

PUBLIC DISCLOSURE

APRIL 8, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

CAMBRIDGE TRUST COMPANY

8152

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Division of Banks

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NOTE:	This document is an evaluation of the institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operations of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Federal Deposit Insurance Corporation or the Division of Banks concerning the safety and soundness of this financial institution.
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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (Division) and the Federal Deposit Insurance Corporation (FDIC) to use their authority when examining financial institutions subject to their supervision, to assess the 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. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Cambridge Trust Company (the "Bank" or "Cambridge Trust")**, prepared by the Division and the FDIC, the institution's supervisory agencies, as of **April 8, 2014**. These agencies evaluate the Bank's performance in the assessment area, as it is defined by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00. The FDIC rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345 of the FDIC's Rules and Regulations.*

INSTITUTION'S CRA RATING

The institution is rated **"Satisfactory"** by the Division and by the FDIC.

The following table indicates the performance level of Cambridge Trust Company with respect to the Lending, Investment, and Service Tests.

PERFORMANCE LEVELS	<u>Cambridge Trust Company</u>		
	PERFORMANCE TESTS		
	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory			X
Satisfactory**	X	X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than Investment and Service Tests when arriving at an overall rating.

**Note: FDIC rules and regulations stipulate use of a high satisfactory and low satisfactory rating for the three tests. For purposes of this jointly issued public evaluation, the term "Satisfactory" will be used in lieu of the "Low Satisfactory" rating for the Lending, Investment, and Service Test ratings.

LENDING TEST

The Bank's Lending Test performance is rated "Satisfactory."

- Overall, the Bank's home mortgage and small business lending activity reflects adequate responsiveness to assessment area credit needs considering the size of the institution, its loan portfolio composition, and the significant level of competition within the assessment area.
- An adequate percentage of the Bank's home mortgage and small business loans were made in the Bank's assessment area. Home mortgage and small business loans made within the assessment area represented a combined 67.3 percent by both number and dollar amount.
- The geographic distribution of the Bank's home mortgage and small business loans reflects good dispersion throughout the assessment area, especially in low- and moderate-income geographies, when compared to assessment area demographics and aggregate lending performance.
- Overall, given the demographics of the assessment area, the distribution of borrowers reflects adequate penetration among individuals of different income levels (including low- and moderate-income) and business customers of different sizes.
- The Bank made an adequate level of community development loans within its assessment area or the broader regional area, given its asset size and financial resources. These loans primarily benefitted organizations and businesses that provide affordable housing and economic development throughout the area.
- The Bank makes limited use of innovative and flexible lending programs to meet the credit needs of small businesses and low- and moderate-income homebuyers. These programs are provided internally by the Bank and through various partnerships with federal, state, and community development organizations.

INVESTMENT TEST

The Bank's Investment Test performance is rated "Satisfactory."

- The institution has an adequate level of qualified community development investments and grants, particularly those that are not routinely provided by private investors
- The Bank exhibits adequate responsiveness to credit and community development needs.
- The institution occasionally uses innovative and/or complex investments to support community development initiatives.

SERVICE TEST

The Bank's Service Test performance is rated "High Satisfactory."

- Retail banking services are accessible to essentially all portions of the assessment area.
- 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 or to low- or moderate-income individuals.
- Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals.
- The institution provides a relatively high level of community development services.

PERFORMANCE CONTEXT

Description of Institution

Cambridge Trust Company is a Massachusetts state-chartered bank headquartered at 1336 Massachusetts Ave in Cambridge, Massachusetts. The Bank is a wholly-owned subsidiary of Cambridge Bancorp, a one-bank holding company. In addition to its main office, the Bank operates 11 full-service branches throughout Middlesex and Suffolk Counties. The Service Test section of this evaluation includes a full list of these branches. In addition to these locations, the Bank also operates two remote full-service automated teller machines (ATMs) and three wealth management offices.

The Bank offers a full range of products and services that meet the financial and credit needs of consumers and businesses. Consumer loan products include adjustable-rate and fixed-rate mortgages, home equity lines and loans, automobile loans, and personal loans. Business loan products include working capital lines of credit and term loans, commercial real estate mortgages, letters of credit, and Small Business Administration (SBA) loans.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1 – Loan Portfolio Distribution as of December 31, 2013		
Loan Type	\$(‘000s)	% of Total
Construction, Land Development, and Other Land Loans	16,557	1.8
Secured by Farmland	0	0.0
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	43,539	4.6
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	473,897	50.3
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	5,971	0.6
Secured by Multi-Family (5 or more) Residential Properties	109,803	11.6
Secured by Nonfarm Nonresidential Properties	220,633	23.4
Commercial and Industrial	43,079	4.6
Loan to Individuals for Household, Family, or Other Personal Expenditures	21,667	2.3
Other Loans	7,708	0.8
TOTAL LOANS	942,854	100.0

Source: December 31, 2013 Call Report

As of December 31, 2013, the Bank's total assets were \$1.5 billion. Net loans (total loans less the allowance for loan and lease losses) totaled \$929.7 million, representing 60.6 percent of total assets. Assets increased approximately \$402.9 million, or 36.7 percent, while net loans increased by 66.1 percent since December 31, 2010. The Bank's loans are heavily concentrated in residential and commercial real estate (non-farm, non-residential properties).

There are no apparent financial or legal impediments that would limit the Bank's ability to help meet the credit needs of its assessment area. The Bank's CRA performance was deemed "Satisfactory" at the previous evaluation on January 25, 2011, which was also conducted jointly by the FDIC and Division.

Description of Assessment Area

The CRA requires financial institutions to define an assessment area within which its CRA performance will be evaluated. The evaluation of the Bank's performance is based upon activity within the defined assessment area. The Bank includes contiguous portions of Middlesex, Norfolk and Suffolk Counties in Massachusetts (MA) as its assessment area. Middlesex County is in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) 15764, and Norfolk and Suffolk Counties are in the Boston-Quincy, MA MD 14484. Both MDs are part of the larger Boston-Cambridge-Quincy, MA-New Hampshire Metropolitan Statistical Area (MSA) 14460. Within Middlesex County, the Bank included the following municipalities in the assessment area: Arlington; Belmont; Cambridge; Concord; Lexington; Lincoln; Newton; Somerville; Waltham; Watertown; Wayland; and Weston. Within Norfolk and Suffolk Counties, the Bank included Brookline and the southern portion of Boston, respectively, as part of the assessment area.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions; (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the Bank originated a substantial portion of its loans; (3) consists of whole census tracts; (4) does not extend substantially beyond state borders; (5) does not reflect illegal discrimination; and (6) does not arbitrarily exclude low- and moderate- income areas.

In March 2013, the Bank expanded its assessment area to include seven tracts in the South End section of Boston due to opening a branch in that area. Additionally, in April 2014, the Bank further expanded its assessment area to include Brookline, the remaining portion of Somerville, and selected tracts in the Allston and Brighton sections of Boston. The assessment area as defined in April 2014 was used to analyze the Bank's CRA performance during the entire review period.

To assess the Bank's performance, consideration was given to assessment area demographics highlighted in Table 2.

Table 2 – Demographic Information						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA % of #
Geographies (Census Tracts)	164	7.9	21.4	29.9	39.6	1.2
Population by Geography	687,835	7.4	20.4	31.2	41.0	0.0
Owner-Occupied Housing by Geography	135,279	3.0	12.3	31.7	53.0	0.0
Family Distribution by Income Level	142,517	21.5	14.8	17.5	46.2	0.0
Non-farm Businesses by Geography (2012)	88,807	6.1	14.4	24.7	54.6	0.2
Non-farm Businesses by Geography (2013)	81,999	6.1	14.2	24.6	54.9	0.2
Median Family Income (MFI):	<u>2012</u>	<u>2013</u>	Median Housing Value		\$638,880	
Cambridge-Newton-Framingham, MA MD	\$106,400	\$101,000	Unemployment Rate (2010)		5.2%	
Boston-Quincy, MA MD	\$88,800	\$88,000	Families Below Poverty Level		6.1%	

Source: 2010 U.S. Census, 2012 & 2013 FFIEC updated MFI, Dun and Bradstreet

Geographies

The assessment area is comprised of 164 census tracts, of which 13 (7.9 percent) are defined as low-income; 35 (21.3 percent) as moderate-income; 49 (29.9 percent) as middle-income; and 65 (39.6 percent) as upper-income. Income is not available for 2 (1.2 percent) census tracts.

Population

Based on 2010 U.S. Census data, the total population of the assessment area is 687,835. Of these individuals, 7.4 percent reside in low-income tracts, 20.4 percent in moderate-income tracts, 31.2 percent in middle-income census tracts, and 41.0 percent in upper-income tracts.

Family Distribution

Providing further insight into the demographic composition of the assessment area is the number of families at each income level. According to the 2010 U.S. Census data, of the 142,517 families in the assessment area, 21.5 percent are low-income, 14.8 percent are moderate-income, 17.5 percent are middle-income, and 46.2 percent are upper income. Additionally, 6.1 percent of assessment area families are below the poverty level.

Median family income (MFI) is used to determine the distribution of home mortgage loans by borrower income level. The Federal Financial Institutions Examination Council (FFIEC) calculates the annual MFI, which incorporates the United States (U.S.) Census Bureau's American Community Survey information. The 2012 and 2013 FFIEC-calculated MFI for the Cambridge-Newton-Framingham, MA MD was \$106,400 and \$101,000, respectively. The 2012 and 2013 FFIEC-calculated MFI for the Boston-Quincy, MA MD was \$88,800 and \$88,000, respectively.

Housing

Housing units within the assessment area total 301,389, of which 135,279 (44.9 percent) are owner-occupied, 145,564 (48.3 percent) are rental-occupied, and 20,546 (6.8 percent) are vacant. Of the owner-occupied units within the assessment area, 3.0 percent are located in low-income census tracts, 12.3 percent in moderate-income census tracts, 31.7 percent in middle-income tracts, and 53.0 percent in upper-income tracts. The low number of owner-occupied housing units in the assessment area's low-income tracts may limit the Bank's ability to make home mortgages in these areas during the review period.

Table 2 also displays the median housing value in the assessment area according to 2010 U.S. Census data. More recent data obtained from *Zillow Real Estate* showed that 2012 and 2013 median housing values in the assessment area communities ranged from a low of \$265,000 to a high of \$1,150,000. Overall housing values increased from 2012 to 2013 with average median housing values increasing from \$548,438 to \$596,938.

Unemployment

Unemployment rates within the assessment area have declined since the prior exam. As of the fourth quarter 2014, the Bureau of Labor Statistics reported the following county unemployment rates (not seasonally adjusted): Middlesex – 5.4 percent; Norfolk – 5.7 percent; and Suffolk – 6.6 percent. The Massachusetts and U.S. unemployment rates were both 6.7 percent.

Business Data

Table 3 illustrates the number of non-farm businesses by annual revenue category.

Table 3 – Non-farm Businesses by Annual Revenues				
Gross Annual Revenue (GAR) Category	2012		2013	
	#	%	#	%
≤ \$1 million	61,539	69.3	57,411	70.0
> \$1 million	4,989	5.6	4,845	5.9
Revenues Unknown	22,279	25.1	19,743	24.1
Total	88,807	100.0	81,999	100.0

Source: 2012 and 2013 Dun & Bradstreet data

Between 2012 and 2013, the total number of non-farm businesses declined by 7.7 percent. The percentage of non-farm businesses reporting company GARs of \$1 million or less remained stable during the review period. As noted in Table 2, the percentage of non-farm businesses located in low- and moderate-income census tracts remained stable as well.

Competition

In addition to the demographic composition and economic environment of the assessment area, competition from other financial institutions also impacts the Bank's lending performance. According to FDIC Summary of Deposits as of June 30, 2012, there were 79 federally-insured financial institutions operating 343 branch offices within the assessment area. Cambridge Trust ranked 8th with a 3.2 percent market share in number of branches. In terms of total deposits, the Bank ranked 11th with a 1.0 percent market share.

During 2012, 424 Home Mortgage Disclosure Act (HMDA)-reporting institutions made or purchased 35,647 HMDA loans totaling \$14.3 billion in the assessment area. Based on its 2012 activity, Cambridge Trust's market share was 0.81 percent by count and 0.76 percent by dollar volume, with the institution ranking of 32nd and 31st, respectively. The top five lenders included Mortgage Master, Inc.; Leader Bank; Wells Fargo Bank, N.A.; Guaranteed Rate Inc.; and Sovereign Bank, N.A. Collectively, these top lenders accounted for 27.5 percent by count and 25.4 percent by dollar volume of the area's total market share.

The Bank also faces strong competition for small business loans. During 2012, 120 CRA-reporting lenders originated 57,103 small business loans totaling \$2.0 billion within Middlesex County. Excluding credit card banks, the Bank competes for small business loans with institutions such as RBS Citizens, N.A.; Bank of America, N.A.; TD Bank, N.A.; Eastern Bank; and Sovereign Bank, N.A.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with an organization that provides affordable housing services to individuals and families in the area. The contact stated that there is a need for more affordable housing in the area. Housing prices are quite high and have continued to rise in recent years. Low- to moderate-income families and individuals relying on fixed incomes often have difficulty keeping up with mortgage or rent payments.

Overall, the contact was pleased with local financial institutions' involvement with the community, specifically mentioning Cambridge Trust as being involved in the financing of affordable housing developments in the area. The contact suggested that there was a need for more financial literacy courses for low- and moderate-income individuals.

SCOPE OF EVALUATION

This evaluation was conducted jointly by the Division and the FDIC. The agencies assessed Cambridge Trust's CRA performance utilizing Large Bank procedures as established by the FFIEC. These procedures require three performance tests: the Lending Test, Investment Test, and Service Test.

The Lending Test considered the Bank's home mortgage and small business lending. Since the Bank does not make farm loans and consumer loans represent only 2.3 percent of total loans, these products were not included in the lending analysis. The Bank's most recent Report of Condition and Income dated December 31, 2013, indicated residential lending, including all loans secured by 1-4 family and multi-family residential properties, represented 67.1 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 28.0 percent of the loan portfolio. Residential lending also represented the majority of loan volume during the review period. Therefore, the Bank's performance in home mortgage lending carried greater weight in the Lending Test.

Data reviewed included all home mortgage loans reported on the Bank's HMDA loan application registers (LARs) for 2012 and 2013. The LARs contain data about home purchase and home improvement loans, including refinances of 1-4 family and multi-family properties. The Bank reported 401 loans totaling \$150.1 million in 2012 and 423 loans totaling \$275.3 million in 2013. The Bank's 2012 home mortgage lending performance was compared against 2012 aggregate lending data; 2013 aggregate data was not available as of the evaluation date. Aggregate data includes the lending activity within the Bank's assessment area of all institutions subject to HMDA reporting.

Small business loans were also reviewed for the same period. CRA regulations require large banks to collect and submit small business loan data. Because Cambridge Trust became a large bank during the review period, the Bank began submitting its data in 2013. During 2012, the Bank collected small business loan data, but it was not submitted. The Bank made 164 small business loans totaling \$29.4 million in 2012 and reported 113 loans totaling \$22.4 million in 2013. The small business loan registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less. Since the Bank did not report small business loans in 2012, the Bank's performance was not compared to 2012 aggregate data, which includes all small business loans reported in the assessment area. Aggregate data for 2013 small business loans was not available as of the evaluation date.

The evaluation considered community development lending and innovative and flexible lending programs since the prior CRA evaluation dated January 25, 2011 to April 8, 2014. The Investment Test and Service Test also considered the number and dollar amount of qualified investments and community development services since the prior CRA evaluation.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

The Lending Test evaluated the Bank's record of helping to meet the credit needs of its assessment area by considering home mortgage, small business, and community development lending. As noted in the *Scope of Evaluation* section, small farm and consumer loans were not included in this analysis. More emphasis was placed on home mortgages than small business loans, as home mortgages reflect the Bank's primary lending focus. The institution's lending performance was evaluated pursuant to the following criteria:

- Volume of lending activity or level of lending;
- Proportion of lending within the assessment area;
- Geographic distribution;
- Borrower profile;
- Quality and volume of community development lending; and
- Use of innovative or flexible lending practices.

Cambridge Trust is rated "Satisfactory" in the Lending Test. The following sections address the Bank's performance throughout the assessment area by Lending Test component.

Lending Activity

The Bank's lending activity reflects adequate responsiveness to the credit needs of the assessment area considering the size of the institution, loan portfolio composition, and the significant level of competition within the assessment area. Examiners analyzed the Bank's loan-to-deposit (LTD) ratio to determine whether the Bank is reinvesting deposited funds back into the community. The Bank's average net LTD ratio was 61.4 percent and is considered reasonable given the institution's size, business strategy, and assessment area credit needs. The Bank's LTD ratio generally increased during the review period, with a low of 57.2 percent as of December 31, 2012 and a high of 70.2 percent as of September 30, 2013.

Examiners reviewed the number and dollar volume of loans originated over the review period, as well as 2012 market share data to determine the Bank's level of lending relative to assessment area credit needs. The Bank's overall volume of home mortgage loans slightly increased for the two-year time period, aided by new home mortgage originations and strong refinance activity in 2012. However, the number of home mortgage loans originated in the Bank's assessment area decreased from 2012 to 2013, which was 288 and 267, respectively. Market rank reports indicate the Bank was active in making home mortgage loans relative to other community banks operating in the assessment area. As noted previously, Cambridge Trust ranked 32nd in number of loans made or purchased in 2012. The Bank's small business lending decreased during the review period, going from 115 loans in 2012 to 71 loans in 2013.

Assessment Area Concentration

The Bank made an adequate percentage of its home mortgage and small business loans within the assessment area. Overall, 67.3 percent of the Bank's loans were originated inside the assessment area by both number and dollar volume. Please refer to Table 4 for details concerning the Bank's assessment area concentration.

Table 4 – Assessment Area Concentration										
Loan Category or Type	Number of Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total \$(000)
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Home Mortgage Loans										
2012										
Home Purchase	50	73.5	18	26.5	68	30,039	73.9	10,602	26.1	40,641
Refinance	220	73.3	80	26.7	300	74,237	73.5	26,709	26.5	100,946
Home Improvement	18	54.5	15	45.5	33	4,950	58.2	3,562	41.8	8,512
Total	288	71.8	113	28.2	401	109,226	72.8	40,873	27.2	150,099
2013										
Home Purchase	86	71.1	35	28.9	121	61,162	66.5	30,795	33.5	91,957
Refinance	147	59.0	102	41.0	249	99,200	63.1	58,094	36.9	157,294
Home Improvement	34	64.2	19	35.8	53	18,847	72.3	7,214	27.7	26,061
Total	267	63.1	156	36.9	423	179,209	65.1	96,103	34.9	275,312
Total Home Mortgage	555	67.4	269	32.6	824	288,435	67.8	136,976	32.2	425,411
Small Business Loans										
2012	115	70.1	49	29.9	164	19,745	67.1	9,682	32.9	29,427
2013	71	62.8	42	37.2	113	13,208	58.9	9,215	41.1	22,423
Total Small Business	186	67.1	91	32.9	277	32,953	63.6	18,897	36.4	51,850
Grand Total	741	67.3	360	32.7	1,101	321,388	67.3	155,873	32.7	477,261

Source: 2012 and 2013 HMDA LARs and Small Business Loan Registers

Home Mortgage Lending

The Bank extended an adequate percentage of home mortgage loans by number and dollar amount inside the assessment area. Table 4 above also shows the composition of loans inside and outside the assessment area by loan purpose. The number of loans made inside the assessment area decreased, which was driven by the decline in refinance originations. During the review period, 67.4 percent of all HMDA-reportable loans (by count) were inside the assessment area.

Small Business Lending

An adequate percentage of small business loans were originated inside the assessment area during the review period. Overall, 67.1 percent and 63.6 percent of small business loans were originated inside of the assessment area by count and dollar volume, respectively. Similar to home mortgage lending, the number of loans made inside the assessment area decreased from 2012 to 2013.

Geographic Distribution

The geographic distribution of loans was reviewed to assess the Bank's performance in addressing credit needs throughout the entire assessment area. The focus of this analysis is to assess the Bank's home mortgage and small business loan distribution in its assessment area, with emphasis placed on lending in low- and moderate-income census tracts.

Overall, the geographic distribution of home mortgage and small business lending reflects good dispersion throughout the Bank's assessment area, particularly in low- and moderate-income census tracts.

Home Mortgage Lending

Table 5 illustrates the Bank's loan originations by census tract income level compared to 2012 aggregate lending data and the distribution of owner-occupied housing units within the assessment area.

Table 5 – Distribution of HMDA-Reportable Loans by Census Tract Income Level						
Census Tract Income Level	% of Owner-Occupied Housing Units	Aggregate	Cambridge Trust Company			
		2012	2012		2013	
		% of #	#	%	#	%
Low	3.0	2.7	12	4.2	17	6.4
Moderate	12.3	12.2	33	11.5	36	13.5
Middle	31.7	31.3	75	26.0	51	19.1
Upper	53.0	53.8	168	58.3	163	61.0
Total	100.0	100.0	288	100.0	267	100.0

Source: 2010 U.S. Census, HMDA Aggregate Data (2012), 2012 and 2013 HMDA LARs

In 2012, the Bank's percentage of loans in low-income census tracts exceeded the 2012 aggregate market and the percentage of owner-occupied housing units in these geographies. The Bank's 2013 performance increased by number and percentage in low-income census tracts. According to 2012 peer mortgage data, the Bank ranked 25th out of 140 HMDA-reporting lenders in the assessment area's low-income tracts with a market share of 1.23 percent.

Within the moderate-income census tracts, the Bank's 2012 performance was slightly below that of the aggregate and the percentage of owner-occupied housing units; however, in 2013 the Bank's performance improved to 13.5 percent. The 2012 peer mortgage data shows that the Bank ranked 38th out of 248 HMDA-reporting lenders in the assessment area's moderate-income census tracts with a market share of 0.76 percent.

Although the Bank is not expected to lend in each census tract, the evaluation considered the number of assessment area tracts in which the Bank made a loan, with emphasis on the low- and moderate- income tracts. In 2012, the Bank made at least one home mortgage loan within 8 of the 13 low-income census tracts and 16 of the 35 moderate-income census tracts. In 2013, the Bank made at least one loan in 8 of 13 low-income tracts and 18 of 35 moderate-income tracts. During the review period, the Bank did not make a loan in 4 low-income and 13 moderate-income census tracts. Only 17 percent of total housing units in these 17 census tracts are owner occupied, which limits the opportunity to make home mortgage loans.

Small Business Lending

The geographic distribution of small business loans demonstrated good dispersion throughout the assessment area. Table 6 illustrates 2012 and 2013 small business loans by census tract income level and compares this activity to the distribution of businesses within the assessment area.

Table 6 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	Demographics		Cambridge Trust Company			
	% of Businesses		2012		2013	
	2012	2013	#	%	#	%
Low	6.1	6.1	12	10.4	6	8.5
Moderate	14.4	14.2	21	18.3	11	15.5
Middle	24.7	24.6	27	23.5	20	28.2
Upper	54.6	54.9	55	47.8	34	47.9
Income NA	0.2	0.2	0	0.0	0	0.0
Total	100.0	100.0	115	100.0	71	100.0

Source: Dun & Bradstreet data and 2012 & 2013 Small Business Loan Registers

Table 6 shows that the Bank's lending within low-income census tracts in 2012 was higher than the percentage of businesses located in low-income tracts. Within moderate-income census tracts, the Bank's percentage of loans also exceeded the percentage of businesses located in these geographies. Although the number and percentage of loans in low- and moderate-income tracts decreased in 2013, the Bank's performance continued to exceed the distribution of businesses in these census tracts.

Borrower Characteristics

The distribution of loans by borrower income level and small business revenue category was reviewed to determine the extent to which the Bank addressed the credit needs of individuals and small business customers within the assessment area. The distribution of borrowers reflects, given the demographics of the assessment area, adequate penetration among individuals of different income levels (including low- and moderate- income) and businesses of different sizes.

Home Mortgage Lending

The Bank's performance reflects adequate penetration among individuals of different income levels. More weight was placed on the Bank's record of lending to low- and moderate-income borrowers. Table 7 illustrates the distribution of 2012 and 2013 loans by borrower income level compared to 2012 aggregate lending data and the percentage of families by income level within the assessment area.

Table 7 – Distribution of HMDA-Reportable Loans by Borrower Income Level						
Borrower Income Level	Demographics	Aggregate	Cambridge Trust Company			
	% of Total Families	2012	2012		2013	
		% of #	#	%	#	%
Low	21.5	3.3	10	3.5	11	4.1
Moderate	14.8	12.3	33	11.5	10	3.7
Middle	17.5	23.1	45	15.6	46	17.2
Upper	46.2	58.5	179	62.2	169	63.4
Income NA	0.0	2.8	21	7.2	31	11.6
Total	100.0	100.0	288	100.0	267	100.0

Source: 2010 U.S. Census, HMDA Aggregate Data (2012), 2012 and 2013 HMDA LARs

In 2012, the Bank's percentage of home mortgage loans to low-income borrowers slightly exceeded the aggregate market percentage; however, this ratio was significantly lower than the percentage of low-income families. The comparison to aggregate data provides a more accurate depiction of market demand. According to 2012 peer mortgage data, the Bank ranked 30th out of

147 HMDA reporters in lending to low-income borrowers in the assessment area, with a market share of 0.84 percent. The Bank's performance slightly improved in 2013.

The Bank's level of lending to moderate-income borrowers in 2012 was slightly below the aggregate's percentage and the percentage of moderate-income families. According to 2012 peer mortgage data, the Bank ranked 34th out of 234 lenders in the assessment area, with a market share of 0.75 percent. The Bank's penetration of loans to moderate-income borrowers significantly declined in 2013. Management indicated that the general decline in 2013 loan volume was due to lower demand for refinance loans.

Small Business Lending

The distribution of small business loans reflects adequate penetration among businesses of different sizes. Table 8 illustrates small business loans compared to the percentage of businesses within the assessment area by revenue category.

Table 8 – Distribution of Small Business Loans by Business Revenue Category						
Gross Annual Revenues (000s)	Demographics		Cambridge Trust Company			
	% of Businesses		2012		2013	
	2012	2013	#	%	#	%
≤ \$1,000	69.3	70.0	58	50.5	38	53.5
> \$1,000	5.6	5.9	44	38.2	27	38.0
Revenue NA	25.1	24.1	13	11.3	6	8.5
Total	100.0	100.0	115	100.0	71	100.0

Source: Dun & Bradstreet data and 2012 & 2013 Small Business Loan Registers

As depicted in Table 8, the Bank originated a majority of 2012 small business loans to businesses with GARs of \$1 million or less. The Bank's performance, however, was below the percentage of 2012 businesses with GARs of \$1 million or less. The results were similar by percentage in 2013, although the number of loans to small businesses was less than 2012.

Community Development Loans

Cambridge Trust made an adequate level of community development loans. During the evaluation period, the Bank made or renewed 18 qualified community development loans for approximately \$5.2 million. Community development loans were distributed to non-profit organizations and businesses primarily for to provide community services to low- and moderate-income individuals. The Bank's community development lending is detailed in Table 9.

Table 9 – Community Development Loans												
Activity Year	Qualifying Category										Total	
	Affordable Housing		Community Services*		Economic Development		Revitalization/ Stabilization**		Neighborhood Stabilization			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
1/25/2011 – 12/31/2011	0	\$0	4	\$255	0	\$0	0	\$0	0	\$0	4	\$255
2012	3	\$930	5	\$1,705	0	\$0	0	\$0	0	\$0	8	\$2,635
2013	0	\$0	6	\$2,305	0	\$0	0	\$0	0	\$0	6	\$2,305
1/1/2014 – 4/8/2014	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0	0	\$0
Total	3	\$930	15	\$4,265	0	\$0	0	\$0	0	\$0	18	\$5,195

Source: Bank Records

* Targeted to low- or moderate-income individuals

** Of low- or moderate-income, disaster, distressed or underserved geographies

The following loans represent the Bank's community development record:

- In 2012, the Bank originated a mortgage loan for \$157,000 secured by an 8-unit dwelling. Rent for each unit is below the market rate. The loan promoted affordable housing for low-income students. The property is located in a moderate-income tract in the assessment area.
- In 2012, the Bank originated a mortgage loan for \$10.6 million secured by a 92-unit apartment complex in a moderate-income tract in the assessment area. There are five units specifically designated as affordable. Low- and moderate-income individuals occupy these units and receive rent subsidies. The portion of the loan that qualifies for CRA credit is \$573,370.
- In 2012, the Bank originated a revolving line of credit for approximately \$1.5 million to finance a non-profit organization's short-term working capital needs. This organization provides educational and therapeutic services to young children throughout Massachusetts, including those in the institution's assessment area. The majority of clients served are low- or moderate-income families. In 2013, the Bank renewed and increased the line of credit to \$1.8 million. The Bank also originated a new term loan for \$300,000 to finance improvements at several of the organization's locations.
- In 2011, the Bank originated a \$75,000 revolving line of credit to provide working capital to a non-profit organization that provides social advocacy and support services to predominately low-income residents within Cambridge and its surrounding areas. The Bank renewed the line of credit in 2012 and 2013.
- The Bank provided a working capital line of credit for \$60,000 to a non-profit organization that primarily services families and the elderly in the Area 4 neighborhood of Cambridge. This neighborhood is primarily comprised of low-moderate income residents. The line of credit was renewed in 2011, 2012, and 2013.

- The Bank provided lines of credit finance leasehold improvements to a non-profit organization's main facility. Credit lines totaled \$100,000 in 2011, \$100,000 in 2012, and \$50,000 in 2013. This organization is dedicated to providing artistic, academic, and social development programs to underserved youth who live in Cambridge's Newtowne Court/Washington Elms public housing developments, as well as the surrounding Area 4 neighborhood of Cambridge. These areas primarily consist of low- and moderate-income individuals.
- In 2012, the Bank provided a line of credit in the amount of \$200,000 to meet a non-profit organization's working capital needs for a homeless shelter program. This organization provides a variety of programs to people in need, including home care, nutrition, nursing home screenings, and various other community services. These services primarily benefit low- and moderate-income individuals.
- In 2011, 2012, and 2013, the Bank renewed a revolving line of credit for \$20,000 to meet working capital needs of a non-profit organization. This hunger-relief agency acquires surplus food for redistribution to those in need. These services benefit low-income individuals.

Cambridge Trust received credit for 27 loans totaling \$11.6 million at the prior performance evaluation. Although the Bank's performance represents a decrease in community development loans from the last evaluation, it is important to note that the Bank previously had the option of receiving community development loan credit for certain small business loans as an intermediate small bank.

Innovative or Flexible Lending Practices

This criterion includes all innovative and flexible lending activities since the prior evaluation, covering from January 25, 2011 through April 8, 2014. Cambridge Trust makes limited use of innovative and/or flexible lending practices in order to serve the credit needs of the assessment area. The following programs represent Cambridge Trust's innovative and flexible lending programs, which are primarily designed to assist low- and moderate-income applicants and start-up businesses.

Home Mortgage Lending

First-Time Homebuyers Program

The Bank offers a First-Time Homebuyers Program in conjunction with the Massachusetts Housing Partnership (MHP) Fund. The program is designed to assist first-time home purchasers who would otherwise have difficulty qualifying for a mortgage. Household income for qualified applicants may not exceed 100 percent of the median area income. The program offers 30-year fixed-rate mortgages for condominiums, and one-to-three family homes with a lower rate and more flexible LTV criteria than standard mortgage offerings. During the evaluation period, the Bank originated 16 loans totaling approximately \$1.4 million under this program.

Commercial Lending

Small Business Lending Programs

In April of 2011, the Bank became a preferred Small Business Administration (SBA) lender and hired an additional lender with an extensive knowledge of SBA programs. The Bank offers the following flexible small business loan programs in cooperation with the SBA and Massachusetts Capital Access Program (MassCAP).

- *SBA Express Loan Program* – This program provides a streamlined approval process that enables faster turnaround times for approval and easy-to-use lines of credit. Revolving lines of credit or term loans can be made up to \$350,000, and The SBA guarantees 50 percent. This is the most widely used SBA program offered by Cambridge Trust.
- *SBA Patriot Express Loan Program* – This program is designed in the same way as the *SBA Express Program*, but offers a higher maximum loan amount of \$500,000 and lower maximum interest rate. It is specifically offered to small businesses owned by veterans, active-duty military, reservist, or National Guard members and their spouses.
- *SBA 7a Loan Program* – This program provides for term loans up to \$5 million, with an SBA guaranty of 85% for loans \$150,000 or less and 75% for loans greater than \$150,000, with a maximum of \$3.75 million guaranty. Borrowers benefit from long-term financing options, a fixed maturity, and no prepayment penalties for loans less than 15 years.
- *SBA 504 Loan Program* – These loans are provided through Certified Development Companies (CDC) licensed by the SBA. Maximum loan amounts range from \$5 to \$5.5 million depending on the business. The main benefit to the borrower comes from the low downpayment requirement (10-20% equity contribution) and flexibility in financing fees. The SBA guaranteed portion includes a long-term fixed rate and full amortization.
- *Massachusetts Capital Access Program (MassCAP)* – This program is designed to help small businesses (with less than \$5 million in revenues) throughout Massachusetts obtain loans from participating banks. Using cash from collateral guarantees from a loan loss reserve fund, the program enables banks to make loans they might otherwise be unable to grant. The Bank first began utilizing this program in 2013 and anticipates using it much more extensively going forward.

During the review period, the Bank originated 36 SBA loans for approximately \$4.8 million and 5 MassCAP loans for a total of \$252,500. In addition, the Bank increased the amount of 3 existing SBA loans for a total of \$780,000.

The Innovation Banking Group (IBG)

The Bank recently developed this new lending product in 2014 to provide financing for working capital needs of start-up technology businesses. According to Bank management, most financial institutions only accept credit requests over \$1 million for this type of loan. These loans allow start-up technology companies to specifically allocate expensive investor funds for long-term strategic investments, utilizing the credit line for short-term working capital needs. According to

Cambridge Trust, there is no other local bank that offers a similar product to address this credit need. During the review period, the Bank extended one of these loans for \$750,000 to a start-up technology business located in Cambridge, MA.

INVESTMENT TEST

The Bank's Investment Test performance is rated "Satisfactory." The Investment Test evaluates an institution's record of helping to meet credit needs through qualified investments that benefit the assessment area or a broader state-wide or regional area that includes the Bank's assessment area. A qualified investment is defined as a lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Community development purposes include those that either: 1) provide affordable housing for low- or moderate- income individuals or areas; 2) provide community services targeting low- or moderate-income individuals or areas; 3) promote economic development by financing small businesses; 4) revitalize or stabilize low- or moderate-income geographies; or 5) support, enable or facilitate eligible projects or activities in accordance with the Neighborhood Stabilization Plan. Activities considered under the Lending or Service Test may not be considered under the Investment Test.

The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors. Per the regulation, qualified investments considered in this evaluation include all those acquired or made since the previous CRA evaluation as well as those made in prior periods and still held by the institution.

Cambridge Trust provided an adequate level of qualified community development investments, donations, and contributions. Qualified investments reflect an adequate responsiveness to community development needs given the extent to which such opportunities are available within the assessment area. The Bank occasionally used innovative or complex initiatives. During the evaluation period, the Bank's equity investments and charitable donations totaled \$2.2 million.

Equity Investments

Qualified equity investments total \$1.6 million. The Bank made one new qualified equity investment in the Boston Community Loan Fund and continues to hold an investment in the Access Capital Strategies Community Investment Fund. These investments are described in detail below.

Boston Community Loan Fund (BCLF)

The BCLF provides loans to non-profit organizations, community development corporations and local developers that build affordable housing and provide social and community services for underserved communities. Since 1885, the loan fund has provided over \$445 million in financing to support the creation, preservation, and renovation of affordable homes, child care facilities, schools and youth programs serving low-income students, community health centers, and commercial real estate and commercial facilities in distressed communities. In December 2013, the Bank invested \$1.0 million in this fund.

Access Capital Strategies Community Investment Fund, Inc. (ACSCIF)

The Bank purchased this investment in 2003 and the current book value is \$612,919. The ACSCIF is a SEC-registered fund structured as a business development corporation. The primary purpose of the fund is to provide a secondary market for community development loans. The fund invests private-placement debt securities that support affordable housing, education, small business loan securitization, and other job creating investments.

Charitable Contributions

The Bank directly donated approximately \$1.3 million to charitable organizations since the previous evaluation. Of this total, \$627,415 (49.1 percent) was qualified for CRA purposes. All qualified grants and donations benefitted the Bank's assessment area or the broader statewide or regional area including the Bank's assessment area. These funds primarily supported organizations that provide community services to low- and moderate-income individuals and families. The Bank increased its level of charitable contributions since the previous CRA evaluation.

Table 10 details all qualified donations made during the review period by year and community development category.

Table 10 – Community Development Grants and Donations												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services*		Economic Development		Revitalization or Stabilization**		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
1/25/11-12/31/11	0	0	71	119,075	0	0	1	1,000	0	0	72	120,075
2012	2	1,000	103	189,225	0	0	1	1,000	0	0	106	191,225
2013	3	2,500	99	210,655	0	0	1	1,000	0	0	103	214,155
1/1/14-4/8/14	0	0	39	101,960	0	0	0	0	0	0	39	101,960
Total	5	3,500	312	620,915	0	0	3	3,000	0	0	320	627,415

Source: Bank Records

*Targeted to Low- or Moderate-Income Individuals

** In Low- or Moderate-Income, Disaster, Distressed, or Underserved Geographies

The following is a sample of organizations supported by the Bank.

CASPAR Inc.

This organization provides services to homeless individuals affected by substance abuse and mental illness. These services include medical emergency shelters, employment and referral services, transitional housing, and substance abuse recovery programs. CASPAR Inc. also runs substance abuse and alcoholism support services for students at high schools in the Cambridge area. The majority of individuals served by this organization are low- or moderate-income.

Breakthrough Greater Boston

Founded in Cambridge in 1992, Breakthrough Greater Boston runs an academically-intensive afterschool program that serves underserved middle school and high school students in the Boston area. The program's goal is to increase the number of minority and low-income students that graduate high school and pursue higher education. These educational services primarily benefit low- and moderate-income families.

Initiative for a Competitive Inner City (ICIC)

ICIC's mission is to drive economic prosperity in America's inner cities through promoting private sector investment to create jobs, income, and wealth for local residents. Founded in Cambridge and currently located in Boston, ICIC conducts research and provides educational seminars on behalf of small inner-city businesses to spur economic growth. The organization's efforts retain and attract businesses in low- and moderate-income geographies.

East End House

Founded in 1875, East End House is a community center that uses a holistic approach to promote well-being, academic achievement, and successful transition to adulthood of youth from underserved families in Cambridge and surrounding communities. Program offerings include childcare services, emergency food services, parenting and employment workshops, afterschool programs, and senior services for low-income individuals and families.

Trinity Boston Foundation

This organization runs the Trinity Education for Excellence Program, which provides academic courses, leadership development, and college access to low-income students in the Greater Boston Area. The Foundation also has a counseling center that offers trauma-sensitive counseling and mentoring services for underserved youth and their families.

Women of Means

This organization provides free medical care to homeless women in Greater Boston area shelters. The organization's staff is composed primarily of physicians from the area's hospitals who volunteer their time to help these women. This organization also offers outreach and advocacy services. They help patients apply for Medicaid coverage, secure transportation for the women to get to referral appointments and accompany the women on appointments.

Margaret Fuller Neighborhood House (MFNH)

Located in one of the most diverse and densely populated areas of Cambridge, this organization provides school age programs, family and childcare services, health related programs, technology workshops, and a food pantry to underserved Cambridge residents. MFNH also serves as a forum to discuss community issues on topics such as crime reduction. This organization provides support and services to over 4,000 individuals in Cambridge, the majority of which are low- or moderate-income.

SERVICE TEST

The Bank's Service Test performance is rated "High Satisfactory." The Service Test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services.

Cambridge Trust has an effective system for delivering retail banking and community development services to the assessment area. Retail banking services are accessible to essentially all portions of the assessment area. 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 or to low- or moderate-income individuals. Services and business hours do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. The institution provides a relatively high level of community development services.

Retail Banking Services

An institution's retail banking services are evaluated pursuant to the following criteria:

- 1) the distribution of the institution's branches among geographies of different income levels;
- 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;
- 3) the availability and effectiveness of alternate systems for delivering retail banking services; and the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The Bank's retail services are accessible to all customers including low- and moderate-income individuals and residents of the low- and moderate-income geographies of the assessment area. Bank services include various deposit products and residential and commercial loan products. Changes in branch locations did not adversely affect the accessibility of services. Banking hours and services do not vary in a way that that inconveniences any portion of the assessment area.

Accessibility of Delivery Systems

The Bank's delivery systems are accessible to essentially all portions of the assessment area. Bank locations are distributed in such a way that no portion of the assessment area is inconvenienced. Alternative delivery systems are available to supplement the Bank's branches.

Distribution of Branches

In addition to its main office, Cambridge Trust operates 11 full-service branches located in the following communities: Belmont; Boston (2); Cambridge (5); Concord; Lexington; Lincoln; and Weston. There is one located in a low-income geography, two in moderate-income geographies, one in a middle-income geography, and eight in upper-income geographies. The branches located in Harvard Square, Porter Square, and the town of Lincoln offer drive-up service.

Automated Teller Machines (ATMs)

Bank ATMs located at each of the branch offices, providing 24-hour account access. In addition to ATMs located at branch locations, Cambridge Trust has two standalone ATMs located in Cambridge. One of these is located in a middle-income geography and the other is in an upper-income geography. The Bank is also a member of the SUM ATM Network. As a result, Bank customers can avoid ATM surcharges at other participating ATMs. Also, for any terminals displaying the NYCE®, Cirrus®, MasterCard®, or Maestro® Logos, Bank customers may use their ATM and debit cards.

Wealth Management Offices

The Bank has two wealth management offices located in New Hampshire (Concord and Portsmouth) and an additional office located in Boston, MA. These offices represent one middle- and two upper-income geographies. The Bank moved its office from Exeter to Portsmouth in October 2011, and opened its Boston office in June 2013. Services offered include investment management and fiduciary and estate planning.

In addition to the branch network, ATMs, and wealth management offices, Cambridge Trust also provides a variety of alternative delivery systems. These alternatives allow consumers to have easier access to the Bank's various retail services. Alternative delivery systems include:

PrivateLINE Telephone Banking- The Bank operates a 24/7 automated telephone banking system that allows customers to check account balances, review recent transactions, transfer funds between accounts, and more. This service is free.

Bank Website- The Bank's website, www.cambridgetrust.com, provides general information about the Bank, including an overview of personal and business banking products, branch locations and hours, online and mobile banking services offered, loan and deposit rate information, as well as wealth management services information. The website's Help Center provides a list of answers to frequently asked questions.

Online Banking- Available to consumers and businesses free of charge, this service allows customers to view account balances, review recent account activity, view and print electronic statements and cleared checks, and transfer funds between accounts. Free bill payment is also available to checking account customers.

Mobile Banking App- On August 3, 2011 the Bank launched a mobile banking application (App) for use with smart phones. The App allows customers to quickly access their accounts from their smart phones. Customers can pay bills, deposit checks, monitor account balances, view recent transactions, and transfer funds between linked accounts with the App. The App is available for iPhone, iPad, and Android devices.

Multi-lingual Services- Approximately 48 of the Bank's employees speak 25 different languages, including Spanish, French, Hindi, and Russian. The bi-lingual employees are available to assist non-English speaking customers and potential customers of the Bank. As a result, the Bank is able to provide better service to customers of different ethnic backgrounds.

Changes in Branch Locations

To the extent that changes have been made, the Bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems to low- and moderate-income geographies or individuals in its assessment area. The Bank maintains a Branch Opening Policy and Branch Closing Policy that outline factors that are considered when deciding to open or close a branch office. The Bank opened one branch since the previous evaluation. The branch is located in the South End neighborhood of Boston in an upper-income census tract.

Reasonableness of Hours/Services

Overall, business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income individuals. The hours and services offered at each branch are typical, with some offering extended evening hours. With the exception of the Kendall Square branch in Cambridge, all branches offer Saturday morning hours. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

An institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;
- 2) the innovativeness of community development services, including whether they serve LMI customers in new ways or serve groups of customers not previously served;
- 3) the degree to which they serve LMI areas or individuals; and
- 4) the responsiveness to available opportunities for community development services.

The CRA regulation defines a community development service as a service that is primarily for community development purposes and is related to the provision of financial expertise. The Bank provides a relatively high level of community development services.

Officer Involvement

The Bank devotes time and resources to assisting with community development initiatives within its assessment area by having representatives serve in leadership roles in community-based organizations. Through various levels of involvement, bank personnel, of all levels, are very active in lending financial and technical expertise to these organizations. The following are examples of the organizations in which bank officers are involved.

Cambridge Housing Assistance Fund (CHAF)

CHAF is a broad-based community coalition of realtors, business leaders, universities and local banks working together to break the cycle of homelessness. CHAF provides a bridge to housing for homeless and near-homeless families and individuals by assisting with the initial costs of renting an apartment and providing one-time assistance grants to families at risk of becoming homeless. A Senior Vice President of the Bank is a member of the Planning Board and provides marketing and financial expertise. The President of the Bank served as the Chairman of the Board in 2013.

Cambridge Economic Opportunity Committee (CEOC)

This organization was incorporated in 1965 as the designated anti-poverty agency in Cambridge. CEOC's programs include: Public Benefits Advocacy, Free Tax Preparation, Financial Education and Coaching, Preschool Child Care, Family Planning, Food Pantry and Individual Development Accounts. In addition to CEOC's direct service program areas, CEOC is active in public policy initiatives to eliminate poverty's causes and impacts. CEOC is a member of state-wide groups that address a number of issues including improving benefits access and eligibility for food stamps, affordable housing development, affordable child care for working families, and asset building opportunities. The Assistant Treasurer of the Bank serves on the Board of this organization, provides financial advice, and assists in fundraising efforts.

Mission of Deeds, Inc.

This non-profit organization provides beds and furniture to formerly homeless people transitioning from shelters. All clients of this organization are low-income and reside in Middlesex or Essex Counties. An Executive Vice President of the Bank serves as Secretary and is a Director. He created the organization's business plan, fundraising strategy, capital fundraising plan, and a three-year strategic plan. This individual also serves on the Member Fundraising Campaign Committee.

First Literacy

Founded in 1988, this organization helps primarily low-income, minority and immigrant adults gain sufficient literacy to get and maintain employment. Its programs have helped over 27,000 people attain high school diplomas and improve their English skills. An Executive Vice President serves on the Board of Directors and is a financial advisor.

Somerville-Cambridge Elder Services

Somerville-Cambridge Elder Services (SCES) is a private, non-profit organization providing essential services that promote the dignity and independence of older adults. Since its inception in 1972 as part of a national movement towards community-based care of the elderly, SCES has served thousands of clients, the majority of whom are impoverished and in need of assistance with managing their daily activities. A Vice President of the Bank serves on the Board of Directors and on the Finance Committee.

Boys and Girls Clubs of Middlesex County

The Boys and Girls Clubs of Middlesex County serve the needs of children in Cambridge, Somerville, Medford and Everett. The mission of the Boys and Girls Club is to enable all young people to reach their full potential as productive, caring, responsible citizens. The majority of participants are from low- and moderate-income families. A Vice President of the Bank serves on the Board of this organization.

Financial Educational Seminars and Services

Throughout the evaluation period, Bank personnel and management participated in various education and outreach events that had community development as their primary purpose. The Bank's officers and employees have built strong relationships with a number of schools and social service agencies in the area. The Bank has taken initiative in developing and implementing programs to raise the degree of financial literacy in the communities it serves. Since the last evaluation, the Bank increased the number of programs offered for financial literacy. The following illustrates examples of these community development activities.

The Carey Program

Members of the Bank's CRA committee conducted nine seminars during the review period for participants of the Carey Program. The Carey Program is a transitional housing program to assist previously homeless men with the transition into mainstream society. The CRA committee utilized the FDIC's "Money Smart" curriculum to develop a "Banking and Credit Services" seminar. This seminar touches on a number of topics, including discussion of types of credit, the importance of maintaining a good credit report, and how to order a free credit report and get credit scores. Bank employees offered to assist participants in interpreting their credit reports and helping in the credit repair process, meeting individually with participants to discuss next steps in order to address credit issues.

The Bank also provided "Savings and Retirement" presentations that reviewed the basics of Social Security, 401k Plans and Individual Retirement Accounts (IRAs). Members of the CRA team met individually with participants and assisted them in contacting their prior employers to roll over their old retirement plans to IRAs, as well as contacting the Social Security Administration to document their work history. These presentations were implemented since the last performance evaluation in response to a request from the organization.

Boston Living Center (BLC)

Bank employees offered two financial literacy workshops at the Boston Living Center, a drop-in center primarily for low- and moderate-income people living with HIV/AIDS. These presentations covered budgeting, basic banking, the differences between debit and credit cards, online banking, and how to minimize banking fees. Bank employees worked with several BLC members individually to discuss how they could avoid overdraft fees and strategies for requesting a rebate of fees from their banks.

Community Charter School of Cambridge (CCSC)

CCSC is a tuition-free charter school that serves a majority low- and moderate-income population in the East Cambridge/Kendall Square area. Two Branch Managers of the Bank developed a series of financial literacy workshops for junior and senior students at this local school. The workshops addressed budgeting, checking and savings accounts, debit cards, credit cards, credit reports and credit scores. During these workshops, a number of students raised questions in regards to student loans. In response to this, one of the Branch Managers arranged for two representatives from the Department of Education to come to the school with her to deliver a presentation on this topic.

Hurley Middle School

A Branch Manager of the Bank delivered a financial literacy program to a class of eighth graders at the Hurley Middle School in Boston's South End neighborhood. The program, entitled "Best Practices in Financial Responsibility" explored various topics including how to prepare a budget, types of banking and credit accounts available to consumers, how to write a check and manage a debit card, benefits of online and mobile banking, and fraud prevention. The majority of students served by this program qualify for free or reduced-price meals.

Cambridge College School of Management

Two members of the Bank's management team delivered six seminars as a part of the Cambridge College School of Management Carl F. Barron Lecture Series. The presentations addressed the financial issues of starting and growing a business. The majority of participants were low-income immigrants who recently arrived in the United States.

Other Services

Value Checking – The Bank’s Value Checking account offers low-cost checking to low- and moderate-income individuals. This account requires no minimum balance to open and allows for unlimited transactions each month. With a qualifying direct deposit during each statement cycle, the account monthly maintenance fee is waived. This account comes with a free debit card and free online banking and bill pay.

Interest on Lawyers Trust Accounts (IOLTAs) – Under an agreement with the Massachusetts Bar Association, interest paid on these accounts is used to provide legal assistance to low- and moderate-income individuals. Programs funded through IOLTAs in Massachusetts provide legal assistance to over 100,000 individuals across the state. IOLTA continues to be the primary source for consumer, family, education, disability, and elder law services for low-income clients. Since the previous examination, Cambridge Trust has opened 27 IOLTAs.

APPENDIX A

Massachusetts Division of Banks Fair Lending Policies and Procedures Review

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Bank's loan policy prohibits discrimination in compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

MINORITY APPLICATION FLOW

According to the 2010 U.S. Census Data, the Bank's assessment area contained a total population of 455,361 individuals, of which 26.5 percent are minorities. The assessment area's minority and ethnic population consists of 5.0 percent Black/African American, 12.2 percent Asian/Pacific Islander, 0.1 percent American Indian, 6.3 percent Hispanic or Latino and 2.9 percent other race.

For 2012 and 2013, the Bank received 923 HMDA reportable loan applications from within its assessment area. In 2012, the Bank received 39 applications from minorities. Of these applications, 22 or 56.4 percent resulted in origination. Aggregate lenders originated 80.5 percent of applications received from minority applicants in 2012. During the same time period, the Bank also received nine applications from ethnic groups of Hispanic origin within its assessment area, of which seven or 77.8 percent resulted in originations. Aggregate lenders originated 56.8 percent of applicants received from ethnic groups of Hispanic origin.

Table A1 – Minority Application Flow					
RACE	Bank 2012		Aggregate Data 2012	Bank 2013	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	16	4.7	9.4	30	5.2
Black/ African American	5	1.5	0.7	10	1.7
Hawaiian/Pac Isl.	0	0.0	0.1	0	0.0
2 or more Minority	1	0.3	0.0	0	0.0
Joint Race (White/Minority)	17	4.9	2.1	16	2.8
Total Minority	39	11.3	12.4	56	9.7
White	250	72.7	61.8	404	69.8
Race Not Available	55	16.0	25.9	119	20.6
Total	344	100.0	100.0	579	100.0
ETHNICITY					
Hispanic or Latino	3	0.9	1.0	10	1.7
Not Hispanic or Latino	274	79.7	72.2	440	76.0
Joint (Hisp/Lat /Not Hisp/Lat)	6	1.7	0.9	6	1.0
Ethnicity Not Available	61	17.7	25.9	123	21.2
Total	344	100.0	100.0	579	100.0

Source: 2012 and 2013 HMDA LAR, 2012 HMDA Aggregate Data

The Bank received 11.3 percent of its applications from minorities in 2012, which was in line with aggregate lenders at 12.4 percent. In 2013, the percentage of applications received from minorities fell slightly to 9.7 percent.

In 2012 the Bank received 2.6 percent of its applications from ethnic minorities while the aggregate received 1.9 percent for ethnic minorities. In 2013, the Bank's level of ethnic minority applicants remained similar at 2.8 percent. Refer to the table above for information on the Bank's minority application flow as well as the aggregate lenders in the Bank's assessment area.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is reasonable.

APPENDIX B – GLOSSARY

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

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) but excluding 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.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

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 which 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).

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.

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.

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.

INCOME TERMS

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.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

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 consist of only one person, median household income is usually less than median family income.

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.

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.

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.

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.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

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.

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.

INVESTMENT TERMS

Community Development Corporation (CDC): A CDC allows Banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the Bank’s regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the Bank. 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. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. 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. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: 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; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. 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 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 in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

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, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, 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 and the Federal Deposit Insurance Corporation, at 1336 Massachusetts Avenue, Cambridge, Massachusetts 02138."

[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 agency, 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.