,282	0	0	0	0	3	13,858
2016	0	0	0	0	0	0	0	0	0	0
2017	1	1,130	0	0	0	0	0	0	1	1,130
YTD 2018	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>2</b>	<b>1,706</b>	<b>2</b>	<b>13,282</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>14,988</b>
<i>Source: Bank Records</i>										

Summarized below are notable examples of the bank's community development loans.

- In 2015, the bank made two loans totaling \$13.3 million to renovate and expand a nursing facility located in a low-income census tract in Worcester County, MA. The majority of the facility's income, 77.9 percent, is received from Medicaid. Medicaid is a federal and state program that helps with medical costs for low-income people. The loan supports community services for low-income residents in the area.
- In 2017, the bank originated a \$1.1 million loan to improve a 39-unit apartment building in a moderate-income census tract in Suffolk County, MA. All units have rents below Suffolk County's fair market rent as established by U.S. Department of Housing and Urban Development (HUD). The loan supports affordable housing for low- and moderate-income individuals.

## **INVESTMENT TEST**

Berkshire Bank demonstrated excellent Investment Test performance in the Boston, MA CSA.

### **Investment Activity**

The bank made an excellent level of qualified community development investments within the Boston MA CSA. Qualified investments totaled \$27.4 million, which includes three current period equity investments totaling \$27.0 million and 125 qualified donations totaling \$393,796. The following table illustrates the bank's activity in this assessment area by year and community development purpose.

<b>Qualified Investments – Boston, MA CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0
2015	0	0	1	12,838	0	0	0	0	1	12,838
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	1	12,000	0	0	1	2,139	2	14,139
YTD 2018	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>24,838</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>2,139</b>	<b>3</b>	<b>26,977</b>
Qualified Grants & Donations	24	63	77	239	23	89	1	3	125	394
<b>Total</b>	<b>24</b>	<b>63</b>	<b>79</b>	<b>25,077</b>	<b>23</b>	<b>89</b>	<b>2</b>	<b>2,142</b>	<b>128</b>	<b>27,371</b>
<i>Source: Bank Records</i>										

Summarized below are examples of qualified investments within the Boston, MA CSA.

- In 2017, the bank invested as part of a participation in Massachusetts Development Finance Agency Revenue Bonds to fund the acquisition of a skilled nursing facility in Jamaica Plain, MA. The facility primarily serves low- and moderate-income individuals. Berkshire Bank served as the agent bank on the participation, holding \$12.0 million and participating the remaining \$6.0 million to two other banks.
- In 2017, Berkshire Bank invested \$2.1 million in HTCs for the rehabilitation of a historic building located in a moderate-income tract in Malden, MA. The project's lead developer is a charitable organization serving low-income individuals in the Greater Boston area. The project will help revitalize and stabilize the moderate-income tract by creating 60 permanent jobs, of which 30 will be full-time.

- In 2015, Berkshire Bank invested \$12.8 million in Massachusetts Development Finance Agency Revenue Bonds to fund the purchase of a skilled nursing facility in West Brookfield, MA. The facility primarily serves low- and moderate-income individuals.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits excellent responsiveness to credit and community economic development needs. The bank's three current period equity investments provided housing and medical care to low- and moderate-income seniors. A community contact identified the low-income elderly population as a group with significant needs.

### **Community Development Initiatives**

The bank makes significant use of innovative and/or complex investments to support community economic development initiatives. The bank served as the agent bank for the purchase of Massachusetts Development Finance Agency Revenue Bonds and participated out a portion of the bonds to two other banks. These tax-exempt bonds provide the skilled nursing facilities an alternative to mainstream loan financing.

### **SERVICE TEST**

Berkshire Bank exhibited good performance under the Service Test in the Boston, MA CSA.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institutions assessment area. The bank operates 19 branches within the Boston, MA CSA. There is one branch in a low-income tract in Boston and five branches in moderate-income tracts. The remaining branches are in middle- and upper-income tracts.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. Since the previous CRA evaluation, this assessment area experienced the most growth in branch presence primarily due to the acquisition of Commerce Bank. In 2017, Berkshire Bank acquired 16 branches from Commerce Bank, of which 1 was located in a low-income tract, 5 are located in moderate-income tracts, 7 in middle-income tracts, and 3 in upper-income tracts. In addition, the bank opened one branch in 2017 in an upper-income tract. No branches were closed in the Boston, MA CSA during the evaluation period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides a relatively high level of community development services in the assessment area. Berkshire Bank employees devoted 1,089 hours to community development services during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of service activity within the Boston, MA CSA.

<b>Community Development Services – Boston, MA CSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	0	77	0	0	77
2016	0	244	3	0	247
2017	28	216	13	0	256
1/1/2018 - 7/11/2018	1	456	0	52	509
<b>Totals</b>	<b>29</b>	<b>992</b>	<b>16</b>	<b>52</b>	<b>1,089</b>
<i>Source: Bank Records</i>					

## **PITTSFIELD, MA METROPOLITAN STATISTICAL AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN PITTSFIELD, MA MSA**

This assessment area includes Berkshire County, which encompasses the entire Pittsfield, MA MSA. The bank operates 17 of its 115 branches in this assessment area, and it accounted for 5.6 percent of total loans (by number), 33.0 percent of total deposits (as of June 30, 2017), and 14.8 percent of the bank's branches.

During 2016, the assessment area included 39 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 1 low-income tract,
- 4 moderate-income tracts,
- 26 middle-income tracts, and
- 8 upper-income tracts.

For 2017, assessment area census tracts reflect the following income designations:

- 3 low-income tracts,
- 4 moderate-income tracts,
- 20 middle-income tracts, and
- 12 upper-income tracts.

The following table illustrates select demographic characteristics of the Pittsfield, MA MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Pittsfield, MA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	7.7	10.3	51.3	30.8	0.0
Population by Geography	129,288	8.4	11.4	50.5	29.7	0.0
Housing Units by Geography	68,385	9.0	10.7	50.5	29.8	0.0
Owner-Occupied Units by Geography	37,899	3.1	10.2	55.5	31.2	0.0
Occupied Rental Units by Geography	17,341	23.9	15.9	40.3	19.9	0.0
Vacant Units by Geography	13,145	6.1	5.5	49.8	38.6	0.0
Businesses by Geography	9,477	12.5	6.9	43.1	37.4	0.0
Family Distribution by Income Level	33,021	21.3	17.6	20.5	40.6	0.0
Median Family Income - 38340 Pittsfield, MA MSA		\$66,604	Median Housing Value			\$227,590
Families Below Poverty Level		9.7%	Median Gross Rent			\$771
Source: 2010 U.S. Census & 2015 ACS and 2017 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 68,385 housing units. Of these, 55.4 percent are owner-occupied, 25.4 percent are occupied rental units, and 19.2 percent are vacant. The low percentage of owner-occupied housing units in low-income tracts increases competition for owner-occupied home mortgage loans. The MA statewide section indicates low-, moderate-, middle, and upper-income categories for this assessment area in the *Median Family Income Ranges* table.

According to 2017 D&B data, the area's 9,477 businesses had the following GAR levels.

- 81.5 percent have \$1 million or less,
- 6.3 percent have more than \$1 million, and
- 12.2 percent have unknown revenues.

Service industries represent the largest portion of businesses at 44.6 percent; followed by retail trade (15.9 percent); construction (9.1 percent); and finance, insurance and real estate (7.6 percent). In addition, 68.3 percent of area businesses have four or fewer employees, and 86.6 percent operate from a single location. According to Moody's Analytics, the largest employers in Berkshire County are Berkshire Health Systems; General Dynamics Advanced Info Systems; B. Mango and Bird Shops; Berkshire Bank; Canyon Ranch; and Jiminy Peak Mountain Resort. Combined, these employers employ more than 9,000 individuals. Unemployment rates in Berkshire County during the evaluation period were above MA unemployment rates but below national averages

### ***Competition***

The assessment area is moderately competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2017, there were 10 financial institutions operating 60 full-service branches within the assessment area. Of these institutions, Berkshire

Bank ranked 1<sup>st</sup> with a 53.3 percent deposit market share and 1<sup>st</sup> with a 30.0 percent branch market share.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 182 lenders reported 3,168 home mortgage loans originated or purchased. Berkshire Bank ranked 7<sup>th</sup> with a market share of 3.6 percent. The three most prominent home mortgage lenders (Greylock Federal Credit Union, Adams Community Bank, and Lee Bank) accounted for 39.4 percent of total market share.

There is a moderate level of competition for small business loans among banks. In 2016, 61 lenders reported 2,485 small business loans originated or purchased. Berkshire Bank ranked 7<sup>th</sup> with a market share of 4.2 percent. The three most prominent small business lenders (American Express, FSB; Citibank, NA; and US Bank, NA) accounted for 49.3 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and economic development represent significant community development needs. In addition, there is an increased need for community and housing-related services for low- and moderate-income individuals and the elderly. Opportunities exist for banks to address these credit and community development needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN PITTSFIELD, MA MSA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. The bank had adequate or better performance in the Pittsfield, MA MSA for all factors except for community development lending.

### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs. During the review period, the bank originated 416 home mortgage and small business loans totaling \$68.7 million. In 2016, Berkshire Bank originated 114 home mortgage loans totaling \$23.0 million. In 2017, home mortgage lending remained stable with 98 home mortgage loans totaling \$19.3 million. The volume of small business lending was similar with 105 originations totaling \$11.4 million in 2016 and 99 originations totaling \$15.1 million in 2017.

As noted previously, Berkshire Bank ranked 7<sup>th</sup> out of 182 institutions that originated or purchased 3,168 home mortgage loans in the assessment area in 2016. The bank had a 3.6 percent market share. Berkshire Bank ranked 7<sup>th</sup> out of 61 CRA-reporting institutions in the assessment area in 2016, with a 4.2 percent market share.

## **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's adequate home mortgage and small business lending performances support this conclusion.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Pittsfield, MA MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	0.6	0.5	0	0.0	0	0.0
2017	3.1	--	5	5.1	504	2.6
Moderate						
2016	6.9	6.7	5	4.4	658	2.9
2017	10.2	--	6	6.1	607	3.2
Middle						
2016	69.5	69.3	80	70.2	17,465	76.0
2017	55.5	--	48	49.0	8,571	44.5
Upper						
2016	22.9	23.5	29	25.4	4,847	21.1
2017	31.2	--	39	39.8	9,581	49.7
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>22,970</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>98</b>	<b>100.0</b>	<b>19,263</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank did not originate any home mortgage loans in the single low-income census tract. Twelve lenders originated or purchased only 17 loans in this tract. In 2017, the bank originated five loans in the assessment area's three low-income census tracts. The bank's percentage exceeded the percentage of owner-occupied housing units.

In 2016, the bank's lending in moderate-income tracts was slightly below aggregate performance and the percentage of owner-occupied units. The bank ranked 11<sup>th</sup> out of 41 lenders that made loans in moderate-income census tracts with a 2.4 percent market share. The bank's performance in moderate-income tracts increased slightly in 2017, but fell further below the percentage of owner-occupied units.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Pittsfield, MA MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	8.1	7.5	11	10.5	846	7.4
2017	12.5	--	8	8.1	570	3.8
Moderate						
2016	7.7	6.4	7	6.7	2,499	22.0
2017	6.9	--	8	8.1	1,139	7.6
Middle						
2016	62.9	62.1	64	61.0	5,718	50.3
2017	43.1	--	45	45.5	7,834	52.0
Upper						
2016	21.3	23.9	23	21.9	2,302	20.3
2017	37.4	--	38	38.4	5,520	36.6
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>11,365</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>99</b>	<b>100.0</b>	<b>15,063</b>	<b>100.0</b>
<i>Source: 2016 &amp; 2017 D&amp;B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, bank lending in the low-income census tract exceeded aggregate performance and the percentage of businesses. Berkshire Bank ranked 6<sup>th</sup> out of 18 lenders with a 6.2 percent market share. Bank lending decreased in 2017, falling below the percentage of businesses in low-income tracts.

Bank performance in moderate-income census tracts was similar to aggregate performance and slightly below the percentage of businesses. Berkshire Bank ranked 7<sup>th</sup> out of 22 lenders that made loans in moderate-income tracts with a 4.6 percent market share. In 2017, the bank lending exceeded the percentage of businesses in moderate-income tracts.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's adequate performance of home mortgage lending supports this conclusion. Although Berkshire Bank had

good lending penetration to businesses with GARs of \$1 million or less, it was not strong enough to impact the overall conclusion.

### ***Home Mortgage Loans***

The distribution of loans to individuals of different income levels, including low- and moderate-income, is adequate. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Pittsfield, MA MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	21.8	8.0	5	4.4	246	1.1
2017	21.3	--	6	6.1	439	2.3
Moderate						
2016	17.0	16.7	13	11.4	1,276	5.6
2017	17.6	--	24	24.5	2,707	14.1
Middle						
2016	22.6	18.8	23	20.2	2,732	11.9
2017	20.5	--	14	14.3	1,777	9.2
Upper						
2016	38.6	42.2	71	62.3	18,382	80.0
2017	40.6	--	48	49.0	12,135	63.0
Not Available						
2016	0.0	14.3	2	1.8	334	1.5
2017	0.0	--	6	6.1	2,205	11.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>114</b>	<b>100.0</b>	<b>22,970</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>98</b>	<b>100.0</b>	<b>19,263</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance to low-income borrowers was below aggregate performance and the percentage of low-income families. To better understand the bank's 2016 performance, examiners considered affordability issues impacting low-income families. A low-income family in the Pittsfield, MA MSA earned \$34,500 at most, and would have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$227,590. Further, the bank ranked 9<sup>th</sup> out of 25 lenders that made loans to low-income borrowers with a 2.0 percent market share. The bank slightly increased its number and percentage of loans to low-income borrowers in 2017.

Bank lending to moderate-income borrowers trailed the aggregate performance and percentage of moderate-income families. The bank ranked 12<sup>th</sup> out of 49 lenders that made loans to moderate-income borrowers with a 2.5 percent market share. In 2017, the bank's performance to moderate-income borrowers significantly increased to 24.5 percent, exceeding the percentage of moderate-income families by 6.9 percentage points. This significant increase in moderate-income lending was a significant factor in arriving at the criterion's adequate rating.

### ***Small Business Loans***

The distribution of borrowers reflects good penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Pittsfield, MA MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2016	81.7	49.4	77	73.3	6,136	54.0
2017	81.5	--	72	72.7	6,160	40.9
<b>&gt;1,000,000</b>						
2016	6.2	--	28	26.7	5,229	46.0
2017	6.3	--	26	26.3	8,804	58.4
<b>Revenue Not Available</b>						
2016	12.1	--	0	0.0	0	0.0
2017	12.2	--	1	1.0	99	0.7
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>105</b>	<b>100.0</b>	<b>11,365</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>99</b>	<b>100.0</b>	<b>15,063</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's lending performance to businesses with GARs of \$1 million or less at 73.3 percent exceeded aggregate performance and was below the percentage of businesses. In 2017, the bank's performance remained stable at 72.7 percent, but remained below the percentage of businesses. Market share data further supported the bank's good performance. In 2016, the bank ranked 5<sup>th</sup> out of 28 lenders that made loans to businesses with GARs of \$1 million or less with a 6.4 percent market share. This market ranking is slightly above the bank's overall market rank of 7<sup>th</sup> with a 4.2 percent market share in 2016.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of the CBT Tech Loans program, all of the innovative and flexible

lending programs discussed in the overall combined assessment area are offered in the Pittsfield, MA MSA assessment area.

### **Community Development Lending**

Berkshire Bank has made a low level of community development loans within its Pittsfield, MA MSA assessment area. During the evaluation period, the bank originated one community development loan that supported affordable housing for \$464,000 in 2017.

### **INVESTMENT TEST**

Berkshire Bank demonstrated excellent performance under the Investment Test in the Pittsfield, MA MSA.

### **Investment Activity**

The bank made an excellent level of qualified community development investments. Qualified investments totaled \$11.5 million and included \$10.0 million in equity investments and \$1.5 million in qualified donations. The bank's qualified donations in this area represent 38.2 percent of total qualified donations made by the bank during the evaluation period. The following table illustrates assessment area qualified investments by year and community development purpose.

<b>Qualified Investments – Pittsfield, MA MSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	2	270	1	8,294	0	0	0	0	3	8,564
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	1	1,461	1	1,461
2017	0	0	0	0	0	0	0	0	0	0
YTD2018	0	0	0	0	0	0	0	0	0	0
<b>Subtotal</b>	<b>2</b>	<b>270</b>	<b>1</b>	<b>8,294</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>1,461</b>	<b>4</b>	<b>10,025</b>
Qualified Grants & Donations	21	160	151	1,116	18	97	10	138	200	1,511
<b>Total</b>	<b>23</b>	<b>430</b>	<b>152</b>	<b>9,410</b>	<b>18</b>	<b>97</b>	<b>11</b>	<b>1,599</b>	<b>204</b>	<b>11,536</b>
<i>Source: Bank Records</i>										

The following are examples of the bank's qualified investments in this area.

### *Prior Period Investments*

- The bank maintains investments in a fund that provides first mortgages to low- and moderate-income first-time homebuyers. The loans are for amounts up to 80 percent of the property value and provide below-market interest rates. The current book value of this investment is \$179,625.
- The bank invested in a local housing corporation, which brings together the necessary expertise and financial resources to address affordable housing and downtown revitalization needs in Berkshire County. The current book value of this investment is \$90,300.
- The bank maintains its investment in a non-profit organization that provides a comprehensive range of health, education, and social services for the elderly in Berkshire County. The organization provides services primarily to low- and moderate-income people. The current book value totals \$8.3 million.

### *Current Period Investments*

- In 2016, Berkshire Bank purchased HTCs totaling \$1.5 million for rehabilitating a mixed-use building in a Pittsfield, MA low-income tract. The project converted the property into residential units and retail storefront space to attract new residents and businesses to the downtown area. The project is within the Pittsfield Urban Center Revitalization Area and has been designated by the city as a priority redevelopment project.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits excellent responsiveness to credit and community economic development needs. The bank's prior period investments promote affordable housing and community services to low- and moderate-income seniors, both which are considered community development needs as identified by the community contact. The bank's current period investment is responsive to the revitalization plan set forth by the City of Pittsfield.

### **Community Development Initiatives**

The bank makes significant use of innovative and/or complex investments to support community development initiatives. The bank continues to hold investments in housing funds and bonds from prior periods, and the current period investment in HTCs helps raise equity funding for the development of a mixed-use building located in a low-income tract.

### **SERVICE TEST**

Berkshire Bank demonstrated good performance under the Service Test in the Pittsfield, MA MSA.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. The bank operates 17 branches within the Pittsfield, MA MSA. There are two branches in low-income tracts and no branches in moderate-income tracts. The remaining branches are in middle- and upper-income geographies.

### **Changes in Branch Locations**

There were no branch changes in this assessment area.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank is a leader in providing community development services. The bank provided 2,166 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the Pittsfield, MA MSA.

<b>Community Development Services – Pittsfield, MA MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	27	149	81	275	532
2016	51	360	0	255	666
2017	13	594	16	186	809
1/1/2018 - 7/11/2018	7	138	14	0	159
<b>Totals</b>	<b>99</b>	<b>1,241</b>	<b>111</b>	<b>716</b>	<b>2,166</b>
<i>Source: Bank Records</i>					

## **SPRINGFIELD, MA METROPOLITAN STATISTICAL AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN SPRINGFIELD, MA MSA**

This assessment area includes Hampden and Hampshire Counties, which encompass the entire Springfield, MA MSA 44140. The bank operates 16 of its 115 branches in this assessment area. This assessment area accounted for 8.7 percent of total loans (by number), 17.0 percent of total deposits (as of June 30, 2017), and 13.9 percent of the bank's branches.

During 2016, the assessment area included 139 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 22 low-income tract,
- 26 moderate-income tracts,
- 48 middle-income tracts,
- 41 upper-income tracts, and
- 2 tracts with no income designation.

For 2017, the assessment area tracts reflect the following income designations:

- 24 low-income tracts,
- 22 moderate-income tracts,
- 43 middle-income tracts,
- 46 upper-income tracts, and
- 4 tracts with no income designation.

The following table illustrates select demographic characteristics of the Springfield, MA MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Springfield, MA MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	17.3	15.8	30.9	33.1	2.9
Population by Geography	628,800	14.3	15.3	31.8	35.7	2.9
Housing Units by Geography	254,960	14.1	16.0	34.5	35.2	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	36.2	46.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.4	17.9	0.3
Vacant Units by Geography	19,429	20.9	20.7	31.2	26.8	0.4
Businesses by Geography	35,634	14.3	15.3	29.5	40.0	0.9
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Median Family Income - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$209,221
Families Below Poverty Level		12.0%	Median Gross Rent			\$856
Source: 2010 U.S. Census & 2015 ACS and 2017 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 254,960 housing units. Of these, 57.9 percent are owner-occupied, 34.5 percent are occupied rental units, and 7.6 percent are vacant. As in other MA assessment areas, low owner-occupancy rates in low- and moderate-income tracts lead to significant competition for a small market of owner-occupied mortgage lending in these geographies. The MA statewide section indicates low-, moderate-, middle, and upper-income categories for this assessment area in the *Median Family Income Ranges* table.

According to 2017 D&B data, there were 35,634 businesses with GARs as follows.

- 81.8 percent have \$1 million or less,
- 6.4 percent have more than \$1 million, and
- 11.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 45.8 percent; followed by retail trade (14.7 percent); finance, insurance and real estate (8.8 percent); and construction (8.3 percent). In addition, 69.3 percent of area businesses have four or fewer employees, and 86.8 percent operate from a single location. These particularly small businesses may use alternative financing, such as home-secured or credit card loans, to fund business operations.

According to Moody's Analytics, the top employers in the Springfield, MA MSA are University of Massachusetts, Baystate Health, Big Y Supermarkets, and Westover Air Reserve Base. Moody's also indicated that the Springfield, MA housing market is weak but improving, home price appreciation is accelerating, and residential building is increasing. Data from the U.S. Bureau of Labor Statistics indicates that 2017 unemployment rates were 5.0 percent and 3.4 percent for Hampden County and Hampshire County, respectively. The Hampden County unemployment rate exceeded the statewide unemployment rate of 3.7 percent. Unemployment rates decreased since the prior evaluation, reflecting an improving economy.

### ***Competition***

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 20 financial institutions operating 192 full-service branches within the assessment area. Berkshire Bank ranked 5<sup>th</sup> with a 7.8 percent deposit market share and a 8.3 percent branch market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 334 lenders reported 15,369 home mortgage loans originated or purchased. Berkshire Bank ranked 22<sup>nd</sup> with a market share of 1.5 percent. The three most prominent home mortgage lenders (Wells Fargo Bank, NA; Quicken Loans; and Merrimack Mortgage Company, LLC) accounted for 13.0 percent of total market share.

There is a moderate level of competition for small business loans among banks. In 2016, 79 lenders reported 13,014 small business loans originated or purchased. Berkshire Bank ranked 16<sup>th</sup> with a 1.1 percent market share. The three most prominent small business lenders (Citibank, NA; American Express, FSB; and Barrington Bank and Trust) accounted for 48.5 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and community service support for low- and moderate-income individuals represent the primary community development needs of the assessment area. Opportunities exist, particularly in Springfield and Holyoke, to support affordable housing and community services support through lending, investments, and services. These cities contain a high number of low- and moderate-income areas and individuals.

Credit products for first-time homebuyers and products that target low- and moderate-income borrowers are a credit need in the area. In particular, residential loan products with low down payment requirements are a primary credit need. Such products allow low- and moderate-income individuals to purchase affordable homes while retaining funds to make critical repairs often required in affordable homes.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN SPRINGFIELD, MA MSA**

### **LENDING TEST**

Berkshire Bank demonstrated good performance under the Lending Test in this assessment area. The bank had good or better performance in the Springfield, MA MSA for all factors except for geographic distribution.

### **Lending Activity**

The bank's lending levels reflect good responsiveness to assessment area credit needs within the Springfield, MA MSA assessment area. During the review period, the bank originated 643 home mortgage and small business loans totaling \$100.6 million. In 2016, Berkshire Bank originated

227 home mortgage loans totaling \$40.7 million within the Springfield, MA MSA assessment area. In 2017, home mortgage lending slightly declined to 183 home mortgage loans totaling \$32.4 million. The volume of small business lending was less with 145 originations totaling \$15.2 million in 2016 and 88 originations totaling \$12.3 million in 2017.

As noted previously, Berkshire Bank ranked 22<sup>nd</sup> out of 334 institutions for home mortgage loans with a 1.5 percent market share in the Springfield, MA MSA. The bank ranked 16<sup>th</sup> out of 79 CRA-reportable institutions that originated or purchased 13,014 small business loans in the assessment area in 2016, with a 1.1 percent market share.

### **Geographic Distribution**

Geographic distribution of loans reflects adequate penetration throughout the assessment area.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	3.3	3.3	8	3.5	1,339	3.3
2017	4.7	--	9	4.9	2,230	6.9
Moderate						
2016	15.4	15.2	27	11.9	3,466	8.5
2017	12.4	--	22	12.0	2,386	7.4
Middle						
2016	41.4	40.6	78	34.4	11,442	28.1
2017	36.2	--	49	26.8	7,648	23.6
Upper						
2016	40.0	41.0	114	50.2	24,404	60.0
2017	46.6	--	103	56.3	20,164	62.2
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>227</b>	<b>100.0</b>	<b>40,651</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>183</b>	<b>100.0</b>	<b>32,428</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, lending in low-income census tracts at 3.5 percent was similar to aggregate performance and the percentage of owner-occupied units. The bank ranked 24<sup>th</sup> out of 101 lenders that made

loans in these tracts, with a 1.6 percent market share. In 2017, the bank's performance in low-income census tracts was again similar to the percentage of owner-occupied housing units.

In 2016, the bank's performance in moderate-income census tracts was below aggregate performance and the percentage of owner-occupied housing units. The bank ranked 28<sup>th</sup> out of 169 lenders that made loans in moderate-income census tracts, with a 1.2 percent market share. In 2017, the bank's performance in moderate-income census tracts at 12.0 percent was similar to the percentage of owner-occupied housing units.

### ***Small Business Loans***

The geographic distribution of small business loans reflects good penetration throughout the assessment area. Strong lending in the low-income tracts support this conclusion. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	14.0	11.5	20	13.8	2,270	15.0
2017	14.3	--	21	23.9	2,281	18.5
Moderate						
2016	17.5	15.1	21	14.5	2,616	17.3
2017	15.3	--	10	11.4	1,065	8.6
Middle						
2016	34.0	35.6	64	44.1	6,182	40.8
2017	29.5	--	22	25.0	2,173	17.6
Upper						
2016	34.3	37.6	40	27.6	4,087	27.0
2017	40.0	--	35	39.8	6,817	55.3
Not Available						
2016	0.3	0.2	0	0.0	0	0.0
2017	0.9	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>	<b>15,155</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>88</b>	<b>100.0</b>	<b>12,336</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance in low-income census tracts exceeded aggregate performance and was similar to the percentage of businesses. The bank ranked 16<sup>th</sup> out of 53 lenders that

made loans in low-income census tracts, with a 1.4 percent market share. In 2017, the bank's performance in low-income census tracts at 23.9 percent exceeded the percentage of businesses in such tracts by 9.6 percentage points.

In 2016, the bank's performance in moderate-income tracts was slightly below aggregate performance and below the percentage of businesses. The bank ranked 16<sup>th</sup> out of 61 lenders that made loans in moderate-income tracts, with a 1.1 percent market share. In 2017, the bank's performance in moderate-income census tracts was again below the percentage of businesses.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes. The bank's good home mortgage lending performance and excellent small business lending performance support this conclusion.

#### ***Home Mortgage Loans***

The distribution of borrowers reflects good penetration among individuals of different income levels. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Springfield, MA MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.6	5.5	21	9.3	1,928	4.7
2017	24.7	--	10	5.5	732	2.3
Moderate						
2016	16.1	19.2	41	18.1	4,885	12.0
2017	15.7	--	44	24.0	5,476	16.9
Middle						
2016	19.1	23.2	61	26.9	10,128	24.9
2017	17.9	--	40	21.9	6,309	19.5
Upper						
2016	41.2	37.1	98	43.2	21,926	53.9
2017	41.8	--	86	47.0	18,234	56.2
Not Available						
2016	0.0	15.1	6	2.6	1,784	4.4
2017	0.0	--	3	1.6	1,677	5.2
Totals						
2016	100.0	100.0	227	100.0	40,651	100.0
2017	100.0	--	183	100.0	32,428	100.0
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance to low-income borrowers exceeded aggregate performance, but was below the percentage of low-income families. The bank ranked 12<sup>th</sup> out of 119 lenders that made loans to low-income borrowers, with a 2.5 percent market share. In 2017, low-income borrower lending decreased and was again below the percentage of low-income families. However, a low-income family in the Springfield, MA MSA earned less than \$34,000 and would have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$209,221.

In 2016, bank moderate-income lending was slightly below aggregate performance, but exceeded the percentage of moderate-income families. The bank ranked 27<sup>th</sup> out of 170 lenders that made loans to moderate-income borrowers, with a 1.4 percent market share. In 2017, the bank's performance to moderate-income borrowers at 24.0 percent exceeded the percentage of moderate-income families by 8.3 percentage points.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Springfield, MA MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2016	81.8	40.8	109	75.2	9,113	60.1
2017	81.8	--	68	77.3	4,594	37.2
>1,000,000						
2016	6.4	--	36	24.8	6,042	39.9
2017	6.4	--	20	22.7	7,742	62.8
Revenue Not Available						
2016	11.8	--	0	0.0	0	0.0
2017	11.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>145</b>	<b>100.0</b>	<b>15,155</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>88</b>	<b>100.0</b>	<b>12,336</b>	<b>100.0</b>
<i>Source: 2016 &amp; 2017 D&amp;B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, bank lending to businesses with GARs of \$1 million or less greatly exceeded aggregate performance, but was below the percentage of businesses. The bank ranked 9<sup>th</sup> out of 39 lenders that made loans to businesses with GARs of \$1 million or less, with a 2.1 percent market share. The lending percentage to businesses with GARs of \$1 million or less slightly increased in 2017, but remained below the percentage of businesses with such GARs or \$1 million or less.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of the CBT Tech Loans program, all of the innovative and flexible lending programs discussed in the overall combined assessment area are offered in the Springfield, MA MSA assessment area.

### **Community Development Lending**

Berkshire Bank has made a relatively high level of community development loans within its Springfield, MA MSA assessment area. The bank made seven community development loans totaling \$14.2 million that specifically benefited the assessment area. The following table shows the bank's community development lending by activity year and purpose.

Community Development Lending Assessment Area: Springfield, MA MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	1	535	1	140	0	0	0	0	2	675
2016	2	1,445	0	0	0	0	1	10,000	3	11,445
2017	1	1,324	0	0	0	0	1	724	2	2,048
YTD 2018	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>3,304</b>	<b>1</b>	<b>140</b>	<b>0</b>	<b>0</b>	<b>2</b>	<b>10,724</b>	<b>7</b>	<b>14,148</b>
<i>Source: Bank Records</i>										

Summarized below are notable examples of the bank's community development loans.

- In 2015, the bank originated a \$535,000 refinance loan to a nonprofit housing agency. The agency supports the development of multi-family affordable rental housing. The housing agency targeted these funds for the construction of 42 energy-efficient affordable housing units in the North Amherst neighborhood of Hampshire County, MA.
- In 2016, the bank originated a \$945,000 loan to a state housing authority for the construction of a 50-unit apartment building in Hampshire County, MA. All 50 apartment units are strictly designated to meet the affordable housing needs of low- and moderate-income residents.
- In 2016, the bank made a \$500,000 cash-out refinance loan of a 16-unit apartment building in a low-income census tract in Hampden County, MA. Proceeds from the loan were used for property improvements such as the installation of new furnaces and hot water tanks. All units are classified as Section 8. HUD administers the Section 8 program, which is intended to assist very low-income families in affording decent, safe, and sanitary housing.
- In 2017, the bank made a \$723,832 loan to support the redevelopment and rehabilitation of three historic buildings located in a low-income census tract in downtown Springfield, MA. The city's revitalization plan includes improving abandoned and underdeveloped land to facilitate the entry of new development in the Trinity Block historic area. The area is currently undergoing various projects in an effort to jumpstart reinvestment, stimulate economic growth, and expedite job creation to revitalize the City of Springfield.

## **INVESTMENT TEST**

Berkshire Bank demonstrated good performance under the Investment Test in the Springfield, MA MSA.

## **Investment Activity**

The bank made a relatively high level of qualified community development investments. Qualified investments that directly benefited this area totaled \$3.0 million and consisted of two prior period investments with a current book value of \$1.4 million, one new equity investment at approximately \$765,000, and 188 qualified donations totaling \$785,070. The following table illustrates the bank's activity by year and community development purpose.

<b>Qualified Investments – Springfield, MA MSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	2	1,407	0	0	0	0	0	0	2	1,407
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
YTD2018	0	0	0	0	0	0	1	765	1	765
<b>Subtotal</b>	<b>2</b>	<b>1,407</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>765</b>	<b>3</b>	<b>2,172</b>
Qualified Grants & Donations	18	89	132	504	23	93	15	99	188	785
<b>Total</b>	<b>20</b>	<b>1,496</b>	<b>132</b>	<b>504</b>	<b>23</b>	<b>93</b>	<b>16</b>	<b>864</b>	<b>191</b>	<b>2,957</b>
<i>Source: Bank Records</i>										

Below are examples of the bank's qualified investments.

### *Prior Period Investments*

- The bank invested in a fund that supports a Springfield-based housing program for low- and moderate-income women. The bank made an investment of \$5.1 million to this project in 2011, and they were the only private investor. The current book value of this investment is \$1.3 million.
- The bank invested in a Massachusetts Housing Investment Corporation fund that provides affordable housing for disabled and formerly homeless individuals in the Westfield, MA area. The current book value is \$147,287.

### *Current Period Investments*

- In 2017, the bank invested \$764,671 in HTCs to fund the rehabilitation of three historic buildings located in a low-income tract in downtown Springfield. The project involves converting the buildings into a business accelerator that will provide commercial space for start-up businesses and house a small business mentor group, as well as restaurant/café space. The project sponsor is a nonprofit corporation whose mission is to

advance development and redevelopment projects, to stimulate and support economic growth, and expedite the revitalization process within the City of Springfield.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits good responsiveness to credit and community economic development needs. A large majority of the tracts in the City of Springfield are low- or moderate-income. The bank's current period investment helps revitalize and promote economic development in the distressed downtown area of Springfield.

### **Community Development Initiatives**

The bank makes significant use of innovative and/or complex investments to support community development initiatives. This includes HTC's and investments in various funds

### **SERVICE TEST**

Berkshire Bank demonstrated excellent performance under the Service Test in the Springfield, MA MSA.

### **Accessibility of Delivery Systems**

The bank's delivery systems are accessible to essentially all portions of the institutions assessment area. The bank operates 16 branches within the Springfield, MA MSA. There are two branches in low-income tracts within Springfield, MA. There are three branches in moderate-income areas in Springfield, MA and Westfield, MA. The remaining branches are in middle- and upper-income areas.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. In 2015, Berkshire Bank acquired 10 branches from Hampden Bank, of which three were located in low-income tracts and two were located in moderate-income tracts. During the same year, the bank closed four of the acquired branches, with one branch located in a low-income tract, one branch located in a moderate-income tract, and two branches located in upper-income tracts. In 2017, the bank closed one branch in an upper-income tract.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

## **Community Development Services**

The bank is a leader in providing community development services. The bank provided 2,137 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the Springfield, MA MSA.

<b>Community Development Services – Springfield, MA MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	0	550	150	2	702
2016	82	474	110	186	851
2017	103	329	22	41	495
1/1/2018 - 7/11/2018	34	24	30	2	90
<b>Totals</b>	<b>218</b>	<b>1,376</b>	<b>312</b>	<b>231</b>	<b>2,137</b>
<i>Source: Bank Records</i>					

## STATE OF NEW YORK

### CRA RATING FOR NEW YORK: Satisfactory

The Lending Test is rated: High Satisfactory

The Investment Test is rated: Outstanding

The Service Test is rated: Satisfactory

### SCOPE OF EVALUATION

This portion of the evaluation only considers activity within NY. Please refer to the Scope of Evaluation section for information on products reviewed and review timeframe. Unlike in MA where home mortgage loans carried more weight, home mortgage and small business lending performance carried equal weight in NY based on similar volume for both products during the evaluation period. Of the six states where Berkshire Bank maintains operations, this state accounts for the second largest portion of lending, deposits, and branches.

The State of NY evaluation considered bank operations in the following assessment areas: Albany, NY CSA; Syracuse, NY MSA; Utica-Rome, NY MSA; and NY Non-MSA areas. Examiners conducted full-scope reviews for each assessment area except the Syracuse, NY MSA assessment area, which received a limited-scope review. Due to its larger level of lending and number of branches, the bank's performances in the Albany, NY CSA and Utica-Rome, NY MSA assessment areas account for the most weight when arriving at overall conclusions for NY.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

Berkshire Bank designated four assessment areas in NY. Collectively, the four assessment areas are referred to as the combined NY assessment area. The bank operates 40 branches in 12 counties in NY. The combined NY assessment area comprises 15.2 percent of total loans in Berkshire Bank's assessment areas, 34.8 percent of its branches, and 26.3 percent of its total deposits (as of June 30, 2017). All of the products and services discussed in the overall combined assessment area are offered in the combined NY assessment area.

During 2016, the combined NY assessment area included 531 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 59 low-income tracts,
- 84 moderate-income tracts,
- 250 middle-income tracts,
- 130 upper-income tracts, and
- 8 census tracts with no income designation.

For 2017, the combined NY assessment area census tracts reflect the following income designations:

- 61 low-income tracts,
- 81 moderate-income tracts,

- 249 middle-income tracts,
- 126 upper-income tracts, and
- 14 census tracts with no income designation.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories are presented in the following table. These categories are based on the 2016 and 2017 FFIEC-updated median family income of the relevant MSA and statewide nonmetropolitan area.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Albany-Schenectady-Troy, NY MSA Median Family Income (10580) – Albany, NY CSA</b>				
2016 (\$82,000)	<\$41,000	\$41,000 to <\$65,600	\$65,600 to <\$98,400	≥\$98,400
2017 (\$83,100)	<\$41,550	\$41,550 to <\$66,480	\$66,480 to <\$99,720	≥\$99,720
<b>Glens Falls, NY MSA Median Family Income (24020) – Albany, NY CSA</b>				
2016 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
2017 (\$64,100)	<\$32,050	\$32,050 to <\$51,280	\$51,280 to <\$76,920	≥\$76,920
<b>Syracuse, NY MSA Median Family Income (45060)</b>				
2016 (\$69,200)	<\$34,600	\$34,600 to <\$55,360	\$55,360 to <\$83,040	≥\$83,040
2017 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
<b>Utica-Rome, NY MSA Median Family Income (46540)</b>				
2016 (\$59,600)	<\$29,800	\$29,800 to <\$47,680	\$47,680 to <\$71,520	≥\$71,520
2017 (\$62,100)	<\$31,050	\$31,050 to <\$49,680	\$49,680 to <\$74,520	≥\$74,520
<b>NY Statewide Nonmetropolitan Median Family Income (99999)</b>				
2016 (\$58,900)	<\$29,450	\$29,450 to <\$47,120	\$47,120 to <\$70,680	≥\$70,680
2017 (\$62,500)	<\$31,250	\$31,250 to <\$50,000	\$50,000 to <\$75,000	≥\$75,000
<i>Source: FFIEC.</i>				

Data obtained from the U. S. Bureau of Labor and Statistics indicates that as of April 2018, the unemployment rate was 4.3 percent statewide in NY and 3.9 percent nationwide. The rate varied from a low of 3.8 percent for Columbia County, to a high of 5.8 percent for Herkimer County. Unemployment rates within each county generally remained stable throughout the evaluation period. The following table illustrates unemployment rates at the county level for each NY assessment area throughout the evaluation period.

Unemployment Rates				
Geographic Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b><i>Albany, NY CSA</i></b>				
Albany County	3.8	3.8	4.0	4.0
Rensselaer County	4.1	4.1	4.3	4.3
Saratoga County	3.8	3.8	4.1	3.9
Schenectady County	4.1	4.2	4.5	4.4
Warren County	5.9	6.1	6.5	5.7
Washington County	4.9	5.0	5.0	4.7
<b><i>Syracuse, NY MSA</i></b>				
Onondaga County	4.3	4.5	4.7	4.4
<b><i>Utica-Rome, NY MSA</i></b>				
Herkimer County	5.8	5.9	6.2	5.8
Oneida County	4.9	5.0	5.3	5.1
<b><i>NY Non-MSA</i></b>				
Columbia County	3.5	3.7	3.8	3.8
Fulton County	5.8	5.8	6.1	5.7
Montgomery County	5.9	5.9	6.0	5.7
<b>New York Statewide</b>	4.7	4.5	4.4	4.3
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

Detailed descriptions of economic and demographic data are contained within individual assessment area sections.

### ***Competition***

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 33 financial institutions operating 556 full-service branches within the combined NY assessment area. Of these institutions, Berkshire Bank ranked 7<sup>th</sup> with a 3.6 percent deposit market share and 5<sup>th</sup> with a 7.0 percent branch market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 375 lenders reported 45,201 residential mortgage loans originated or purchased. Berkshire Bank ranked 36<sup>th</sup> with a market share of 0.7 percent. The three most prominent lenders accounted for 21.9 percent of total market share.

There is also a high level of competition for small business loans among banks. In 2016, 130 lenders reported 28,612 small business loans originated or purchased. Berkshire Bank ranked 16<sup>th</sup> out of this group of lenders, with a market share of 1.4 percent. The three most prominent small business lenders accounted for 38.3 percent of total market share.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK**

### **LENDING TEST**

Berkshire Bank received a High Satisfactory rating in NY under the Lending Test. Good Lending Test performances in the Albany, NY CSA and Utica-Rome, NY MSA assessment areas primarily support the NY rating.

#### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within NY. Each NY assessment area receiving a full-scope review had adequate lending levels. During the review period, the bank originated 1,183 home mortgage and small business loans totaling \$246.7 million. Home mortgage loans totaled 565 for \$193.4 million and small business loans totaled 618 for \$53.2 million. Between 2016 and 2017 within the assessment area, home mortgage lending declined by 21.7 percent (by number) and small business lending declined by 40.3 percent (by number). The decline in small business lending is partly attributed to personnel changes.

#### **Geographic Distribution**

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the combined NY assessment area. All three NY assessment areas receiving full-scope reviews had adequate geographic distribution for both product types. The only exception occurred with home mortgage lending in the Utica-Rome, NY MSA, which reflected good geographic distribution. Refer to the individual NY assessment area sections for performance details.

#### **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes in the combined NY assessment area. All three NY assessment areas receiving full-scope reviews had good borrower distributions. The bank had excellent performance for small business loans in each NY assessment area, but adequate home mortgage lending performance in the Albany, NY CSA and the NY Non-MSA assessment areas. Refer to the individual NY assessment area sections for performance details.

#### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of certain state-specific loan programs outside of NY, all flexible lending programs discussed in the overall combined assessment area are offered in the combined NY assessment area.

#### **Community Development Lending**

Berkshire Bank has made a relatively high level of community development loans within NY.

The bank made 27 community development loans totaling \$138.5 million. The following table shows the bank's community development lending by assessment area and purpose.

<b>Community Development Lending by NY Assessment Area</b>										
<b>NY Assessment Area</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Albany, NY CSA	3	1,026	3	35,908	1	4,000	4	34,925	<b>11</b>	<b>75,859</b>
Syracuse, NY MSA	1	120	1	100	0	0	3	46,915	<b>5</b>	<b>47,135</b>
Utica-Rome, NY MSA	1	92	1	2,000	0	0	0	0	<b>2</b>	<b>2,092</b>
NY-Non-MSA Area	0	0	1	4,221	0	0	0	0	<b>1</b>	<b>4,221</b>
Statewide	2	322	1	2,104	4	5,438	1	1,346	<b>8</b>	<b>9,210</b>
<b>Total</b>	<b>7</b>	<b>1,560</b>	<b>7</b>	<b>44,333</b>	<b>5</b>	<b>9,438</b>	<b>8</b>	<b>83,186</b>	<b>27</b>	<b>138,517</b>
<i>Source: Bank Records</i>										

During the evaluation period, the bank was instrumental in providing funds to a NY chapter nonprofit organization that provides community services to low-income developmentally disabled individuals. The community services include employment, training, housing, education, and various types of developmental support. In 2015, the bank provided a \$20 million line of credit (LOC) to support working capital. A majority of funds helped purchase, rehabilitate, or to make handicap accessible, multiple housing properties for the organization's clients.

Of the \$20 million LOC, \$11.7 million was allocated for properties located in the Albany, NY CSA assessment area, \$2 million for properties in the Utica-Rome, NY MSA assessment area, over \$4.2 million for properties in the NY Non-MSA assessment area, and \$2.1 million for properties in NY but outside the assessment areas. For both 2016 and 2017, the LOC was renewed for approximately \$12.1 million for the portion allocated to the Albany, NY CSA assessment area. This loan supports community services to low-income individuals within the NY assessment areas. Individual assessment area sections discuss other notable community development loans.

## **INVESTMENT TEST**

Berkshire Bank received an Outstanding rating in NY under the Investment Test. This rating is primarily because of the excellent Investment Test performance in the Albany, NY CSA, the most heavily weighted area, as well as the bank's statewide activities.

### **Investment Activity**

Berkshire Bank has an excellent level of qualified community development investments in NY. During the evaluation period, the bank made qualified investments totaling \$32.5 million, which includes 13 equity investments of \$31.7 million and 250 qualified donations of \$797,131. By dollar volume, this level represents 29.0 percent of bank-wide qualified investments. The following table illustrates qualified investment activity by assessment area and purpose.

Qualified Investments by NY Assessment Area										
NY Assessment Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Albany NY CSA	27	3,254	108	396	13	45	7	17,966	155	21,661
Syracuse, NY MSA	2	6	29	1,073	12	33	3	5,242	46	6,354
Utica-Rome, NY MSA	3	8	25	85	11	47	0	0	39	140
NY Non-MSA Area	1	1	16	19	1	2	1	1	19	23
Statewide Activities	2	4,078	0	0	2	284	0	0	4	4,362
<b>Total New York</b>	<b>35</b>	<b>7,347</b>	<b>178</b>	<b>1,573</b>	<b>39</b>	<b>411</b>	<b>11</b>	<b>23,209</b>	<b>263</b>	<b>32,540</b>
<i>Source: Bank Records</i>										

The overall Investment Test lists NY statewide activities, and individual assessment area sections detail noteworthy investments in these areas.

### **Responsiveness to Credit and Community Development Needs**

Berkshire Bank exhibits good responsiveness to credit and community economic development needs. A majority of the bank's investments by dollar volume went to activities that revitalize and stabilize low- and moderate-income geographies. These activities help support initiatives set forth by regional and local government entities, such the State of New York's Upstate Revitalization Initiative and Downtown Revitalization Initiative, in which public-private investment to attract new residents and businesses are key goals.

### **Community Development Initiatives**

The bank makes significant use of innovative and/or complex investments to support community development initiatives. The bank invested in a variety of investment vehicles including HTC's, CRA-targeted MBS, stock funds, and tax-exempt bond financing in NY.

## **SERVICE TEST**

Berkshire Bank received a Satisfactory rating in NY under the Service Test. All NY assessment areas receiving full-scope reviews had adequate Service Test performance. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the combined NY assessment area. The bank operates 40, or 34.7 percent of all branches, in the combined NY assessment area. Of the 40 branches, 20 are in the Albany- Schenectady, NY CSA, 2 are in the Syracuse, NY MSA, 13 are in the Utica-Rome, NY MSA, and 5 are in the NY Non-MSA area. As the following table demonstrates, the bank's low-income branches represent 2.5 percent of all branches and moderate-income branches represent 15.0 percent of branches.

New York Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	61	11.5	167,505	8.8	1	2.5	2	4.2
Moderate	81	15.3	264,424	13.9	6	15.0	8	16.7
Middle	249	46.9	953,559	50.0	19	47.5	22	45.8
Upper	126	23.7	498,464	26.1	13	32.5	15	31.2
NA	14	2.6	22,337	1.2	1	2.5	1	2.1
<b>Total</b>	<b>531</b>	<b>100</b>	<b>1,906,289</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>48</b>	<b>100.0</b>
<i>Source: 2015 ACS &amp; Bank Records</i>								

### **Changes in Branch Locations**

To the extent changes have been made, the bank's record of opening and closing branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- and moderate-income individuals. During the evaluation period, the bank closed six branches (three low-income tracts and one moderate-income tract) and opened two branches (one low-income tract) in the combined NY assessment area.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides an adequate level of community development services. In the combined NY assessment area, the bank provided 2,653 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the combined NY assessment area.

Community Development Services by NY Assessment Area					
NY Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Albany, NY CSA	0	1,458	263	50	1,771
Syracuse, NY MSA	0	239	7	0	246
Utica-Rome, NY MSA	40	526	14	0	580
NY-Non-MSA Area	12	41	3	0	56
<b>Totals</b>	<b>52</b>	<b>2,264</b>	<b>287</b>	<b>50</b>	<b>2,653</b>
<i>Source: Bank Records</i>					

## **ALBANY, NY COMBINED STATISTICAL AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN ALBANY, NY CSA**

This assessment area includes Albany, Rensselaer, Saratoga, and Schenectady Counties in the Albany-Schenectady-Troy, NY MSA 10580, and Warren and Washington Counties in the Glens Falls, NY MSA 24020. Both MSAs are contiguous and part of the larger Albany, NY CSA 104. The bank operates 20 of its 115 branches in this assessment area. This assessment area accounted for 6.1 percent of total loans (by number), 10.6 percent of total deposits (as of June 30, 2017), and 17.4 percent of the bank's branches.

During 2016, the assessment area included 246 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 24 low-income tracts,
- 35 moderate-income tracts,
- 135 middle-income tracts,
- 51 upper-income tracts, and
- 1 tract with no income designation.

For 2017, the assessment area census tracts reflect the following income designations:

- 21 low-income tracts,
- 42 moderate-income tracts,
- 130 middle-income tracts,
- 50 upper-income tracts, and
- 3 tracts with no income designation.

The following table illustrates select demographic characteristics of the Albany, NY CSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Albany, NY CSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	246	8.5	17.1	52.8	20.3	1.2
Population by Geography	973,813	6.6	15.4	54.3	22.8	0.9
Housing Units by Geography	446,869	7.6	16.4	55.3	20.7	0.2
Owner-Occupied Units by Geography	251,831	2.6	11.4	59.4	26.6	0.0
Occupied Rental Units by Geography	132,773	14.3	24.1	46.7	14.8	0.2
Vacant Units by Geography	62,265	13.4	20.0	56.8	9.3	0.5
Businesses by Geography	56,483	10.0	11.6	53.2	24.9	0.4
Family Distribution by Income Level	234,310	20.1	17.5	22.3	40.1	0.0
Median Family Income - 10580 Albany-Schenectady-Troy, NY MSA		\$81,103	Median Housing Value			\$194,921
Median Family Income - 24020 Glens Falls, NY MSA		\$64,495	Median Gross Rent			\$907
			Families Below Poverty Level			7.5%
Source: 2010 U.S. Census & 2015 ACS and 2017 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 446,869 housing units. Of these, 56.4 percent are owner-occupied, 29.7 percent are occupied rental units, and 13.9 percent are vacant. Low owner-occupancy rates in the low-income tracts result in increased competition for a limited market of owner-occupied mortgage loans. The NY statewide section indicates low-, moderate-, middle, and upper-income categories for this assessment area in the *Median Family Income Ranges* table.

According to 2017 D&B data, there were 56,483 businesses. GARs for these businesses are below.

- 79.6 percent have \$1 million or less,
- 6.6 percent have more than \$1 million, and
- 13.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 46.0 percent; followed by retail trade (14.8 percent); construction (8.2 percent); and finance, insurance and real estate (7.5 percent). In addition, 66.7 percent of area businesses have four or fewer employees, and 85.4 percent operate from a single location. Top employers are St. Peters Health Partners, Albany Medical Center, and Golub Corporation.

According to Moody's Analytics, the Albany-Schenectady-Troy area's economy peaked in 2017, but has decreased for the first time since the Great Recession. The unemployment rate, although increasing throughout 2017, remains the lowest among New York's largest metropolitan areas. Modern manufacturing and nanotech industries, the public sector, and consumer retail industries help keep the Capital Region's economy strong in general. However, the area struggles to retain highly skilled workers. There has been a surge in multi-family building, leading to a slowdown

in permit issuance and home value appreciation. One of the strengths of the Capital Region continues to include affordable housing, though there is a persistent foreclosure problem.

### ***Competition***

The assessment area is highly competitive in the market for financial services. According to FDIC Deposit Market Share data as of June 30, 2017, 22 financial institutions operated 318 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 10<sup>th</sup> with a 2.3 percent deposit market share and 7<sup>th</sup> with a 6.0 percent branch market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 288 lenders reported 24,297 home mortgage loans originated or purchased. Berkshire Bank ranked 48<sup>th</sup> with a market share of 0.3 percent. The three most prominent home mortgage lenders (Homestead Funding Corp.; SEFCU Services, LLC; and Wells Fargo Bank, NA) accounted for 29.7 percent of total market share.

There is a moderate level of competition for small business loans among banks. In 2016, 105 lenders reported 14,737 small business loans originated or purchased. Berkshire Bank ranked 17<sup>th</sup> with a market share of 1.4 percent. The three most prominent small business lenders (American Express, FSB; Citibank, NA; and Chase Bank USA, N.A.) accounted for 40.5 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on community contact, bank management, and economic and demographic information, revitalization and stabilization represents the most critical community development need in this area. The area also needs community services for the low- and moderate-income population.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN ALBANY, NY CSA**

### **LENDING TEST**

Berkshire Bank demonstrated good performance under the Lending Test in this assessment area. Good borrower profile and innovative and flexible lending performances and excellent community development lending performance support this conclusion.

### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within the Albany, NY CSA. During the review period, the bank originated 453 home mortgage and small business loans totaling \$158.8 million. In 2016, Berkshire Bank originated 82 home mortgage loans totaling \$66.8 million. As noted previously, Berkshire Bank ranked 48<sup>th</sup> out of 288 institutions with a 0.3 percent market share. In 2017, home mortgage lending decreased to 67 loans totaling \$64.5 million.

The bank had more small business lending with 208 originations totaling \$18.6 million in 2016, but just 96 originations totaling \$8.9 million in 2017. Berkshire Bank ranked 17<sup>th</sup> out of 105 CRA-reportable institutions with a 1.4 percent market share in 2016.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Adequate home mortgage and small business lending performances support the conclusion.

#### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Albany, NY CSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	3.9	2.8	4	4.9	2,718	4.1
2017	2.6	--	1	1.5	26	0.0
Moderate						
2016	9.0	8.0	4	4.9	516	0.8
2017	11.4	--	10	14.9	1,575	2.4
Middle						
2016	60.3	60.0	52	63.4	50,883	76.2
2017	59.4	--	37	55.2	22,004	34.1
Upper						
2016	26.8	29.2	22	26.8	12,688	19.0
2017	26.6	--	19	28.4	40,845	63.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>66,805</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>67</b>	<b>100.0</b>	<b>64,450</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance in low-income tracts exceeded aggregate performance and the percentage of owner-occupied units. The bank ranked 34<sup>th</sup> out of 87 lenders that made loans in low-income census tracts, with a 0.6 percent market share. In 2017, the bank's performance in low-income tracts decreased, falling below the percentage of owner-occupied housing units.

The bank's 2016 performance in moderate-income tracts was below aggregate performance and the percentage of owner-occupied housing units. The bank ranked much lower at 62<sup>nd</sup> out of 115

lenders that made loans in moderate-income census tracts, with a 0.2 percent market share. In 2017, moderate-income census tract lending increased notably, exceeding the percentage of owner-occupied housing units. The 2017 increase in lending to moderate-income census tracts supports the adequate conclusion.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Albany, NY CSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	6.7	6.0	12	5.8	886	4.8
2017	10.0	--	15	15.6	1,902	21.4
Moderate						
2016	14.0	11.5	14	6.7	778	4.2
2017	11.6	--	10	10.4	647	7.3
Middle						
2016	53.8	55.0	104	50.0	10,302	55.3
2017	53.2	--	43	44.8	4,178	46.9
Upper						
2016	25.5	27.6	78	37.5	6,650	35.7
2017	24.9	--	28	29.2	2,176	24.4
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>208</b>	<b>100.0</b>	<b>18,616</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>96</b>	<b>100.0</b>	<b>8,903</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance in low-income census tracts at 5.8 percent was similar to aggregate performance and below the percentage of businesses located in low-income census tracts. The bank ranked 19<sup>th</sup> out of 55 lenders that made loans in low-income census tracts, with a 1.4 percent market share. In 2017, the bank's performance in low-income tracts exceeded the percentage of businesses in such tracts by 5.6 percentage points.

The bank's 2016 moderate-income census tract performance was below aggregate performance and the percentage of businesses in moderate-income census tracts. The bank ranked 24<sup>th</sup> out of 69 lenders that made loans in moderate-income census tracts with a 0.8 percent market share. In 2017, the bank's moderate-income tract lending was slightly below the percentage of businesses.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different sizes. While the bank's home mortgage performance was adequate, its excellent small business lending performance resulted in the overall good conclusion.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Albany, NY CSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	20.1	7.1	8	9.8	750	1.1
2017	20.1	--	2	3.0	65	0.1
Moderate						
2016	18.0	20.4	15	18.3	1,613	2.4
2017	17.5	--	12	17.9	1,135	1.8
Middle						
2016	22.1	23.8	17	20.7	1,863	2.8
2017	22.3	--	21	31.3	2,660	4.1
Upper						
2016	39.9	33.4	25	30.5	5,902	8.8
2017	40.1	--	25	37.3	3,858	6.0
Not Available						
2016	0.0	15.3	17	20.7	56,677	84.8
2017	0.0	--	7	10.4	56,732	88.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>82</b>	<b>100.0</b>	<b>66,805</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>67</b>	<b>100.0</b>	<b>64,450</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

In 2016, the bank's performance to low-income borrowers exceeded aggregate performance but was below the percentage of low-income families. The bank ranked 40<sup>th</sup> out of 105 lenders that made loans to low-income borrowers, with a 0.5 percent market share. Bank lending to low-income borrowers decreased to 3.0 percent and was below the percentage of low-income families. However, as discussed previously, many low-income families would have difficulty qualifying for home mortgage loans under conventional underwriting standards given the median housing value in this area.

In 2016, the bank's performance to moderate-income borrowers was slightly below aggregate performance, but similar to the percentage of moderate-income families. The bank ranked similar at 48<sup>th</sup> out of 145 lenders that made loans to moderate-income borrowers, with a 0.3 percent market share. In 2017, moderate-income borrower lending was similar to the percentage of moderate-income families.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Albany, NY CSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<b>&lt;=\$1,000,000</b>						
2016	79.7	45.9	168	80.8	11,891	63.9
2017	79.6	--	77	80.2	6,456	72.5
<b>&gt;1,000,000</b>						
2016	6.6	--	40	19.2	6,725	36.1
2017	6.6	--	19	19.8	2,447	27.5
<b>Revenue Not Available</b>						
2016	13.7	--	0	0.0	0	0.0
2017	13.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>208</b>	<b>100.0</b>	<b>18,616</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>96</b>	<b>100.0</b>	<b>8,903</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance of lending to businesses with GARs of \$1 million or less greatly exceeded aggregate performance and slightly exceeded the percentage of businesses. The bank ranked 9<sup>th</sup> out of 48 lenders that made loans to businesses with GARs of \$1 million or less, with a 2.5 percent market share. In 2017, the bank's performance of lending to businesses with GARs of \$1 million remained stable at 80.2 percent, similar to the percentage of businesses.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs.

### **Community Development Lending**

Berkshire Bank is a leader in providing community development loans within its Albany, NY CSA. The bank made 11 community development loans totaling \$75.9 million that specifically benefited the assessment area. The following table shows the bank's community development lending by activity year and purpose.

<b>Community Development Lending Assessment Area: Albany, NY CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2015	2	651	1	11,675	1	4,000	0	0	4	16,326
2016	1	375	1	12,166	0	0	2	10,675	4	23,216
2017	0	0	1	12,067	0	0	1	18,750	2	30,817
YTD 2018	0	0	0	0	0	0	1	5,500	1	5,500
<b>Total</b>	<b>3</b>	<b>1,026</b>	<b>3</b>	<b>35,908</b>	<b>1</b>	<b>4,000</b>	<b>4</b>	<b>34,925</b>	<b>11</b>	<b>75,859</b>
<i>Source: Bank Records</i>										

Summarized below are notable examples of the bank's community development loans.

- During the evaluation period, the bank originated and renewed a LOC to a NY chapter nonprofit organization that provides community services to low-income developmentally disabled individuals and adults. The portion of the LOC allocated to the Albany, NY CSA assessment area totaled \$35.9 million.
- In 2015, the bank originated a \$435,000 loan to a limited liability corporation to refinance a 14-unit apartment building in a middle-income census tract in Albany County. All units are rented below Albany County's fair market rent as established by HUD.
- In 2015, the bank renewed a \$4 million LOC to an economic development corporation. The corporation provides loans to small businesses, including start-up, early-stage, and mature businesses. The organization's purpose is to focus on small businesses that will increase and sustain job growth throughout the area.
- In 2016, the bank participated in a \$20.0 million construction loan towards the development of a casino located in Schenectady's Urban Renewal Community Zone. The bank's \$10.0 million portion revitalizes and stabilizes its surrounding low- and moderate-income census tracts by attracting commercial businesses, providing employment opportunities, and stimulating economic growth of surrounding local

communities. In concurrence with the development of the casino, the bank provided \$8.5 million of a \$41.0 million participation construction loan. Proceeds were used to construct a 6-story, 206-unit apartment complex containing additional commercial space. The project is expected to create 117 full-time positions for the properties maintenance and the fully leased commercial properties are projected to create 113 jobs for low- and moderate-income individuals.

- In 2017, the bank originated an \$18.8 million loan to renovate a 111-year-old building and construct a 5-story building located in a low-income census tract in Troy, NY. Renovations to the existing building and constructing the new building will revitalize the area, which is also surrounded by 13 low- and moderate-income tracts. The building will consist of 101 apartment units and commercial retail space; the space will help attract other businesses, adding employment opportunities within the neighborhood. This project is part of a community redevelopment plan of the Central Troy Historic District.

## **INVESTMENT TEST**

Berkshire Bank demonstrated excellent performance under the Investment Test in this area.

### **Investment Activity**

The bank made an excellent level of qualified community development investments and donations in the Albany, NY CSA. The bank made 155 qualified investments totaling \$21.7 million that directly benefited this assessment area. The following table illustrates the bank's activity in this assessment area by year and community development purpose.

<b>Qualified Investments – Albany, NY CSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
Prior Period	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	1	11,465	1	11,465
2016	0	0	0	0	0	0	2	1,453	2	1,453
2017	1	3,200	0	0	0	0	1	1,386	2	4,586
YTD2018	0	0	0	0	0	0	1	3,636	1	3,636
<b>Subtotal</b>	<b>1</b>	<b>3,200</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>5</b>	<b>17,940</b>	<b>6</b>	<b>21,140</b>
Qualified Grants & Donations	26	54	108	396	13	45	2	26	149	521
<b>Total</b>	<b>27</b>	<b>3,254</b>	<b>108</b>	<b>396</b>	<b>13</b>	<b>45</b>	<b>7</b>	<b>17,966</b>	<b>155</b>	<b>21,661</b>
<i>Source: Bank Records</i>										

Below are examples of investments made by the bank in this assessment area.

- In 2018, the bank invested \$3.6 million in the form of HTCs to restore and renovate underutilized commercial buildings located in a low-income tract into residential units and shared workforce training space. The buildings are located in the South End neighborhood of Albany NY.
- In 2017, the bank invested \$1.4 million in HTCs to fund the rehabilitation and conversion of a historic building located in a low-income tract in Albany, NY. The building will be converted into retail space to attract new businesses, as well as residential apartments on the upper floors. The project is located in a revitalization area that has been targeted by the Capital Region Economic Development Council.
- In 2015, the bank purchased HTCs totaling \$11.4 million for the redevelopment of a hotel located in a low-income tract in Albany, NY. This project is identified by the local government as an essential part of the redevelopment of the downtown Albany area, with the expectation that the project will create approximately 100 permanent jobs.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits excellent responsiveness to credit and community economic development needs in this assessment area. The bank's equity investments supported revitalization and stabilization in the distressed downtown areas of Albany and Troy, which is consistent with the revitalization initiatives set forth by regional and local government entities. In Albany 61.5 percent of tracts are low- or moderate-income, and in Troy 78.6 percent of tracts are low- or moderate-income.

### **Community Development Initiatives**

The bank makes extensive use of innovative and/or complex investments to support community development initiatives in this assessment area. For several revitalization projects, the bank provided loan financing in conjunction with capital contributions through the purchase of HTCs.

### **SERVICE TEST**

Berkshire Bank demonstrated adequate performance under the Service Test in this assessment area.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institution's assessment area. The bank operates 20 branches within the Albany, NY CSA. There are two branches situated in a low-and moderate-income area of Albany, NY.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. In 2015, the bank closed one branch in an upper-income tract. In 2017, the bank closed one branch in a moderate-income tract. In 2018, the bank opened a branch in a low-income tract and in a middle-income tract, but closed one branch in a low-income tract.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides a relatively high level of community development services. The bank provided 1,771 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the Albany, NY CSA.

<b>Community Development Services – Albany, NY CSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	0	553	0	0	553
2016	0	321	108	50	479
2017	0	413	155	0	568
1/1/2018 - 7/11/2018	0	172	0	0	172
<b>Totals</b>	<b>0</b>	<b>1,458</b>	<b>263</b>	<b>50</b>	<b>1,771</b>
<i>Source: Bank Records</i>					

## **UTICA-ROME, NY METROPOLITAN STATISTICAL AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN UTICA-ROME, NY MSA**

This assessment area includes Herkimer and Oneida Counties, which comprise the entire Utica-Rome, NY MSA 46540. The bank operates 13 of its 115 branches in this assessment area. This assessment area accounted for 5.4 percent of total loans (by number), 9.2 percent of total deposits (as of June 30, 2017), and 11.3 percent of the bank's branches.

During 2016, the assessment area included 93 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 8 low-income tracts,
- 15 moderate-income tracts,
- 45 middle-income tracts,
- 19 upper-income tracts, and
- 6 tracts with no income designation.

For 2017, the assessment area census tracts reflect the following income designations:

- 14 low-income tracts,
- 10 moderate-income tracts,
- 45 middle-income tracts,
- 18 upper-income tracts, and
- 6 tracts with no income designation.

The following table illustrates select demographic characteristics of the Utica-Rome, NY MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Utica-Rome, NY MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	93	15.1	10.7	48.4	19.4	6.4
Population by Geography	282,808	12.3	10.8	50.6	24.5	1.9
Housing Units by Geography	131,060	12.2	11.9	50.8	25.1	0.0
Owner-Occupied Units by Geography	73,900	5.3	7.6	57.7	29.4	0.0
Occupied Rental Units by Geography	37,259	23.8	21.3	40.5	14.5	0.0
Vacant Units by Geography	19,901	16.3	10.1	44.5	29.0	0.2
Businesses by Geography	12,935	12.5	14.5	45.6	25.9	1.6
Family Distribution by Income Level	69,141	22.3	16.9	21.5	39.4	0.0
Median Family Income - 46540 Utica-Rome, NY MSA		\$61,239	Median Housing Value			\$113,369
Families Below Poverty Level		12.1%	Median Gross Rent			\$695
Source: 2010 U.S. Census & 2015 ACS and 2017 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 131,060 housing units. Of these, 56.4 percent are owner-occupied, 28.4 percent are occupied rental units, and 15.2 percent are vacant. Low owner-occupancy rates in both low- and moderate-income tracts create significant competition for a limited market for owner-occupied mortgage loans. Refer to the NY statewide section's Median Family Income Ranges table for low-, moderate-, middle-, and upper-income categories in the Utica-Rome, NY MSA.

According to 2017 D&B data, there were 12,935 businesses. GARs for these businesses are below.

- 78.4 percent have \$1 million or less,
- 6.8 percent have more than \$1 million, and
- 14.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 43.1 percent; followed by retail trade (16.7 percent); construction (7.9 percent); and finance, insurance and real estate (6.4 percent). In addition, 67.3 percent of area businesses have four or fewer employees, and 84.4 percent operate from a single location. The area's largest employers include St. Elizabeth Medical Center, Rome Memorial Hospital, and Conmed Corporation.

According to data from the U. S. Bureau of Labor and Statistics, Herkimer and Oneida County unemployment rates were above state and national averages. The City of Utica has a high poverty rate, and overall economic conditions were unfavorable during the evaluation period. According to Moody's Analytics, high foreclosure inventory for single-family homes has negatively affected home prices and the overall MSA economy.

### ***Competition***

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, 10 financial institutions operated 74 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 3<sup>rd</sup> with a 15.0 percent deposit market share and 2<sup>nd</sup> with a 17.6 percent branch market share.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 161 lenders reported 6,603 home mortgage loans originated or purchased. Berkshire Bank ranked 13<sup>th</sup> with a market share of 1.9 percent. First Source Federal Credit Union accounted for the largest total market share with 17.0 percent.

There is a moderate level of competition for small business loans among banks. In 2016, 72 lenders reported 3,795 small business loans originated or purchased. Berkshire Bank ranked 12<sup>th</sup> out of this group of lenders, with a market share of 2.5 percent. The three most prominent small business lenders (American Express, FSB; U.S. Bank, N.A.; and Synchrony Bank) accounted for 37.8 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on economic and demographic information, needs exist for all community development categories, particularly revitalization and stabilization. Economic development also represents a significant community development need, although challenging economic conditions may limit opportunities for economic development activities.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN UTICA-ROME, NY MSA**

### **LENDING TEST**

Berkshire Bank demonstrated good performance under the Lending Test in this assessment area. Good Geographic Distribution, Borrower Profile, and Innovative and Flexible Lending performances support this conclusion.

### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within the Utica-Rome, NY MSA assessment area. During the review period, the bank originated 401 home mortgage and small business loans totaling \$29.9 million.

In 2016, Berkshire Bank originated 128 home mortgage loans totaling \$11.0 million within this assessment area. As noted previously, the bank ranked 13<sup>th</sup> out of 161 institutions with a 1.9 percent market share. In 2017, home mortgage lending slightly declined to 108 loans totaling \$9.7 million. The volume of small business lending was lesser with 96 originations totaling \$4.8 million in 2016 and 69 originations totaling \$4.3 million in 2017. Berkshire Bank ranked 12<sup>th</sup> out of 72 CRA-reportable institutions in 2016 with a 2.5 percent market share.

## **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the assessment area. The bank's good home mortgage lending performance and a significant 2017 increase in small business loans in low-income tracts support this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income tracts, and compared this performance to the aggregate performance and demographics.

### ***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Utica-Rome, NY MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	2.9	2.4	1	0.8	35	0.3
2017	5.3	--	10	9.3	585	6.0
Moderate						
2016	8.8	8.2	22	17.2	1,331	12.1
2017	7.6	--	11	10.2	773	7.9
Middle						
2016	60.0	58.4	54	42.2	4,201	38.2
2017	57.7	--	44	40.7	3,575	36.7
Upper						
2016	28.2	30.9	51	39.8	5,430	49.4
2017	29.4	--	43	39.8	4,806	49.3
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>10,997</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>108</b>	<b>100.0</b>	<b>9,739</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Despite having lending percentages in low-income tracts below aggregate performance and owner-occupied housing units in 2016, the bank significantly increased low-income tract lending in 2017. In 2017, the bank's performance in low-income census tracts exceeded the percentage of owner-occupied housing units by 4.0 percentage points.

In 2016, the bank's performance in moderate-income tracts exceeded aggregate performance by 9.0 percentage points and the percentage of owner-occupied housing units by 8.4 percentage points. Although moderate-income tract lending in 2017 decreased, the bank's lending

percentage exceeded the percentage of owner-occupied housing units by 2.6 percentage points. Demographic changes resulting from the 2015 ACS primarily explain the increase in bank lending in low-income tracts and the decrease in bank lending in moderate-income tracts between 2016 and 2017.

Out of 31 lenders that made a low-income tract loan in 2016, only 6 lenders made 10 or more loans in these tracts while 17 lenders only made 1 or 2 loans. For moderate-income tracts, the bank ranked 6<sup>th</sup> out of 65 lenders with a 4.1 percent market share.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Utica-Rome, NY MSA</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	4.6	4.6	0	0.0	0	0.0
2017	12.5	--	9	13.0	135	3.1
Moderate						
2016	13.7	14.1	18	18.8	735	15.3
2017	14.5	--	11	15.9	1,892	43.5
Middle						
2016	54.6	50.5	63	65.6	3,054	63.6
2017	45.6	--	29	42.0	1,364	31.4
Upper						
2016	25.5	29.6	15	15.6	1,012	21.1
2017	25.9	--	20	29.0	954	22.0
Not Available						
2016	1.6	1.2	0	0.0	0	0.0
2017	1.6	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>4,801</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>69</b>	<b>100.0</b>	<b>4,345</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank did not originate any small business loans in low-income census tracts. In 2017, the bank's performance in low-income census tracts at 13.0 percent slightly exceeded the

percentage of businesses in such tracts. Demographic changes resulting from the 2015 ACS explain in part the significant increase in low-income tract loans in 2017.

In 2016, the bank's performance in moderate-income tracts at 18.8 percent exceeded the aggregate performance and percentage of businesses in moderate-income tracts. The bank ranked 10<sup>th</sup> out of 41 lenders, with a 3.4 percent market share. In 2017, the bank's performance in moderate-income census tracts at 15.9 percent exceeded the percentage of businesses.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different revenue sizes in the assessment area. The bank's good home mortgage lending and excellent small business lending performances supports this conclusion.

#### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is good. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Utica-Rome, NY MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	21.3	7.6	14	11.0	689	6.3
2017	22.3	--	10	9.3	399	4.1
Moderate						
2016	17.2	20.3	25	19.5	1,484	13.5
2017	16.9	--	24	22.2	1,851	19.0
Middle						
2016	21.5	25.3	33	25.8	2,749	25.0
2017	21.5	--	33	30.6	3,073	31.6
Upper						
2016	40.1	37.8	51	39.8	5,694	51.8
2017	39.4	--	38	35.2	4,264	43.8
Not Available						
2016	0.0	9.0	5	3.9	381	3.5
2017	0.0	--	3	2.8	152	1.6
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>128</b>	<b>100.0</b>	<b>10,997</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>108</b>	<b>100.0</b>	<b>9,739</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance to low-income borrowers exceeded aggregate performance by 3.4 percentage points. The bank ranked 13<sup>th</sup> out of 54 lenders that made loans to low-income borrowers, with a 2.8 percent market share. Although bank lending trailed the percentage of low-income families, the income level of a low-income family impacts the ability to qualify for a home mortgage loan considering the median housing value. In 2017, the bank's lending percentage to low-income borrowers decreased slightly, again trailing the percentage of low-income families.

In 2016, the bank's performance to moderate-income borrowers was similar to aggregate performance, but above the percentage of moderate-income families. The bank ranked 16<sup>th</sup> out of 84 lenders that made loans to moderate-income borrowers, with a 1.9 percent market share. In 2017, the bank's lending percentage increased slightly, exceeding the percentage of moderate-income families by 5.3 percentage points.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Utica-Rome, NY MSA</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2016	79.1	50.6	86	89.6	3,868	80.6
2017	78.4	--	63	91.3	3,845	88.5
>1,000,000						
2016	6.5	--	10	10.4	933	19.4
2017	6.8	--	6	8.7	500	11.5
Revenue Not Available						
2016	14.4	--	0	0.0	0	0.0
2017	14.8	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>96</b>	<b>100.0</b>	<b>4,801</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>69</b>	<b>100.0</b>	<b>4,345</b>	<b>100.0</b>
<small>Source: 2016 &amp; 2017 D&amp;B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0</small>						

In 2016, the bank's lending performance to businesses with GARs of \$1 million or less greatly exceeded aggregate performance and exceeded the percentage of businesses. The bank ranked 8<sup>th</sup> out of 31 lenders with a 4.5 percent market share. In 2017, the bank's lending percentage slightly increased, again exceeding the percentage of businesses with GARs of \$1 million or less.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. Please refer to the combined assessment area discussion of *Innovative and Flexible Lending* for applicable loan programs and activity totals.

### **Community Development Lending**

Berkshire Bank has made an adequate level of community development loans within its Utica-Rome, NY MSA assessment area. During the evaluation period, the bank originated two community development loans in 2015. A \$92,000 loan supported affordable housing and a \$2 million loan supported community services for low- and moderate-income individuals. The NY statewide section includes details on the \$2 million loan.

## **INVESTMENT TEST**

Berkshire Bank demonstrated adequate performance under the Investment Test in this area.

### **Investment Activity**

The bank made an adequate level of qualified community development investments in the Utica-Rome, NY assessment area. The bank's qualified investments specifically targeting this area consisted of \$139,746 in donations. In addition, two CRA-targeted MBS purchased during the evaluation period included some mortgages to low- and moderate-income individuals located in this assessment area.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community economic development needs in this assessment area. The bank's qualified donations primarily support community services and economic development.

### **Community Development Initiatives**

The bank rarely uses innovative and/or complex investments to support community development initiatives in this assessment area.

## **SERVICE TEST**

The bank demonstrated adequate performance under the Service Test in this assessment area.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the assessment area. The bank operates 13 branches within the Utica-Rome, NY MSA. There are no branches in low-income tracts and three branches in moderate-income tracts.

### **Changes in Branch Locations**

To the extent changes have been made, Berkshire Bank's opening and closing of branches has adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. In 2015, the bank closed two branches both located in low-income tracts. In 2017, the bank closed one branch in an upper-income tract.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides an adequate level of community development services. The bank provided 580 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the Utica-Rome, NY MSA.

<b>Community Development Services – Utica-Rome, NY MSA</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	0	111	0	0	111
2016	0	205	14	0	219
2017	40	158	0	0	198
1/1/2018 - 7/11/2018	0	52	0	0	52
<b>Totals</b>	<b>40</b>	<b>526</b>	<b>14</b>	<b>0</b>	<b>580</b>
<i>Source: Bank Records</i>					

## **NEW YORK NONMETROPOLITAN STATEWIDE AREA**

*(Full-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK NONMETROPOLITAN STATEWIDE AREA**

This assessment area includes Columbia, Fulton, and Montgomery Counties, all located in NY but outside any MSA. The bank operates 5 of its 115 branches in this assessment area. Berkshire Bank has three branches in Columbia County and one each in Fulton and Montgomery Counties. This assessment area accounted for 1.8 percent of total loans (by number), 2.3 percent of total deposits (as of June 30, 2017), and 4.4 percent of the bank's branches.

During 2016, the assessment area included 52 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 2 low-income tracts,
- 8 moderate-income tracts,
- 28 middle-income tracts, and
- 14 upper-income tracts.

For 2017, the assessment area census tracts reflect the following income designations:

- 3 low-income tracts,
- 9 moderate-income tracts,
- 24 middle-income tracts, and
- 16 upper-income tracts.

The following table illustrates select demographic characteristics of the NY Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: NY Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	52	5.8	17.3	46.2	30.8	0.0
Population by Geography	166,580	3.9	17.5	53.5	25.1	0.0
Housing Units by Geography	84,603	4.2	16.5	52.9	26.3	0.0
Owner-Occupied Units by Geography	46,934	2.5	12.3	56.7	28.5	0.0
Occupied Rental Units by Geography	20,121	8.5	29.7	44.3	17.5	0.0
Vacant Units by Geography	17,548	3.8	12.7	52.7	30.8	0.0
Businesses by Geography	9,113	4.3	19.0	49.7	27.0	0.0
Family Distribution by Income Level	42,830	21.6	16.4	19.9	42.2	0.0
Median Family Income Non-MSAs – NY		\$59,570	Median Housing Value			\$153,161
Families Below Poverty Level		11.4%	Median Gross Rent			\$777
Source: 2010 U.S. Census & 2015 ACS and 2017 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 84,603 housing units. Of these, 55.5 percent are owner-occupied, 23.8 percent are occupied rental units, and 20.7 percent are vacant. The NY statewide section indicates low-, moderate-, middle-, and upper-income categories for the NY statewide nonmetropolitan area in the *Median Family Income Ranges* table.

According to 2017 D&B data, there were 9,113 businesses. GARs for these businesses are below.

- 81.2 percent have \$1 million or less,
- 5.9 percent have more than \$1 million, and
- 12.9 percent have unknown revenues.

Service industries represent the largest portion of businesses at 41.2 percent; followed by retail trade (15.6 percent); construction (8.9 percent); and agriculture, forestry, and fishing (6.9 percent). In addition, 70.7 percent of area businesses have four or fewer employees, and 87.6 percent operate from a single location.

### ***Competition***

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, nine financial institutions operated 46 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 4<sup>th</sup> with a 4.7 percent deposit market share and with a 10.9 percent branch market share.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 175 lenders reported 2,961 home mortgage loans originated or purchased. Berkshire Bank ranked 32<sup>nd</sup> with a market share of 0.6 percent. Homestead Funding Corp. accounted for the largest total market share with 14.2 percent.

There is a moderate level of competition for small business loans among banks. In 2016, 68 lenders reported a total of 2,509 small business loans originated or purchased. Berkshire Bank ranked 11<sup>th</sup> out of this group of lenders, with a market share of 2.1 percent. The three most prominent small business lenders (American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.) accounted for 39.9 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on economic and demographic information, the area has economic development and revitalization needs; however, opportunities are limited for financing these community development activities.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW YORK NON-METROPOLITAN STATEWIDE AREA**

### **LENDING TEST**

Berkshire Bank demonstrated adequate performance under the Lending Test in this assessment area. Adequate or better performance for each factor supports this conclusion.

### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within the NY Non-MSA assessment area. During the review period, the bank originated 135 home mortgage and small business loans totaling \$14.3 million. Berkshire Bank originated 19 home mortgage loans totaling \$2.0 million in 2016 and 25 home mortgage loans totaling \$3.2 million in 2017 in this assessment area. As noted previously, the bank ranked 32<sup>nd</sup> out of 175 institutions, with a 0.6 percent market share.

For small business lending, the bank had 52 originations totaling \$5.7 million in 2016 and 39 originations totaling \$3.5 million in 2017. Berkshire Bank ranked 11<sup>th</sup> out of 68 CRA-reportable institutions with a 2.1 percent market share.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's adequate home mortgage and small business lending performances support this conclusion. Due to the low volume of home mortgage loans in low- and moderate-income census tracts in 2016, examiners did not conduct a market share analysis.

### ***Home Mortgage***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: NY Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	1.5	1.1	0	0.0	0	0.0
2017	2.5	--	1	4.0	75	2.3
Moderate						
2016	9.9	7.9	1	5.3	49	2.5
2017	12.3	--	2	8.0	250	7.8
Middle						
2016	58.9	55.3	9	47.4	694	34.9
2017	56.7	--	12	48.0	1,040	32.4
Upper						
2016	29.7	35.7	9	47.4	1,244	62.6
2017	28.5	--	10	40.0	1,846	57.5
Totals						
2016	100.0	100.0	19	100.0	1,987	100.0
2017	100.0	--	25	100.0	3,211	100.0
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016 and 2017, Berkshire Bank's volume of lending in low- and moderate-income census tracts was low and generally below aggregate performance and demographic data. The bank did not originate any home mortgage loans in low-income census tracts in 2016, and made one such loan in 2017. Within moderate-income census tracts, the bank originated one loan in 2016 and two loans in 2017. Given the low lending volume, originating just one more loan in either low- or moderate-income tracts would have brought the bank's performance above aggregate levels.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: NY Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	2.3	2.2	2	3.8	150	2.7
2017	4.3	--	1	2.6	100	2.9
Moderate						
2016	10.7	8.7	5	9.6	283	5.0
2017	19.0	--	8	20.5	882	25.4
Middle						
2016	58.3	57.7	28	53.8	3,904	69.1
2017	49.7	--	16	41.0	1,379	39.8
Upper						
2016	28.6	31.5	17	32.7	1,314	23.3
2017	27.0	--	14	35.9	1,105	31.9
Totals						
2016	100.0	100.0	52	100.0	5,651	100.0
2017	100.0	--	39	100.0	3,466	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance in low-income census tracts slightly exceeded aggregate performance and the percentage of businesses. In 2017, low-income tract lending decreased and fell slightly below the percentage of businesses. The bank's moderate-income tract lending in 2016 was slightly above aggregate performance and slightly below the percentage of businesses. In 2017, bank lending slightly exceeded the percentage of businesses in moderate-income tracts.

### **Borrower Profile**

The distribution of borrowers reflects good penetration among individuals of different income levels and businesses of different size in the assessment area. The bank's excellent small business lending and adequate home mortgage lending performances support the conclusion.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is adequate. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: NY Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	19.2	3.7	0	0.0	0	0.0
2017	21.6	--	1	4.0	80	2.5
Moderate						
2016	17.7	16.0	2	10.5	188	9.5
2017	16.4	--	7	28.0	621	19.3
Middle						
2016	19.4	22.0	6	31.6	438	22.0
2017	19.9	--	4	16.0	429	13.4
Upper						
2016	43.6	43.0	11	57.9	1,361	68.5
2017	42.2	--	13	52.0	2,081	64.8
Not Available						
2016	0.0	15.3	0	0.0	0	0.0
2017	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>19</b>	<b>100.0</b>	<b>1,987</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>25</b>	<b>100.0</b>	<b>3,211</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank did not originate any home mortgage loans to low-income borrowers; however, one low-income borrower loan would have put the bank above aggregate level. The bank made one loan to a low-income borrower in 2017, trailing the percentage of low-income families.

Although the bank's performance to moderate-income borrowers was below aggregate performance and the percentage of families in 2016, the bank tripled moderate-income borrower loans in 2017. The bank's moderate-income borrower lending exceeded the percentage of moderate-income families in 2017. Examiners considered overall borrower distribution adequate based on the lack of home mortgage affordability for low-income borrowers and the increased lending to moderate-income borrowers in 2017.

### ***Small Business Loans***

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: NY Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	81.5	49.7	45	86.5	3,056	54.1
2017	81.2	--	35	89.7	2,585	74.6
>1,000,000						
2016	5.7	--	7	13.5	2,595	45.9
2017	5.9	--	4	10.3	881	25.4
Revenue Not Available						
2016	12.9	--	0	0.0	0	0.0
2017	12.9	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>52</b>	<b>100.0</b>	<b>5,651</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>39</b>	<b>100.0</b>	<b>3,466</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

The bank's performance to businesses with GARs of \$1 million or less significantly exceeded aggregate performance in both 2016 and 2017. Bank lending also exceeded the percentage of businesses in this revenue category in both years. In 2016, the bank ranked 8<sup>th</sup> out of 34 lenders that made loans to businesses with GARs of \$1 million or less, with a 3.6 percent market share.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs.

### **Community Development Lending**

Berkshire Bank has made an adequate level of community development loans within its NY Non-MSA assessment area. During the evaluation period, the bank originated one community development loan for \$4.2 million in 2015. Examiners considered the limited community development lending opportunities within the assessment area when determining this conclusion. The *Community Development Lending* section for the NY statewide performance includes information on the 2015 community development loan.

### **INVESTMENT TEST**

Berkshire Bank demonstrated adequate Investment Test performance in this area.

### **Investment Activity**

The bank made an adequate level of qualified community development investments in the NY Non-MSA assessment area. The bank's investment activity consisted of 19 qualified donations totaling \$23,361, a majority of which went to organizations that provide community services to low- and moderate-income individuals. In addition, a CRA targeted MBS purchased by the bank in 2017 included one mortgage to a moderate-income borrower located in this assessment area.

### **Responsiveness to Credit and Community Development Needs**

The institution exhibits adequate responsiveness to credit and community economic development needs in this assessment area.

### **Innovativeness or Complexity of Qualified Investments**

The bank rarely uses innovative and/or complex investments to support community development initiatives in this assessment area.

### **SERVICE TEST**

Berkshire Bank demonstrated adequate performance for Service Test factors related to retail banking services. However, the bank had a poor level of community development services in the NY Non-MSA assessment area.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institutions assessment area. The bank operates five branches within the NY Non- MSA. There is one branch in a moderate-income tract, and the remaining four are in middle- and upper-income tracts.

### **Changes in Branch Locations**

The bank did not open or close any branches in this area during the evaluation period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- or moderate-income geographies and individuals.

### **Community Development Services**

The bank provides a limited level of community development services. The bank provided 56 service hours during the evaluation period in the NY Non-MSA area. Services primarily supported community services to low and moderate-income individuals. Refer to the *Community*

*Development Services* section under the overall Service Test for highlights of activity within the NY-Non MSA.

Community Development Services – NY Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
1/21/2015 - 12/31/2015	0	0	0	0	0
2016	0	10	3	0	13
2017	12	31	0	0	43
1/1/2018 - 7/11/2018	0	0	0	0	0
<b>Totals</b>	<b>12</b>	<b>41</b>	<b>3</b>	<b>0</b>	<b>56</b>
<i>Source: Bank Records</i>					

## **SYRACUSE, NY METROPOLITAN STATISTICAL AREA**

*(Limited-scope Procedures)*

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN SYRACUSE, NY MSA**

This assessment area includes all of Onondaga County, located within the Syracuse, NY MSA 45060. The bank operates 2 of its 115 branches in this assessment area. This assessment area accounted for 2.6 percent of total loans (by number), 4.2 percent of total deposits (as of June 30, 2017), and 1.7 percent of the bank's branches.

During 2016, the assessment area included 140 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 25 low-income tracts,
- 26 moderate-income tracts,
- 42 middle-income tracts,
- 46 upper-income tracts, and
- 1 tract with no income designation.

For 2017, the assessment area census tracts reflect the following income designations:

- 23 low-income tracts,
- 20 moderate-income tracts,
- 50 middle-income tracts,
- 42 upper-income tracts, and
- 5 tracts with no income designation.

The following table illustrates select demographic characteristics of the Syracuse, NY MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Syracuse, NY MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	140	16.4	14.3	35.7	30.0	3.6
Population by Geography	468,304	13.2	11.8	37.9	35.3	1.8
Housing Units by Geography	203,956	12.7	13.6	38.9	33.5	1.3
Owner-Occupied Units by Geography	120,529	3.8	8.7	44.8	42.6	0.2
Occupied Rental Units by Geography	64,112	24.8	21.8	30.8	19.0	3.5
Vacant Units by Geography	19,315	28.5	16.5	29.1	24.7	1.1
Businesses by Geography	27,440	10.6	9.8	39.8	36.8	3.0
Family Distribution by Income Level	112,623	20.9	16.2	19.9	43.1	0.0
Median Family Income MSA - Syracuse, NY MSA		\$68,468	Median Housing Value			\$130,362
Families Below Poverty Level		10.5%	Median Gross Rent			\$781
Source: 2010 U.S. Census & 2015 ACS and 2017 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.						

## CONCLUSIONS ON PERFORMANCE CRITERIA IN SYRACUSE, NY MSA

### LENDING TEST

The bank's Lending Test performance in the assessment area was consistent the bank's combined NY assessment area performance. For 2016 and 2017, the bank originated 136 home mortgage loans totaling \$36.2 million and 58 small business loans totaling \$7.4 million. The following tables show the bank's lending by census tract income level, individual income level, and business revenue level.

## Geographic Distribution

### *Home Mortgage Loans*

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Syracuse, NY MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	4.4	2.7	1	1.1	30	0.1
2017	3.8	--	0	0.0	0	0.0
Moderate						
2016	13.1	12.5	7	8.0	2,610	12.6
2017	8.7	--	3	6.3	206	1.3
Middle						
2016	36.5	35.7	34	38.6	3,033	14.6
2017	44.8	--	23	47.9	1,735	11.2
Upper						
2016	46.1	49.0	46	52.3	15,089	72.7
2017	42.6	--	22	45.8	13,534	87.5
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>	<b>20,762</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>48</b>	<b>100.0</b>	<b>15,475</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### Small Business Loans

Geographic Distribution of Small Business Loans						
Assessment Area: Syracuse, NY MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	17.1	14.6	0	0.0	0	0.0
2017	10.6	--	4	14.8	880	24.9
Moderate						
2016	12.6	11.1	3	9.7	160	4.1
2017	9.8	--	2	7.4	209	5.9
Middle						
2016	35.5	38.2	18	58.1	2,785	71.1
2017	39.8	--	10	37.0	827	23.4
Upper						
2016	34.8	36.0	10	32.3	973	24.8
2017	36.8	--	11	40.7	1,615	45.7
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	3.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>3,918</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>3,531</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

### ***Home Mortgage Loans***

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: Syracuse, NY MSA</b>						
<b>Borrower Income Level</b>	<b>% of Families</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2016	21.0	8.4	3	3.4	205	1.0
2017	20.9	--	2	4.2	101	0.7
Moderate						
2016	15.9	20.6	16	18.2	1,207	5.8
2017	16.2	--	13	27.1	1,152	7.4
Middle						
2016	20.7	22.7	27	30.7	2,737	13.2
2017	19.9	--	14	29.2	941	6.1
Upper						
2016	42.4	33.3	40	45.5	5,993	28.9
2017	43.1	--	17	35.4	2,556	16.5
Not Available						
2016	0.0	15.0	2	2.3	10,620	51.2
2017	0.0	--	2	4.2	10,725	69.3
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>88</b>	<b>100.0</b>	<b>20,762</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>48</b>	<b>100.0</b>	<b>15,475</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

### Small Business Loans

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Syracuse, NY MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	78.5	42.5	22	71.0	2,516	64.2
2017	78.1	--	23	85.2	2,346	66.4
>1,000,000						
2016	7.7	--	8	25.8	1,376	35.1
2017	8.0	--	3	11.1	1,046	29.6
Revenue Not Available						
2016	13.7	--	1	3.2	26	0.7
2017	14.0	--	1	3.7	139	3.9
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>31</b>	<b>100.0</b>	<b>3,918</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>3,531</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### Community Development Lending

Berkshire Bank's community development lending performance in the Syracuse, NY MSA assessment area was above its combined NY assessment area performance. The bank originated five community development loans totaling \$47.1 million that specifically benefited the assessment area. The following table shows the bank's community development lending by activity year and purpose.

Community Development Lending Assessment Area: Syracuse, NY MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	1	120	0	0	0	0	1	24,550	2	24,670
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	1	100	0	0	2	22,365	3	22,465
YTD 2018	0	0	0	0	0	0	0	0	0	0
Total	1	120	1	100	0	0	3	46,915	5	47,135
Source: Bank Records										

## **INVESTMENT TEST**

Berkshire Bank's Investment Test performance in the Syracuse, NY MSA assessment area was consistent with its combined NY assessment area performance. During the evaluation period, the bank made two new equity investments totaling \$5.2 million in the form of purchasing HTC's that revitalize and stabilize low- and moderate-income geographies. In addition, the bank maintains an equity investment from the prior period totaling \$1.0 million. The bank's qualified donations totaled \$113,562 and primarily supported community services to low- and moderate-income individuals.

## **SERVICE TEST**

Berkshire Bank's Service Test performance in the Syracuse, NY MSA assessment area was consistent with its combined NY assessment area performance. The bank operates two branches within the Syracuse, NY MSA. Branches are in moderate- and middle-income tracts. The bank did not open or close any branches in this area during the evaluation period. The bank provided 246 community development service hours during the evaluation period. Services primarily supported community services to low and moderate-income individuals.

## STATE OF CONNECTICUT

### CRA RATING FOR CONNECTICUT: Satisfactory

The Lending Test is rated: Satisfactory

The Investment Test is rated: Satisfactory

The Service Test is rated: Satisfactory

### SCOPE OF EVALUATION

This portion of the evaluation only considers assessment area activity within Connecticut, specifically the Hartford-West Hartford-East Hartford, CT MSA (Hartford, CT MSA). Examiners conducted a full-scope review for the Hartford, CT MSA assessment area, as this is the only assessment area in Connecticut. Please refer to the Scope of Evaluation section for information on products reviewed and review timeframe. With respect to product weighting, however, the bank's record of originating small business loans contributed more weight to CT ratings and conclusions due to the larger loan volume when compared to home mortgage lending during the review period.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN HARTFORD-WEST HARTFORD-EAST HARTFORD, CT MSA

This assessment area includes portions of Hartford and Tolland Counties, all located within the Hartford, CT MSA. The bank operates 9 of its 115 branches in this assessment area. This assessment area accounted for 2.9 percent of total loans (by number), 4.2 percent of total deposits (as of June 30, 2017), and 7.8 percent of the bank's branches.

During 2016, the assessment area included 224 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 43 low-income tracts,
- 39 moderate-income tracts,
- 81 middle-income tracts,
- 57 upper-income tracts, and
- 4 tracts with no income designation.

For 2017, the assessment area census tracts reflect the following income designations:

- 44 low-income tracts,
- 41 moderate-income tracts,
- 74 middle-income tracts,
- 61 upper-income tracts, and
- 4 tracts with no income designation.

The following table illustrates select demographic characteristics of the Hartford, CT MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Hartford, CT MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	224	19.6	18.3	33.0	27.2	1.8
Population by Geography	900,484	16.4	18.3	34.6	30.2	0.6
Housing Units by Geography	378,022	17.0	19.3	35.4	28.3	0.0
Owner-Occupied Units by Geography	220,427	5.1	15.0	41.1	38.8	0.0
Occupied Rental Units by Geography	128,755	33.9	25.7	27.7	12.6	0.0
Vacant Units by Geography	28,840	33.0	23.4	26.2	17.4	0.0
Businesses by Geography	66,907	12.0	15.8	38.2	33.7	0.4
Family Distribution by Income Level	225,996	25.3	16.9	20.4	37.4	0.0
Median Family Income MSA - 25540 Hartford-West Hartford-East Hartford, CT MSA		\$88,016	Median Housing Value			\$225,935
Families Below Poverty Level		9.2%	Median Gross Rent			\$995
Source: 2010 U.S. Census & 2015 ACS and 2017 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 378,022 housing units. Of these, 58.3 percent are owner-occupied, 34.1 percent are occupied rental units, and 7.6 percent are vacant. Low owner-occupancy rates in low-income tracts create increased competition for making owner-occupied mortgage loans in these geographies. Due to significant competition in these tracts and the bank's focus on small business lending in CT, bank home mortgage lending in low-income tracts did not have much effect on the Lending Test rating in CT.

The FFIEC-updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table indicates 2016 and 2017 low-, moderate-, middle, and upper-income categories for the Hartford, CT MSA.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Hartford-West Hartford-East Hartford, CT MSA Median Family Income (25540)</b>				
2016 (\$86,000)	<\$43,000	\$43,000 to <\$68,800	\$68,800 to <\$103,200	≥\$103,200
2017 (\$90,200)	<\$45,100	\$45,100 to <\$72,160	\$72,160 to <\$108,240	≥\$108,240
Source: FFIEC.				

According to 2017 D&B data, there were 66,907 businesses. GARs for these businesses follow.

- 83.3 percent have \$1 million or less,
- 6.5 percent have more than \$1 million, and
- 10.3 percent have unknown revenues.

Service industries represent the largest portion of businesses at 47.3 percent; followed by retail trade (12.7 percent); finance, insurance, and real estate (9.5 percent); and construction (8.9 percent). In addition, 72.1 percent of area businesses have four or fewer employees, and 88.3 percent operate from a single location. The area's top five employers are Hartford HealthCare; Pratt & Whitney/United Technologies; University of Connecticut; The Travelers Companies, Inc.; and Hartford Financial Services Group.

The Hartford, CT MSA has enjoyed sustained economic growth, adding jobs at its fastest pace in more than half a decade. According to Moody's Analytics, total employment, median household income, and housing prices are at current highs in the area for this business cycle. Single-family and multi-family permits are down from their highs.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the April 2018 unemployment rate was 4.3 percent statewide in CT and 3.9 percent nationwide. The unemployment rates for this assessment area were higher in Hartford County than in Tolland County. Unemployment rates fluctuated within each county throughout the evaluation period. The following table illustrates unemployment rates at the county level for the Hartford, CT MSA assessment area.

Unemployment Rates				
Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b>Hartford, CT MSA</b>				
Hartford County	5.3	4.5	4.1	4.6
Tolland County	4.5	3.7	3.4	3.6
<b>Connecticut Statewide</b>	5.1	4.3	4.0	4.3
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

### **Competition**

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, 26 financial institutions operated 282 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 14<sup>th</sup> with a 0.8 percent deposit market share and 11<sup>th</sup> with a 2.8 percent branch market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 416 lenders reported 23,044 home mortgage loans originated or purchased. Berkshire Bank ranked 91<sup>st</sup> with a market share of 0.2 percent. Wells Fargo Bank, N.A. accounted for the largest total market share with 7.3 percent.

There is a moderate level of competition for small business loans among banks. In 2016, 114 lenders reported 22,972 small business loans originated or purchased. Berkshire Bank ranked 24<sup>th</sup> out of this group of lenders, with a market share of 0.4 percent. The three most prominent small business lenders (American Express, FSB; Citibank, N.A.; and U.S. Bank, N.A.) accounted for 45.0 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

The bank and community contacts indicated a need for affordable housing financing, services, and inventory. Economic and demographic data also revealed a need for flexible small business loans, including micro-business loans, as well as for economic development, revitalization and stabilization, and provision of various community services to low- or moderate-income individuals and families.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN HARTFORD-WEST HARTFORD-EAST HARTFORD, CT MSA**

### **LENDING TEST**

Berkshire Bank received a Satisfactory rating under the Lending Test in Connecticut. The bank had adequate or better performance under each factor.

### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs. During the review period, the bank originated 210 home mortgage and small business loans totaling \$47.0 million. For small business lending, the bank had 84 originations totaling \$11.7 million in 2016 and 60 originations totaling \$10.5 million in 2017. Berkshire Bank ranked 24<sup>th</sup> out of 114 CRA-reportable institutions in 2016, which represents a 0.4 percent market share within the Hartford, CT MSA assessment area.

Berkshire Bank originated 39 home mortgage loans totaling \$17.9 million in 2016 and 27 home mortgage loans totaling \$7.0 million in 2017. As noted previously, Berkshire Bank ranked 91<sup>st</sup> out of 416 institutions in 2016, with a 0.2 percent market share for home mortgage loans.

### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration in CT. The bank's adequate small business and home mortgage lending performances support this conclusion.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. While the bank had excellent lending penetration in low-income tracts, bank lending in moderate-income tracts was below aggregate and demographic comparators. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Hartford, CT MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	11.3	8.8	14	16.7	2,715	23.2
2017	12.0	--	10	16.7	1,793	17.2
Moderate						
2016	14.0	14.2	10	11.9	603	5.2
2017	15.8	--	7	11.7	1,304	12.5
Middle						
2016	40.5	43.7	36	42.9	4,437	37.9
2017	38.2	--	21	35.0	4,155	39.7
Upper						
2016	33.9	33.0	24	28.6	3,939	33.7
2017	33.7	--	22	36.7	3,203	30.6
Not Available						
2016	0.4	0.2	0	0.0	0	0.0
2017	0.4	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>84</b>	<b>100.0</b>	<b>11,694</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>60</b>	<b>100.0</b>	<b>10,455</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, bank lending in low-income tracts exceeded aggregate performance and the percentage of businesses in such tracts. In 2017, the bank also originated 16.7 percent of small business loans in low-income census tracts, again exceeding the percentage of businesses. The bank's performance in moderate-income tracts in 2016 was slightly below aggregate performance and below the percentage of businesses located in these tracts. In 2017, the bank's performance in moderate-income tracts was similar, again falling below the percentage of businesses located in moderate-income census tracts.

### ***Home Mortgage***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Hartford, CT MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	4.5	3.9	0	0.0	0	0.0
2017	5.1	--	2	7.4	322	4.6
Moderate						
2016	14.8	12.6	6	15.4	11,796	65.9
2017	15.0	--	2	7.4	372	5.3
Middle						
2016	46.3	45.5	14	35.9	2,461	13.7
2017	41.1	--	9	33.3	1,815	26.0
Upper						
2016	34.4	38.0	19	48.7	3,645	20.4
2017	38.8	--	14	51.9	4,481	64.1
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>17,902</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>6,990</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, Berkshire Bank did not originate any home mortgage loans in low-income census tracts; however, the bank originated 7.4 percent of loans in low-income tracts in 2017, exceeding the percentage of owner-occupied housing units. Berkshire Bank's 2016 lending in moderate-income census tracts exceeded aggregate performance and slightly exceeded the percentage of owner-occupied housing units. In 2016, the bank ranked 81<sup>st</sup> out of 212 lenders that made loans in moderate-income census tracts, with a 0.2 percent market share. In 2017, however, the bank decreased lending in moderate-income tracts, with its performance falling below the percentage of owner-occupied units.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels in the assessment area. The bank's adequate small business and home mortgage lending performances support this conclusion.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Hartford, CT MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	83.0	47.0	48	57.1	5,596	47.9
2017	83.3	--	41	68.3	6,395	61.2
>1,000,000						
2016	6.6	--	34	40.5	5,825	49.8
2017	6.5	--	19	31.7	4,060	38.8
Revenue Not Available						
2016	10.4	--	2	2.4	273	2.3
2017	10.2	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>84</b>	<b>100.0</b>	<b>11,694</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>60</b>	<b>100.0</b>	<b>10,455</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's lending performance to businesses with GARs of \$1 million or less exceeded aggregate performance but fell below the percentage of businesses. In 2017, bank lending to businesses with GARs of \$1 million or less increased to 68.3 percent, but remained below the percentage of businesses in this revenue category. Bank lending is adequate as the aggregate comparison is a more meaningful representation of borrower profile performance.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, is adequate. The bank's good trend in lending to moderate-income borrowers compensated for the poor trend in lending to low-income borrowers. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Hartford, CT MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	24.2	7.4	2	5.1	171	1.0
2017	25.3	--	0	0.0	0	0.0
Moderate						
2016	17.4	19.5	7	17.9	912	5.1
2017	16.9	--	9	33.3	1,442	20.6
Middle						
2016	21.8	21.6	15	38.5	1,978	11.0
2017	20.4	--	5	18.5	950	13.6
Upper						
2016	36.6	32.6	13	33.3	3,481	19.4
2017	37.4	--	12	44.4	4,430	63.4
Not Available						
2016	0.0	18.9	2	5.1	11,360	63.5
2017	0.0	--	1	3.7	168	2.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>39</b>	<b>100.0</b>	<b>17,902</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>27</b>	<b>100.0</b>	<b>6,990</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, bank lending to low-income borrowers was slightly below aggregate performance and significantly below the percentage of low-income families. A low-income family in the Hartford, CT MSA, with an income less than \$43,000 in 2016 or less than \$45,100 in 2017, would have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$225,935. In 2017, the bank did not originate any home mortgage loans to low-income borrowers.

In 2016, the bank's performance to moderate-income borrowers was slightly below aggregate performance, but slightly above the percentage of moderate-income families. In 2017, the bank's performance to moderate-income borrowers increased to 33.3 percent, far above the percentage of moderate-income families. Examiners considered the bank's overall borrower distribution adequate based on the lack of home mortgage affordability for low-income borrowers and the increased lending to moderate-income borrowers in 2017.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of certain state-specific loan programs outside of CT, all of the innovative and flexible lending programs discussed in the overall combined assessment area are offered in the Hartford, CT MSA assessment area.

### **Community Development Lending**

Berkshire Bank has made a relatively high level of community development loans within the Hartford, CT MSA assessment area. The bank made six community development loans totaling \$16.6 million that specifically benefited the assessment area or statewide area. The following table shows the bank's community development lending by activity year and purpose.

<b>Community Development Lending Assessment Area: Hartford, CT MSA</b>										
<b>Activity Year</b>	<b>Affordable Housing</b>		<b>Community Services</b>		<b>Economic Development</b>		<b>Revitalize or Stabilize</b>		<b>Totals</b>	
	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>	<b>#</b>	<b>\$(000s)</b>
2015	1	1,500	0	0	0	0	0	0	1	1,500
2016	1	3,200	1	5,000	0	0	0	0	2	8,200
2017	2	6,768	0	0	0	0	1	115	3	6,883
YTD 2018	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>11,468</b>	<b>1</b>	<b>5,000</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>115</b>	<b>6</b>	<b>16,583</b>
<i>Source: Bank Records</i>										

Summarized below are notable examples of the bank's community development loans.

- In 2015, the bank originated a \$1.5 million loan for an affordable housing project located in a low-income census tract in Hartford, CT. The project contains seven buildings comprising 52 residential units classified as Section 8. This loan supports affordable housing to low- and moderate-income individuals and families in the assessment area.
- In 2016, the bank provided a \$3.2 million loan for the purchase of a 39-unit apartment building in a middle-income census tract in New Haven, CT. Of the 39 units, 37 have rents below New Haven County's fair market rent as established by HUD.

### **INVESTMENT TEST**

Berkshire Bank received a Satisfactory Investment Test rating in CT. The following sections address the bank's performance under each criterion.

#### **Investment Activity**

The bank made an adequate level of qualified community development investments in CT.

Qualified investments that benefited the assessment area totaled \$1.8 million, and includes one current period CRA MBS totaling \$1.5 million that primarily targeted low- and moderate-income borrowers residing in the Hartford, CT MSA. Qualified donations totaled \$285,538 with a majority supporting community services to low- and moderate-income individuals.

In addition to the CRA MBS that primarily targeted the assessment area, the bank purchased multiple CRA MBS during the evaluation period that included 16 underlying mortgages to low- and moderate-income borrowers in CT but outside the Hartford, CT MSA assessment area.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community economic development needs. The bank's investments in MBS help support affordable housing, the area's primary community development need.

### **Innovativeness or Complexity of Qualified Investments**

The bank rarely uses innovative and/or complex investments to support community development initiatives.

## **SERVICE TEST**

Berkshire Bank received a Satisfactory Service Test rating in CT. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the Hartford, CT MSA assessment area. The bank operates nine, or 7.8 percent of all branches, in the Hartford, CT MSA. The bank has one branch in Hartford, CT in a moderate-income tract; the remaining branches are in middle- and upper-income tracts. The bank does have an ATM in a low-income tract and two ATMs in moderate-income tracts.

<b>CT Assessment Area Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	44	19.6	147,401	16.4	0	0	1	7.1
Moderate	41	18.3	164,839	18.3	1	11.1	2	14.4
Middle	74	33.1	311,530	34.6	5	55.6	8	57.1
Upper	61	27.2	271,597	30.2	3	33.3	3	21.4
NA	4	1.8	5,117	0.5	0	0	0	0.0
<b>Total</b>	<b>224</b>	<b>100</b>	<b>900,484</b>	<b>100</b>	<b>9</b>	<b>100</b>	<b>14</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

### **Changes in Branch Locations**

To the extent changes have been made, the bank's record of opening and closing branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. In 2017, the bank opened one branch in an upper-income tract and closed one branch in a middle-income tract. In 2018, the bank opened one branch in an upper-income tract.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides an adequate level of community development services in the Hartford, CT MSA assessment area. The bank provided 525 service hours during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the Hartford, CT MSA assessment area.

<b>Community Development Services – CT</b>					
<b>Activity Year</b>	<b>Affordable Housing</b>	<b>Community Services</b>	<b>Economic Development</b>	<b>Revitalize or Stabilize</b>	<b>Totals</b>
	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>	<b>#</b>
1/21/2015 - 12/31/2015	0	9	0	0	9
2016	0	384	3	0	387
2017	0	74	21	0	95
1/1/2018 - 7/11/2018	0	35	0	0	35
<b>Totals</b>	<b>0</b>	<b>501</b>	<b>24</b>	<b>0</b>	<b>525</b>
<i>Source: Bank Records</i>					

## STATE OF VERMONT

**CRA RATING FOR VERMONT: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Investment Test is rated: Satisfactory**

**The Service Test is rated: Satisfactory**

### SCOPE OF EVALUATION

This portion of the evaluation only considers activity within VT, specifically the Non-MSA portions of VT that comprise the bank's assessment area. Examiners conducted a full-scope review for the VT Non-MSA assessment area, as this is the only assessment area in VT. Please refer to the Scope of Evaluation section for information on products reviewed and review timeframe.

With respect to product weighting, however, the bank's record of originating small business loans contributed more weight to VT ratings and conclusions due to the larger loan volume when compared to home mortgage lending during the review period. Vermont accounts for a small portion of overall lending and other activities compared relative to other states; therefore, performance in VT carried little weight when determining overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT STATEWIDE NONMETROPOLITAN AREA

This assessment area includes Bennington, Rutland, and Windsor Counties, all located outside any MSA. The bank operates 6 of its 115 branches in this assessment area. This assessment area accounted for 2.9 percent of total loans (by number), 4.8 percent of total deposits (as of June 30, 2017), and 5.2 percent of the bank's branches.

During 2016, the assessment area included 50 census tracts. These tracts reflected the following income designations according to the 2010 U.S. Census:

- 1 low-income tract,
- 5 moderate-income tracts,
- 37 middle-income tracts, and
- 7 upper-income tracts.

For 2017, the assessment area census tracts reflect the following income designations:

- 0 low-income tracts,
- 5 moderate-income tracts,
- 39 middle-income tracts, and
- 6 upper-income tracts.

The following table illustrates select demographic characteristics of the Vermont Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: VT Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	50	0.0	10.0	78.0	12.0	0.0
Population by Geography	153,269	0.0	11.4	74.9	13.7	0.0
Housing Units by Geography	88,793	0.0	9.3	77.7	13.0	0.0
Owner-Occupied Units by Geography	46,230	0.0	7.2	79.3	13.5	0.0
Occupied Rental Units by Geography	19,372	0.0	22.1	64.9	13.0	0.0
Vacant Units by Geography	23,191	0.0	2.7	85.3	11.9	0.0
Businesses by Geography	12,573	0.0	15.2	70.9	13.9	0.0
Family Distribution by Income Level	40,767	20.2	17.6	22.6	39.7	0.0
Median Family Income Non-MSAs – VT		\$64,849	Median Housing Value			\$215,335
Families Below Poverty Level		7.9%	Median Gross Rent			\$849
Source: 2010 U.S. Census & 2015 ACS and 2017 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.						

The following table indicates 2016 and 2017 low-, moderate-, middle, and upper-income categories for the VT Non-MSA. These categories are based on the 2016 and 2017 FFIEC-updated median family income.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>VT NA Median Family Income (99999)</b>				
2016 (\$64,400)	<\$32,200	\$32,200 to <\$51,520	\$51,520 to <\$77,280	≥\$77,280
2017 (\$64,700)	<\$32,350	\$32,350 to <\$51,760	\$51,760 to <\$77,640	≥\$77,640
<i>Source: FFIEC.</i>				

According to 2017 D&B data, there were 12,573 businesses. GARs for these businesses are below.

- 82.2 percent have \$1 million or less,
- 6.1 percent have more than \$1 million, and
- 11.7 percent have unknown revenues.

Service industries represent the largest portion of businesses at 43.3 percent; followed by retail trade (14.3 percent); construction (9.4 percent); and non-classifiable establishments (5.9 percent). In addition, 70.6 percent of area businesses have four or fewer employees, and 88.0 percent operate from a single location.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the April 2018 unemployment rate was 3.0 percent statewide in Vermont and 3.9 percent nationwide. The unemployment rates for this assessment area were lower than the national rate with 3.5 percent in Bennington County, 3.5 percent in Rutland County, and 2.7 percent in Windsor County. Unemployment rates fluctuated within each county throughout the evaluation period. The following table illustrates unemployment rates at the county level for the Vermont Non-MSA assessment area.

Unemployment Rates				
Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b>VT Non-MSA</b>				
Bennington County	3.9	3.2	3.1	3.5
Rutland County	3.3	3.1	2.8	3.5
Windsor County	2.5	2.4	2.1	2.7
<b>Vermont Statewide</b>	3.0	2.8	2.5	3.0
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

### ***Competition***

The assessment area is moderately competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, 15 financial institutions operated 66 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 5<sup>th</sup> with an 11.1 percent deposit market share and 6<sup>th</sup> with a 9.1 percent branch market share.

There is a moderate level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 179 lenders reported 2,872 home mortgage loans originated or purchased. Berkshire Bank ranked 27<sup>th</sup> with a market share of 0.9 percent. Quicken Loans accounted for the largest total market share with 10.1 percent.

There is also a moderate level of competition for small business loans among banks. In 2016, 62 lenders reported 3,052 small business loans originated or purchased. Berkshire Bank ranked 10<sup>th</sup> out of this group of lenders, with a market share of 3.1 percent. The three most prominent small business lenders (American Express, FSB; Citibank, N.A.; and Capital One Bank (USA), N.A.) accounted for 45.2 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on economic and demographic information, the area has economic development and revitalization needs; however, opportunities are limited for financing these community development activities.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT NONMETROPOLITAN STATEWIDE AREA**

### **LENDING TEST**

Berkshire Bank received a Satisfactory rating under the Lending Test in Vermont. The bank had adequate performance under most factors.

#### **Lending Activity**

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within the VT Non-MSA assessment area. During the review period, the bank originated 215 home mortgage and small business loans totaling \$29.9 million. For small business lending, the bank had 95 originations totaling \$10.4 million in 2016 and 73 originations totaling \$10.1 million in 2017. As noted previously, Berkshire Bank ranked 10<sup>th</sup> with a 3.1 percent market share in the Vermont Non-MSA assessment area. Berkshire Bank originated 25 home mortgage loans totaling \$6.7 million in 2016 and 22 loans totaling \$2.7 million in 2017. Berkshire Bank ranked 27<sup>th</sup> in the assessment area in 2016, with a 0.9 percent market share.

#### **Geographic Distribution**

The geographic distribution of loans reflects adequate penetration throughout the assessment area. Adequate small business and home mortgage lending performances support this conclusion. With only one low-income census tract in 2016 and no low-income tracts in 2017, performance in moderate-income tracts determined geographic distribution performance within the VT Non-MSA assessment area.

#### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: VT Non-MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	0.4	0.2	0	0.0	0	0.0
2017	0.0	--	0	0.0	0	0.0
Moderate						
2016	11.3	9.7	15	15.8	1,565	15.0
2017	15.2	--	12	16.4	2,395	23.7
Middle						
2016	69.8	69.3	63	66.3	7,324	70.3
2017	70.9	--	57	78.1	7,094	70.2
Upper						
2016	18.4	20.8	17	17.9	1,534	14.7
2017	13.9	--	4	5.5	620	6.1
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>95</b>	<b>100.0</b>	<b>10,423</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>73</b>	<b>100.0</b>	<b>10,109</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's performance in moderate-income tracts at 15.8 percent exceeds aggregate performance by 6.1 percentage points and the percentage of business located in moderate-income census tracts by 4.5 percentage points. Bank performance was similar in 2017, with lending slightly above the percentage of businesses located in moderate-income census tracts.

### ***Home Mortgage***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by census tract income level.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: VT Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	0.1	0.1	0	0.0	0	0.0
2017	0.0	--	0	0.0	0	0.0
Moderate						
2016	6.9	5.6	0	0.0	0	0.0
2017	7.2	--	3	13.6	280	10.4
Middle						
2016	77.8	79.7	18	72.0	4,118	61.8
2017	79.3	--	16	72.7	2,042	75.7
Upper						
2016	15.1	14.6	7	28.0	2,544	38.2
2017	13.5	--	3	13.6	374	13.9
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>6,662</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>22</b>	<b>100.0</b>	<b>2,696</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

Despite not originating any home mortgage loans in moderate-income census tracts in 2016, the bank made three such loans in 2017, exceeding the percentage of owner-occupied housing units by 6.4 percentage points. Good 2017 performance offsets the lack of moderate-income tract loans in 2016.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels in the assessment area. The bank's adequate small business and home mortgage lending performances support the conclusion.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans, aggregate performance, and demographic data by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: VT Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	82.4	48.1	70	73.7	6,329	60.7
2017	82.2	--	58	79.5	6,506	64.4
>1,000,000						
2016	6.1	--	25	26.3	4,094	39.3
2017	6.0	--	15	20.5	3,603	35.6
Revenue Not Available						
2016	11.5	--	0	0.0	0	0.0
2017	11.7	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>95</b>	<b>100.0</b>	<b>10,423</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>73</b>	<b>100.0</b>	<b>10,109</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's lending to businesses with GARs of \$1 million or less at 73.7 percent exceeded aggregate performance of 48.1 percent. In 2017, the bank's lending increased to 79.5 percent, slightly below the percentage of businesses.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, was adequate. The following table shows the distribution of home mortgage loans, aggregate performance, and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: VT Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	19.4	5.3	1	4.0	28	0.4
2017	20.2	--	2	9.1	71	2.6
Moderate						
2016	18.6	13.9	4	16.0	523	7.9
2017	17.6	--	2	9.1	108	4.0
Middle						
2016	21.7	20.2	5	20.0	629	9.4
2017	22.6	--	6	27.3	843	31.3
Upper						
2016	40.3	42.6	13	52.0	3,402	51.1
2017	39.7	--	12	54.5	1,674	62.1
Not Available						
2016	0.0	18.0	2	8.0	2,080	31.2
2017	0.0	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>25</b>	<b>100.0</b>	<b>6,662</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>22</b>	<b>100.0</b>	<b>2,696</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS; 1/1/2016 - 12/31/2017 Bank Data, 2016 HMDA Aggregate Data. "--" data not available. Due to rounding, totals may not equal 100.0						

The bank's one loan to a low-income borrower in 2016 was slightly below aggregate performance and below the percentage of low-income families. Low-income borrower loans increased to two in 2017, still below the percentage of low-income families. A low-income family in the Vermont Non-MSA assessment area, with an income less than \$32,200 in 2016 or less than \$32,350 in 2017, would have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$215,335.

In 2016, the bank's performance to moderate-income borrowers was above aggregate performance but below the percentage of moderate-income families. In 2017, bank lending to moderate-income borrowers decreased below the percentage of moderate-income families.

### **Innovative and Flexible Lending**

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of certain state-specific loan programs outside of VT, all of the innovative and flexible lending programs discussed in the overall combined assessment area are offered in the VT Non-MSA assessment area.

### **Community Development Lending**

The bank made no community development loans in the assessment area during the evaluation period. The area's limited community development opportunities mitigate the effect of this factor on the Lending Test rating in VT.

### **INVESTMENT TEST**

Berkshire Bank received a Satisfactory Investment Test rating in VT. The following sections address the bank's performance under each criterion.

#### **Investment Activity**

The bank made an adequate level of qualified community development investments in VT. Investments totaled \$2.1 million, and consisted of 52 qualified donations totaling \$96,102 and one prior period investment with a current book value of \$2.0 million. The prior period investment supports community services to low- and moderate-income seniors in Bennington, VT. In addition to qualified investments directly benefitting the VT Non-MSA assessment area, one CRA-targeted MBS benefited the greater statewide area and included one mortgage to a moderate-income individual in VT.

#### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community economic development needs. The bank's prior period equity investment and the majority of qualified donations, went to organizations that provide community services to low- and moderate-income individuals.

#### **Innovativeness or Complexity of Qualified Investments**

The bank occasionally uses innovative and/or complex investments to support community development initiatives. The bank continues to hold an investment in a nationwide fund earmarked to support low- and moderate-income seniors in this area.

### **SERVICE TEST**

Berkshire Bank received a Satisfactory Service Test rating in VT. The following sections discuss the bank's performance under each criterion.

#### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the institutions Vermont assessment area. The bank operates six, or 5.2 percent of all branches, in the Non-MSA portion of Vermont. The Rutland, VT is in a moderate-income tract, and the remaining branches are in middle-income tracts.

VT Assessment Area Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	5	10.0	17,399	11.4	1	16.7	1	11.0
Middle	39	78.0	114,853	74.9	5	83.3	8	89.0
Upper	6	12.0	21,017	13.7	0	0.0	0	0.0
NA	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>50</b>	<b>100.0</b>	<b>153,269</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>9</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

### **Changes in Branch Locations**

There were no branch openings or closings in VT during the evaluation period.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides an adequate level of community development services. Berkshire Bank provided 162 qualified service hours in the VT Non-MSA area during the evaluation period. Refer to the *Community Development Services* section under the overall Service Test for highlights of activity within the VT Non-MSA assessment area.

Community Development Services – VT					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
1/21/2015 - 12/31/2015	0	22	0	0	22
2016	0	82	0	0	82
2017	20	18	0	0	38
1/1/2018 - 7/11/2018	0	21	0	0	21
<b>Totals</b>	<b>20</b>	<b>142</b>	<b>0</b>	<b>0</b>	<b>162</b>
<i>Source: Bank Records</i>					

## STATE OF NEW JERSEY

### CRA RATING FOR NEW JERSEY: Satisfactory

The Lending Test is rated: Satisfactory

The Investment Test is rated: Satisfactory

The Service Test is rated: Satisfactory

### SCOPE OF EVALUATION

This portion of the evaluation only considers assessment area activity within NJ, specifically the Trenton, NJ MSA assessment area. Examiners conducted a full-scope review of this area, as it is the only assessment area in NJ. Please refer to the Scope of Evaluation section for information on products reviewed and review timeframe. In New Jersey, the bank's record of originating small business loans contributed more weight to overall conclusions due to the larger loan volume when compared to home mortgage lending during the review period.

This state accounts for a small portion of bank lending and other activities overall; therefore, performance in NJ carries little weight in arriving at overall ratings and conclusions. Furthermore, Berkshire Bank did not maintain branches in NJ until December 2016 when acquiring First Choice Bank. The bank operates six offices in NJ, with five in Mercer County and one in Middlesex County. Due to the acquisition timing, the NJ Lending Test was based solely on 2017 lending performance.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN TRENTON, NJ MSA

The assessment area includes Mercer County and a portion of Middlesex County. Mercer County encompasses the entire Trenton, NJ MSA, while Middlesex County is part of the New York-Jersey City- White Plains, NY-NJ MD. These counties are both part of the New York-Newark, NY-NJ-CT-PA CSA; however, as Mercer County includes a substantial majority of NJ activity, the evaluation refers to this assessment area as the Trenton, NJ MSA assessment area. The bank operates 6 of its 115 branches in this assessment area. This area accounted for 1.7 percent of total loans (by number), 9.4 percent of total deposits (as of June 30, 2017), and 5.2 percent of the bank's branches.

For 2017, the assessment area census tracts reflect the following income designations:

- 25 low-income tracts,
- 18 moderate-income tracts,
- 28 middle-income tracts,
- 44 upper-income tracts, and
- 1 tract with no income designation.

The following table illustrates select demographic characteristics of the Trenton, NJ MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Trenton, NJ MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	116	21.6	15.5	24.1	37.9	0.9
Population by Geography	580,845	15.7	15.1	25.2	43.7	0.3
Housing Units by Geography	221,055	15.4	15.7	27.4	41.4	0.0
Owner-Occupied Units by Geography	129,283	6.3	12.6	29.0	52.1	0.0
Occupied Rental Units by Geography	74,014	27.2	19.7	26.0	27.0	0.0
Vacant Units by Geography	17,758	32.4	22.2	21.9	23.5	0.0
Businesses by Geography	36,694	9.5	14.1	26.4	50.1	0.0
Family Distribution by Income Level	138,710	21.4	15.3	17.3	46.1	0.0
Median Family Income MSA - 35614 New York-Jersey City-White Plains, NY-NJ MD		\$72,047	Median Housing Value			\$316,875
Median Family Income MSA - 45940 Trenton, NJ MSA		\$94,908	Median Gross Rent			\$1,240
			Families Below Poverty Level			7.8%
Source: 2010 U.S. Census & 2015 ACS and 2017 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 221,055 housing units. Of these, 58.5 percent are owner-occupied, 33.5 percent are occupied rental units, and 8.0 percent are vacant. Low owner-occupancy rates in low-income tracts resulted in increased competition for a limited market for owner-occupied mortgage loans.

The following table indicates 2017 low-, moderate-, middle-, and upper-income categories for relevant NJ metropolitan areas based on FFIEC-updated median family incomes.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>New York-Jersey City-White Plains, NY-NJ MD Median Family Income (35614) – Middlesex County</b>				
2017 (\$73,700)	<\$36,850	\$36,850 to <\$58,960	\$58,960 to <\$88,440	≥\$88,440
<b>Trenton, NJ MSA Median Family Income (45940) – Mercer County</b>				
2017 (\$95,400)	<\$47,700	\$47,700 to <\$76,320	\$76,320 to <\$114,480	≥\$114,480
Source: FFIEC.				

According to 2017 D&B data, there were 36,694 businesses. GARs for these businesses are below.

- 80.3 percent have \$1 million or less,
- 8.2 percent have more than \$1 million, and
- 11.5 percent have unknown revenues.

Service industries represent the largest portion of businesses at 48.6 percent; followed by retail trade (12.4 percent); non-classifiable establishments (8.3 percent); and finance, insurance, and real estate (8.1 percent). In addition, 64.7 percent of area businesses have four or fewer employees, and 86.6 percent operate from a single location. Top employers include Bank of America, Princeton University, and Bristol-Meyers Squibb.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the April 2018 unemployment rate was 4.1 percent statewide in New Jersey and 3.9 percent nationwide. The unemployment rates for this assessment area were lower with 3.5 percent in Mercer County and 3.5 percent in Middlesex County. Unemployment rates declined within each county throughout the evaluation period. The following table illustrates unemployment rates at the county level for the Trenton, New Jersey MSA assessment area throughout the evaluation period.

Unemployment Rates				
Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b>Trenton, NJ MSA AA</b>				
Mercer County	3.8	3.6	3.6	3.5
Middlesex County	4.0	3.6	3.5	3.5
<b>New Jersey Statewide</b>	4.6	4.2	4.2	4.1
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

### ***Competition***

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, 34 financial institutions operated 209 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 9<sup>th</sup> with a 3.0 percent deposit market share and 11<sup>th</sup> with a 2.9 percent branch market share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 444 lenders reported 14,612 home mortgage loans originated or purchased. Wells Fargo Bank, N.A. accounted for the largest total market share with 12.3 percent.

There is also a high level of competition for small business loans among banks. In 2016, 124 lenders reported 35,627 small business loans originated or purchased. The three most prominent small business lenders (American Express, FSB; Citibank, N.A.; and Chase Bank USA, N.A.) accounted for 47.3 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on economic and demographic information, the area has economic development, revitalization and stabilization, and community service needs and opportunities. Opportunities exist for financing these activities and for extending home mortgage and small business loans.

## CONCLUSIONS ON PERFORMANCE CRITERIA IN TRENTON, NJ MSA

### LENDING TEST

Berkshire Bank received a Satisfactory rating under the Lending Test in NJ. The bank had adequate performance under most factors.

#### Lending Activity

The bank's lending levels reflect adequate responsiveness to assessment area credit needs within the Trenton, New Jersey MSA assessment area. In 2017, the bank originated 44 home mortgage loans totaling \$21.6 million and 74 small business loans totaling \$12.5 million.

#### Geographic Distribution

The geographic distribution of loans reflects adequate penetration. The bank's adequate small business and home mortgage lending performances support this conclusion.

#### *Small Business Loans*

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans and area businesses by census tract income level.

Geographic Distribution of Small Business Loans						
Assessment Area: Trenton, NJ MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	9.5	--	6	8.1	1,752	14.1
Moderate						
2017	14.1	--	16	21.6	2,744	22.0
Middle						
2017	26.4	--	30	40.5	3,124	25.1
Upper						
2017	50.1	--	22	29.7	4,846	38.9
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>74</b>	<b>100.0</b>	<b>12,466</b>	<b>100.0</b>
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0						

While bank lending in low-income tracts slightly trailed the percentage of businesses, lending in moderate-income tracts exceeded the percentage of businesses.

### ***Home Mortgage***

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of home mortgage loans and demographic data by census tract income level.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: Trenton, NJ MSA</b>						
<b>Tract Income Level</b>	<b>% of Owner-Occupied Housing Units</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	6.3	--	2	4.5	255	1.2
Moderate						
2017	12.6	--	6	13.6	576	2.7
Middle						
2017	29.0	--	3	6.8	499	2.3
Upper						
2017	52.1	--	33	75.0	20,298	93.9
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>21,628</b>	<b>100.0</b>
<i>Source: 2015 ACS; 1/1/2017 - 12/31/2017 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Bank lending in low-income tracts was slightly below the percentage of owner-occupied units, but moderate-income tract lending slightly exceeded the percentage of owner-occupied units.

### **Borrower Profile**

The distribution of borrowers reflects adequate penetration among businesses of different revenue sizes and individuals of different income levels. The bank's adequate small business lending performance outweighed poor home mortgage lending performance.

### ***Small Business Loans***

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans and demographic data by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Trenton, NJ MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2017	80.3	--	45	60.8	4,815	38.6
>1,000,000						
2017	8.2	--	26	35.1	7,517	60.3
Revenue Not Available						
2017	11.5	--	3	4.1	134	1.1
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>74</b>	<b>100.0</b>	<b>12,466</b>	<b>100.0</b>
Source: 2017 D&B Data; 1/1/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0						

The bank made over a majority of its small business loans to businesses with GARs of \$1 million or less. Although less than the percentage of businesses, bank performance is reasonable.

### ***Home Mortgage Loans***

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income, was poor. The following table shows the distribution of home mortgage loans and demographic data by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Trenton, NJ MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	21.4	--	2	4.5	183	0.8
Moderate						
2017	15.3	--	1	2.3	68	0.3
Middle						
2017	17.3	--	1	2.3	110	0.5
Upper						
2017	46.1	--	32	72.7	20,252	93.6
Not Available						
2017	0.0	--	8	18.2	1,015	4.7
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>44</b>	<b>100.0</b>	<b>21,628</b>	<b>100.0</b>
Source: 2015 ACS; 1/1/2017 - 12/31/2017 Bank Data, "--" data not available. Due to rounding, totals may not equal 100.0						

The bank's lending percentages to low- and moderate-income borrowers was significantly below the percentage of low- and moderate-income families.

### **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of certain state-specific loan programs outside of NJ, all innovative and flexible lending programs discussed in the overall combined assessment area are offered in the Trenton, NJ MSA assessment area.

### **Community Development Lending**

The bank made no community development loans in the assessment area during the evaluation period. Due to acquiring NJ branches later in the evaluation period, the lack of community development lending did not significantly affect the NJ Lending Test rating.

## **INVESTMENT TEST**

Berkshire Bank received a Satisfactory Investment Test rating in NJ. The following sections address the bank's performance under each criterion.

### **Investment Activity**

The bank made an adequate level of qualified community development investments in NJ. Examiners considered the bank's qualified investments after the acquisition in December 2016 and any First Choice Bank existing qualified investments maintained beyond this date. NJ qualified investments totaled \$4.6 million. This includes qualified donations totaling \$66,718 and one equity investment initially obtained by First Choice Bank. The equity investment is in a CRA mutual fund that identifies, purchases, and earmarks CRA investments in the investor's assessment area. The equity investment has a \$4.6 million book value and supports multiple community development categories.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community economic development needs. The majority of investment activity supported community services to low- and moderate-income individuals.

### **Innovativeness or Complexity of Qualified Investments**

The bank occasionally uses innovative and/or complex investments to support community development initiatives.

## **SERVICE TEST**

Berkshire Bank received a Satisfactory Service Test rating in NJ. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the Trenton, NJ MSA assessment area. In 2016, the bank acquired six branches in New Jersey, representing 5.2 percent of all branches in the assessment area. The bank's one moderate-income branch is in Lawrenceville, NJ, and the remaining five are in middle- or upper-income geographies.

<b>New Jersey Assessment Area Branch and ATM Distribution by Census Tract Income Level</b>								
<b>Tract Income Level</b>	<b>Census Tracts</b>		<b>Population</b>		<b>Branches</b>		<b>ATMs</b>	
	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
Low	25	21.6	91,383	15.7	0	0	0	0.0
Moderate	18	15.5	87,614	15.1	1	16.7	1	16.7
Middle	28	24.1	146,361	25.2	2	33.3	2	33.3
Upper	44	37.9	253,957	43.7	3	50.0	3	50.0
NA	1	0.9	1,530	0.3	0	0.0	0	0.0
<b>Total</b>	<b>116</b>	<b>100</b>	<b>580,845</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>	<b>6</b>	<b>100.0</b>

*Source: 2015 ACS & Bank Records*

### **Changes in Branch Locations**

After acquiring First Choice Bank, Berkshire Bank did not open or close any NJ branches.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

The bank provides an adequate level of community development services in NJ, which totaled 180 service hours. The bank had 120 community development service hours in 2017 and 60 in year-to-date 2018. All qualified hours supported community services to low- and moderate-income individuals.

## STATE OF PENNSYLVANIA

**CRA RATING FOR PENNSYLVANIA: Satisfactory**

**The Lending Test is rated: Satisfactory**

**The Investment Test is rated: Satisfactory**

**The Service Test is rated: Satisfactory**

### SCOPE OF EVALUATION

This portion of the evaluation only considers activity within PA, specifically the Montgomery-Bucks-Chester, PA MD. Examiners conducted a full-scope review for the Montgomery-Bucks-Chester, PA MD assessment area, as this is the only assessment area in PA. Please refer to the Scope of Evaluation section for information on products reviewed and review timeframe.

In PA, the bank's record of originating small business loans contributed more weight to overall conclusions due to the larger loan volume when compared to home mortgage lending during the review period.

This state accounts for the smallest portion of lending and other activities compared to the combined assessment area; therefore, PA performance carries the least weight in arriving at overall ratings and conclusions. Furthermore, Berkshire Bank did not maintain branches in PA until acquiring First Choice Bank in December 2016. The bank operates two branches in the Montgomery-Bucks-Chester, PA MD. Due to the acquisition timing, the PA Lending Test was based solely on 2017 lending performance.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MONTGOMERY COUNTY-BUCKS COUNTY-CHESTER COUNTY, PA MD

This assessment area includes portions of Montgomery and Bucks Counties, which are located in the Montgomery-Bucks-Chester, PA MD 33874. The bank operates 2 of its 115 branches in this assessment area. This assessment area accounted for 0.4 percent of total loans (by number), 1.3 percent of total deposits (as of June 30, 2017), and 1.8 percent of bank branches.

For 2017, the assessment area census tracts reflect the following income designations:

- 5 low-income tracts,
- 36 moderate-income tracts,
- 68 middle-income tracts,
- 34 upper-income tracts, and
- 1 tract with no income designation.

The following table illustrates select demographic characteristics of the Montgomery-Bucks-Chester, PA MD assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Montgomery-Bucks-Chester Counties, PA MD						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	144	3.5	25.0	47.2	23.6	0.7
Population by Geography	609,240	3.2	25.6	47.1	24.2	0.0
Housing Units by Geography	240,566	3.7	27.0	46.9	22.4	0.0
Owner-Occupied Units by Geography	168,643	1.5	21.4	50.1	27.0	0.0
Occupied Rental Units by Geography	58,472	9.8	40.9	38.9	10.5	0.0
Vacant Units by Geography	13,451	4.7	37.5	40.9	16.8	0.0
Businesses by Geography	55,630	2.3	21.5	48.6	27.4	0.1
Family Distribution by Income Level	160,846	21.3	19.7	22.6	36.3	0.0
Median Family Income MSA - 33874 Montgomery County-Bucks County-Chester County, PA		\$99,939	Median Housing Value			\$300,774
Families Below Poverty Level		4.3%	Median Gross Rent			\$1,142
Source: 2010 U.S. Census & 2015 ACS and 2017 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.						

The following table indicates 2017 low-, moderate-, middle, and upper-income categories for the Montgomery-Bucks-Chester, PA MD based on the FFIEC-updated median family income.

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 Median Family Income (33874)				
2017 (\$102,600)	<\$51,300	\$51,300 to <\$82,080	\$82,080 to <\$123,120	≥\$123,120
Source: FFIEC.				

According to 2017 D&B data, there were 55,630 businesses. GARs for these businesses are below.

- 86.5 percent have \$1 million or less,
- 6.1 percent have more than \$1 million, and
- 7.4 percent have unknown revenues.

Service industries represent the largest portion of businesses at 49.9 percent; followed by retail trade (11.8 percent); construction (9.4 percent); and finance, insurance, and real estate (9.0 percent). In addition, 75.8 percent of area businesses have four or fewer employees, and 91.3 percent operate from a single location. Top employers include Main Line Health, The Vanguard Group, and Abington Memorial Hospital.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the April 2018 unemployment rate was 4.0 percent statewide in PA and 3.9 percent nationwide. The unemployment rates for this assessment area were lower with 3.4 percent in Bucks County and

3.2 percent in Montgomery County. Unemployment rates declined within each county throughout the evaluation period. The following table illustrates relevant unemployment rates.

Unemployment Rates				
Area	December 2015	December 2016	December 2017	April 2018
	%	%	%	%
<b>Montgomery-Bucks-Chester, PA MD</b>				
Bucks County	4.0	4.0	3.7	3.4
Montgomery County	3.5	3.6	3.3	3.2
<b>Pennsylvania Statewide</b>	4.7	4.8	4.4	4.0
<b>National Average</b>	5.0	4.7	4.1	3.9
<i>Source: Bureau of Labor Statistics</i>				

### ***Competition***

The assessment area is highly competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 30, 2017, there were 35 financial institutions operating 226 full-service branches within the assessment area. Of these institutions, Berkshire Bank ranked 22<sup>nd</sup> with a 0.5 percent deposit share and 21<sup>st</sup> with a 0.9 percent branch share.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2016, 455 lenders reported 20,780 home mortgage loans originated or purchased. Wells Fargo Bank, N.A. accounted for the largest total market share with 12.6 percent.

There is also a high level of competition for small business loans among banks. In 2016, 141 lenders reported 43,645 small business loans originated or purchased. The three most prominent small business lenders (American Express, FSB; Citibank, N.A.; and Wells Fargo Bank, N.A.) accounted for 46.9 percent of total market share.

### ***Credit and Community Development Needs and Opportunities***

Based on economic and demographic data, the area has needs and opportunities for all community development categories, with affordable housing representing the primary need. Opportunities also exist for extending home mortgage and small business loans.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN MONTGOMERY COUNTY- BUCKS COUNTY-CHESTER COUNTY, PA MD**

### **LENDING TEST**

Berkshire Bank received a Satisfactory Lending Test rating in PA. However, due to the bank's recent entry into PA and its limited physical presence in the assessment area, the bank had low loan volume during the review period.

## **Lending Activity**

Given the bank's performance context in PA, lending levels reflect adequate responsiveness to assessment area credit needs. In 2017, the bank made 4 home mortgage loans totaling \$2.0 million and 15 small business loans totaling \$3.7 million.

## **Geographic Distribution**

Given the bank's performance context in PA, the geographic distribution of loans reflects adequate penetration throughout the assessment area. The bank's adequate small business lending supports this conclusion. With only four home mortgage loans in 2017, examiners could not meaningfully evaluate the geographic distribution of home mortgage loans. None of the four loans were made in low- or moderate-income tracts.

### ***Small Business Loans***

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. The following table shows the distribution of small business loans and businesses by census tract income level.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Montgomery-Bucks-Chester Counties, PA MD</b>						
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low						
2017	2.3	--	0	0.0	0	0.0
Moderate						
2017	21.5	--	2	13.3	1,435	38.5
Middle						
2017	48.6	--	7	46.7	1,876	50.3
Upper						
2017	27.4	--	6	40.0	415	11.1
Not Available						
2017	0.1	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>15</b>	<b>100.0</b>	<b>3,726</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data; 1/1/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Berkshire Bank did not originate any small business loans in low-income census tracts, but made two in moderate-income tracts. This performance was below the percentage of businesses, but just one more would have raised the bank percentage near the demographic comparator. Given the bank's performance context in PA, this performance is adequate.

## **Borrower Profile**

The distribution of borrowers reflects poor penetration among businesses of different revenue sizes and individuals of different income levels. The bank's poor small business lending supports this conclusion. With only four home mortgage loans in 2017, examiners could not meaningfully evaluate the borrower distribution of home mortgage loans. None of the four loans were made to low- or moderate-income borrowers.

### ***Small Business Loans***

The distribution of small business loans reflects poor penetration to businesses with GARs of \$1 million or less. The following table shows the distribution of small business loans and businesses by GAR category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: Montgomery-Bucks-Chester Counties, PA MD</b>						
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>Aggregate Performance % of #</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
<=\$1,000,000						
2017	86.5	--	4	26.7	1,504	40.4
>1,000,000						
2017	6.1	--	8	53.3	2,085	56.0
Revenue Not Available						
2017	7.4	--	3	20.0	137	3.7
<b>Totals</b>						
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>15</b>	<b>100.0</b>	<b>3,726</b>	<b>100.0</b>
<i>Source: 2017 D&amp;B Data; 1/1/2017 - 12/31/2017 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</i>						

The bank made only 26.7 percent of 2017 loans to businesses with GARs of \$1 million or less.

## **Innovative and Flexible Lending**

The bank makes limited use of innovative and flexible lending practices in order to serve assessment area credit needs. With the exception of certain state-specific loan programs outside of PA, all of the innovative and flexible lending programs discussed in the overall combined assessment area are offered in the Montgomery-Bucks-Chester Counties MD assessment area.

## **Community Development Lending**

The bank made no community development loans in the assessment area during the evaluation period. Due to acquiring PA branches later in the evaluation period, the lack of community development lending did not significantly affect the Lending Test rating.

## **INVESTMENT TEST**

Berkshire Bank received a Satisfactory Investment Test rating in PA. The following sections address the bank's performance under each criterion.

### **Investment Activity**

The bank made an adequate level of qualified community development investments in PA. Examiners considered the bank's qualified investments after the acquisition in December 2016 and any existing First Choice Bank qualified investments maintained beyond this date. Qualified donations that directly targeted the area totaled \$20,617. In addition, the bank obtained from its acquisition of First Choice Bank an equity investment in a CRA mutual fund that identifies, purchases, and earmarks CRA investments in the investor's assessment area. Berkshire Bank earmarked portions of its investment to support mortgages to low- and moderate-income individuals in PA. The total dollar amount of the investment earmarked to PA is \$1.7 million.

### **Responsiveness to Credit and Community Development Needs**

The bank exhibits adequate responsiveness to credit and community economic development needs. The bank earmarked its equity investment to help promote affordable housing in this assessment area.

### **Innovativeness or Complexity of Qualified Investments**

The bank occasionally uses innovative and/or complex investments to support community development initiatives.

## **SERVICE TEST**

The bank's Service Test is rated Satisfactory. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

The bank's delivery systems are reasonably accessible to essentially all portions of the Montgomery-Bucks-Chester Counties MD assessment area. In 2016, the bank acquired two PA branches, representing 1.7 percent of all branches in the combined assessment area.

Pennsylvania Assessment Area Branch and ATM Distribution by Census Tract Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	5	3.5	19,284	3.1	0	0.0	0	0.0
Moderate	36	25.0	155,784	25.6	0	0.0	0	0.0
Middle	68	47.2	286,702	47.1	1	50.0	1	50.0
Upper	34	23.6	147,470	24.2	1	50.0	1	50.0
NA	1	0.7	0	0.0	0	0.0	0	0.0
<b>Total</b>	<b>144</b>	<b>100.0</b>	<b>609,240</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>	<b>2</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

### **Changes in Branch Locations**

After acquiring First Choice Bank, Berkshire Bank did not open or close any PA branches.

### **Reasonableness of Business Hours and Services**

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- and moderate-income geographies and individuals.

### **Community Development Services**

Given its performance context in PA, the bank provides an adequate level of community development services.

Community Development Services-PA Rated Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2017	0	7	11	0	18
1/1/2018 - 7/11/2018	0	0	11	0	11
<b>Totals</b>	<b>0</b>	<b>7</b>	<b>21</b>	<b>0</b>	<b>28</b>
<i>Source: Bank Records</i>					

## APPENDIX A

### SCOPE OF EVALUATION

SCOPE OF EVALUATION	
<b>TIME PERIOD REVIEWED</b>	January 20, 2015 to July 9, 2018
<b>FINANCIAL INSTITUTION</b>	Berkshire Bank
<b>PRODUCTS REVIEWED</b>	Home mortgage loans and small business loans originated in 2016 and 2017.

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EVALUATION	BRANCHES VISITED	OTHER INFORMATION
Boston, MA CSA	Full Scope	None	NA
Pittsfield, MA MSA	Full Scope	One	NA
Springfield, MA MSA	Full Scope	None	NA
Albany, NY CSA	Full Scope	None	NA
Syracuse, NY MSA	Limited Scope	None	NA
Utica-Rome, NY MSA	Full Scope	None	NA
NY Non-MSA	Full Scope	None	NA
Hartford, CT MSA	Full Scope	None	NA
VT Non-MSA	Full Scope	None	NA
Trenton, NJ MSA	Full Scope	None	NA
Montgomery-Bucks-Chester, PA MD	Full Scope	None	NA

## APPENDIX B

### SUMMARY OF STATE AND MULTISTATE METROPOLITAN AREA RATINGS

State or Multistate Metropolitan Area Name	Lending Test Rating	Investment Test Rating	Service Test Rating	Overall State Rating
Massachusetts	Satisfactory	Outstanding	High Satisfactory	Satisfactory
New York	High Satisfactory	Outstanding	Satisfactory	Satisfactory
Connecticut	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Vermont	Satisfactory	Satisfactory	Satisfactory	Satisfactory
New Jersey	Satisfactory	Satisfactory	Satisfactory	Satisfactory
Pennsylvania	Satisfactory	Satisfactory	Satisfactory	Satisfactory

## **APPENDIX C**

### **MA DIVISION OF BANKS MINORITY APPLICATION FLOW**

Examiners reviewed the bank's HMDA LARs for 2016 and 2017 to determine if the application flow from the different racial groups within the bank's MA assessment areas was reflective of the assessment area's demographics as well as aggregate. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants.

According to 2015 ACS data, the combined assessment area's population was 8,945,881, of which 28.4 percent are minorities. The assessment area's minority and ethnic population is 8.3 percent Black/African American, 6.4 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 11.2 percent Hispanic or Latino and 2.4 percent other.

In 2016, the bank received 3,002 HMDA reportable loan applications from within its assessment area. Of these applications, 12.4 percent were received from minority applicants. The aggregate received 12.8 percent of applications from minority applicants. For the same time period, the bank also received 2.7 percent of applications from ethnic groups of Hispanic origin within its assessment area versus the aggregate that receive 4.8 percent of applications.

For 2017, the bank received 2,226 HMDA reportable loan applications from within its assessment area. Of these applications, 17.0 percent were received from minority applicants. For the same time period, the bank received 3.8 percent of applications from ethnic groups of Hispanic origin within its assessment area.

Refer to the following table for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW					
RACE	Bank 2016		2016 Aggregate Data	Bank 2017	
	#	%		#	%
American Indian/ Alaska Native	9	0.3	0.2	8	0.4
Asian	245	8.2	6.7	285	12.8
Black/ African American	53	1.8	4.3	43	1.9
Hawaiian/Pacific Islander	4	0.1	0.2	11	0.5
2 or more Minority	1	0.0	0.1	1	0.0
Joint Race (White/Minority)	59	2.0	1.3	30	1.4
<b>Total Minority</b>	<b>371</b>	<b>12.4</b>	<b>12.8</b>	<b>378</b>	<b>17.0</b>
White	2,497	83.2	66.8	1,703	76.5
Race Not Available	134	4.5	20.4	145	6.5
<b>Total</b>	<b>3,002</b>	<b>100.0</b>	<b>100.0</b>	<b>2,226</b>	<b>100.0</b>
<b>ETHNICITY</b>					
Hispanic or Latino	<b>80</b>	<b>2.7</b>	<b>4.8</b>	<b>84</b>	<b>3.8</b>
Not Hispanic or Latino	2,750	91.6	74.2	1,979	88.9
Joint (Hisp/Lat /Not Hisp/Lat)	<b>38</b>	<b>1.3</b>	<b>1.1</b>	<b>34</b>	<b>1.5</b>
Ethnicity Not Available	134	4.5	19.9	129	5.8
<b>Total</b>	<b>3,002</b>	<b>100.0</b>	<b>100.0</b>	<b>2,226</b>	<b>100.0</b>

Source: US Census 2010, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017 \*Due to rounding, totals may not equal 100.0 percent

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2016, the bank's minority application flow is reasonable

## 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.

**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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 bank:
  - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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).

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

**Home Mortgage Loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

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

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

**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 (for example, 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.

**Micropolitan Statistical Area:** CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

**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:** 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.