

# **PUBLIC DISCLOSURE**

April 23, 2018

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Boston Private Bank and Trust Company  
Certificate Number: 24811

Ten Post Office Square  
Boston, MA 02109

Division of Banks  
1000 Washington Street, 10<sup>th</sup> Floor  
Boston, Massachusetts 02118

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 concerning the safety and soundness of this financial institution.

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## INSTITUTION RATING

**INSTITUTION'S CRA RATING:** This institution is rated Outstanding.

Boston Private has an outstanding record of helping to meet the credit needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

PERFORMANCE LEVELS	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding		X	X
High Satisfactory	X		
Low Satisfactory			
Needs to Improve			
Substantial Noncompliance			

*\* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.*

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

- Lending levels reflect a good responsiveness to assessment area credit needs, taking into account the number and amount of home mortgage and small business loans.
- A substantial majority of its home mortgage and small business loans made within the combined assessment area.
- The bank has a good geographic distribution, in the combined assessment area, of home mortgage and small business loans in low and moderate-income census tracts.
- The bank has a good distribution, in the combined assessment area, of loans among individuals of different income levels and businesses of different sizes.
- Boston Private is a leader in making community development loans.
- Boston Private makes extensive use of innovative and flexible lending practices to serve assessment area credit needs.

**The Investment Test is rated Outstanding.**

- Boston Private has an excellent level of qualified community development investment and grants, particularly those that are not routinely provided by private investors, often in a leadership position.
- Boston Private exhibits excellent responsiveness to credit and community development needs.

- Boston Private makes extensive use of innovative and/or complex investments to support community development initiatives.

**The Service Test is rated Outstanding.**

- Delivery systems are readily accessible to all portions of Boston Private's assessment areas.
- To the extent changes have been made, BP's opening and closing of 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 do not vary in way that inconveniences certain portions of the assessment areas.
- Boston Private is a leader in providing community development services.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation was conducted concurrently with the Federal Reserve Bank of Boston. The evaluation covers the period from the prior evaluation dated October 14, 2014, to the current evaluation dated April 23, 2018. Examiners used the Interagency Large Institution Examination Procedures to evaluate Boston Private Bank and Trust's Community Reinvestment Act (CRA) performance. These procedures include three tests: the Lending Test, Investment Test, and Service Test.

The Lending Test considered the institution's performance according to the following criteria.

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

The Investment Test considered the following criteria.

- Number and dollar amount of qualified investments
- Responsiveness to credit and community development needs
- Innovativeness or complexity of qualified investments

The Service Test considered the following criteria.

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business hours and services
- Community development services

### **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.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger volume of originations during the evaluation period when compared to small business lending. Additionally home mortgage loans account for the largest portion of the Bank's loan portfolio by dollar amount. No other loan types, such as small farm loans or consumer loans represent a major product line. Therefore, analysis of these types of loans did not provide any material support for conclusions or ratings and are not presented.

The evaluation considered all home mortgage originations reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LAR). In 2016, the bank

reported 973 originations totaling \$959.9 million. In 2017, the bank reported 908 loans totaling 916.7 million. Aggregate data for 2016 provided a standard of comparison for the bank's home mortgage loans. Examiners also considered trends based on demographic data in 2016 and 2017.

This evaluation considered all small business loans reported on the bank's 2016 and 2017 CRA Loan Registers. A small business loan has an original loan amount of \$1 million or less and is secured by either non-farm non-residential properties or is classified as a commercial and industrial loan. In 2016, the bank reported 358 originations totaling \$ 139.5 million. In 2017, the bank reported 328 originations totaling \$130.2 million. Aggregate data from 2016 provided a standard of comparison and examiners considered trends based on 2016 D&B data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number. The number better indicates individuals and businesses served. The geographic distribution and borrower profile criteria only include analysis of loans extended within the assessment area. This evaluation does not include any lending activity performed by affiliates.

Examiners reviewed community development loans, investments and services, as well as innovative and/or flexible lending practices from the prior evaluation date of October 14, 2014, to the current evaluation date of April 23, 2018.

### **Assessment Area Review Scope**

The assessment area includes, 1 Metropolitan Statistical Area (MSAs) in Massachusetts and 2 Combined Statistical Areas (CSAs) in California. The bank's CRA performance throughout its 3 assessment areas contributed to the overall CRA rating. As such, examiners assigned a separate rating for the bank's overall performance and a separate rating for the bank's performance in the State of Massachusetts and State of California. Additionally, examiners provide separate performance conclusions for each assessment area where the bank has branches including the San Francisco CSA, and Los Angeles CSA.

The following table illustrates the distribution of loans, deposit share, and the distribution of branches across each assessment area as of 12/31/2017.

<b>Assessment Area Breakdown of Loans, Deposits, and Branches</b>						
<b>Assessment Area</b>	<b>Loans</b>		<b>Deposits</b>		<b>Branches</b>	
	<b>\$(000s)</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>	<b>#</b>	<b>%</b>
Boston-Cambridge-Newton MSA	3,647,609	56.1	4,554,991	69.1	12	50
<b>Massachusetts Subtotal</b>	<b>3,647,609</b>	<b>56.1</b>	<b>4,554,991</b>	<b>69.1</b>	<b>12</b>	<b>50.0</b>
San Francisco, CSA	1,427,354	21.9	1,531,273	23.2	6	25.0
Los Angeles, CSA	1,430,065	22.0	501,848	7.7	6	25.0
<b>California Subtotal</b>	<b>2,857,419</b>	<b>43.9</b>	<b>2,033,121</b>	<b>30.9</b>	<b>12</b>	<b>50.0</b>
<b>Total</b>	<b>6,505,028</b>	<b>100.0</b>	<b>6,588,112</b>	<b>100.0</b>	<b>24</b>	<b>100.0</b>
<i>Source: Bank Records; (12/31/2017)</i>						
<i>Due to rounding, totals may not equal 100.0</i>						

## **DESCRIPTION OF INSTITUTION**

### **Background**

Boston Private Bank & Trust Company (Bank) is a Massachusetts state-chartered trust company headquartered in Boston, Massachusetts. The Bank is a subsidiary of Boston Private Financial Holdings, Inc. (BPFH) The Bank was founded in 1987 as a wealth management company to provide private banking, wealth advisory, and investment management services. In addition to wealth management, the Bank also focuses on affordable housing, first-time homebuyers, economic development, non-profit social services, and small business services. The Bank has expanded its operations throughout from the Greater Boston area to Greater Los Angeles and the San Francisco Bay area with a total of 24 banking offices nationally.

The institution received a “High Satisfactory” rating from the Division and the FDIC during its prior joint evaluation using Interagency Large Institution Examination Procedures on October 14, 2014.

### **Operations**

Boston Private provides products and services to individuals, businesses and non-profits in each of their 3 markets. Products and services include deposit and cash management, commercial lending, residential lending, investment management, and community investment programs.

For individual banking needs, the bank offers a basic checking and savings account and a variety of home mortgage financing options. Homeowner programs include the Massachusetts Housing Partnership ONE Mortgage, Mass Housing Mortgage Programs, the Boston Private Community Homeowner Fixed Rate Program, the Federal Home Loan Bank Equity Builder Program, and a down payment and closing cost assistance program. The Bank also offers first time homebuyer counseling classes and financial literacy.

On the business banking side, the bank offers basic business checking and savings account with options of business check cards, remote deposit capture, and cash management products including wire transfer, ACH, Lockbox, and account reconciliation. Boston Private is a Small Business Administration (SBA) Preferred Lender. The Bank also offers its own expedited loan program, the Business Loan Express Program, for loans up to \$350,000 for fixed asset, working capital and other business needs.

Banking for non-profits, Boston Private provides financing for the creation and preservation of affordable housing, economic development, and social services in underserved communities. A Business NOW Checking account is available to non-profits providing them with an interest bearing account with a select number of fees waived for the non-profit clients.

Alternative banking services include online banking, mobile banking, remote deposit capture, and automatic teller machines (ATMs).

The Bank operates 24 branches and 27 ATMs. Between 2015 and 2017, the Bank opened and

closed offices in Los Angeles County, but did not do so in its Massachusetts assessment area or San Francisco Bay assessment areas. In June 2016, Boston Private opened a downtown Los Angeles loans center with a full service branch and ATM. In November 2016, 2 branches were closed in Burbank and Granada Hills, in Los Angeles County. The Bank sold the deposit liabilities of these offices to Homestreet Bank on November 10, 2016, but retained the loans previously extended through those offices. The rationale for selling the deposit liabilities in Granada Hills and Burbank was to continue to reposition and broaden the Bank's Southern California footprint and optimize resources in local geographies where Boston Private can more broadly deliver services and develop clients.

### **Ability and Capacity**

As of December 31, 2017, the bank had total assets of \$8.1 billion, which included total loans of \$6.5 billion or 80 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 98.5 percent.

Residential and commercial lending are considered to be the bank's core lending focuses. Collectively, loans secured by 1-4 family residential properties and multi-family properties account for \$3.3 billion or 52 percent of the portfolio. Loans secured by non-farm non-residential properties and commercial and industrial loans represent \$2.0 billion or 33 percent of the portfolio. The following table illustrates the loan portfolio.

<b>Loan Portfolio Distribution as of 12/31/17</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction and Land Development	120,135	2.3
Secured by Farmland	682	0.1
1-4 Family Residential	2,917,004	56.5
Multi-family (5 or more) Residential	438,979	8.5
Secured by Non-farm Non-Residential	1,674,481	32.7
<b>Total Real Estate Loans</b>	<b>5,151,281</b>	<b>79.1</b>
Commercial and Industrial	414,865	6.4
Consumer	174,472	2.7
Obligations of State and Political Subdivisions in the United States	652,789	10.0
Loans to non-depository financial institutions and other loans	116,318	1.8
Less: Unearned Income	0	0.0
<b>Total Loans</b>	<b>6,509,725</b>	<b>100.0</b>
<i>Source: Reports of Income and Condition</i>		

There are no significant financial or legal impediments identified that would limit the bank's ability to help meet the credit or community development needs of its assessment areas



## DESCRIPTION OF ASSESSMENT AREA

The CRA requires financial institutions to define an assessment area within which its CRA

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of Census Tracts	# of Branches
<b>Massachusetts</b>			
<b>Greater Boston AA</b> Boston Cambridge Newton-MA MSA	<p><i>Suffolk County, MA –</i> Boston, Chelsea, Revere, and Winthrop</p> <p><i>Norfolk County, MA –</i> Braintree, Brookline, Canton, Cohasset, Dedham, Dover, Milton, Needham, Norwood, Quincy, Randolph, Wellesley, Westwood, and Weymouth</p> <p><i>Plymouth County, MA –</i> Hanover, Hingham, Hull, Marshfield, Norwell, Rockland, and Scituate</p> <p><i>Middlesex County, MA –</i> Acton, Arlington, Bedford, Belmont, Billerica, Burlington, Cambridge, Carlisle, Chelmsford, Concord, Everett, Framingham, Hudson, Lexington, Lincoln, Lowell, Malden, Marlborough, Maynard, Medford, Melrose, Natick, Newton, North Reading, Reading, Sherborn, Somerville, Stoneham, Stow, Sudbury, Tewksbury, Wakefield, Waltham, Watertown, Wayland, Weston, Wilmington, Winchester, and Woburn</p> <p><i>Essex County, MA –</i> Beverly, Danvers, Hamilton, Lynn, Lynnfield, Manchester, Marblehead, Middleton, Nahant, Peabody, Salem, Saugus, Swampscott, Topsfield, and Wenham.</p>	675	12
<b>California</b>			
<b>Greater Los Angeles AA</b>  <i>Los Angeles-Long Beach-Riverside CSA</i>	<p><i>Los Angeles County</i></p> <p><i>Ventura County</i></p>	2,519	6
<b>San Francisco AA</b>	<p><i>San Francisco County</i></p> <p><i>San Matteo County</i></p> <p><i>Santa Clara County</i></p>	727	6
<b>Total</b>		<b>3,921</b>	<b>24</b>
<p><i>Source: 2010 U.S. Census data and bank records</i></p> <p><i>*Full-scope procedures</i></p>			

performance will be evaluated. Boston Private defined multiple assessment areas and include the states of Massachusetts and California. Please see the details below of the Bank's 3 assessment areas.

At the 2014 exam, the Bank had expanded its operations and assessment area into Washington. Since, then the Bank has reduced the assessment area and Washington is omitted from the assessment area due to limited loan activity. Additionally, Almeida County, part of the San Francisco AA in the last exam is no longer in the current exam.

### **Economic and Demographic Data**

The combined assessment area includes 3,921 census tracts located throughout the Massachusetts and California Assessment Areas and reflect the following income designation.

- 375 low-income tracts,
- 1,005 moderate-income tracts,
- 1,207 middle-income tracts,
- 1,276 upper-income tracts, and
- 58 census tracts with no income designation.

In 2017, the U.S Census data updated demographic information, creating an update to the census tract distribution throughout the combined assessment areas resulting in an overall increase in low and moderate-income census tracts, a decline in middle income tracts, and an increase in upper-income census tracts. In 2017, the assessment areas contained 386 low census tracts, 1,008 moderate census tracts, 1,125 middle census tracts, 1,323 upper tracts, and 80 unknown tracts. Within specific assessment areas, census tract income level adjustments for 2017 do vary. Subsequent sections describe each individual assessment area's demographics

The following table provides information on Boston Private's combined assessment area for 2016 data, hereafter referred to as the combined assessment area. Throughout the evaluation, 2016 demographics are emphasized and the 2017 demographics are used for trend purposes.

Demographic Information for the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,921	9.6	25.6	30.8	32.5	1.5
Population by Geography	16,929,94	8.6	26.3	32.7	32.2	0.3
Owner-Occupied Units by	3,023,574	2.8	16.1	35.3	45.9	0.0
Businesses by Geography	1,250,186	8.3	16.1	31.8	42.9	0.9
Family Distribution by Income	3,802,083	23.8	16.4	18.4	41.5	0.0
Families Below Poverty Level		10.1%	Median Housing Value MA AA Median Housing Value LA AA Median Housing Value San Fran AA			\$438,038 \$524,844 \$724,181
Source: 2010 U.S. Census, 2014 D&B Data, and Federal Financial Institutions Examination Council (FFIEC) Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle-, and upper-income categories.

The Bank's volume of lending in 2016 had a concentration of 51 percent of loans in the Boston MD and Cambridge Newton Framingham MD. Followed by Los Angeles MD at 21 percent of volume, and San Francisco at 21 percent volume.

<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)</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)</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>Los Angeles-Long Beach-Glendale, CA MD Median Family Income (31084)</b>				
2016 (\$62,400)	<\$31,200	\$31,200 to <\$49,920	\$49,920 to <\$74,880	≥\$74,880
2017 (\$64,300)	<\$32,150	\$32,150 to <\$51,440	\$51,440 to <\$77,160	≥\$77,160
<b>Oxnard-Thousand Oaks-Ventura, CA MSA Median Family Income (37100)</b>				
2016 (\$88,300)	<\$44,150	\$44,150 to <\$70,640	\$70,640 to <\$105,960	≥\$105,960
2017 (\$85,600)	<\$42,800	\$42,800 to <\$68,480	\$68,480 to <\$102,720	≥\$102,720
<b>San Francisco-Redwood City-South San Francisco, CA Median Family Income (41884)</b>				
2016 (\$104,700)	<\$52,350	\$52,350 to <\$83,760	\$83,760 to <\$125,640	≥\$125,640
2017 (\$113,100)	<\$56,550	\$56,550 to <\$90,480	\$90,480 to <\$135,720	≥\$135,720
<b>San Jose-Sunnyvale-Santa Clara, CA MSA Median Family Income (41940)</b>				
2016 (\$105,200)	<\$52,600	\$52,600 to <\$84,160	\$84,160 to <\$126,240	≥\$126,240
2017 (\$111,200)	<\$55,600	\$55,600 to <\$88,960	\$88,960 to <\$133,440	≥\$133,440
Source: FFIEC Due to rounding, totals may not equal 100.0				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Of the owner-occupied housing units in the combined assessment area, 2.8 percent are in low-income census tracts and 16.1 percent are in moderate-income census tracts. The U.S. Bureau of Labor and Statistics indicates that as of December 2016, the seasonally adjusted unemployment rate in State of Massachusetts was 3.8 percent and 5.6 percent in the State of California. The MA unemployment rate has decreased throughout the evaluation period, from a high of 4.6 percent in October 2014. Similarly, the CA unemployment rate steadily decreased throughout the evaluation period from a high of 7.1 percent in October 2014.

## **Competition**

There is a high competition level for home mortgage loans in the combined assessment area. In 2016, 1,274 lenders originated 570,581 home mortgage loans in the combined assessment area. Boston Private ranked 118<sup>th</sup> with a market share of 0.14 percent. Large national banks or mortgage companies ranked above Boston Private.

Competition for small business loans in the combined assessment area remains strong. Boston Private competes with many large national banks throughout the assessment areas.

In addition to the regulated entities that are within each assessment area, the bank is also competing with not-for-profit agencies and other non-regulated entities when seeking large scale community development projects.

## **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. This information helps determine whether local financial institutions are responsive to these needs. It also shows available credit and community development opportunities. Examiners relied upon previously held community contact sessions in each of the assessment areas.

### ***Greater Boston AA-Massachusetts***

Examiners relied on a recently completed community contact in the Greater Boston Assessment Area. One organization, located in Boston, serves numerous neighborhoods in the city. This community development organization cited a significant need for affordable housing and economic development. The contact stated that these low- and moderate-income neighborhoods would prosper by expanding real estate and small business development efforts. Further, the contact stated the importance of SBA loans and entrepreneurial opportunities to the community. Lastly, the contact cited a need for financial literacy training and more innovative loan products and resources for first time homebuyers.

### ***Los Angeles AA***

Examiner relied on a recently completed community contact in the Los Angeles Assessment Area. The organization contracts with the Federal Government, the State of California, and partnerships with private institutions, providing loans, access to capital, technical assistance, and other programs as needed to help business owners.

According to the community contact, most small business are in need of startup funding, working capital and small dollar loans for expansion and equipment financing.

Many business owners need technical assistance to help their businesses, but many business owners do not take advantage of the technical assistance that is being provided by organizations like this organization. According to the community contact, many owners need convincing that they need help and should seek technical assistance that is readily available to them. Many clients do not understand what technical assistance is, and they want immediate results. They do

not understand that there is a process for technical assistance and that it is something that cannot be achieved instantly.

The community contact feels that banks can be more involved with the community by offering innovative and creative credit-enhancement products, financing products for start-up companies, and more lenient products that would help fund early businesses.

### ***San Francisco AA***

Examiners relied on a recently completed community contact in the San Francisco Assessment Ara. The organization participates in SBA 504 loans and direct portfolio loans in conjunction with third party lenders. The contact discussed a high competition level among financial institutions for commercial lending opportunities. Although the contact believes financial institutions support the community's needs, the contact noted a need for micro lending to very small businesses, particularly start-ups

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

The Bank has defined the following areas in its efforts to address community development needs and opportunities. The Bank is focused on affordable housing, economic development, and community service and neighborhood stabilization.

Affordable Housing efforts focus on financing multi-family rental and affordable home ownership development to address the housing shortage in the overall assessment area. The Bank has developed a variety of mortgage products with flexible terms to assist first time home buyers and homeowners. The Bank has developed down payment assistance programs through the Federal Home Loan Bank of Boston. Additionally, the Bank has investments in Low-Income Housing Tax Credits, New Market Tax Credits, Community Investment Tax Credits and many community related services promoting to affordable housing.

Economic development efforts are focused on job creation and retention. The Bank has financed large scale economic initiatives, many of these involve New Market Tax Credits. Assistance to Small Businesses is a large part of permanent job creation and retention. The Bank has specialized loan products to meet the needs of small business and also engages in technical assistance and training to small businesses.

Access to Financing for social service providers and non-profit organizations. This is an important focus for the Bank to be responsive to the community credit needs of low and moderate-income individuals. The Bank has developed a community development financing program offering flexible terms.

Lastly, the Bank is focused on lending programs and investments to areas of high economic need.

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing, community service support for low- and moderate-income individuals, and economic development represent the combined assessment area's primary community development needs.

## **CONCLUSIONS ON PERFORMANCE CRITERIA**

### **LENDING TEST**

The bank's overall Lending Test performance is rated Outstanding. The Lending Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, and community development lending. The Lending Test considered the institution's performance according to the following criteria.

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

### **Lending Activity**

Boston Private's lending levels reflect good responsiveness to assessment area credit needs. The 2016 Peer Mortgage Data report illustrates 1,274 lenders extended 570,581 HMDA reportable loan originations and purchases within the combined assessment area. Boston Private ranked 118<sup>th</sup> with a .14 percent market share. The top five lenders collectively captured 35 percent of the market with Wells Fargo Bank, NA, and JP Morgan Chase Bank, NA, ranked first and second in market share. Both of these banks having a nationwide footprint.

Furthermore, 2016 Peer Small Business Data shows a similar performance among the market share. Competition is high for small business lending.

### **Assessment Area Concentration**

This performance factor is considered on a bank-wide basis, as it focuses on Boston Private's lending activity inside the combined assessment area.

The bank originated a substantial majority of home mortgage and small business loans, by number and dollar volume, within its combined assessment area. The following table shows the loan distribution inside and outside the combined assessment area.

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	821	84.4	152	15.6	973	784,092	81.7	175,852	18.3	959,944
2017	724	79.7	184	20.3	908	728,700	79.5	188,024	20.5	916,724
Subtotal	1,545	82.1	336	17.9	1,881	1,512,792	80.6	363,876	19.4	1,876,668
Small Business										
2016	307	85.8	51	14.2	358	111,144	79.6	28,448	20.4	139,592
2017	268	81.7	60	18.3	328	97,611	74.9	32,675	25.1	130,286
Subtotal	575	83.8	111	16.2	686	208,755	77.4	61,123	22.6	269,878
Total	2,120	82.6	447	17.4	2,567	1,721,547	80.2	424,999	19.8	2,146,546
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 good penetration of home mortgage and small business loans throughout the combined assessment area, particularly in low- and moderate-income census tracts. The following two tables display the geographic distribution performance.

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

Home Mortgage loans reflect good distribution in low- and moderate-income census tracts. The following table illustrates home mortgage loans by census tract income level for 2016 and 2017. For comparison purposes, the table also depicts applicable aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: BP Combined AA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	2.8	3.1%	62	7.5	46,082	5.8
2017	3.0	-	38	5.2	36,865	5.0
Moderate						
2016	16.1	15.4	131	15.9	73,686	9.4
2017	16.5	-	110	15.2	80,886	11.1
Middle						
2016	35.3	34.9	139	16.9	97,186	12.4
2017	32.9	-	139	19.2	87,253	11.9
Upper						
2016	45.9	46.5	489	59.5	567,138	72.3
2017	47.5	-	431	59.5	519,090	71.2
Not Available						
2016	0.0	0.1	0	0.0	0	0.0
2017	0.1	-	6	0.8	4,617	0.6
<b>Totals</b>						
<b>2016</b>	100.0	100.0	821	100.0	784,092	100.0
<b>2017</b>		-	724	100.0	728,700	100.0

Source: 2010 U.S. Census & 2015 ACS Census; 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 within the low-income census tracts exceeded aggregate and demographic data. The bank's performance decreased slightly in 2017, but remained above demographics. The percentage of owner-occupied housing units increased slightly due to the census changes discussed earlier resulting in an increase in low-income census tracts.

The bank's lending levels within moderate-income census tracts in 2016 was in line with the aggregate and demographics. The bank's performance in 2017 had a slight decline in number of loans while the percentage of lending volume remained similar and was in line with the demographic data.

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

The geographic distribution of small business loans reflects good penetration throughout the combined assessment area. The following table illustrates small business loans by census tract income level for 2016 and 2017. For comparison purposes, the table also depicts applicable aggregate and demographic data.



Geographic Distribution of Small Business Loans						
Assessment Area: BP Combined AA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	6.8	6.0	32	11.3	14,333	14.2
2017	7.2	--	26	9.7	8,843	9.1
Moderate						
2016	14.5	14.9	37	13.1	9,502	9.4
2017	15.4	--	31	11.5	10,947	11.2
Middle						
2016	35.9	38.5	66	23.3	26,997	26.7
2017	35.3	--	55	20.5	19,589	20.0
Upper						
2016	42.5	40.3	144	50.9	48,453	49.6
2017	41.6	--	150	56.0	55,773	57.1
Not Available						
2016	0.3	0.4	4	1.4	1,859	1.8
2017	0.5	--	6	2.2	2,459	2.5
Totals						
2016	100.0	100.0	283	100.0	101,144	100.0
2017	100.0	--	268	100.0	97,611	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, the bank's lending in the low-income census tracts exceeded aggregate and demographics. In 2017, the bank's performance decreased slightly, although still remained higher than demographics. In 2016, lending levels in moderate-income tracts were just below the aggregate and demographics. In 2017, demonstrates a slight decline.

Overall, the bank has 4 of its 24 branches in low-income census tracts. These branch locations provide convenient access for individuals and businesses in low-income areas and suggests additional lending opportunities for the Bank. Considering the highly competitive market, performance compared to aggregate, and branch structure, loan distribution reflects good penetration throughout the combined assessment area.

### **Borrower Profile**

The distribution of loans reflects is considered good, in the combined assessment area, among borrowers of different income levels and businesses of different sizes. The following two tables display the borrower distribution of Boston Private's home mortgage and small business loans originated within the combined AA.

## Home Mortgage Loans

The distribution of home mortgage loans to low- and moderate-income borrowers was good. As the table illustrates, the bank's lending to low- and moderate-income borrowers in 2016 exceeded the aggregate. Lending to low- and moderate-income borrowers was less than demographics. In 2017, the trend in the bank's percentage of loans to low and moderate-income borrowers decreases. The overall lending to low income borrower is still considered good as the percentage of low-income families increases to 24.6 percent in 2017. Additionally, the significant percentage (10.1 percent) of families with incomes below the poverty threshold reduces the opportunity to make home mortgage loans to low-income borrowers. Low-income families would likely have difficulty qualifying for a home mortgage loan using conventional underwriting standards considering the high cost of housing in the combined AA.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: BP Combined AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.7	2.1	34	4.1	4,654	0.6
2017	24.6	--	12	1.7	1,772	0.2
Moderate						
2016	16.2	7.6	104	12.7	18,635	2.4
2017	16.0	--	87	12.0	18,189	2.5
Middle						
2016	19.7	16.7	100	12.2	31,834	4.1
2017	18.8	--	87	12.0	24,291	3.3
Upper						
2016	40.4	59.9	556	67.7	623,675	79.5
2017	40.6	--	517	71.4	579,691	79.6
Not Available						
2016	0.0	13.8	27	3.3	105,294	13.4
2017	0.0	--	21	2.9	104,757	14.4
Totals						
2016	100.0	100.0	821	100.0	784,092	100.0
2017	100.0	--	724	100.0	728,700	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 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***

Lending to businesses with GARs of \$1 million or less was adequate. As the table illustrates, the bank's lending in 2016 is below the aggregate and demographic data. In 2017, the bank's lending declined slightly, but overall, remained adequate.

Considering the highly competitive market, performance compared to aggregate, and branch structure, loan distribution reflects an adequate performance throughout the combined assessment area.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: BP Combined AA</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	82.7	44.8	73	23.8	16,053	14.4
2017	83.2	--	78	29.1	18,732	19.2
<b>&gt;1,000,000</b>						
2016	7.6	--	227	73.9	94,067	84.6
2017	7.4	--	189	70.5	78,679	80.6
<b>Revenue Not Available</b>						
2016	9.6	--	7	2.3	1,024	0.9
2017	9.4	--	1	0.4	200	0.2
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>307</b>	<b>100.0</b>	<b>111,144</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>268</b>	<b>100.0</b>	<b>97,611</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>						

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting its combined assessment area's credit needs. Examiners considered the bank's flexible or innovative programs and practices offered between 2015 through 2017.

Boston Private funded approximately 670 innovative and flexible lending products totaling \$133 million in the overall assessment area. Products include an array of home mortgage and small business programs tailored to assist low or moderate-income individuals and small businesses in both the Massachusetts and California markets.

Programs involve government-related subsidies and partnerships with local nonprofit organizations. These additional sources of funding make homeownership opportunities feasible considering high

cost of housing for low and moderate income individuals and families. Appendix B lists a summary of flexible lending products.

### **Community Development Lending**

Boston Private is a leader in community development lending. Demonstrating its responsiveness to the credit and community development needs, the bank originated 229 community development loans, totaling approximately \$549.1 million, inside the combined assessment area during the evaluation period. Given this responsiveness to the assessment area's needs, the bank also received credit for 106 additional loans totaling approximately \$68 million outside the combined assessment area. The current activity level represents 7.6 percent of total assets and 9.4 percent of total loans as of December 31, 2017. The Bank significantly exceeded the community development lending of a similarly situated institutions.

Community contacts stated that Boston Private Bank has been responsive to community needs with its lending efforts. The Bank is primarily a community development lender in its CRA lending initiatives. Additionally, the bank made numerous loans to construct multi-family complexes. These complexes increase the number of affordable rental units and government assisted rental units, in and around the combined assessment area. The following tables illustrate the bank's community development lending activity during the evaluation period by year, and assessment area.

	<b>10/14</b>		<b>2015</b>		<b>2016</b>		<b>2017</b>		<b>Total</b>	
Greater Boston	13	3,946,551	44	\$120,498,950	38	67,593,192	36	83,857,872	<b>131</b>	<b>275,896,595</b>
San Francisco Bay	2	6,055,000	22	\$68,222,734	14	30,162,626	13	38,020,000	<b>51</b>	<b>142,460,360</b>
Greater Los Angeles	2	11,375,000	17	\$50,534,334	15	43,816,981	13	25,095,677	<b>47</b>	<b>130,821,992</b>
<b>Total</b>	<b>17</b>	<b>15,327,606</b>	<b>83</b>	<b>\$239,256,018</b>	<b>67</b>	<b>141,572,799</b>	<b>62</b>	<b>146,973,549</b>	<b>229</b>	<b>549,178,947</b>

The following list provides examples of the bank's community development loans in each assessment area

In 2016 the bank was a lead lender in the financing of a \$28 million mixed used building in the Mission Hill neighborhood of Boston to construct 40 units of affordable rental housing and the construction financing of 27,000 square feet of nonprofit office space. All of the 40 residential units are restricted to occupancy by households earning 60% of area median income or less, and eight units are further restricted to occupancy by very-low-income households earning 30% of area median income or less, and targeted to formerly homeless families. The site is adjacent to the Roxbury Crossing MBTA station, allowing residents easy access to public transportation.

The community development loan promotes affordable housing in the Greater Boston assessment area.

In 2017, the Bank financed \$15.2 million for a retail plaza located in a moderate-income census tract in the Hyde Park neighborhood of Boston. The financing includes a \$11,200,000 term loan to refinance an existing 59,000 s.f. retail plaza and a \$4,000,000 construction loan supporting an additional 21,000 s.f. of new retail/restaurant space. The financing preserves existing jobs and creates new jobs for local residents. The community development loan promotes economic development in the Greater Boston assessment area.

In 2017, the Bank participated in a \$5 million loan to finance the development of 135 units of affordable housing for formerly homeless individuals and families in the San Francisco assessment area. This project is the first of the City of San Jose's Homeless Initiative, funded by the recent passage of Measure A, a bond that taxpayers voted in favor of to support affordable housing initiatives. A total of 34 apartments will be restricted to very low-income tenants with maximum income of 30% AMI, 64 apartments for low-income tenants with maximum income of 40% AMI, and 34 apartments for low-income tenants with maximum income of 50% AMI. The community development loan benefits the San Francisco assessment area and promotes affordable housing.

In 2017, the Bank financed a \$2.1 million term loan to a nonprofit economic development organization in San Francisco whose mission includes neighborhood revitalization initiatives. The loan finances the acquisition of an 8-unit apartment building, with one unit commercial space located in a moderate-income area. The loan is made in conjunction with a soft-second, subordinate loan from the San Francisco Mayor's Office of Housing & Community Development Small Sites Program (SSP). The City's unique and innovative SSP makes it possible for local nonprofits to maintain affordable housing in rapidly gentrifying neighborhoods in San Francisco.

In 2017, the Bank financed \$1.6 million to a non-profit organization for the purpose of construction of four single-family homes located in the moderate-income neighborhood of the San Fernando Valley region of Los Angeles. The subject property is within a U.S. Department of Housing & Urban Development Neighborhood Stabilization Program targeted area. The loan finances four modular homes. The non-profit organization receiving this loan will support the borrowers with down payment assistance utilizing federal and soft-second funds. The community development loan benefits the Los Angeles assessment area and is considered for CRA under the Neighborhood Stabilization Program.

In 2017, the Bank financed \$15 million for the acquisition and rehabilitation of two multifamily affordable housing developments in Los Angeles County: (1) a 56 unit affordable housing property in Los Angeles. Of the units, 55 units are affordable to households at or below 60% of AMI, with an additional 25 of the units affordable to families at or below 35% AMI, and (2) a 54 unit affordable housing property in Los Angeles. Of the units, 53 units are affordable to households at or below 60% of AMI, with an additional 25 of the units affordable to families at or below 35% AMI.

## **INVESTMENT TEST**

Boston Private is rated Outstanding. The bank has an excellent level of qualified investments. The bank exhibits excellent responsiveness to credit and community economic development needs. The bank makes significant use of innovative and complex investments to support community development initiatives. Boston Private increased the number of equity investments since the previous evaluation. This continued investment growth exhibits the bank's commitment to their community, especially considering the significant competition in the combined assessment area.

### **Investment Activity**

Boston Private has an excellent level of qualified community development investments and donations, often in a leadership position, particularly those that are not routinely provided by private investors.

From October 14, 2014 through April 23, 2018, Boston Private made 497 qualified equity investments and donations totaling approximately \$68.6 million. This equates to (0.8 %) percent of average total assets and (5.9%) percent of average securities as of December 31, 2017. The level of qualified investments is a significant increase of \$33.7 million since the previous evaluation. Acquiring additional focus on investment activity and overall bank growth contributed to the investment increase.

The following table depicts the number and dollar volume of investments.

<b>Investment and Donation Summary Table</b>						
<b>Primary Area Benefited</b>	<b>New Investments</b>		<b>Prior Period</b>		<b>Total</b>	
	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>	<b>#</b>	<b>\$</b>
Boston AA	91	\$19,409,469.00	12	\$16,106,169.00	103	\$35,515,638.00
State of MA	NA	NA	NA	NA	NA	NA
San Francisco AA	3	\$3,020,000.00	1	\$350,000.00	4	\$3,370,000.00
Los Angeles AA	3	\$520,000.00	2	\$1,046,193.00	5	\$1,566,193.00
State of CA	9	\$15,533,700.00	7	\$3,633,014.00	16	\$19,166,714.00
Nationwide Investments	2	\$6,000,000.00	1	\$1,000,000.00	3	\$7,000,000.00
<b>Total Equity Investment</b>	<b>108</b>	<b>44,483,169.00</b>	<b>23</b>	<b>\$22,135,376.00</b>	<b>131</b>	<b>\$66,618,545.00</b>
Boston AA	199	1,111,538	-	-	199	1,111,538
San Francisco AA	94	599,893	-	-	94	599,893
Los Angeles AA	73	359,114	-	-	73	359,114
<b>Total Donations</b>	<b>366</b>	<b>2,070,545.00</b>	<b>-</b>	<b>-</b>	<b>366</b>	<b>2,070,545</b>
<b>Grand Total</b>	<b>474</b>	<b>46,553,714.00</b>	<b>23</b>	<b>22,135,376.00</b>	<b>497</b>	<b>\$68,689,090.00</b>

### **Equity Investments**

The majority of investments promote affordable housing and economic development needs. These investments demonstrate the bank's commitment to affordable housing economic

development activities, which are community development needs, identified by community contacts throughout all assessment areas. The following represents examples of current and prior period investments.

#### *Current Period Investments*

In 2017, the Bank invested \$3 million in the Massachusetts Housing Equity Fund (MHEF) XXIII of MHIC to provide critical Low Income Housing Tax Credits (LIHTCs) that support the creation and preservation of affordable rental housing in Massachusetts. MHEF is a financing resource on which many Massachusetts affordable housing developers rely. Fund XXIII's investments preserve three affordable housing properties within the City of Boston. The Fund also invested in the new construction of 49 affordable units in a Boston neighborhood. In total, Fund XXIII contributed to the preservation and creation of 297 rental units affordable to low-income households in Boston.

In 2017, the Bank invested \$5 million in the Boston Capital Intermediate Term Income Fund II, a revolving construction loan fund that invests exclusively in affordable multifamily apartment developments supported by Low-Income Housing Tax Credits. This innovative fund preserves and creates 20-30 LIHTC affordable projects nationwide, including in Southern CA and Greater Boston.

The Bank invested \$10,000 with Mission Economic Development Agency (MEDA) to help capitalize a unique and innovative micro-lending program known as Adelante Fund. MEDA is a non-profit organization based in San Francisco's Mission District, a predominantly low-income, neighborhood. The Adelante Fund offers loans to small business owners who receive pre- and post- loan closing technical assistance from MEDA's Business Development Program, which is offered in English and Spanish. This is the Bank's second investment in the Adelante Fund, bringing the total investment to \$20,000. Investment is allocated to San Francisco Bay assessment area.

Invested \$10,000 to South Central Los Angeles Regional Center (SCLARC), a micro loan fund supporting businesses located within LMI areas in Los Angeles County. Loans are typically between \$250 and \$5,000 and are available for working capital, equipment purchases, and other business-related needs. Technical assistance is also available for participating small businesses, including one-on-one counseling and entrepreneurial training with topical workshops and seminars to educate vendors and help grow their businesses. SCLARC provides services for individuals with developmental disabilities and their families, assisting those with developmental disabilities to lead independent and productive lives. Investment allocated to Greater Los Angeles assessment area.

Invested \$3 million in California Housing Opportunities Fund VI, LLC, an LIHTC fund. The Fund provides vital equity capital for the production and preservation of affordable housing to low- and moderate-income households in California. In the Greater Los Angeles assessment area, the fund supports the new construction of 30 fully-furnished units for formerly homeless tenants. All units will target tenants with a maximum income of 30% of AMI and will be supported by a Los Angeles County Department of Health Services rental subsidy. The fund will also support the preservation of 97 units for seniors and the disabled including 23 studios and 74

one-bedroom units in Glendale, and 65 units of family housing for the nonprofit LINC Housing Corporation in Los Angeles. In the San Francisco assessment area, the fund will invest in the new construction of 75 units of senior housing in Gilroy, with a set-aside of units for very-low-income households. Investment allocated to San Francisco Bay and Greater Los Angeles.

#### *Prior Period Investments*

A \$3.5 million Qualified Zone Academy Bond (QZAB) for the City on a Hill Charter School in the Mission Hill neighborhood of Boston, serving primarily low- and moderate-income students. QZABs are bonds allocated to states by Congress to finance the renovation of school facilities such as this and they are designed to encourage collaboration between private businesses and educational institutions. The Bank receives tax credits in lieu of interest income. Mass Development is the issuer of the bonds, and Boston Private Bank was the purchaser of the bonds. This investment is allocated to the Greater Boston CRA Assessment Area.

A \$6 million Qualified Zone Academy Bond (QZAB) for the Neighborhood House Charter School in the Dorchester neighborhood of Boston, serving primarily low- and moderate-income students. This investment is allocated to the Greater Boston CRA Assessment Area.

Purchased \$350,000 of Massachusetts Historic Tax Credits associated with the redevelopment of a former firehouse owned by the City of Boston, as the new headquarters for YouthBuild Boston. The organization provides hands-on vocational and academic training programs for at-risk youth in Boston looking to improve the trajectory of their lives. Youth participants were involved in the design and construction of the property. The Bank also provided construction financing. This investment is allocated to the Greater Boston CRA Assessment Area.

\$1 million in the Massachusetts Housing Equity Fund (MHEF) XIX of MHIC to provide critical LIHTC equity resources that support the creation and preservation of affordable rental housing in Massachusetts, managed by the Commonwealth. This investment is allocated to the Greater Boston CRA Assessment Area.

Invested \$250,000 in the Clearinghouse CDFI to support the production of affordable housing and to promote economic development in low-income communities through New Markets Tax Credit Program investments and financing to community-based organizations that promote affordable housing, economic development and human services throughout California. This investment is allocated to the Greater Los Angeles CRA Assessment Area.

\$1 million investment in the Community Development Trust (CDT), the country's only private real estate investment trust (REIT) with a public purpose. CDT has invested or committed approximately \$900 million in debt and equity capital nationally; helping to preserve or add over 32,500 units of the nation's affordable housing stock, with substantial investment in Massachusetts and California. As a private, mission-driven REIT, CDT is unique in its ability to preserve and expand the supply of affordable housing while also providing an attractive return to investors. At the time of this investment, CDT's debt and equity investments and commitments in Massachusetts totaled over \$84 million, to support over 1,900 units, and over \$59 million in California, to support over 900 units. This investment is allocated among the Bank's CRA



Assessment Areas as follows: \$330,000 to Greater Boston, \$330,000 to San Francisco Bay, and \$340,000 to Greater Los Angeles.

Investment of \$350,000 in the Housing Trust Silicon Valley (HTSV), to support its multifamily loan program to finance affordable housing development. Pre-development, acquisition and construction loans are available through the program. HTSV's mission is to make Silicon Valley a more affordable place to live. HTSV makes loans and grants to increase the supply of affordable housing, assist first-time homebuyers, prevent homelessness and stabilize neighborhoods in the Silicon Valley. This investment will support their multifamily loan program for developers of affordable rental housing. Loans are available to nonprofit organizations developing affordable housing and for-profit affordable housing developers that are creating housing jointly with nonprofit organizations in tax credit partnerships.

### Donations

**2017- Allston Brighton Community Development Corporation:** ABCDC's mission is to preserve and create affordable housing and provide avenues for economic self-sufficiency for low- and moderate-income residents of its diverse Boston community. Boston Private has long partnered with ABCDC in its affordable housing and community development initiatives. The Bank has financed many first-time homebuyers that receive training and counseling from the CDC, and also financed highly complex affordable rental properties with long-term affordability restrictions. Since 2014, the Bank has invested in the CDC through an innovative state program, the Community Investment Tax Credit (CITC) designed in 2014 to promote private investment to support community development. Half of the Bank's investment is reported as a donation and the other half is reported as a CRA investment which generates a state tax credit return. Additionally, a Community Investment Officer has contributed significant time and expertise serving on the board of directors and various committees over the past ten years.

**Boston Private Industry Council:** The Boston PIC's mission is to provide programs to low- and moderate-income high school students to create connections between the classroom and the workplace and provide access to career opportunities and higher incomes. Boston Private is a long-time partner of the PIC and regularly hires summer high school interns giving the students the opportunity to have work experience at a Bank and to benefit from mentoring support. Boston Private has hired two interns over the last few years, creating permanent job opportunities for them. The Bank offers unrestricted funds to support operating costs of PIC in its efforts to help Boston students who are low- and moderate-income and primarily minority to achieve economic growth and security.

**San Francisco Community Land Trust:** The San Francisco Community Land Trust's (SFCLT) mission is to create permanently affordable, resident-controlled housing for low- to moderate-income people in San Francisco through community ownership of land. The Bank donates unrestricted funds to support the operating costs of SFCLT and provides financing for the acquisition of affordable housing projects at which all units are affordable to low- and moderate-income individuals and families. These affordable residential units are deed restricted and therefore will always remain affordable. One of the bank's experienced commercial lenders

participated in collaborative discussions with the SFCLT and the MOHCD regarding the design and launch of the Small Site Acquisition Program.

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

Boston Private exhibited excellent responsiveness to credit and community development needs.

Boston Private seeks investment opportunities in tax incentive funds targeted to preserve and create affordable rental homes located within its overall assessment area. Low income housing tax credits are one example of an investment that is responsive. LIHTCs, through a federal program help stimulate the construction and rehabilitation of affordable rental housing. Investors purchase the LIHTCs through developer intermediaries to obtain a reduction in federal taxes owed. This investment type was particularly responsive given the high housing costs. Additionally, community contacts indicated affordable housing as an ongoing necessity. This further demonstrates the bank's responsiveness to the community.

In addition to Boston Private's large investments, the bank made a large number of donations that supported low- and moderate-income individuals. Other donations supported financial literacy, affordable housing, and a wide range of community development activities. The bank targeted donations to some of the lowest income individuals and areas.

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

Boston Private makes significant use of innovative and/or complex investments to support community development initiatives.

Boston Private's investments are innovative and uniquely structured and often involve multiple funding sources and partners. Therefore, Boston Private conducts extensive outreach efforts to various community development type organizations and other sponsoring entities to accomplish the overall investment.

Investment that are noted as being complex are related to tax incentives, including the Low Income Housing Tax Credit, New Markets Tax Credit, Qualified Zone Academy Bonds, Community Investment Tax Credits and Historic Tax Credits. They are complex due to the special due diligence and technical expertise required to properly maintain portfolios.

## **SERVICE TEST**

The Service Test is rated Outstanding. The sections below discuss the bank's performance under each criterion. Performance in the Massachusetts and California assessment area support the overall performance.

The bank's delivery systems are readily accessible to all portions of its assessment areas. To the extent changes have been made, Boston Private's opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals. Services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Additionally, the bank continues to be a leader in providing community development services throughout its assessment areas.

### **Accessibility of Delivery Systems**

Boston Private's delivery systems are readily accessible to all geographies and individuals of different income levels in its assessment areas. The bank maintains 24 branch locations and 27 automatic teller machines (ATMs) within the combined assessment area. All ATMs are deposit-taking except for one ATM in the Boston Back Bay location.

As displayed in the following table, the distribution of branches and ATMs in low-income areas exceeds the demographics of the population in low-income geographies. In 2017, the shift in census demographics caused a change in the branch location census tract-income level. In 2017, the percentage of branches and ATMs in low-income areas remains higher than the low-income demographic population.

<b>Combined 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	375	9.6%	1,451,590	8.6%	4/2	16.6	4/2	14.8
Moderate	1,005	25.6%	4,450,555	26.3%	0/2	0	0/2	0.0
Middle	1,207	30.8%	5,531,494	32.7%	5/4	20.8	5/4	18.5
Upper	1,276	32.5%	5,453,811	32.2%	15/16	62.6	18/19	66.7
NA	58	1.5%	42,491	0.3%	-	-	-	-
<b>Total</b>	<b>3,921</b>	<b>100.0%</b>	<b>16,929,941</b>	<b>100.0%</b>	<b>24</b>	<b>100.0</b>	<b>27</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; Bank Records</i>								

Included in the 27 ATMs are 3 standalone ATMs that have both deposit taking and/or cash dispensing functions and are located in Newton MA and two are located in Wellesley, MA. The Bank offers services that allow remote and convenient access in addition to its banking office locations. Services include online banking, bill pay, mobile banking, and bank-by mail, all of which are offered free of charge.

### **Changes in Branch Locations**

To the extent changes have been made, Boston Private's record of opening and closing of 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. Since the previous CRA evaluation, the bank opened and closed branches. Boston Private opened two branches in Beverly Hills and Los Angeles California portion of the assessment area.

The Bank closed 2 branches in Burbank and Grenada Hills, California. These branches were part of the Los Angeles AA. These closings did not have an adverse effect on accessibility to low- and moderate-income geographies or individuals.

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

Boston Private's retail services do not vary in a way that inconveniences certain portions of the assessment areas.

All branches are open Monday through Friday. Boston Private offers a wide range of services for its retail (including low- and moderate-income), small business, and commercial customers. The Bank is a full-service institution offering a variety of credit, deposit, investment, and special services. Products and services are available at all office locations.

### **Community Development Services**

Boston Private is a leader in providing community development services. Approximately 60 Boston Private Employees contributed more than 5,300 community service hours in the review period to 200 agencies and organizations. Employees devoted time to community development organizations supporting affordable housing, community services, economic and workforce development, neighborhood revitalization and stabilization initiatives, first-time homebuyer seminars, financial literacy, and mortgage education activities. The following tables summarize the community development service hours by year and area.

<b>Year</b>	<b>Assessment Area</b>	<b>Total Qualified Hours</b>
2015	San Francisco	840
2016	San Francisco	631
2017	San Francisco	375.5
Total	San Francisco	1,846.5
<b>Year</b>	<b>Assessment Area</b>	<b>Total Qualified Hours</b>
2015	GLA	387
2016	GLA	220
2017	GLA	278
Total	GLA	885

Year	Assessment Area	Total Qualified Hours
2015	Boston	971.5
2016	Boston	873
2017	Boston	811
Total	Boston	2,655.5

The following highlights a few of the community development services and programs. Examples from each assessment area follow.

### Employee Involvement

***Massachusetts Growth Capital Corporation (MGCC):*** MGCC's mission is to create and preserve jobs at Massachusetts' small businesses, women- and minority-owned businesses, and to promote economic development in underserved, gateway municipalities and low- and moderate-income communities. The agency provides working capital, term loans, loan guarantees, and targeted technical assistance. The Bank's Director of Community Investment was appointed to the MGCC Board of Directors by the Governor in 2010 and re-appointed in 2015 for an additional five year term. She has served as Vice-Chair of the Board and Chair of the Credit Committee since the founding of the agency. In these capacities she has played a key leadership role in this critical economic development agency and in ensuring that Massachusetts businesses have access to an important source of financing. MGCC also offers the Small Business Assistance and Capacity Building Grant Program for nonprofit organizations that provide technical assistance to micro businesses. The program seeks to facilitate micro and small business economic viability and to improve their ability to secure private and public financing, including micro-loans. These grants may be made available to community development corporations, community development financial institutions or other not-for-profit community based organizations. Two Bank CRA Small Business Loan Officers have served on the MGCC Grant Review Committee. Committee members contributed many hours, reviewed grant applications and advised on the selection process.

***The Neighborhood Developers:*** TND's mission is to develop and preserve affordable housing and promote commercial and economic development opportunities for low- and moderate-income people in Chelsea and surrounding Greater Boston communities. The senior Commercial CRA dedicated loan officer serves on the board of directors and various committees. Annually the Bank contributes operating support, and since 2014, has invested in the organization. The Bank also has financed complex and innovative affordable housing developments with TND.

***Working Solution:*** A Commercial Lender of the Bank served on the Loan Review Committee for Working Solution sharing his expertise as an experienced lender. The nonprofit is a Community Development Financial Institution (CDFI) whose mission is to provide micro-entrepreneurs with access to capital and resources they need to start or grow a successful business. Working Solutions provides its economic development-based services and capital resources to small business owners and entrepreneurs within the nine counties of the San

Francisco Bay Area, with an emphasis on supporting low-income, woman-owned and/or minority-owned businesses. As a CDFI, Working Solutions also directly funds entrepreneurs with loans from \$5,000 to \$50,000 and provides every business client with five years of business coaching, mentorship and resources.

***Microeconomic Assistance Program:*** A Bank Officer participated in the planning, implementation, and delivery of the Microeconomic Assistance Program (MAP) sponsored by the City of Palo Alto. The program provided education for and makes micro-grants to low- to moderate-income business owners and individuals in the City of Palo Alto with the goal of increasing employment and income of its low-income residents. This activity benefits the San Francisco portion of the assessment area.

***EverFi, Inc.:*** Working with EverFi, an education technology company that provide K to 12 financial literacy programs, Boston Private Bank Volunteers helped dozens of students at Santee Education Complex navigate the world of personal finances in an in-class “Bankers speed dating” format where they spent time with students at different tables fielding questions (your first job in banking, what do you do, advice on career planning, short- and long-term money management, etc.). EverFi, Inc. uses the latest in new media technologies – video, animations, 3-D gaming, and avatars – to bring complex financial concepts to life for today’s digital generation. EverFi tracks individual student progress and knowledge gain and provides students who successfully complete the course with certification in financial literacy. This activity benefits the Los Angeles portion of the assessment area.

***Junior Achievement at Finance Park:*** Boston Private partnered with Junior Achievement (JA) for their “A Day in the Park – Putting Learning to Work” program, which is a hands-on experimental simulation that helps students build a foundation for making intelligent, lifelong personal financial decisions, including real world issues related to income, spending, saving, and credit. At the event, Boston Private Staff helped show 100 low- and moderate-income students from a local Title I High School the relationship between school and the world of work, focusing on financial skills and the benefits of staying in school. This activity benefits the Los Angeles portion of the assessment area.

***SoCal CDC:*** SoCal is an SBA-Certified Development Company that specializes in below market, fixed rate financing for commercial and industrial projects through the SBA 504 Loan Program. A Boston Private CRA small business loan officer was appointed to the board of directors in 2017. This loan program assists small businesses to receive the opportunity of financing their expansion projects with attractive rates and terms. The financing can be used for the purchase and/or development of land and building for business purposes. SoCal CDC has an experienced staff and is committed to providing its lending partners and borrowers with exceptional assistance and service throughout the lending process. SoCal CDC maintains strong relationships with banks participating in the SBA 504 program and can guide businesses in selecting an appropriate lender. This activity benefits the Los Angeles portion of the assessment area.

### **Loss of Affordable Housing**

The review concentrated on the suitability and sustainability of mortgage loans originated by Boston Private by taking into account delinquency and default rates of the Bank and those of the overall marketplace. Information provided by the Bank was reviewed, as were statistics available on delinquency and default rates for mortgage loans. Additionally, other available sources, including public records of foreclosure filings and individual meeting minutes, were examined.

A review of information and documentation, from both internal and external sources as partially described above, did not reveal lending practices or products that showed an undue concentration of a systematic pattern of lending, including a pattern of early payment defaults resulting in the loss of affordable housing units. Furthermore, delinquency rates were found to be consistent with industry averages.

## STATE OF MASSACHUSETTS

### CRA RATING FOR MASSACHUSETTS: OUTSTANDING

**The Lending Test is rated: HIGH SATISFACTORY**

**The Investment Test is rated: OUTSTANDING**

**The Service Test is rated: OUTSTANDING**

### SCOPE OF EVALUATION

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers assessment area activity in Massachusetts. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products. Within the Massachusetts assessment area, the Bank's activity as of December 31, 2017, includes 56.1 percent of the number of loans, 69.1 percent of deposits, and 50 percent of the bank's offices. The bank's performance in Massachusetts carries equal weight to activity in California.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS (Greater Boston Assessment Area)

The bank operates 12 of its 24 branches in Massachusetts. This represents 50 percent of the bank's branches. The Massachusetts assessment area includes cities and towns in Essex, Middlesex, Norfolk, Suffolk and Plymouth Counties. The following table summarizes pertinent demographic information for this area.

Demographic Information for the Massachusetts Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	675	11.7	21.3	35.6	29.5	1.9
Population by Geography	2,985,161	9.8	21.2	38.7	30.3	0.1
Owner-Occupied Units by Geography	661,196	3.4	15.1	43.6	37.9	0.0
Businesses by Geography	228,207	6.8	14.5	35.9	42.5	0.3
Family Distribution by Income Level	692,738	23.7	16.2	19.7	40.4	0.0
Families Below Poverty Level		7.5%	Median Housing Value			\$438,038
Unemployment Rate			Median Gross Rent			\$1,189
						7.5%
Source: 2010 U.S. Census, 2016 D&B Data, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						

As the table reflects, the 2016 demographic include 675 census tracts reflecting 79 (11.7 percent) low-income, 144 (21.3 percent) moderate-income, 240 (35.6 percent) middle-income, 199 (29.5 percent) upper-income, and 13 (1.9 percent) NA. In 2017, the census data reflects an update and the delineation of the 675 census changed to 84 (12.4 percent) low-income, 143 (21.2 percent)



moderate-income, 235 (34.9 percent) middle-income, 199 (29.5 percent) upper-income, and 14 (2.0 percent) NA tracts.

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

### **LENDING TEST**

The bank's Lending Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect good responsiveness to assessment area credit needs. In 2016 and 2017, the bank originated 877 home mortgage loans totaling approximately \$817.8 million and 309 small business loans totaling approximately \$118 million in the Massachusetts assessment area. According to 2016 peer mortgage data, there were a total of 613 lender originating home mortgage loans in the Massachusetts assessment area and Boston Private ranked 59<sup>th</sup> with a 0.4 percent market share.

#### **Geographic Distribution**

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

The geographic distribution of home mortgage loans reflects reasonable penetration throughout the assessment area. Examiners focused on comparison to aggregate and demographic data.

In 2016, the bank originated 25 or 5.2 percent of total loans to borrowers located in low-income census tracts, exceeding aggregate performance and the percentage of owner-occupied housing units.

In 2017, lending to borrowers located in low-income tracts rose to 5.8 percent, exceeding the 3.8 percent of owner-occupied housing units. Comparison to aggregate data was not made as aggregate data is not available for 2017.

The bank's 2016 performance in lending in moderate-income census tracts fell below both aggregate performance and demographic data. The bank originated 64 or 13.3 percent of total loans to borrowers located in moderate-income census tracts, below the aggregate performance of 15.5 percent and the 15.1 percent of owner-occupied housing units.

In 2017, lending in moderate-income census tracts decreased to 11.1 percent, below the 15.5 percent of owner-occupied housing units. Comparison to aggregate data was not made as aggregate data is unavailable for 2017. Please refer to the following table

Geographic .Distribution of Home Mortgage Loans						
Assessment Area: Massachusetts MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.4	4.1	25	5.2	30,384	6.8
2017	3.8	--	23	5.8	10,501	2.8
Moderate						
2016	15.1	15.5	64	13.3	53,875	12.1
2017	15.5	--	44	11.1	40,319	10.9
Middle						
2016	43.6	43.2	84	17.5	46,219	10.4
2017	42.0	--	73	18.4	35,740	9.6
Upper						
2016	37.9	37.2	307	64.0	315,838	70.8
2017	38.6	--	254	64.0	283,445	76.3
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.2	--	3	0.8	1,478	0.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>480</b>	<b>100.0</b>	<b>446,316</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>397</b>	<b>100.0</b>	<b>371,483</b>	<b>100.0</b>
Source: 2010 U.S. Census & 2015 ACS Census; 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***

The geographic distribution of small business loans reflects reasonable penetration throughout the assessment area. Examiners focused on the comparison to aggregate and demographic data.

In 2016, lending to small businesses located in low-income census tracts slightly exceeded aggregate and demographic performance. The bank originated 10 or 6.9 percent of total loans within low-income tracts, compared to 6 percent aggregate performance and the 6.8 percent of businesses located in such tracts.

In 2017, lending in low-income census tracts decreased and fell below the percentage of businesses in low-income census tracts. The bank originated 9 or 6.1 percent of total loans to businesses located in low-income tracts, compared to the 7.2 percent of businesses. Comparison to aggregate data was not made because aggregate data for 2017 is not available.

Small business lending in moderate-income census tracts was well below aggregate and demographic performance in 2016. The bank originated 7 or 4.8 of its small business loans to borrowers located in moderate-income tracts, compared to aggregate performance of 14.9 percent and the 14.5 percent of business located in low-income tracts.

Small business lending performance in moderate-income census tracts increased in 2017, but again fell below the percentage of businesses in moderate-income census tracts. The bank made 9 or 6.1 percent of its total loans in moderate-income tracts, compared to the 15.4 percent of businesses located in such tracts. Please refer to the following table.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: Massachusetts 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	6.8	6.0	10	6.2	4,353	7.0
2017	7.2	--	9	6.1	3,010	5.4
Moderate						
2016	14.5	14.9	9	5.6	3,454	5.6
2017	15.4	--	9	6.1	3,600	6.4
Middle						
2016	35.9	38.5	34	21.1	14,123	22.7
2017	35.3	--	34	23.0	12,135	21.6
Upper						
2016	42.5	40.3	102	63.4	38,123	61.3
2017	41.6	--	90	60.8	35,014	62.3
Not Available						
2016	0.3	0.4	6	3.7	2,149	3.5
2017	0.5	--	6	4.1	2,459	4.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>161</b>	<b>100.0</b>	<b>62,202</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>148</b>	<b>100.0</b>	<b>56,218</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 12/1/2016 - 12/31/2017 Bank Data; 2015 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

## **Borrower Profile**

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

The bank's home mortgage lending reflects reasonable penetration among borrowers of different income levels. Examiners focused on the comparison to aggregate lending performance and demographic information.

In 2016, lending to low-income borrowers was slightly above aggregate performance but well below the percentage of low-income families. The bank originated 20 or 4.2 percent of total home mortgage loans to low-income borrowers. Examiners noted that a low-income family in the assessment area has a median income of less than \$45,400 in the Boston MD and less than \$49,300 in the Cambridge Newton Framingham MD, making such borrowers unlikely to qualify for a mortgage under conventional underwriting standards, taking into account the median housing value of \$438,038.

Lending to low-income borrowers decreased in 2017 to 8 or 2 percent of total loans, remaining well below the 23.7 percent of low-income families in the assessment area. As in 2016, median income figures for 2017 indicate that low-income individuals and families in the assessment area would likely have difficulty qualifying for traditional home mortgages. Comparison to aggregate data was not made due to the unavailability of 2017 aggregate data.

In 2016, the bank made 47 or 9.8 percent of total home mortgage loans to moderate-income borrowers, below aggregate performance of 13.1 percent and the 16.2 percent of moderate-income borrowers.

In 2017, lending to moderate-income borrowers increased, but remained below aggregate demographic data. The bank made 46 or 11.6 of total loans to moderate-income borrowers, below the 16 percent of moderate-income families. Aggregate performance for 2017 is unavailable. Please refer to the following table.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Massachusetts MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.7	3.3	20	4.2	3,053	0.7
2017	24.6	--	8	2.0	1,227	0.3
Moderate						
2016	16.2	13.1	47	9.8	9,357	2.1
2017	16.0	--	46	11.6	10,849	2.9
Middle						
2016	19.7	22.5	60	12.5	21,875	4.9
2017	18.8	--	39	9.8	12,933	3.5
Upper						
2016	40.4	48.4	337	70.2	341,187	76.4
2017	40.6	--	294	74.1	299,437	80.6
Not Available						
2016	0.0	12.7	16	3.3	70,844	15.9
2017	0.0	--	10	2.5	47,037	12.7
Totals						
2016	100.0	100.0	480	100.0	446,316	100.0
2017	100.0	--	397	100.0	371,483	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 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***

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less.

In 2016, the bank originated 17.4 percent of small business loans in the assessment area to businesses with GARs of \$1 million or less, well below the aggregate performance of 48.3 percent.

In 2017, lending to businesses with GARs of \$1 million or less increased to 23.6 percent, but remained well below demographic data. Comparison to aggregate data for 2017 was not made because 2017 aggregate data is not available. Please refer to the following table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Massachusetts MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	82.7	44.9	28	17.4	5,977	9.6
2017	83.2	--	35	23.6	8,286	14.7
>1,000,000						
2016	7.6	--	130	80.7	55,705	89.6
2017	7.4	--	112	75.7	47,732	84.9
Revenue Not Available						
2016	9.6	--	3	1.9	520	0.8
2017	9.4	--	1	0.7	200	0.4
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>161</b>	<b>100.0</b>	<b>62,202</b>	<b>100.0</b>
<b>2017</b>	<b>100.0</b>	<b>--</b>	<b>148</b>	<b>100.0</b>	<b>56,218</b>	<b>100.0</b>
Source: 2016 & 2017 D&B Data; 12/1/2016 - 12/31/2017 Bank Data; 2015 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0						

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting the credit needs of its Massachusetts assessment area. Boston Private funded approximately 205 innovative and flexible loan products totaling \$41.7 million in Massachusetts. Please refer to the Innovative and Flexible Lending section in Appendix B for highlights within Massachusetts.

### **Community Development Lending**

The bank is a leader in providing community development loans in its Massachusetts assessment area and the broader regional area including the assessment area. During the evaluation period, the bank originated 131 loans totaling approximately \$275.9 million within the Massachusetts assessment area. Since the Bank was responsive to credit needs in this AA, the Bank received credit for an additional 66 loans totaling approximately \$49.6 million in the broader regional area. Please refer to the overall evaluation section for notable examples of the Bank's community development loans.

## **INVESTMENT TEST**

The bank's Investment Test is rated Outstanding.

Boston Private 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. The bank makes significant use of innovative and/or complex investments to support community development initiatives.

Qualified investments, including donations totaled approximately \$36.6 million. Equity Investments totaled \$35.5 million and Donations totaled \$1.1 million. The level of investments represents an increase from the previous examination, at which time the investments totaled \$23 million. Please refer to the Investment Activity section under the overall Investment Test for examples.

## **SERVICE TEST**

The bank's Service Test is rated Outstanding.

The bank's delivery systems are accessible to essentially all portions of the assessment area. Boston Private operates 12, or 50 percent, of its 24 branches throughout this area. Of these, 1 (8.3 percent) is located in a low-income census tract; 3 (25 percent) are located in middle-income census tracts; and 8 (66.6 percent) are located in upper-income census tracts. Each branch has one Automated Teller Machine. There are three additional standalone ATMs, all located in upper-income census tracts.

To the extent changes have been made, the 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/or to low- and moderate-income individuals. Services, including business hours do not vary in a way that inconveniences certain portions of the assessment area.

The bank is a leader in providing community development services. Bank employees reported a total of 2,655 qualified community service hours with involvement in 97 organizations in various capacities.

## STATE OF CALIFORNIA

### CRA RATING FOR CALIFORNIA: HIGH SATISFACTORY

**The Lending Test is rated: HIGH SATISFACTORY**

**The Investment Test is rated: OUTSTANDING**

**The Service Test is rated: HIGH SATISFACTORY**

### SCOPE OF EVALUATION

The scope is similar to the overall scope discussed previously, except that this portion of the evaluation only considers assessment area activity in California. Specifically, this section considers the bank's performance in the San Francisco Combined Statistical Area and the Los Angeles Combined Statistical Area portions of California. Please refer to the overall discussion for more information on products reviewed, timeframe, and weighting of products. Within the California assessment areas, the Bank's activity as of December 31, 2017 includes 43.9 percent of the number of loans, 30.9 percent of deposits, and 50 percent of the bank's offices. The bank's performance in California carries equal weight to activity in Massachusetts.

The bank's performance in both combined statistical areas carries equal weight in arriving at overall ratings and conclusions.

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN CALIFORNIA

The bank maintains twelve branches in California and represents half of all branches. Since the last exam the Bank determined to reduce its AA to the originally defined counties as of San Francisco, San Mateo, and Santa Clara. This is due to the bank having no offices in Alameda County and anticipated business activity had not materialized. Please refer to the listing, *Combined Assessment Area*, in the Description of Assessment Area section for further details on the counties in these assessment areas. The following table summarizes pertinent demographic information for this area.

Demographic Information for the California Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	3,246	9.1	26.5	29.8	33.2	1.4
Population by Geography	13,944,780	8.3	27.4	31.4	32.6	0.3
Owner-Occupied Units by Geography	2,362,378	2.6	16.3	33.0	48.1	0.0
Businesses by Geography	1,021,979	8.6	17.2	30.5	43.2	0.5
Family Distribution by Income Level	4,090,395	12.8	15.5	16.8	42.5	
<i>Families Below the Poverty Level</i>			<i>Median Housing Value</i>			
Los Angeles		12.1%	Los Angeles			\$528,844
San Francisco		9.2%	San Francisco			\$724,181
<i>Unemployment Rate</i>			<i>Median Gross Rent</i>			\$1170
Los Angeles		5.5%	Los Angeles			\$1396
San Francisco		4.8%	San Francisco			
Source: 2010 U.S. Census, 2016 D&B Data, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.						



The bank's Combined California assessment area consists of 13.9 million individuals and is among the largest by population of Boston Private's assessment area markets. Of these individuals, 35.7 percent are considered to be low-income and moderate-income individuals. In addition, approximately 28.3 percent of families are designated as low- or moderate-income. These percentages demonstrate the need for affordable housing to low and moderate-income individuals in the assessment area when taking into account the high cost of housing. The California assessment area has the highest housing prices of the Bank's two markets and also nationwide. The Los Angeles median housing value is \$528,844 and the San Francisco median housing value is higher at \$724,181. These prices are well above the national average of \$181,000.

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 2.3 million housing units in the California assessment areas. Of the owner-occupied housing units, 2.6 percent are in low-income census tracts and 16.3 percent are in moderate-income census tracts. The small percentage of owner-occupied units in low-income census tracts means competition among lenders.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2016 D&B data, there were approximately 1.0 million businesses in the assessment area. Gross annual revenues (GARs) for these businesses are below.

- 90.5 percent have \$1 million or less.
- 9.2 percent have more than \$1 million.
- 0.5 percent have unknown revenues.

### ***Competition***

Competition in the assessment area is robust. The bank competes directly with larger national banks, mortgage companies, and credit unions. In addition to the regulated entities that are within the assessment area, the bank is also competing with not-for-profit agencies and other non-regulated entities when seeking large scale community development projects. Aggregate data for 2016 shows that out of 970 lenders originating at least one home mortgage loan in the assessment area, the bank ranked 164th. Among the top lenders in the assessment area include Residential Mortgage Services, Wells Fargo Bank, NA, JP Morgan Chase Bank, NA, Loandepot.com, LLC, and Bank of America, N.A.

The Bank maintains a high loan-to deposit ratio in California. As of 12/31/2017, the net LTD ratio totals 140.5 percent. This high percentage demonstrates the banks willingness to lend and meet the credit needs of its assessment area.

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN CALIFORNIA**

### **LENDING TEST**

The bank's Lending Test performance is rated High Satisfactory. The following sections discuss the bank's performance under each criterion.

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the California assessment area credit needs, considering the performance context and competition. During 2016 and 2017, the bank originated 668 home mortgage loans totaling approximately \$694 million and 266 small business loans totaling \$90 million in the combined assessment area.

Since the prior CRA assessment, the Bank has hired three CRA dedicated small business lenders covering all of its assessment area, and with a particular focus on Greater Los Angeles since that was identified particularly as an area of weakness in the prior evaluation. Boston Private also created a specialized and competitive small business lending product that has achieved positive results.

In the Residential Lending area, the Bank has hired new dedicated lenders focusing particularly in its Greater Los Angeles market where deficiencies were identified in the prior exam.

The California area is extremely competitive and dominated by Wells Fargo Bank, JP Morgan Chase Bank N.A., Flagstar Bank, Bank of America, and Citibank NA.

Boston Private's market share in California is .07 percent and is slightly less than the overall market share within its combined AA of .16 percent and its Massachusetts AA market share of (0.4 )percent. This indicates that the Bank is for the most part penetrating this area similarly as in the combined AAs, but its penetration is less than that the Massachusetts AA. This is primarily due to the highly competitive market in California with 970 lenders originating home mortgage loans while Massachusetts lenders represents a smaller amount of 613 lenders.

#### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the California assessment area. The bank's good performance of home mortgage lending and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

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

The current performance demonstrates improvement since the last exam. At the last examination, the Bank was below the aggregate performance in low and moderate-income census tracts. The current performance demonstrates the Bank is above the aggregate and demographics in lending to low and moderate income areas.

Geographic Distribution of Home Mortgage Loans by California						
Assessment Area: BP Combined CALI AA						
Borrower Income Level	% of owner occupancy	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.0	2.9	37	10.8	15,698	4.7
2017	--	--	15	4.6	26,353	7.4
Moderate						
2016	16.0	15.5	67	19.7	19,811	5.9
2017	--	--	66	20.2	40,567	11.4
Middle						
2016	35.4	32.9	55	16.3	50,967	15.1
2017	--	--	66	20.2	51,513	14.4
Upper						
2016	45.6	48.6	182	53.4	251,300	74.4
2017	--	--	177	54.1	235,645	65.9
Not Available						
2016	0.0	0.0	0	0.0	0	0
2017	0.0	--	3	0.9	3,139	0.9
Totals						
2016	100.0	100.0	341	100.0	337,776	100.0
2017	0.0	--	327	100.0	357,217	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 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***

The geographic distribution of small business loans reflects good dispersion throughout the California assessment area. The bank's lending in low and moderate-income census tracts exceeded the aggregate and demographics. The following table illustrates the bank's dispersion of small business loans.

<b>Geographic Distribution of Small Business Loans</b>						
<b>Assessment Area: BP Combined CALI AA</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	8.6	7.3	22	15.1	9,980	20.4
2017	--	--	17	14.2	5,833	14.1
Moderate						
2016	17.2	17.1	33	22.6	7,608	15.5
2017	--	--	22	18.3	7,347	17.8
Middle						
2016	30.5	31.2	37	25.3	15,399	31.5
2017	--	--	21	17.5	7,454	18.0
Upper						
2016	43.2	42.6	54	37.0	15,955	32.6
2017	--	--	60	50.0	20,759	50.1
Not Available						
2016	0.5	1.7	0	0.0	0	0.0
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>48,942</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>120</b>	<b>100.0</b>	<b>41,393</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**

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

## Home Mortgage Loans

The current performance demonstrates improvement since the last exam. At the last examination, the Bank was below the aggregate performance in lending to low and moderate-income borrowers.

Additionally, the bank's performance is good considering 12.4 percent of all families in the California assessment area have incomes below the poverty level. A low-income family in the with an income of less than \$31,200 in Los Angeles portion of the assessment area and an income of less than \$52,350 in San Francisco would likely experience difficulty in qualify for a mortgage under conventional underwriting standards, especially considering the median housing values in the Los Angeles portion assessment area of \$528,844 and the San Francisco area of \$724,181. Therefore, the demand and opportunity for lending to low-income families is limited.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: BP Combined CALI AA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.6	1.8	14	4.1	1,601	0.5
2017	--	--	4	1.2	545	0.2
Moderate						
2016	16.2	6.3	57	16.7	9,278	2.7
2017	--	--	41	12.5	7,340	2.1
Middle						
2016	19.2	15.2	40	11.7	9,959	2.9
2017	--	--	48	14.7	11,358	3.2
Upper						
2016	40.9	62.7	219	64.2	282,488	83.6
2017	--	--	223	68.2	280,254	78.5
Not Available						
2016	0.0	14.0	11	3.2	34,450	10.2
2017	0.0	--	11	3.4	57,720	16.2
Totals						
2016	100.0	100.0	341	100.0	337,776	100.0
2017	0.0	--	327	100.0	357,217	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 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***

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table illustrates the percentage of loans to businesses with GARs of \$1 million or less was slightly less than the percentage of businesses in the category.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: BP Combined CALI AA</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	90.5	41.6	45	30.8	10,076	20.6
2017	--	--	43	35.8	10,446	25.2
>1,000,000						
2016	9.2	58.4	97	66.4	38,362	78.4
2017	--	--	77	64.2	30,947	74.8
Revenue Not Available						
2016	0.3	0.0	4	2.7	504	1.0
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>--</b>	<b>100.0</b>	<b>146</b>	<b>100.0</b>	<b>48,942</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>120</b>	<b>100.0</b>	<b>41,393</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*

### **Innovative and Flexible Lending**

The bank makes extensive use of innovative and flexible lending programs to assist in meeting the credit needs of this area for home mortgage and small businesses. At the last examination, there were limited products available. Since the last exam, the Bank has increased its products in the California market. Most notable, Bank has focused on the California market specifically in Los Angeles to create a loan product designed to respond to small businesses that are primarily located in low-and moderate-income areas. Please refer to the Innovative and Flexible Lending section in Appendix B for further information.

### **Community Development Lending**

The bank is a leader in providing community development loans in its California assessment area and the broader regional area including the assessment area. During the evaluation period, the bank originated 98 loans totaling approximately \$273.3 million within the California assessment area. The volume of lending represents 49 percent of the Bank's community development loans for the current exam period. This is an increase from the last exam where the Bank originated \$188 million

in CD loans and represented 38 percent of the Bank's total CD Lending. Please refer to the overall evaluation section for notable examples of the Bank's community development loans.

## **INVESTMENT TEST**

The bank's Investment Test is rated Outstanding.

Boston Private 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. The bank makes significant use of innovative and/or complex investments to support community development initiatives.

Qualified equity investments totaled approximately \$24.1 million or 36.6 percent of the bank's total qualified community development investments. Qualified Donations total \$959,007. The level of investments represents an increase from the previous examination, at which time the investments totaled approximately \$10 million. Please refer to the Investment Activity section under the overall Investment Test for examples.

## **SERVICE TEST**

The bank's Service Test is rated High Satisfactory in California. The following sections discuss the bank's performance under each criterion.

### **Accessibility of Delivery Systems**

Its service delivery systems are accessible to geographies and individuals of different income levels in its assessment area(s).

Boston Private operates 12, or 50 percent, of its 24 branches throughout this area. Of these, 3 are located in low-income census tracts, 2 are in middle-income census tracts; and 7 are located in upper-income census tracts. Each branch has one Automated Teller Machine.

The San Francisco Branch, San Jose and Santa Monica branches are situated in low income geographies in 2016. Then in 2017, the updated census data resulted in a shift in the branch location census tracts.

<b>California 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	296	9.1	1,158,650	8.3	3/1	8.3	3/1	8.3
Moderate	861	26.5	3,817,596	27.4	0/2	16.7	0/2	16.7
Middle	967	29.8	4,377,422	31.4	2/1	8.3	2/1	8.3
Upper	1,077	33.2	4,550,250	32.6	7/8	66.7	7/8	66.7
NA	45	1.4	40,862	0.3	0	0.0	0	0.0
<b>Total</b>	<b>3,246</b>	<b>100.0%</b>	<b>13,944,780</b>	<b>100.0%</b>	<b>12</b>	<b>100.0</b>	<b>12</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, its 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

During the exam period, the Bank opened a loan production office and new branch in downtown Los Angeles. The location is in a middle-income area however is in proximity to nearby low and moderate-income geographies.

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

The Banks services (including, where appropriate, business hours) do not vary in a way that inconveniences its assessment area(s), particularly low- and moderate-income geographies and low- and moderate-income individuals.

### **Community Development Services**

The Bank provides a relatively high level of community development services. Bank employees reported a total of 2,124 qualified community service hours



## San Francisco Assessment Area (Full Scope Review)

### DESCRIPTION OF INSTITUTION’S OPERATIONS IN SAN FRANCISCO AREA

The San Francisco Assessment Area includes the counties of San Francisco, San Mateo, and Santa Clara. During the prior CRA examination, the Bank had included Alameda County within its assessment area to reflect anticipated growth of the Bank and perceived expanded lending opportunities for community development and community home mortgage opportunities in anticipation of a potential expansion. Subsequent to the CRA assessment in 2015, the Bank determined to reduce its assessment area to the originally defined counties to include only San Francisco, San Mateo, and Santa Clara. The prior examination recommended this adjustment in part because the Bank had no offices in Alameda County and anticipated business activity had not materialized.

The bank maintains six branches in the San Francisco Assessment Area and represents a quarter of all branches. According to 2016 demographic data, there are a total of 76 low income census tracts, 143 moderate-income census tracts, 270 middle-income census tracts, and 232 are upper-income census tracts and 6 are unknown. In 2017, the updated census data resulted in a shift in the number of census tracts. There are 72 low-income, 141 moderate-income, 246 middle-income, 256 upper-income, and 12 N/A. Unlike the Los Angeles market which experienced an increase in low and moderate-income census tracts, the San Francisco experienced a decrease in low and moderate income tracts. Discussions on the Los Angeles market are in the next section of this evaluation. The following table summarizes pertinent demographic information concerning this assessment area.

Demographic Information for the San Francisco Assessment Areas						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	727	10.4	19.7	37.1	31.9	0.9
Population by Geography	3,305,328	9.9	21.6	38.3	30.1	0.1
Owner-Occupied Units by Geography	635,576	3.9	15.4	40.7	40.0	0.0
Businesses by Geography	280,504	11.3	16.1	34.0	38.6	0.1
Family Distribution by Income Level	744,189	23.5	16.2	18.8	41.4	0.0
<i>Families Below the Poverty Level</i> San Francisco		6%	<i>Median Housing Value</i> San Francisco			\$724,181
<i>Unemployment Rate</i> San Francisco		4.8%	<i>Median Gross Rent</i> San Francisco			\$1396
<i>Source: 2010 U.S. Census, 2016 D&amp;B Data, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Borrower income levels are based on the 2016 and 2017 FFIEC median family income estimates for the San Francisco assessment area, which are depicted in the following table.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
<b>San Francisco-Redwood City-South San Francisco, CA Median Family Income (41884)</b>				
2016 (\$104,700)	<\$52,350	\$52,350 to <\$83,760	\$83,760 to <\$125,640	≥\$125,640
2017 (\$113,100)	<\$56,550	\$56,550 to <\$90,480	\$90,480 to <\$135,720	≥\$135,720
<b>San Jose-Sunnyvale-Santa Clara, CA MSA Median Family Income (41940)</b>				
2016 (\$105,200)	<\$52,600	\$52,600 to <\$84,160	\$84,160 to <\$126,240	≥\$126,240
2017 (\$111,200)	<\$55,600	\$55,600 to <\$88,960	\$88,960 to <\$133,440	≥\$133,440
Source: FFIEC Due to rounding, totals may not equal 100.0				

## CONCLUSIONS ON PERFORMANCE CRITERIA IN SAN FRANCISCO AREA

### LENDING TEST

#### Lending Activity

Lending levels reflect adequate responsiveness to the San Francisco assessment area credit needs, considering the performance context and competition. During 2016 and 2017, the bank originated 243 home mortgage loans totaling approximately \$250.8 million in the San Francisco assessment area and 116 small business loans totaling \$50 million in the San Francisco assessment area.

#### Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the San Francisco assessment area. The bank's good performance of home mortgage lending and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

#### *Home Mortgage Loans*

The distribution of lending to low-income areas exceeded the 2016 aggregate and demographics. This is good considering low-income census tracts have the smallest percentage of owner occupied units. The trend in 2017, shows a substantial decrease in lending volume in low-income areas. From 2016 to 2017, there is a shift in the number of low income census tracts with a decrease in the percentage of low income areas in this assessment area. This may explain the decrease in originations as there are fewer low-income areas and opportunities to lend.

Lending to moderate income areas in 2016 was below the aggregate and demographics. The trend in 2017 is favorable and doubled by percentage to moderate-income areas.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: BP San Francisco CSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.9	5.0	29	22.3	12,565	10.3
2017	0.0	5.2	2	1.8	595	0.5
Moderate						
2016	15.4	16.9	11	8.5	6,752	5.5
2017	0.0	17.3	21	18.6	11,688	9.1
Middle						
2016	40.7	41.3	24	18.5	17,613	14.4
2017	0.0	37.2	36	31.9	39,097	30.4
Upper						
2016	40.0	36.9	66	50.8	85,156	69.8
2017	0.0	40.0	54	47.9	77,350	60.1
Not Available						
2016	0.0	0.0	0	0	0	0
2017	0.0	0.4		100.0		100.0
<b>Totals</b>						
<b>2016</b>	<b>0.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>122,086</b>	<b>100.0</b>
<b>2017</b>	<b>0.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>128,730</b>	<b>100.0</b>

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

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

The geographic distribution of small business loans reflects good dispersion throughout the California assessment area. The bank's lending in 2016 to low- income census tracts totaled 17.6 percent which exceeded the aggregate of 9.6 percent and demographics of 11.3 percent. Additionally, there is a positive trend into 2017 in lending to low income census tracts. The Bank's lending to moderate income census tracts is below the aggregate and demographics.

Business Demographic and aggregate data for 2017 is not available to analyze the fluctuation of businesses and lending in those geographies. The following table illustrates the bank's dispersion of small business loans in San Francisco.

Geographic Distribution of Small Business Loans						
Assessment Area: BP San Francisco CSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	11.3	9.6	12	17.6	7,800	26.4
2017	--	--	13	27.1	4,947	24.1
Moderate						
2016	16.1	17.2	9	13.2	3,700	12.5
2017	--	--	5	10.4	2,450	11.9
Middle						
2016	34.0	36.4	25	36.8	11,225	38.0
2017	--	--	9	18.7	3,270	16.0
Upper						
2016	38.5	35.3	22	32.4	6,839	23.1
2017	--	--	21	43.8	9,824	48.0
Not Available						
2016	0.1	0.0	0	0.0	0	0.0
2017	--	--	0	0.0	0	0.0
Totals						
2016	100.0	0.0	68	100.0	29,564	100.0
2017	--	--	48	100.0	20,491	0.0
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						

## **Borrower Profile**

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

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

The current performance demonstrates improvement since the last exam. At the last examination, the Bank was below the aggregate performance in lending to low and moderate-income borrowers.

Additionally, the bank's performance is good considering 6.0 percent of all families in the San Francisco assessment area have incomes below the poverty level. In 2017, the families below poverty level increased to 6.5 percent. Additionally, A low-income family in the assessment area

would likely experience difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing values in the San Francisco area is \$724,181. Therefore, the demand and opportunity for lending to low-income families is limited.

<b>Distribution of Home Mortgage Loans by Borrower Income Level</b>						
<b>Assessment Area: BP San Francisco 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	23.5	2.2	5	3.8	835	0.7
2017	--	3.1	1	0.9	236	0.2
Moderate						
2016	16.2	8.0	26	20.0	5,731	4.7
2017	--	8.4	14	12.4	4,075	3.2
Middle						
2016	18.8	17.3	11	8.5	4,078	3.3
2017	--	17.3	13	11.5	4,982	3.9
Upper						
2016	41.4	62.9	83	63.8	100,990	82.7
2017	--	61.3	80	70.8	109,667	85.2
Not Available						
2016	0.0	9.6	5	3.8	10,452	8.6
2017	0.0	9.8	5	4.4	9,770	7.6
<b>Totals</b>						
<b>2016</b>	<b>0.0</b>	<b>100.0</b>	<b>130</b>	<b>100.0</b>	<b>122,086</b>	<b>100.0</b>
<b>2017</b>	<b>0.0</b>	<b>100.0</b>	<b>113</b>	<b>100.0</b>	<b>128,730</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census &amp; 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 &amp; 2017 HMDA Aggregate Data, "--" data not available.  Due to rounding, totals may not equal 100.0</i>						

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

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table illustrates the percentage of loans to businesses with GARs of \$1 million or less was less than the aggregate. In 2017, the trend is positive.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: BP San Francisco 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	90.0	38.4	15	22.1	4,010	13.6
2017	--	--	16	33.3	3,898	19.0
<b>&gt;1,000,000</b>						
2016	9.6	61.6	52	76.5	25,479	86.2
2017	--	--	32	66.7	16,593	81.0
<b>Revenue Not Available</b>						
2016	0.4	--	1	1.5	75	0.3
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>100.0</b>	<b>100.0</b>	<b>68</b>	<b>100.0</b>	<b>29,564</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>48</b>	<b>100.0</b>	<b>20,491</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						

### **Innovative and Flexible Lending**

The bank makes extensive of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies. There are several products offered that are common throughout each market, such as the BP Community Homeowner Fixed Rate Program and The FHLB Equity Builder Program. Additionally, the bank offers programs specifically offered in the San Francisco area and have unique structuring that require partnerships with municipalities.

The bank has a number of products designed to assist small business needs. The Bank offers its Business Loan Express product throughout each market.

The bank originated approximately 196 loans totaling 56.1 million that were considered innovative and flexible lending programs. Please refer to Appendix B for highlights of flexible lending products offered in the San Francisco assessment area.

## **Community Development Lending**

The bank is a leader in originating community development loans in the San Francisco assessment area since the previous evaluation. Boston Private originated 51 community development loans totaling approximately \$142.4 million in this area. The majority of these loans benefited affordable housing and economic development. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

### **Investment Activity**

The bank made a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position; in the San Francisco assessment area, particularly those that are provided by private investors, although rarely in a leadership position.

Qualified equity investments in the San Francisco assessment area total 4 investments totaling \$3.3 million. In addition to equity investments, the bank had 94 donations totaling \$599,893. As mentioned previously, the bank made 16 investments totaling \$19.2 million benefitting the entire State of CA including the San Francisco assessment area.

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

The bank exhibits excellent responsiveness to credit and community development needs in the San Francisco area. The majority of investments in this assessment area promote affordable housing and community development services. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for examples.

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

The bank makes extensive innovative and/or complex investments to support qualified investments. Please refer to the Innovativeness or Complexity of Qualified Investments factor under the overall Investment Test section for examples.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's delivery systems are accessible to geographies and individuals of different income levels in its assessment area. The bank operates six branches within the San Francisco assessment area, 2 of which are in low-income geographies, 1 in a middle-income area and 3 in upper-income areas. The San Francisco Branch at 433 California Street and the San Jose branch at 60 South Market Street are both in low-income geographies. According to 2017 U.S Census data there is a shift in census tract income level and the San Jose Branch location changes to a

moderate-income geography. For purposes of this evaluation, census tract income level for 2016 has the emphasis throughout this evaluation.

### **Changes in Branch Locations**

Since the previous CRA evaluation, the bank did not open or close any branches in the San Francisco Area.

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

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area or any group of individuals. Hours and Services factor under the overall Service Test section. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the Overall Service Test.

### **Community Development Services**

The bank provides a relatively high level of community development services. The bank provided, 846 service hours during the evaluation period. There were a 27 employees who were involved with approximately 56 local community development and non-profit organizations in various capacities. Bank employees are involved with financial education and include Money Smart classes for Adults, Junior Achievement within local schools and home buyer education seminars. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the San Francisco assessment area.



## Los Angeles Assessment Area

### DESCRIPTION OF INSTITUTION'S OPERATIONS IN LOS ANGELES ASSESSMENT AREA

The Bank's Los Angeles AA includes all of Los Angeles and Ventura counties. This market is the largest by population with a total of 10.6 million individuals and has the largest concentration of low- and moderate-income census tracts. Of the tracts, 220 are low-income tracts, 718 are moderate tracts, 697 are middle tracts, 845 are upper tracts, and 39 are unknown. Additionally, the LA assessment area has the highest loan to deposit of all of its assessment areas.

The following table illustrates select demographic characteristics of the assessment area in 2016.

Demographic Information for the Los Angeles Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	2,519	8.7	28.5	27.7	33.5	1.5
Population by Geography	10,639,452	7.8	29.2	29.2	33.4	0.4
Owner-Occupied Units by Geography	1,726,802	2.1	16.7	30.1	51.1	0.0
Businesses by Geography	741,475	6.1	18.2	26.7	47.7	1.1
Family Distribution by Income Level	2,365,156	23.8	16.5	17.9	41.8	0.0
<i>Families Below the Poverty Level</i> Los Angeles		12.1%	<i>Median Housing Value</i> Los Angeles			\$528,844
<i>Unemployment Rate</i> Los Angeles		5.52%	<i>Median Gross Rent</i> Los Angeles			\$1,170

*Source: 2010 U.S. Census, 2016 D&B Data, and FFIEC-Estimated Median Family Income; (\*) The NA category consists of geographies that have not been assigned an income classification.*

In 2017, the U.S Census data updated demographic information, creating an update to the census tract distribution throughout Boston Private's Los Angeles assessment area resulting in an increase in low and moderate-income census tracts and a decline in middle income tracts. In 2017, there are 230 low census tracts, 724 moderate census tracts, 644 middle census tracts, 867 upper tracts, and 54 unknown tracts.

The Federal Financial Institutions Examination Council (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 according to each metropolitan area and by year.

It should be noted that a majority of the Bank's volume of lending in 2016 was concentrated in the Los Angeles Long Beach Glendale, CA MD. This portion of the area is significantly larger by geography and has a lower median family income than the Oxnard Thousand Oaks-Ventura MSA. Additionally, 5 of the 6 bank branches are located in the Los Angeles MD in Los Angeles County, with one branch being located in the Oxnard Thousand Oaks MSA in Ventura County.

<b>Table 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>Los Angeles-Long Beach-Glendale, CA MD Median Family Income (31084)</b>				
2016 (\$62,400)	<\$31,200	\$31,200 to <\$49,920	\$49,920 to <\$74,880	≥\$74,880
2017 (\$64,300)	<\$32,150	\$32,150 to <\$51,440	\$51,440 to <\$77,160	≥\$77,160
<b>Oxnard-Thousand Oaks-Ventura, CA MSA Median Family Income (37100)</b>				
2016 (\$88,300)	<\$44,150	\$44,150 to <\$70,640	\$70,640 to <\$105,960	≥\$105,960
2017 (\$85,600)	<\$42,800	\$42,800 to <\$68,480	\$68,480 to <\$102,720	≥\$102,720
Source: FFIEC Due to rounding, totals may not equal 100.0				

## **CONCLUSIONS ON PERFORMANCE CRITERIA IN LOS ANGELES ASSESSMENT AREA**

### **LENDING TEST**

#### **Lending Activity**

Lending levels reflect adequate responsiveness to the Los Angeles assessment area credit needs, considering the performance context and competition. During 2016 and 2017, the bank originated 425 home mortgage loans totaling approximately \$444.2 million and 150 small business loans totaling \$40.3 million in the Los Angeles assessment area.

The volume of lending activity is an increase in performance from the last examination. In the Residential Lending area, the Bank has hired new dedicated lenders focusing particularly in its Greater Los Angeles market where deficiencies were identified in the prior exam.

Since the prior CRA assessment, the Bank has hired three CRA dedicated small business lenders covering all of its assessment area, and with a particular focus on Greater Los Angeles since this area was identified particularly as an area of weakness at the last exam. The Bank has also created a specialized and competitive small business lending product that has achieved positive results.

#### **Geographic Distribution**

The geographic distribution of loans reflects good penetration throughout the Los Angeles assessment area. The bank's good performance of home mortgage lending and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

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

The distribution of lending to low-income and moderate-income areas exceeded the 2016 aggregate and demographics. This is good considering low and moderate-income areas have the lowest percentage of owner-occupancy.

<b>Geographic Distribution of Home Mortgage Loans</b>						
<b>Assessment Area: BP Los Angeles 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	2.1	2.3	8	3.8	3,133	1.5
2017	0.0	3.1	13	6.1	25,758	11.3
Moderate						
2016	16.7	16.2	56	26.5	13,059	6.1
2017	0.0	19.7	45	21.0	28,879	12.6
Middle						
2016	30.1	29.9	31	14.7	33,354	15.5
2017	0.0	28.1	30	14.0	12,416	5.4
Upper						
2016	57.1	51.5	116	54.9	166,144	77.0
2017	0.0	48.9	123	57.5	158,295	69.3
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.2	3	1.4	3,139	1.4
<b>Totals</b>						
<b>2016</b>	<b>0.0</b>	<b>100.0</b>	<b>211</b>	<b>100.0</b>	<b>215,690</b>	<b>100.0</b>
<b>2017</b>	<b>0.0</b>	<b>100.0</b>	<b>214</b>	<b>100.0</b>	<b>228,487</b>	<b>100.0</b>

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

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

The geographic distribution of small business loans reflects good dispersion throughout the Los Angeles assessment area. The bank's lending in 2016 to low-and moderate-income census tracts exceeded the aggregate and demographics. There is a downward trend in 2017 in lending to low income and moderate-income census tracts. Business Demographic and aggregate data for 2017 is not available to analyze the fluctuation of businesses and lending in those geographies. The following table illustrates the bank's dispersion of small business loans.

Geographic Distribution of Small Business Loans						
Assessment Area: BP Los Angeles CSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	6.1	5.1	10	12.8	2,180	11.2
2017	--	--	4	5.6	886	4.2
Moderate						
2016	18.2	17.0	24	30.8	3,908	20.2
2017	--	--	17	23.6	4,897	23.4
Middle						
2016	26.7	26.1	12	15.4	4,174	21.5
2017	--	--	12	16.7	4,184	20.0
Upper						
2016	47.7	49.9	32	41.0	9,116	47.0
2017	--	--	39	54.1	10,935	52.3
Not Available						
2016	1.3	2.0	0	0.0	0	0.0
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>--</b>	<b>0.0</b>	<b>78</b>	<b>100.0</b>	<b>19,378</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>72</b>	<b>100.0</b>	<b>20,902</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**

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

## ***Home Mortgage Loans***

The current performance is considered good and lending to low and moderate-income borrowers is above the aggregate. This performance demonstrates improvement since the last exam. At the last examination, the Bank did not originate any loans to low and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: BP Los Angeles CSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.8	1.6	9	4.3	766	0.4
2017	--	2.1	3	1.4	309	0.1
Moderate						
2016	16.5	5.6	31	14.7	3,547	1.6
2017	--	6.2	27	12.6	3,265	1.4
Middle						
2016	17.9	14.4	29	13.7	5,881	2.7
2017	--	15.2	35	16.4	6,376	2.8
Upper						
2016	41.8	62.7	136	64.5	181,498	84.1
2017	--	61.5	143	66.8	170,587	74.7
Not Available						
2016	0.0	15.7	6	2.8	23,998	11.1
2017	0.0	15.1	6	2.8	47,950	21.0
Totals						
2016	100.0	100.0	211	100.0	215,690	100.0
2017	0.0	100.0	214	100.0	228,487	100.0
Source: 2010 U.S. Census & 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

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

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table illustrates the percentage of loans to businesses with GARs of \$1 million or less was less than the aggregate. In 2017, the trend is consistent.

<b>Table J - Distribution of Small Business Loans by Gross Annual Revenue Category</b>						
<b>Assessment Area: BP Los Angeles 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	90.9	44.9	30	38.5	6,066	31.3
2017	--	--	27	37.5	6,548	31.3
<b>&gt;1,000,000</b>						
2016	8.7	55.1	45	57.7	12,883	66.5
2017	--	--	45	62.5	14,354	68.7
<b>Revenue Not Available</b>						
2016	0.4	0.0	3	3.8	429	2.2
2017	--	--	0	0.0	0	0.0
<b>Totals</b>						
<b>2016</b>	<b>--</b>	<b>100.0</b>	<b>78</b>	<b>100.0</b>	<b>19,378</b>	<b>100.0</b>
<b>2017</b>	<b>--</b>	<b>--</b>	<b>72</b>	<b>100.0</b>	<b>20,902</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>						

### **Innovative and Flexible Lending**

The bank makes extensive of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies. There are several products offered that are common throughout each market, such as the BP Community Homeowner Fixed Rate Program and The FHLB Equity Builder Program. There are some programs specifically offered in the Los Angeles area and have unique structuring that require partnerships with municipalities

The bank has a number of products designed to assist small business needs. The Bank offers its Business Loan Express product throughout each markets

The bank originated approximately 269 loans totaling 35.2 million that were considered innovative and flexible lending programs. Please refer to Appendix B for highlights of flexible lending products.

### **Community Development Lending**

The bank is a leader in originating community development loans in the Los Angeles assessment area since the previous evaluation. Boston Private originated 47 community development loans totaling approximately \$130.8 million in this area. The majority of these loans benefited affordable housing. Please refer to the Community Development Lending section under the overall Lending Test for examples.

## **INVESTMENT TEST**

The Bank's performance under the Investment Test for this AA is consistent with Boston Private's overall Investment Test performance.

The bank made a significant level of qualified investments, particularly those that are not routinely provided by private investors, occasionally in a leadership position; in the Los Angeles assessment area, particularly those that are provided by private investors, although rarely in a leadership position.

Qualified equity investments in the Los Angeles assessment area total 5 investments totaling \$1.6 million. In addition to equity investments, the bank had 73 donations totaling \$359,114. As mentioned previously, the bank made 16 investments totaling \$19.2 million benefitting the entire State of CA including the Los Angeles assessment area.

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

The bank exhibits excellent responsiveness to credit and community development needs in the Los Angeles area. The majority of investments in this assessment area promote affordable housing and community development services. Please refer to the Responsiveness to Credit and Community Development Needs section under the overall Investment Test for examples.

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

The bank makes extensive innovative and/or complex investments to support qualified investments. Please refer to the Innovativeness or Complexity of Qualified Investments factor under the overall Investment Test section for examples.

## **SERVICE TEST**

### **Accessibility of Delivery Systems**

The bank's delivery systems are accessible to geographies and individuals of different income levels in its assessment area. The bank operates six branches. Within the Los Angeles assessment area, the branch location at 520 Broadway in Santa Monica is situated in a low-income census tract. According to 2017 U.S Census data there is a shift in census tract income level from 2016 to 2017 and the Santa Monica branch census tract changes from low-income to upper-income. For purposes of this evaluation, census tract-income level for 2016 has the emphasis throughout this evaluation. This is a notable change. For this census tract, data shows the population increased by 5% and there was a significant increase in the median family income level from \$26,310 to \$121,319.

The remainder of the branches are located in middle-income and upper census tracts. Once again, due to the shift in the census tract income level, the branch location at 345 East Colorado Blvd in

Pasadena is situated in a middle income area in 2016 and then changes to a moderate income area in 2017.

### **Changes in Branch Locations**

Between 2015 and 2017, the Bank opened and closed offices in Los Angeles County. The Bank opened a downtown Los Angeles Loan Center in June 2016 as part of an effort to enhance its Community Investment initiatives and to more broadly deliver services and develop clients. In 2017, the Bank opened a new branch office in the same building as the loan center. The location of this branch is in a middle-income geography but is situated in close proximity to low and moderate-income geographies.

The branch locations in Burbank and Granada Hills were closed in November 2016. The Bank sold the deposit liabilities of its offices in Burbank and Granada Hills, Los Angeles County, to Homestreet Bank on November 10, 2016, but retained the loans previously extended through those offices. The rationale for selling the deposit liabilities in Granada Hills and Burbank was to continue to reposition and broaden the Bank's Southern California footprint and optimize resources in local geographies where Boston Private can more broadly deliver services and develop clients.

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

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area or any group of individuals. Hours and Services factor under the overall Service Test section. The bank also offers various alternative systems that effectively deliver retail banking services throughout the assessment area. For details, please refer to the Reasonableness of Business Hours and Services under the Overall Service Test.

### **Community Development Services**

The bank provides a relatively high level of community development services. During the exam period, the bank provided 885 service hours during the evaluation period to approximately 50 local community development and non-profit organization in various capacities. The Bank participated in a number of financial literacy initiatives such as Junior Achievement, and Everfi in local school systems. Additionally, the Bank has hosted its own Community Investments series events which the bank partners with non-profits to discuss topics such as Revenue generating and risk management for non-profits. Refer to the Community Development Services section under the overall Service Test for highlights of activity within the Los Angeles assessment area.



## **APPENDIX A**

### ***Fair Lending Policies and Procedures***

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

### **MINORITY APPLICATION FLOW**

The bank's HMDA LARs for 2016 and 2017 were reviewed to determine if the application flow from the different racial groups within the bank's Massachusetts assessment area was reflective of the assessment area's demographics.

In 2016, the bank's Massachusetts assessment area contained a total population of 3,088,514 individuals of which 32.2 percent are minorities. The assessment area's minority and ethnic population is 8.7 percent Black/African American, 9.4 percent Asian, 0.1 percent American Indian, 0.1 percent Hawaiian/Pacific Islander, 11.0 percent Hispanic or Latino and 2.8 percent other.

In 2016, the bank received 570 HMDA reportable loan applications from within its assessment area. Of these applications, 95 or 16.7 percent were received from racial minority applicants, of which 84 or 88.4 percent resulted in originations. The aggregate received 155,323 HMDA reportable loan applications of which 21,944 or 14.2 percent were received from minority applicants and 14,708 or 67.0 percent were originated. For the same time period, the bank also received 43 or 7.5 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 33 or 76.7 percent were originated versus the aggregate that received 8,606 applications or 5.6 percent of which 5,543 or 64 percent were originated.

In 2017, the bank received 476 HMDA reportable loan applications from within its assessment area. Of these applications, 80 or 16.8 percent were received from minority applicants, of which 62 or 77.5 percent resulted in originations. The aggregate received 117,045 HMDA reportable loan applications of which 18,378 or 15.6 percent were received from minority applicants and 12,553 or 68 percent were originated. For the same time period, the bank also received 34 or 7.1 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 25 or 73.5 percent were originated versus the aggregate that received 7,607 applications or 6.5 percent of which 5,111 or 67.1 percent were originated.

The bank's level of lending was compared with that of the aggregate's lending performance level for 2016 and 2017. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the

table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

<b>MINORITY APPLICATION FLOW</b>						
<b>Performance in Massachusetts</b>						
<b>RACE</b>	<b>Bank 2016</b>		<b>2016 Aggregate Data</b>	<b>Bank 2017</b>		<b>2017 Aggregate Data</b>
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.2	0.2	2	0.4	0.2
Asian	47	8.3	8.3	36	7.6	8.9
Black/ African American	29	5.0	3.8	31	6.5	4.5
Hawaiian/Pacific Islander	1	0.2	0.1	0	0.0	0.1
2 or more Minority	0	0	0.1	0	0.0	0.1
Joint Race (White/Minority)	17	3.0	1.7	11	2.3	1.8
<b>Total Minority</b>	<b>95</b>	<b>16.7</b>	<b>14.2</b>	<b>80</b>	<b>16.8</b>	<b>15.6</b>
White	434	76.1	64.5	364	76.5	62.2
Race Not Available	41	7.2	21.4	32	6.7	22.2
<b>Total</b>	<b>570</b>	<b>100.0</b>	<b>100.0</b>	<b>476</b>	<b>100.0</b>	<b>100.0</b>
<b>ETHNICITY</b>						
Hispanic or Latino	<b>34</b>	<b>5.9</b>	<b>4.4</b>	30	<b>6.3</b>	<b>5.3</b>
Not Hispanic or Latino	494	86.7	73.5	415	87.2	71.6
Joint (Hisp/Lat /Not Hisp/Lat)	<b>9</b>	<b>1.6</b>	<b>1.2</b>	4	<b>0.8</b>	<b>1.2</b>
Ethnicity Not Available	33	5.8	21.4	27	5.7	21.9
<b>Total</b>	<b>570</b>	<b>100.0</b>	<b>100.0</b>	<b>476</b>	<b>100.0</b>	<b>100.0</b>

*Source: US Census 2010, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017*

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2016, the bank's minority application flow is reasonable.

## Appendix B

Innovative or Flexible Lending Programs Highlights		
Combined Assessment Area		
Type of Program	2015-2017	
	#	\$(000s)
Boston Private Community Homeowner Fixed Rate	14	4,631,262
FHLB Equity Builder	4	56,000
Mass Housing Partnership One Mortgage	126	28,666,079
Mass Housing 1 <sup>st</sup> Mortgage	22	7,746,149
Boston Department of Neighborhood Development 2 <sup>nd</sup> Mortgages	32	\$257,384
Cambridge Housing Division 2 <sup>nd</sup> Mortgage	4	301,875
City of Lowell and City of Lynn Municipal First Time Homebuyer Programs	3	20,375
<b>Subtotal Massachusetts Loans</b>	<b>205</b>	<b>41,679,124</b>
Workforce Initiative Subsidy for Homeownership (WISH) 2 <sup>nd</sup> Mortgages	3	45, 000
Boston Private Community Homeowner Fixed Rate	85	21,615,266
Special Municipal Below Market Rate Programs ( San Fran) 2 <sup>nd</sup> mortgages	47	25,758,877
Mayor's Office of Housing and Community Development ( San Fran) Below Market Rate Down Payment Assistance Subordinate Loan Program	32	1,395,771
City of San Francisco Market Rate Down Payment Assistance Program	3	853,000
City of San Francisco Teach Next Door Program with loan forgiveness	3	60,000
FHLB Equity Builder	5	\$63,000
San Francisco Silent Second Mortgage	3	\$1,463,001
City of San Mateo Down Payment Assistance Loan Program	8	\$474,937
City of Daly City Silent Second Mortgage	6	\$3,740,866
City of Santa Clara Silent Second Mortgage	1	\$704,000
<b>Subtotal San Francisco CA</b>	<b>196</b>	<b>\$56,128,718</b>
Boston Private Community Homeownership	116	\$28,028,592
Boston Private Down Closing Cost Assistance with loan forgiveness (Greater LA)	39	299,909
FHLB Equity Builder	6	86,000
City of Los Angeles Low Income Purchase Assistance	12	651,713
City of Los Angeles Homeownership Assistance Program	4	240,000
City of Los Angeles Affordable Homeownership Program	1	95000
Habitat for Humanity ( LA) Mortgage Assistance	40	2,138,830
Habitat for Humanity ( Lynwood) Mortgage Assistance	4	843485
Habitat for Humanity (Montebello)	8	867,800
City of San Dimas Ownership Housing	2	317,000
City of Compton Down Payment Assistance	8	699,750
Fannie Mae Home Ready	1	543,000
WISH	28	414,300
<b>Subtotal LA Loans</b>	<b>269</b>	<b>\$35,225,379</b>
<b>Totals</b>	<b>670</b>	<b>\$133,033,221</b>
<i>Source: Bank Records</i>		

## 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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

**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; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

**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 Areas (CBSAs):** 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent 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.

## **PERFORMANCE EVALUATION DISCLOSURE GUIDE**

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, require all Financial institutions to take the following actions within 30 business days of receipt of the CRA Evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at 10 Post Office Square Boston, MA 02109."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.