

PUBLIC DISCLOSURE

April 18, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Coastal Heritage Bank
Certificate Number: 26591

195 Washington Street
Weymouth, MA 02188

Division of Banks
1000 Washington Street, 10th 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

This document is an evaluation of the CRA performance of Coastal Heritage Bank (the bank) prepared by the Division, the institution's supervisory agency as of April 18, 2023. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

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

An institution in this group has a Satisfactory record of helping to meet the credit needs of its assessment area, including low-and moderate-income neighborhood, in a manner consistent with its resources and capabilities.

Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- A majority of home mortgage and small business loans were originated inside the assessment area.
- The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. While the performance related to home mortgage lending was considered poor, this did not negatively impact the overall conclusion on geographic distribution. Examiners considered market share reports, demographic data, and the bank's overall outreach efforts tracts to support a reasonable conclusion.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating. Coastal Heritage Bank has an adequate record relative to fair lending policies and practices and a reasonable percentage of applications received from ethnic and racial minority applicants in the assessment area.

The Community Development Test is rated Outstanding.

The institution demonstrated excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Background

Coastal Heritage Bank is a state-chartered, stock co-operative community bank headquartered in Weymouth, Massachusetts (MA). On April 1, 2019, Coastal Heritage merged with and into Equitable Bank and was renamed, Coastal Heritage Bank. Coastal Heritage Bank is a wholly owned subsidiary of Equitable Bancorp, Inc., which is a wholly owned subsidiary of company Equitable Bancorp, MHC, a bank-mutual holding.

Coastal Heritage received a “Satisfactory” rating from the Division of Banks and FRBB during its prior evaluation, dated June 18th, 2018.

Operations

For several years, the bank served two distinct markets with branches, North and South of Boston. On November 5, 2021, the bank sold its North Shore branches in Lynn and Nahant, including loans and deposits to a community bank on the North Shore. Coastal Heritage continues to maintain its presence on the South Shore with headquarters in Weymouth, Ma and operates 11 full-service branches. Scituate, Marshfield, Hingham, Hanover, Green Harbor, Norwell Weymouth, Kingston, and Quincy.

The East Weymouth, and South Weymouth branches have Interactive Teller Machines. ITMs accept deposits, dispense cash, and look like an ATM. However, they provide a real time, face-to-face conversation with a teller using video cameras. All tellers are employees of the branches.

Ability and Capacity

As of December 31, 2022, Coastal Heritage Bank’s assets totaled approximately \$919 million, including total loans of \$757 million (82.3 percent of total assets) and total securities of \$137.7 million. The bank had total deposits of \$718 million. The following table illustrates the loan portfolio.

| Loan Portfolio Distribution as of 12/31/2022 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 79,527 | 11.2 |
| Secured by Farmland | 0 | 0.0 |
| Secured by 1-4 Family Residential Properties | 462,500 | 65.2 |
| Secured by Multifamily (5 or more) Residential Properties | 38,803 | 5.4 |
| Secured by Nonfarm Nonresidential Properties | 127,620 | 18.0 |
| Total Real Estate Loans | 708,450 | 93.5 |
| Commercial and Industrial Loans | 36,616 | 4.9 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 12,277 | 1.6 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 18 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 757,361 | 100.0 |

Source: Reports of Condition and Income

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment area within which its CRA performance will be evaluated. During 2020 and 2021, the bank's assessment area contained two non-contiguous geographic areas in the Boston MD and the Cambridge Newton Framingham MD. For purposes of this evaluation the two assessment areas will be considered and include a North Shore Assessment Area and South Shore Assessment Area. Please see the details below of the Bank's two combined assessment areas.

South Shore Assessment Area- a contiguous area consisting of 29 communities representing two counties, Norfolk, and Plymouth Counties, which are all in Massachusetts in the Boston MSA. The towns/cities that are in Norfolk County include Avon, Braintree, Cohasset, Holbrook, Milton, Quincy, Randolph, and Weymouth. The towns/cities that are in Plymouth County include Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plymouth, Plympton, Rockland, Scituate, West Bridgewater, and Whitman.

North Shore Assessment Area-- a smaller contiguous area consisting of 8 communities from Essex County, Massachusetts, which is in the Cambridge-Newton-Framingham MSA. They include the following towns/cities: Lynn, Lynnfield, Marblehead, Nahant, Peabody, Salem, Saugus, and Swampscott.

Economic and Demographic Data

Coastal Heritage Bank's assessment area consists of 193 census tracts and reflect the following income designations according to the 2015 ACS U.S. Census:

- 20 Low-income tracts,
- 40 Moderate-income tracts,
- 93 Middle- Income tracts,
- 38 Upper-Income tracts, and
- 2 tracts with no income designation

The South Shore assessment area's low and moderate -income census tracts are primarily concentrated in Quincy, Braintree, Randolph, Holbrook Weymouth, Brockton, Plymouth, and Carver. The North Shore Assessment Area's low and moderate-income census tract are concentrated in Salem, Lynn, Saugus, and Peabody. Of the census tracts designated as income unknown, tract 5612.00 is occupied by Bridgewater State University, tract 5253.00 is occupied by Old Colony Correctional Center & Bridgewater State Hospital. These areas have limited lending opportunities. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank's assessment area. However, there are 15 census tracts designated as Qualified Opportunity Zones (QOZs) within the bank's assessment area. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of spurring

economic development and job creation. Specifically, the QOZs are in low-or moderate-income census tracts within Brockton (4), Quincy (2), Randolph (2), Salem (2), Lynn (4) and Saugus (1).

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

| Demographic Information of the Assessment Area | | | | | | |
|--|----------|-------------------|------------------------------|----------------------|---------------------|-------------------|
| Assessment Area: Coastal Heritage Combined AA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 193 | 10.4 | 20.7 | 48.2 | 19.7 | 1.0 |
| Population by Geography | 963,622 | 7.9 | 21.1 | 48.6 | 21.9 | 0.5 |
| Housing Units by Geography | 387,818 | 7.9 | 21.8 | 49.8 | 20.5 | 0.1 |
| Owner-Occupied Units by Geography | 242,244 | 3.1 | 17.3 | 53.9 | 25.6 | 0.0 |
| Occupied Rental Units by Geography | 119,461 | 17.4 | 30.8 | 41.5 | 10.2 | 0.1 |
| Vacant Units by Geography | 26,113 | 8.8 | 22.5 | 48.8 | 19.9 | 0.0 |
| Businesses by Geography | 87,450 | 6.7 | 18.7 | 49.2 | 25.4 | 0.1 |
| Farms by Geography | 1,930 | 6.3 | 14.8 | 51.8 | 27.2 | 0.0 |
| Family Distribution by Income Level | 240,822 | 23.8 | 17.6 | 20.9 | 37.8 | 0.0 |
| Household Distribution by Income Level | 361,705 | 26.8 | 14.9 | 17.2 | 41.1 | 0.0 |
| Median Family Income MSA - 14454 Boston, MA | | \$90,699 | Median Housing Value | | | \$345,974 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA | | \$100,380 | Median Gross Rent | | | \$1,151 |
| | | | Families Below Poverty Level | | | 6.9% |

*Source: 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income.
 (*) The NA category consists of geographies that have not been assigned an income classification.*

The Geographic Distribution criterion compares the home mortgage loans to the distribution of owner-occupied housing units. As shown in the “Demographic Information of the Assessment Area” table above, 62.4 percent of the 387,818 housing units are owner-occupied, slightly limiting the bank’s opportunities for home mortgage lending in the assessment area. Specifically, only 20.4 percent of owner-occupied units are in low- or moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those tracts.

Examiners used the 2020 and 2021 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the MD and MSA in the assessment area.

| Table B – Median Family Income Ranges | | | | |
|---|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Boston, MA Median Family Income (14454) | | | | |
| 2020 (\$109,800) | <\$54,900 | \$54,900 to <\$87,840 | \$87,840 to <\$131,760 | ≥\$131,760 |
| 2021 (\$113,700) | <\$56,850 | \$56,850 to <\$90,960 | \$90,960 to <\$136,440 | ≥\$136,440 |
| Cambridge-Newton-Framingham, MA Median Family Income (15764) | | | | |
| 2020 (\$118,800) | <\$59,400 | \$59,400 to <\$95,040 | \$95,040 to <\$142,560 | ≥\$142,560 |
| 2021 (\$120,200) | <\$60,100 | \$60,100 to <\$96,160 | \$96,160 to <\$144,240 | ≥\$144,240 |
| <i>Source: FFIEC</i> | | | | |

The median housing value in the assessment area, at \$345,974, is high when compared to the median family incomes in the Boston, MA MD and Cambridge-Newton-Framingham, MA MD. Therefore, there may be limited opportunities for low- and moderate-income families to qualify for a mortgage under conventional underwriting standards. Additionally, over 40 percent of families are low- and moderate-income families, and approximately 6.9% of families live below the poverty line, which represents a subset of low-income families. Therefore, these factors may limit the bank’s home mortgage lending opportunities to low- and moderate-income families and increase competition for home mortgage lending to these families in the assessment area.

Competition

There is a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2020, aggregate home mortgage lending data shows 475 lenders originated or purchased 54,450 home mortgage loans in the assessment area. Coastal Heritage Bank ranked 44th with a 0.5 percent market share. In 2021, aggregate home mortgage lending data shows that a few more lenders entered the market, as 500 lenders originated or purchased 50,896 home mortgage loans in the assessment area. Coastal Heritage’s ranking dropped to 48th, with a market share of 0.4 percent. Top lenders in the assessment area included Rocket Mortgage, LLC, Citizens Bank, N.A., Rockland Trust Company, Guarantee Rate, Inc., and Loandepot.com, LLC collectively held 20 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the credit and community development needs of the area. The information obtained helps to determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a local organization within the bank’s assessment area that promotes affordable housing, community development, as well as economic revitalization, specifically for the benefit of low- and moderate-income households and small businesses. The organization administers the Federal Community Development Block Grant (CDBG), which provides funding for community development activities that benefit low- and- moderate-income individuals and communities. The organization also administers the US Housing and Urban Development (HUD) HOME Investment

Partnership Program, which provides funding for creating, buying, and maintaining affordable housing, as well as rental assistance for low-income individuals. The contact noted the area is comprised of a high Cape Verdean population along with other minorities leading to a lack of understanding of banks and the banking system. Additionally noted, language barriers for individuals and small business owners are a significant challenge for those with limited English proficiency (LEP). The contact noted that more outreach from local financial institutions in different languages would be helpful in combatting the language barriers. Regarding economic development, the contact noted that business owners generally need access to financial counseling and education for their small businesses to succeed. Additionally, credit builder lending products would be beneficial. Regarding housing, the contact noted that affordable housing is a constant concern and issue in the area, particularly with respect to the older age of the local housing stock and prohibitive financial challenges for low- and moderate-income homeowners or renters to reside in de-lead and well-maintained properties. It was further noted that, for both individuals and small businesses, increased financial literacy, particularly including budgeting and financial planning would be highly beneficial. Additionally, the contact noted that donations from financial institutions would be helpful.

A second community contact was conducted with a community development financial institution whose mission is to empower entrepreneurs, strengthen local economies, and create and retain jobs by financing all types of small businesses in Massachusetts and Rhode Island. Clients are primarily small businesses, frequently start-ups, who have been declined for traditional financing. They typically represent low-income minority populations, and frequently are non-English speakers and first-generation businesses. The contact noted the post-pandemic economic conditions continue to present challenges. The contact suggested these businesses can greatly benefit from increased financial and business awareness as well as assistance with overcoming language barriers. Several area institutions were noted to be very supportive of the community and the organization's efforts by sponsoring programs and serving on committees. However, further participation would be welcome, particularly in the form of grants and monetary donations and especially financial literacy for commercial lending. The contact also suggested commercial lending products with no prepayment penalties could benefit low- and moderate-income entrepreneurs.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic and demographic data to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing, financial literacy, for both individuals and small businesses, and increased community organization partnerships are primary community development needs. Additionally, direct charitable donations would provide helpful support. Finally, economic development opportunities exist in the form of loans to small businesses to support job retention of low- and moderate-income individuals and within low- and moderate-income geographies.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 18, 2018, to the current evaluation dated April 18, 2023. The Massachusetts Division of Banks (Division) conducted this evaluation concurrently with the Federal Reserve Bank of Boston using the Interagency Intermediate Small Institution Examination Procedures to evaluate Coastal Heritage's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test.

Lending and community development performance are evaluated on the combined assessment area and then based on the individual assessment areas. Examiners used full-scope examination procedures for the overall and the South Shore Assessment Area (AAs). Examiners placed more weight on the South Shore AA since most banking offices are in this area. Limited-scope examination procedures were used to evaluate the bank's performance in the North Shore AA. The bank closed its banking offices in the North Shore AA, November 2021; therefore, examiners only evaluated bank performance in this AA through a portion of 2021. Consequently, the North Shore AA performance had very little impact on the overall rating.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints and record related to fair lending practices

The Community Development Test considered the following factors.

- Number and dollar amount of community development loans, qualified investments, and community development services
- The responsiveness of such activities to the community development needs of the assessment area

Activities Reviewed

Examiners reviewed the lending activity and determined 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 the overall conclusions due to the larger loan volume when compared to small business lending during the most recent calendar years. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

This evaluation considered all home mortgage loans reported on the bank's 2020 and 2021

Application Registers (LARs). Aggregate data for 2020 and 2021 includes the lending activity of all institutions subject to HMDA reporting within the bank's assessment area.

The entire universe of small business loans was also reviewed for the same period. As an Intermediate Small Institution, the bank has the option of collecting and reporting small business lending data. The bank opted to collect, but not report, the data for its own purposes. As the bank is not required to report small business loan data, small business aggregate data was not used for formal comparison purposes. Instead, the bank's performance was compared to applicable businesses demographic data.

For the Lending Test, examiners analyzed the number and dollar volume of loans. Although this evaluation presents the number and dollar volume, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served. The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period.

For the Community Development Test, examiners reviewed community development loans, qualified investments, and community development services since the prior CRA evaluation date of June 18, 2018.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Coastal Heritage Bank demonstrated Satisfactory performance under the Lending Test. Loan to Deposit Ratio, Assessment Area Concentration, Geographic Distribution and Borrower Profile performance support this conclusion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 92.4 percent over the past 19 calendar quarters from June 30, 2018, to December 31, 2022. The ratio ranged from a low of 80.5 percent as of June 30, 2021, to a high of 104.2 percent as of December 31, 2022. These percentages were impacted in 2020 and in 2021 from the influx of deposits due to economic stimulus payments in connection with the COVID-19 pandemic.

Examiners selected comparable institutions based on their asset size, geographic location, and lending focus. The following table shows that Coastal Heritage's ratio was higher than two other similarly situated institutions.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|---|---|--|
| Bank | Total Assets as of 12/31/2022 (\$000s) | Average Net LTD Ratio (%) |
| Coastal Heritage Bank | 932 | 92.4 |
| Abington Bank | 1,354 | 90.8 |
| Bluestone Bank | 1,398 | 75.1 |

Source: Reports of Condition and Income 06/30/2018- 12/31/2022

Assessment Area Concentration

Coastal Heritage originated a majority of its home mortgage and small business loans within the overall assessment area. During the review period, Coastal Heritage originated 76.9 percent of home mortgage loans and 87.8 percent of small business loans inside the assessment area.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|------------|---------------------------------|-------------|----------------|-------------|----------------|
| Loan Category | Number of Loans | | | | Total | Dollar Amount of Loans \$(000s) | | | | |
| | Inside | | Outside | | | Inside | | Outside | | Total |
| | # | % | # | % | | \$ | % | \$ | % | \$(000s) |
| Home Mortgage | | | | | | | | | | |
| 2020 | 296 | 74.6 | 101 | 25.4 | 397 | 119,390 | 62.8% | 70,705 | 37.2% | 190,095 |
| 2021 | 266 | 79.6 | 68 | 20.4 | 334 | 118,500 | 64.7 | 64,540 | 35.3 | 183,040 |
| | 562 | 76.9 | 169 | 23.1 | 731 | 237,890 | 63.8 | 135,245 | 36.2 | 373,135 |
| Small Business | | | | | | | | | | |
| 2020 | 37 | 86.0 | 6 | 14.0 | 43 | 8,081 | 83.3 | 1,619 | 16.7 | 9,700 |
| 2021 | 28 | 90.3 | 3 | 9.7 | 31 | 8,669 | 84.3 | 1,615 | 15.7 | 10,284 |
| Total | 65 | 87.8 | 9 | 12.2 | 74 | 16,750 | 83.8 | 3,234 | 16.2 | 19,984 |
| Grand Total | 627 | 77.9 | 178 | 22.1 | 805 | 254,640 | 64.8 | 138,479 | 35.2 | 393,119 |

*Source: Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects, given the demographics of the assessment area, a reasonable dispersion throughout the combined AA. Although the following home mortgage lending table demonstrates the bank falls behind the aggregate and demographics data in 2020 and 2021 with a poor performance, market share reports, demographic characteristics, and the bank's outreach efforts support a reasonable conclusion overall.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. The bank did not originate any home mortgage loans in low-income census tracts in 2020. In 2021, the bank originated two loans in low-income tracts. While this performance is below the aggregate and demographics, it is recognized there are limited opportunities in the low-income census tracts due to area's low percentage of owner-occupied housing units, as noted under the Description of Assessment Area section. The bank's performance in moderate-income tracts is also below peers and demographics.

Several performance context factors limit the bank's home mortgage lending opportunities in low and moderate-income tracts. The City of Brockton contains the highest concentration of the assessment area's LMI census tracts. The bank's recent entry into this area has been challenging due to the high level of competition from other institutions. Additionally, market share data shows strong competition for home mortgage loans in the low and moderate-income census tracts.

The bank deployed several outreach efforts to low and moderate-income areas within Brockton and throughout the assessment area. Despite these efforts, the bank's performance was still below demographic data and aggregate market performance in both years.

The following table shows 2020 and 2021 lending by census tract income level.

| Geographic Distribution of Home Mortgage Loans | | | | | | | |
|---|--|-------------------------------------|----------------------------|----------|----------|-----------------|----------|
| Assessment Area: Coastal Heritage Combined AA | | | | | | | |
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | Market Share % of # | # | % | \$(000s) | % |
| Low | | | | | | | |
| 2020 | 3.1 | 3.2 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 3.1 | 3.7 | 0.1 | 2 | 0.7 | 920 | 0.7 |
| Moderate | | | | | | | |
| 2020 | 17.3 | 15.8 | 0.2 | 19 | 6.4 | 14,145 | 11.9 |
| 2021 | 17.3 | 16.8 | 0.1 | 12 | 4.5 | 6,750 | 5.7 |
| Middle | | | | | | | |
| 2020 | 53.9 | 51.3 | 0.4 | 129 | 43.6 | 39,425 | 33.0 |
| 2021 | 53.9 | 51.5 | 0.4 | 125 | 46.9 | 43,075 | 36.3 |
| Upper | | | | | | | |
| 2020 | 25.6 | 29.6 | 0.7 | 148 | 50.0 | 65,820 | 55.1 |
| 2021 | 25.6 | 28.0 | 0.7 | 127 | 47.7 | 67,755 | 57.1 |
| Not Available | | | | | | | |
| 2020 | 0.0 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.0 | 0.1 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | | | | | | | |
| 2020 | 100.0 | 100.0 | 0.4 | 296 | 100.0 | 119,390 | 100.0 |
| 2021 | 100.0 | 100.0 | 0.4 | 266 | 100.0 | 118,500 | 100.0 |
| <i>Source: 2015 ACS; 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. As shown in the table below, the bank did not originate any small business loans in the low-income census tracts for both years. This performance is reasonable considering a small percentage of businesses are in low-income areas.

In moderate-income census tracts, the bank's percentage of lending was above the percentage of businesses in 2020 and then dropped below the percentages of businesses in 2021. A small shift in lending volume can impact the distribution levels. This performance is considered reasonable.

| Geographic Distribution of Small Business Loans | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2020 | 6.5 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 6.7 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | |
| 2020 | 18.5 | 7 | 18.9 | 1,036 | 12.8 |
| 2021 | 18.7 | 2 | 7.1 | 560 | 6.4 |
| Middle | | | | | |
| 2020 | 49.3 | 18 | 48.7 | 4,174 | 51.7 |
| 2021 | 49.2 | 11 | 39.3 | 3,391 | 39.1 |
| Upper | | | | | |
| 2020 | 25.7 | 12 | 32.4 | 2,871 | 35.5 |
| 2021 | 25.4 | 15 | 53.6 | 4,718 | 54.5 |
| Total | | | | | |
| 2020 | 100.0 | 37 | 100.0 | 8,081 | 100.0 |
| 2021 | 100.0 | 28 | 100.0 | 8,669 | 100.0 |
| <i>Source: 2021D&B Data; Bank Data</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects reasonable penetrations among individuals of different income levels and businesses of different sizes in the assessment area.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers.

The following table shows that the bank's lending to low-income borrowers was below the aggregate and demographic performance in 2020 and 2021. The bank attributed this to market conditions over those time periods. The percentage of loans to low-income borrowers is below the percentage of low-income families, which typically reflects the difficulty for a low-income family to qualify for a mortgage using conventional underwriting standards.

The bank's lending to moderate-income borrowers was below aggregate performance in 2020 and 2021. The 2021 performance in lending to moderate-income borrowers showed an increasing trend from 2020 to 2021 and was above demographic data for 2021. Additionally, this performance to moderate-income borrowers is improvement since the last evaluation.

The bank offers several programs aimed at low- and moderate-income borrowers, including a First-Time Homebuyer (FTHB) Program, loan programs with Massachusetts Housing Partnership, and the Federal Home Loan Bank Boston.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | | |
|---|---------------|------------------------------|---------------------|------------|--------------|----------------|--------------|
| Assessment Area: Coastal Heritage Combined AA | | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | Market Share % of # | # | % | \$(000s) | % |
| Low | | | | | | | |
| 2020 | 23.8 | 5.3 | 0.4 | 14 | 4.7 | 1,970 | 1.6 |
| 2021 | 23.8 | 6.4 | 0.3 | 14 | 5.2 | 2,890 | 2.5 |
| Moderate | | | | | | | |
| 2020 | 17.6 | 20.7 | 0.3 | 42 | 14.2 | 9,750 | 8.2 |
| 2021 | 17.6 | 21.9 | 0.4 | 53 | 19.9 | 14,035 | 11.9 |
| Middle | | | | | | | |
| 2020 | 20.9 | 25.0 | 0.3 | 58 | 19.6 | 16,620 | 14.0 |
| 2021 | 20.9 | 24.2 | 0.3 | 55 | 20.6 | 8,145 | 15.3 |
| Upper | | | | | | | |
| 2020 | 37.8 | 35.0 | 0.7 | 157 | 53.0 | 69,845 | 58.5 |
| 2021 | 37.8 | 32.2 | 0.6 | 120 | 45.2 | 63,980 | 53.9 |
| Not Available | | | | | | | |
| 2020 | 0.0 | 14.0 | 0.3 | 25 | 8.5 | 21,205 | 17.7 |
| 2021 | 0.0 | 15.4 | 0.2 | 24 | 9.1 | 19,450 | 16.4 |
| Total | | | | | | | |
| 2020 | 100.0 | 100.0 | 0.4 | 296 | 100.0 | 119,390 | 100.0 |
| 2021 | 100.0 | 100.0 | 0.4 | 266 | 100.0 | 118,500 | 100.0 |
| Source: 2015 ACS; 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0% | | | | | | | |

Small Business

The distribution of small business loans reflects reasonable penetration among business customers of different sizes.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | | | | | |
| 2020 | 96.4 | 33 | 89.2 | 6,956 | 86.1 |
| 2021 | 96.7 | 17 | 60.7 | 4,187 | 48.3 |
| > \$1,000,000 | | | | | |
| 2020 | 1.7 | 4 | 10.8 | 1,125 | 13.9 |
| 2021 | 1.6 | 11 | 39.3 | 4,482 | 51.7 |
| Revenue Not Available | | | | | |
| 2020 | 2.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 1.7 | 0 | 0.0 | 0 | 0.0 |
| Total | | | | | |
| 2020 | 100.0 | 37 | 100.0 | 8,081 | 100.0 |
| 2021 | 100.0 | 28 | 100.0 | 8,669 | 100.0 |

Source: 2021 D&B Data; Bank Data

Response to Complaints and Fair Lending Policies and Procedures

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

The Division of Banks provides comments regarding the institution’s fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. 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 2020 and 2021 were reviewed to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2015 ACS U.S Census data, the bank’s assessment area contained a total population of 963,662 individuals of which 19.8 percent are minorities. The assessment area’s minority and ethnic population is 9.6 percent Hispanic or Latino, 3.9 percent Black/African American, 4.2 percent Asian, 0.1 percent American Indian, and 2.0 percent other.

The bank’s level of applications was compared with that of the 2020 and 2021 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage 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.

| MINORITY APPLICATION FLOW | | | | | | |
|--------------------------------|------------|--------------|---------------------------|------------|--------------|---------------------------|
| RACE | 2020 | | 2020 Aggregate Data | 2021 | | 2021 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 0 | 0.0 | 0.1 | 2 | 0.6 | 0.2 |
| Asian | 5 | 1.3 | 5.0 | 3 | 0.9 | 5.3 |
| Black/ African American | 0 | 0.0 | 6.0 | 3 | 0.9 | 7.8 |
| Hawaiian/Pacific Islander | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 |
| 2 or more Minority | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 7 | 1.9 | 1.3 | 5 | 1.3 | 1.2 |
| Total Racial Minority | 12 | 3.2 | 12.6 | 13 | 3.7 | 14.7 |
| White | 318 | 84.0 | 64.4 | 258 | 74.8 | 59.7 |
| Race Not Available | 49 | 12.8 | 23.0 | 74 | 21.5 | 25.6 |
| Total | 379 | 100.0 | 100.0 | 345 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 4 | 1.0 | 4.8 | 1 | 0.3 | 5.7 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 5 | 1.4 | 1.0 | 3 | 0.8 | 1.1 |
| Total Ethnic Minority | 9 | 2.4 | 5.8 | 4 | 1.1 | 6.8 |
| Not Hispanic or Latino | 308 | 81.3 | 70.4 | 255 | 73.9 | 67.6 |
| Ethnicity Not Available | 62 | 16.3 | 23.8 | 86 | 25.0 | 25.6 |
| Total | 379 | 100.0 | 100.0 | 345 | 100.0 | 100.0 |

Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021

In 2020, the bank received 379 home mortgage loan applications from within its assessment area. Of these applications 12, or 3.2 percent, were received from racial minority applicants, of which nine, or 75.0 percent, resulted in originations. The aggregate received 12.6 percent of its applications from minority consumers, of which 61.0 percent were originated. For the same period, the bank also received 9 applications, or 2.4 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, five or 55.5 percent were originated, compared with an aggregate application rate of 5.8 percent with a 59.5 percent origination rate.

In 2021, the bank received 345 home mortgage loan applications from within its assessment area. Of these applications, 13 or 3.7 percent were received from racial minority applicants, of which 12 or 92.3 percent, resulted in originations. The aggregate received 14.7 percent of its applications from minority consumers, of which 60.9 percent were originated. For the same period, the bank also received four applications, or 1.1 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, three or 75.0 percent, was originated, compared with an aggregate application rate of 6.8 percent with a 60.9 percent origination rate.

Coastal Heritage Bank's flow to applicants of Racial Minority and Hispanic Ethnicity is below aggregate performance, particularly from Asian and Black applicants. Considering the demographic composition of the assessment area, market competition, and comparisons to aggregate data in 2020 and 2021, the bank's minority application flow is adequate. The bank should remain cognizant of its community outreach strategies to reach all groups within the assessment area.

COMMUNITY DEVELOPMENT TEST

Coastal Heritage demonstrated excellent responsiveness to the assessment area's community development needs through qualified community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area. Coastal Heritage's leadership level and involvement in community development lending when compared to similarly situated banks supports this rating. As the bank was responsive to the community development needs and opportunities within its assessment area, examiners also considered community development activities outside the assessment area. Community Development activities were considered during the period of June 18, 2018, through April 18, 2023.

Community Development Loans

The bank originated 74 community development loans totaling approximately 58.8 million during the evaluation period. An additional 566 PPP loans totaling \$62.9 million were originated as part of the SBA Paycheck Protection Program (PPP) in response to the COVID-19 pandemic. In addition, since the bank was responsive to assessment area needs, examiners considered CD loans outside of the assessment area.

The bank's CD lending activity by number and dollar amount exceeded those of comparable institutions, even when excluding Coastal Heritage's PPP Loans. Additionally, the bank's CD loan activity by dollar amount increased from the previous evaluation period, during which the bank made four community development loans totaling \$2.8 million.

Qualified Investments

Coastal Heritage made 87 qualified investments totaling approximately \$8.6 million, which includes 6 qualified equity investments of \$ 8.5 million and 81 donations totaling \$129,891. Investment activity increased since the previous evaluation where the bank made 40 investments, all in the form of donations, totaling approximately \$25,772. The bank's investment activity supported affordable housing initiatives. The bank's donations assisted some of the lowest income individuals and areas of its assessment area. Coastal Heritage's investment activity, by number and dollar is comparable to that of similarly situated institutions who received an Outstanding on the Community Development Test.

Community Development Services

During the evaluation period, Coastal Heritage employees, officers and directors provided 36 instance of community services to community development organizations in the form of employee involvement, educational seminars, and other services. This represents an increase in activity from the previous examination of a total of 2 instances. Coastal Heritage was comparable to peers.

SOUTH SHORE ASSESSMENT AREA
(Full Scope Review)

CRA RATING FOR (RATED AREA #1): SATISFACTORY

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION’S OPERATIONS IN SOUTH SHORE AA

In 2021, the bank’s footprint changed significantly and included the sale of the North Shore locations. The bank began focusing its resources on serving the South Shore communities where the bank maintains a significant physical and lending presence.

During the exam period, Coastal Heritage closed three branch locations in the South Shore assessment area. A limited-service branch serving Proprietors Green in Marshfield was closed on December 29, 2020. On December 1, 2021, the Quincy branch and East Bridgewater branches were both closed.

In addition to the branch network, the bank maintains three ATMs with 2 locations in South Weymouth and one in Kingston. All are situated in middle-income census tracts.

As of the examination, the bank operates all 11 retail branches within this area with a majority of deposits and lending activities were in this area. The East Weymouth branch is situated in a moderate-income census tract and the remainder of branches are distributed throughout middle and upper-income census tracts.

Economic and Demographic Data

The South Shore AA is comprised of 29 communities, representing parts of two counties, Norfolk, and Plymouth counties, and is part of the Boston, MA MSA. The towns/cities that are in Norfolk County include Avon, Braintree, Cohasset, Holbrook, Milton, Quincy, Randolph, and Weymouth. The towns/cities that are in Plymouth County include Abington, Bridgewater, Brockton, Carver, Duxbury, East Bridgewater, Halifax, Hanover, Hanson, Hingham, Hull, Kingston, Marshfield, Norwell, Pembroke, Plymouth, Plympton, Rockland, Scituate, West Bridgewater, and Whitman.

The South Shore AA consists of 138 census tracts in Plymouth and Norfolk Counties

- 6 low-income tracts
- 24 moderate-income tracts
- 74 middle-income tracts
- 32 upper-income tracts
- 2 tracts with no income designation.

The following table illustrates select demographics of the South Shore AA.

| Demographic Information of the Assessment Area | | | | | | |
|---|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Assessment Area: Coastal Heritage South Shore AA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 138 | 4.3 | 17.4 | 53.6 | 23.2 | 1.4 |
| Population by Geography | 699,782 | 3.2 | 17.9 | 52.6 | 25.5 | 0.7 |
| Housing Units by Geography | 279,682 | 3.1 | 18.8 | 54.0 | 24.0 | 0.1 |
| Owner-Occupied Units by Geography | 181,787 | 1.1 | 14.4 | 55.9 | 28.5 | 0.0 |
| Occupied Rental Units by Geography | 78,093 | 7.3 | 29.1 | 49.8 | 13.7 | 0.1 |
| Vacant Units by Geography | 19,802 | 4.9 | 19.2 | 52.9 | 23.0 | 0.0 |
| Businesses by Geography | 63,808 | 2.5 | 16.2 | 52.7 | 28.4 | 0.2 |
| Farms by Geography | 1,431 | 0.7 | 11.5 | 56.2 | 31.7 | 0.0 |
| Family Distribution by Income Level | 175,139 | 21.3 | 17.1 | 20.7 | 41.0 | 0.0 |
| Household Distribution by Income Level | 259,880 | 24.4 | 14.4 | 17.1 | 44.2 | 0.0 |
| Median Family Income MSA - 14454 Boston, MA | | \$90,699 | Median Housing Value | | | \$350,810 |
| | | | Median Gross Rent | | | \$1,183 |
| | | | Families Below Poverty Level | | | 5.9% |

Source: 2015 ACS, 2021 D&B Data, and FFIEC Estimated Median Family Income.
 (*) The NA category consists of geographies that have not been assigned an income classification.

Examiners used the 2020 and 2021 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Boston, MA MD in the assessment area.

| Median Family Income Ranges | | | | |
|--|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Boston, MA Median Family Income (14454) | | | | |
| 2020 (\$109,800) | <\$54,900 | \$54,900 to <\$87,840 | \$87,840 to <\$131,760 | ≥\$131,760 |
| 2021 (\$113,700) | <\$56,850 | \$56,850 to <\$90,960 | \$90,960 to <\$136,440 | ≥\$136,440 |

Source: FFIEC

SCOPE OF EVALUATION - (RATED AREA #1)

In this section, the South Shore Assessment area is evaluated and considers home mortgage and small business lending activity for 2020 and 2021. As applicable, Examiners evaluated 2022 data for a trend.

The bank's performance in this area carries more weight in arriving at overall ratings than the bank's performance than the North Shore limited scope review.

CONCLUSIONS ON PERFORMANCE CRITERIA IN SOUTH SHORE AA

LENDING TEST

The bank's Lending Test performance in the South Shore Assessment Area is reasonable when considering the Borrower and Geographic Distribution of home mortgage and small business loans.

In 2020, the bank originated 275 home mortgage loans totaling \$111.4 million within the South Shore Assessment Area. Small business loans represented 34 loans totaling \$7.4 million. In 2021, the bank's home mortgage loans represented 244 loans totaling \$109.5 million. Small business loans represented 27 loans totaling \$3.2 million.

Geographic Distribution

The bank's geographic distribution of home mortgage and small business loans reflects reasonable dispersion in the South Shore Assessment Area. The following sections describe the bank's performance by loan type.

Home Mortgage Loans

The bank did not originate any home mortgage loans in low-income census tracts in 2020 and in 2021. In low-income tracts, the low owner-occupancy rate is an indicator of limited lending opportunities. The bank demonstrates a stronger performance in moderate-income tracts. This is expected as there are additional lending opportunities in moderate-income income tracts when considering the higher owner occupancy rate and the bank's branch presence in a moderate-income tract. Examiners evaluated 2022 data for trends. The bank originated 1 loan in a low-income tract and 9 loans in moderate-income tracts. The data for 2022 demonstrates a favorable performance.

Small Business Loans

The geographic distribution of small business loans reflects reasonable penetration throughout the South Shore assessment area. The bank did not originate any loans in low-income census tracts in 2020 and 2021. In moderate income tracts the bank originated 6 loans in 2020 and 2 loans in 2021.

Borrower Profile

The distribution of home mortgage loans by borrower income level and businesses of different sizes

is reasonable in the South Shore Assessment Area.

In 2020, the bank's home mortgage lending to low-income borrowers at 4.7 percent was in line with the aggregate lenders which represented 4.7 percent. The bank's origination to moderate-income borrowers at 13.8 percent was below the aggregate at 19.1 percent. The trend in 2021 lending demonstrates a slight decrease in lending to low-income borrowers at 4.1 percent and increase in lending to moderate income borrowers as 19.3 percent. This performance is considered reasonable.

The bank's lending to businesses with GARs of \$1 million or less was adequate. In 2020, the Bank originated 88.2 percent of loans to businesses with GARs of \$1 million or less. In 2021, the bank's lending decreased to 59.3 percent of business with Gross Annual Revenues less than \$1 million. Considering the high competition in the assessment area, this is considered reasonable.

COMMUNITY DEVELOPMENT TEST

Coastal Heritage demonstrates excellent responsiveness to the community development needs of the South Shore AA through qualified community development loans, qualified donations, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Community Development loans included loans benefitting affordable housing and loans for the purpose of economic development. Most of the bank's community development loans were originated in the South Shore AA. The following represent examples of community development loan activity in the South Shore assessment area.

During the examination period, Coastal Heritage originated 21 loans totaling \$747,500 with the Massachusetts Capital Access Program (CAP) in the South Shore AA, designed to help small businesses (with 200 or fewer in employees) throughout Massachusetts obtain loans from participating banks. Using cash collateral guarantees from a loan loss reserve fund, this program enables banks to make loans they might otherwise be unable to grant. Loans guaranteed through this program may be used to start or expand businesses, or to provide permanent working capital to ensure continued profitable operations. Typical uses are equipment purchases, start-up costs, and real estate acquisitions. The CAP program can also be used for working capital lines of credit.

In 2019, Neighborhood Housing Services of the South Shore, a nonprofit organization, was established in 1981 to revitalize neighborhoods by developing and maintaining affordable housing. The organization has two main groups, Community Development and Loan Program. Each program promotes the special needs of affordable housing within the South Shore. The loan is to completely renovate the subject property to a mixed-use development, with 8 residential apartments and 2 commercial units. This will be known as the Marshfield Veterans House, provide housing for homeless veterans. This loan qualifies as revitalize and stabilize.

Community Development Investments

The following represent community development investments in the South Shore assessment area.

- The bank purchased two mortgage-backed securities in 2021 totaling \$4.0 million and two mortgage-backed securities in 2022 totaling \$2.1 million. The securities are collateralized by mortgages located in the assessment area. These mortgages were obtained by low- and moderate-income borrowers and invest in properties in low- and moderate-income areas. These investments qualify as community development by supporting affordable housing for low- and moderate-income individuals.
- **Massasoit Community College Foundation** – Founded in 1966, the community college is located in Brockton and provides associate degrees and certificate programs for individuals in the area. The institutions workforce development and community education provide affordable opportunities in a primarily low- and moderate-income area. The bank’s contributions qualify for community development by supporting a community service for low-to-moderate income individuals.
- **Manet Community Health Center** – The Federally Qualified Health Center located in Quincy provides essential health care for all regardless of financial status or ability to pay. One of the aims of the health center is to reduce health disparities among financially vulnerable populations. The bank’s contributions qualify for community development by supporting community services for low- and moderate-income individuals.
- **Habitat for Humanity Greater Plymouth** – The mission of this organization is to build and support housing for low- and moderate-income families. The bank’s contribution qualifies for community development by supporting affordable housing for low- and moderate-income families.

Community Development Services

The following are examples of community development services provided by the bank in the south assessment area:

Employee Involvement

DOVE Inc. – This Quincy-based organization aims to end domestic violence. Programs include emergency shelter, legal services, and advocacy. This organization provides essential community services to many individuals that have limited financial resources and based on circumstance are delineated as low- or moderate-income. An Assistant Vice President of the bank provided technical assistance in fundraising initiatives of the organization.

Neighborworks Housing Solutions – This organization is based in Brockton and aims to provide safe and affordable housing and resources. Programs include emergency assistance, shelter, first time homebuyer education, and foreclosure prevention. A Senior Vice President of the bank was a director of the organization in 2020.

Arc of the South Shore – This organization aids individuals on the South Shore with developmental disabilities. Programs include residential support services, adult foster care, and workforce development. The majority of individuals served are delineated as low- or moderate-income. The bank’s Vice President of Commercial Lending served as Chairman of the Board for this organization in 2020.

Financial Education

Marshfield Senior Center – This organization provides housing and financial support for local seniors, many of whom primarily subsist off social security income and are delineated as low- or moderate-income. An Assistant Vice President of the bank was an instructor for the Marshfield Senior Center, covering Elder Abuse and Fraud Prevention topics.

Old Colony Elder Services – This organization provides services for local seniors. This organization is located in a low-income area and serves individuals from the area. A Branch Manager of the bank conducted money management classes for this organization in 2020, providing an essential community service for low- and moderate-income individuals.

Quincy High School: Credit for Life Fair – The credit for life fair aids students in developing basic financial literacy and covers topics including banking, budgeting and credit. The majority of students at Quincy High school come from low- or moderate-income families. An Assistant Vice President of the bank volunteered for this program in 2022 and supported community development services for low- and moderate-income individuals.

NORTH SHORE ASSESSMENT AREA
(Limited Scope Review)

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NORTH SHORE AA

The North Shore AA includes a contiguous area consisting of 18 communities from Essex County, Massachusetts. The bank's Lending Test and Community Development Test performance in this AA received nominal weight in determining the bank's overall rating. In November 2021, due to a strategic decision to refocus the branch network, the bank decided to sell its branches in this area. As a result, the North Shore AA was removed from the bank's defined AAs in mid-2022. Although the bank continued to serve the lending needs of the area, it did not have a presence in the area; consequently, the lending volume and other activities is limited.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NORTH SHORE AA

LENDING TEST

Lending Test performance in the North Shore AA is consistent with overall performance. The Borrower and Geographic Distribution of Home Mortgage and Small Business Loans supports this conclusion.

COMMUNITY DEVELOPMENT TEST

The bank's Community Development Test performance in the North Shore AA is below overall performance; however, it does not change the overall rating since the bank closed its retail banking offices and this portion of the assessment area was eliminated.

The bank originated 7 community development loans totaling \$3.6 million originated in North Shore AA during this time period.

The bank made 6 donations totaling \$6,966 that primarily benefited community development services to low- and moderate-income individuals and geographies. The bank also purchased mortgage-backed securities that benefited a broader statewide regional area that includes this assessment area. Of the securities, there were several directly benefiting Lynn within the North Shore AA.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the bank's assessment area(s) or a broader statewide or regional area including the bank's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the bank's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

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.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in "loans to small businesses" as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in "loans to small farms" as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population

center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

Upper-Income: Individual income that is 120 percent or more of the area median income, or a median family income that is 120 percent or more in the case of a geography.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, require all financial institution 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 (195 Washington Street Weymouth, MA 02188)."

[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.