

PUBLIC DISCLOSURE

July 25, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Shore Bank, a Co-operative Bank
Certificate Number: 26484

248 Andover Street
Peabody, Massachusetts 01960

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

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

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

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

The Lending Test is rated High Satisfactory.

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

The Investment Test is rated Satisfactory.

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

The Service Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

North Shore Bank, a Co-operative, (NSB) is a wholly owned subsidiary of North Shore Bancorp, a mutual holding company (MHC). The bank has three wholly owned subsidiaries. These include Compass Rose Security Corporation, North Shore Security Corporation, and First Saugus Corporation. Both security corporations buy, sell, and hold securities. First Saugus Corporation is a real estate holding investment subsidiary. In 2019, NSB merged with Beverly Bank, Beverly, Massachusetts (MA). With the merger, Beverly Financial MHC merged with and into North Shore Bancorp.

The institution received a Satisfactory rating at the previous Federal Deposit Insurance Corporation (FDIC) and Massachusetts Division of Banks (DOB) CRA Performance Evaluation dated July 22, 2019, based on Intermediate Small Institution Examination Procedures. The Lending Test and Community Development Test were both rated Satisfactory.

Operations

NSB is headquartered in Peabody, MA and operates 15 full-service branches. In MA, branches are located in Beverly (3), Danvers, Merrimac, Middleton, Salem (2), Saugus (2), Peabody (3), and Reading. The bank also operates a branch in Newton, New Hampshire (NH). At the time of the previous evaluation, the bank operated 12 full-service branches. However, since the prior evaluation, NSB added six branches due to the merger with Beverly Bank. Additionally, NSB opened the Reading branch in 2020. Following the merger, NSB closed three of the former Beverly Bank branches due to their close proximity to existing branches. The bank also closed the Saugus branch located at 489 Lincoln Avenue. Finally, NSB relocated the branch in West Peabody from a supermarket to a separate location in the same plaza.

All branches have automated teller machines (ATMs). The bank also maintains one remote ATM in Plaistow, NH. The bank is a SUM network member, providing surcharge-free retail access at participating institutions nationwide.

NSB offers various financial products and services to consumers and business customers. The bank offers loan products including commercial, home mortgage, and consumer loans. The bank also provides various deposit services including checking, savings, money market, and certificates of deposit. The bank offers financial planning services through a relationship with Coastal Capital Group Inc. Other banking services include online and mobile banking and electronic bill pay.

Ability and Capacity

As of June 30, 2022, the bank's assets totaled \$1.7 billion, loans totaled \$1.2 billion, deposits totaled \$1.5 billion, and securities totaled \$249.7 million. At the previous evaluation, the bank's assets totaled \$864,252 million. The asset increase is due to acquiring Beverly Bank in October 2019. According to the bank's June 30, 2022 Call Report, residential lending represents the

majority of the loan portfolio, closely followed by commercial lending. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 06/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	129,017	12.24
Secured by Farmland	544	.05
Secured by 1-4 Family Residential Properties	377,744	35.84
Secured by Multifamily (5 or more) Residential Properties	138,149	13.11
Secured by Nonfarm Nonresidential Properties	408,518	38.75
Total Residential Loans	1,053,972	87.53
Commercial and Industrial Loans	148,610	12.3
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,416	0.11
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	82	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	1,204,080	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

NSB designated one contiguous assessment area in the Boston-Cambridge-Newton, MA-Metropolitan Statistical Area (MSA). The Boston-Cambridge-Newton, MA-NH MSA includes the Cambridge-Newtown-Framingham, MA Metropolitan Division (MD) (Essex and Middlesex Counties) and the Rockingham-Strafford, NH MD (Rockingham County). Since the previous evaluation, the bank expanded its assessment area to include Reading and North Reading in Middlesex County. The following table reflects the following cities and towns within each county.

Assessment Area Cities and Towns	
Essex County, MA	
Amesbury	Middleton
Beverly	Newbury
Boxford	Newburyport
Danvers	North Andover
Georgetown	Peabody
Groveland	Rowley
Hamilton	Salem
Haverhill	Saugus
Ipswich	Swampscott
Lynn	Topsfield
Lynnfield	Wenham
Marblehead	West Newbury
Merrimac	
Middlesex County, MA	
Melrose	Reading*
North Reading*	Wakefield
Rockingham County, NH	
East Kingston	Newton
Kensington	South Hampton
Kingston	
<small>* New since the prior evaluation</small>	

Economic and Demographic Data

The assessment area consists of 130 census tracts with the following income designations according to the 2015 American Community Survey (ACS).

- 18 low-income census tracts,
- 24 moderate-income census tracts,
- 62 middle-income census tracts, and
- 26 upper-income census tracts.

The low-income census tracts are located in Haverhill (4), Lynn (12), Peabody, and Salem. The moderate-income census tracts are located in Beverly (2), Haverhill (4), Lynn (7), Melrose, North Andover, Peabody (4), Salem (4), and Saugus.

The following table illustrates demographic information of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	130	13.8	18.5	47.7	20.0	0.0
Population by Geography	655,120	11.0	17.7	48.7	22.6	0.0
Housing Units by Geography	264,718	11.1	18.7	49.9	20.3	0.0
Owner-Occupied Units by Geography	167,826	4.3	14.6	54.7	26.4	0.0
Occupied Rental Units by Geography	81,932	24.5	26.5	40.6	8.4	0.0
Vacant Units by Geography	14,960	13.6	22.4	46.3	17.7	0.0
Businesses by Geography	64,134	8.9	16.3	49.5	25.4	0.0
Farms by Geography	1,502	7.9	11.8	53.8	26.5	0.0
Family Distribution by Income Level	166,020	23.3	17.6	21.4	37.7	0.0
Household Distribution by Income Level	249,758	27.2	15.2	17.6	39.9	0.0
Median Family Income Cambridge-Newton-Framingham, MA		\$100,380	Median Housing Value			\$361,241
Median Family Income Rockingham County-Strafford County, NH		\$90,150	Median Gross Rent			\$1,114
			Families Below Poverty Level			6.4%

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 assessment area’s median housing value is \$361,241 and the median family income ranges from \$115,500 to \$118,800. Approximately 6.4 percent of families are below the poverty level, which is a subset of the low-income category. Families in this category generally face financial hardship and would likely not qualify for traditional home mortgage loans. Additionally, with low-income census tracts containing only 4.3 percent of the area’s owner-occupied housing units, there are limited opportunities for institutions to make home mortgage loans in these geographies compared to the percent of owner-occupied housing units in the other geographies.

Examiners used the Federal Financial Institutions Examination Council (FFIEC)-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle- and upper-income categories for the assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA Median Family Income (15764)				
2019 (\$115,500)	<\$57,750	\$57,750 to <\$92,400	\$92,400 to <\$138,600	≥\$138,600
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
Rockingham County-Strafford County, NH Median Family Income (40484)				
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
2021 (\$110,600)	<\$55,300	\$55,300 to <\$88,480	\$88,480 to <\$132,720	≥\$132,720

Source: FFIEC

According to the 2021 D&B data, 64,134 non-farm businesses are located in the assessment area. Of these non-farm businesses, 57,088 or 89.0 percent had revenue that was less than or equal to \$1.0 million, 2,720 or 4.2 percent had revenue that was greater than \$1.0 million, and 4,326 or 6.8 percent had unknown revenues. Service industries represent the largest portion of businesses at 39.8 percent, followed by non-classifiable establishments at 17.8 percent, and retail businesses at 11.2 percent. Additionally, 65.5 percent of businesses operate with four employees or fewer, and 92.6 percent of businesses operate from a single location.

According to the United States (U.S.) Bureau of Labor Statistics, unemployment rates in the assessment area increased since the previous evaluation period, as illustrated in the following table. Communities within the assessment area experienced a sharp increase in unemployment due to the onset of the COVID-19 pandemic in early 2020. The following table reflects unemployment rates in the assessment area compared to the state and national figures throughout the evaluation period. A high unemployment rate could reflect limited lending opportunities.

Unemployment Rates			
Location	2019	2020	2021
	%	%	%
Essex County, MA	3.1	10.4	6.4
Middlesex County, MA	2.4	7.7	4.6
Rockingham County, NH	2.8	7.1	3.5
MA	3.1	9.4	5.7
NH	2.6	6.7	3.5
Nationwide	3.7	8.1	5.3

Source: Bureau of Labor Statistics

Competition

NSB operates in a highly competitive market for banking services. The presence of numerous large national, regional, and community banks and credit unions creates significant competition in the area. According to the June 30, 2022, FDIC Deposit Market Share data, 36 financial institutions with 196 branches operated in the area. Salem Five, Eastern Bank, and Bank of America were the top three institutions, with a combined deposit market share of 36.4 percent. NSB ranked 9th with a market share of 4.1 percent.

The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and community banks. In 2020, 464 HMDA-reporting lenders originated or purchased 49,231 home mortgage loans in the assessment area. CrossCountry Mortgage, LLC; Quicken Loans, LLC; and Salem Five Mortgage Company, LLC. held the highest market shares. These three top-ranked lenders held a combined 14.5 percent of the market share.

The bank also faces a high level of competition for small business loans. In 2020, 232 lenders originated or purchased 86,432 small business loans in the assessment area. The top lenders included American Express; Bank of America, N.A.; and Citizens Bank, which held a combined 37.0 percent market share.

Community Contacts

As part of the evaluation process, examiners contact third parties that are active in the assessment area to assist in identifying credit and community needs. This information assists examiners in determining whether local financial institutions are responsive to the assessment area's needs. It also identifies available credit and community opportunities.

Examiners contacted representatives of two community service organizations that serve portions of the assessment area. One contact noted a need for more affordable housing as well as financial education for both small businesses and individuals, with a focus on credit counseling, credit repair, and wealth building. Business needs also include technical assistance and financing for start-ups. The contact identified first time homebuyer programs and small business financing as credit needs. The contact also discussed the digital divide that some area residents experienced since the beginning of the COVID-19 pandemic as many places were closed to the public. The contact suggested that financial institutions could provide computer classes for those who may not be internet savvy, in a world that has increasingly moved online due to the pandemic.

The second contact identified affordable housing as a primary need and noted that donations and favorable financing options are the organization's most critical needs from financial institutions. Both contacts noted that local financial institutions provide support via financing, donations, and equity investments, and one specifically named NSB as being among the most responsive.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and small business financing represent primary credit needs within the assessment area. There is also a need for financial education for individuals as well as small business owners.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated July 22, 2019, to the current evaluation dated July 25, 2022. Examiners used interagency Large Institution Examination Procedures to evaluate NSB's performance. These procedures include the Lending Test, Investment Test, and Service Test. The bank transitioned from an Intermediate Small Institution to a Large Institution as of January 1, 2021, based on asset size and began reporting CRA small business loan data in 2021.

Activities Reviewed

Examiners determined that the bank's two 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 originations during the evaluation period.

Examiners placed equal weight on the bank's record of originating home mortgage and small business loans, considering overall volume during the evaluation period and the current loan portfolio composition. Although the current loan portfolio composition reflects some loans secured by farmland, the bank did not originate any farm loans during the evaluation period. Additionally, consumer loans do not represent a major product line. As farm and consumer loan types provided no material support for conclusions or ratings, examiners did not consider them in the analyses.

Examiners considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 420 loans totaling \$143.5 million in 2019, 787 loans totaling \$288.7 million in 2020, and 652 loans totaling \$318.2 million in 2021. Examiners compared the bank's 2019 and 2020 home mortgage lending to aggregate data. Examiners also compared the bank's 2019 and 2020 home mortgage lending to the 2015 ACS demographics data, but placed greater weight on the aggregate data analysis.

Examiners also considered the bank's small business loans originated in 2019, 2020, and 2021. The bank originated 122 small business loans totaling \$36.5 million in 2019, 918 loans for \$115.6 million in 2020, and 646 loans for \$85.3 million in 2021. Examiners compared the bank's performance in all three years to D&B demographic data and compared the bank's 2020 performance to aggregate data. In 2019, even though the bank collected the data, it was not required to and did not opt to report their 2019 small business loan data. Consequently, examiners

did not compare the bank's 2019 lending to aggregate data. For 2020, unlike 2019, the bank collected and reported the data. Further, in 2021, although the bank collected and reported the data, aggregate data is not yet available.

Examiners reviewed and analyzed the availability and effectiveness of the bank's systems for delivering retail banking services, including branches and alternative delivery systems as well as the impact of any branch openings and/or closings during the evaluation period. In addition, examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals and small businesses and the extent to which they are tailored to meet specific needs within the assessment area.

Examiners also reviewed community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices since the prior evaluation date of July 22, 2019. Examiners considered the institution's capacity and the need and availability of such community development opportunities in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NSB's overall Lending Test performance is rated "High Satisfactory."

NSB's good performance in the Lending Activity, Assessment Area Concentration, Geographic Distribution, Borrower Profile, and Community Development Lending criteria primarily support this rating.

Lending Activity

NSB's lending activity reflects good responsiveness to credit needs considering the institution's size, loan portfolio composition, and competition level.

During the evaluation period, the number of home mortgage originations fluctuated; whereas, by dollar, lending increased. With acquiring Beverly Bank in October 2019, total home mortgage lending activity was significantly higher than during the previous evaluation period. Market share reports show that in 2019, NSB ranked 26th out of 448 HMDA-reporting lenders and in 2020, NSB ranked 23rd out of 464 HMDA-reporting lenders. In both years, lenders that ranked higher than NSB were primarily mortgage companies, national banks, and regional banks, such as Eastern Bank and Salem Five.

Similarly, small business lending was also significantly higher than during the previous evaluation. This increase was primarily due to the bank's active participation in the U.S. Small Business Administration (SBA) Paycheck Protection Program (PPP) during 2020 and 2021. The SBA created the PPP to assist small businesses in keeping the workforce employed during the COVID-19 pandemic. In 2020, NSB originated 785 PPP loans totaling \$80.7 million and in 2021, 499 PPP loans

totaling \$50.7 million. Market share reports show that NSB ranked 23rd out of 232 lenders in 2020. The lenders ranked higher than NSB were generally much larger.

Assessment Area Concentration

The bank made a high percentage of home mortgage and small business loans inside the assessment area. During 2020, for both home mortgage and small business lending, lending inside the assessment area increased from that during 2019. For home mortgage lending, the increase was primarily due to the Beverly Bank acquisition. For small business lending, the increase was primarily due to the bank's active participation in the PPP. Conversely, in 2021, lending for both products declined from that in 2020. For small business lending, the decline was due to the PPP ending in mid-2021. The following table provides more specifics regarding the bank's lending inside the assessment area by both number and dollar for each loan category.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	334	79.5	86	20.5	420	95,712	66.7	47,750	33.3	143,462
2020	625	79.4	162	20.6	787	207,518	71.9	81,154	28.1	288,672
2021	479	73.5	173	26.5	652	214,053	67.3	104,183	32.7	318,236
Subtotal	1,438	77.4	421	22.6	1,859	517,283	68.9	233,087	31.1	750,371
Small Business										
2019	95	77.9	27	22.1	122	27,195	74.4	9,340	25.6	36,535
2020	757	82.5	161	17.5	918	89,697	77.6	25,884	22.4	115,581
2021	502	77.7	144	22.3	646	56,622	66.4	28,696	33.6	85,318
Subtotal	1,354	80.3	332	19.7	1,686	173,514	73.1	63,920	26.9	237,434
Total	2,792	78.8	753	21.2	3,545	690,797	69.9	297,007	30.1	987,805
<i>Source Bank Data</i>										
<i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution reflects good penetration throughout the assessment area. The bank's good performance in home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the assessment area. As shown in the following table, lending in the low-income census tracts was less than aggregate and demographics during 2019 and 2020. In 2021, lending was greater than demographics. In the moderate-income census tracts, lending was less than the aggregate and in

line with demographics during 2019. Conversely, in 2020, lending exceeded the aggregate data and the percentage of owner-occupied housing units. In 2021, lending was greater than demographics.

Geographic Distribution of Home Mortgage Loans							
Tract Income Level		% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$ (000s)	%
Low							
	2019	4.3	5.6	14	4.2	5,747	6.0
	2020	4.3	4.5	20	3.2	9,218	4.4
	2021	4.3	--	29	6.1	16,135	7.5
Moderate							
	2019	14.6	15.8	49	14.7	19,887	20.8
	2020	14.6	14.4	106	17.0	34,316	16.5
	2021	14.6	--	83	17.3	34,366	16.1
Middle							
	2019	54.7	52.9	199	59.6	49,404	51.6
	2020	54.7	53.2	369	59.0	117,056	56.4
	2021	54.7	--	274	57.2	124,223	58.0
Upper							
	2019	26.4	25.7	72	21.6	20,675	21.6
	2020	26.4	28.0	130	20.8	46,929	22.6
	2021	26.4	--	93	19.4	39,330	18.4
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	0.0	0	0.0	0	0.0
	2021	0.0	--	0	0.0	0	0.0
Totals							
	2019	100.0	100.0	334	100.0	95,712	100.0
	2020	100.0	100.0	625	100.0	207,518	100.0
	2021	100.0	--	479	100.0	214,053	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 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 good penetration throughout the assessment area. As shown in the following table, the bank's performance in low-income census tracts fluctuated over the evaluation period and was greater than demographics in 2019 and slightly below the comparables in 2020 and 2021. The bank's performance in the moderate-income tracts was in line with 2019 demographics. In 2020 and 2021, performance was greater than aggregate and demographics.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	8.7	--	9	9.5	1,813	6.7
2020	8.8	9.0	52	6.9	5,834	6.5
2021	8.9	--	36	7.2	3,573	6.3
Moderate						
2019	16.0	--	15	15.8	5,225	19.2
2020	16.3	16.2	184	24.3	23,178	25.8
2021	16.2	--	152	30.3	18,777	33.2
Middle						
2019	50.0	--	44	46.3	12,313	45.3
2020	49.5	49.2	364	48.1	40,057	44.7
2021	49.5	--	226	45.0	22,822	40.3
Upper						
2019	25.3	--	27	28.4	7,844	28.8
2020	25.4	25.5	157	20.7	20,628	23.0
2021	25.4	--	88	17.5	11,450	20.2
Not Available						
2019	0.0	--	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	--	95	100.0	27,195	100.0
2020	100.0	100.0	757	100.0	89,697	100.0
2021	100.0	--	502	100.0	56,622	100.0
<i>Source: 2019 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among borrowers of different income levels, including low- and moderate-income borrowers. As shown in the following table, lending to low- and moderate-income borrowers slightly exceeded the aggregate data in 2019 and 2020. The bank's lending to low-income borrowers was below the percentage of families in 2019, 2020, and 2021. However, low-income families would have difficulty qualifying for a mortgage loan using conventional underwriting standards, considering the median housing value in the assessment area of \$361,241. This helps explain the disparity between the bank's lending to low-income families and the percentage of low-income families in the assessment area. In 2019, 2020, and 2021, the bank's lending to moderate-income borrowers exceeded the percentage of moderate-income families, and in 2019 and 2020, the bank performed better than the aggregate. These comparisons support good performance in lending to low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	23.3	6.2	23	6.9	2,466	2.6
2020	23.3	5.7	36	5.8	6,280	3.0
2021	23.3	--	38	7.9	6,475	3.0
Moderate						
2019	17.6	21.4	80	24.0	16,329	17.1
2020	17.6	20.7	133	21.3	30,264	14.6
2021	17.6	--	101	21.1	23,061	10.8
Middle						
2019	21.4	25.2	85	25.4	19,222	20.1
2020	21.4	24.7	181	29.0	50,625	24.4
2021	21.4	--	104	21.7	29,267	13.7
Upper						
2019	37.7	34.9	107	32.0	30,502	31.9
2020	37.7	36.3	227	36.3	82,271	39.6
2021	37.7	--	169	35.3	63,974	29.9
Not Available						
2019	0.0	12.3	39	11.7	27,192	28.4
2020	0.0	12.5	48	7.7	38,079	18.4
2021	0.0	--	67	14.0	91,276	42.6
Totals						
2019	100.0	100.0	334	100.0	95,712	100.0
2020	100.0	100.0	625	100.0	207,518	100.0
2021	100.0	--	479	100.0	214,053	100.0

Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of small business loans reflects good penetration of loans to businesses with GARs of \$1 million or less. As shown in the following table, the bank's lending to small businesses during the evaluation period was below the percentage of businesses with GARs of \$1 million or less. The table also shows a significant drop in lending to businesses with GARs of \$1 million or less in 2020 and 2021. This decline is attributed to the fact that lenders were not required to request and report GARs for PPP loans. Therefore, a large number of loans made during those years have no revenue reported, skewing the percentages in the business size categories. Considering the total number of small business originations in 2020 and 2021 that had GAR information available, the

bank originated 70 percent to businesses with GARs of \$1 million or less in both years. This reflects an increase over 2019 and compares favorably to the aggregate data in 2020.

It should be noted that aggregate data for 2019 is not shown in the table as non-reporters are not compared to the aggregate; however, NSB’s percentage of loans to small businesses in 2019 was significantly higher than the aggregate’s 42.1 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	87.2	--	55	57.9	15,282	56.2
2020	88.1	34.1	78	10.3	22,564	25.2
2021	89.0	--	67	13.3	17,069	30.1
>\$1,000,000						
2019	5.4	--	40	42.1	11,913	43.8
2020	4.8	--	33	4.4	11,694	13.0
2021	4.2	--	29	5.8	8,3183	14.7
Revenue Not Available						
2019	7.5	--	0	0.0	0	0.0
2020	7.0	--	646	85.3	55,439	61.8
2021	6.7	--	406	80.9	31,235	55.2
Totals						
2019	100.0	--	95	100.0	27,195	100.0
2020	100.0	--	757	100.0	89,697	100.0
2021	100.0	100.0	502	100.0	56,622	100.0
<i>Source: 2019 & 2021 D&B Data; Bank Data; 2019 & 2020 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Innovative or Flexible Lending Practices

The bank uses innovative and/or flexible lending programs to serve assessment area credit needs. During the evaluation period, the bank originated 1,362 loans totaling approximately \$141,683 million through innovative and/or flexible programs that benefitted individuals and businesses. The bank offers all programs institution-wide.

Home Mortgage Loan Programs

- ***NSB In-House First Time Homebuyer*** – This program, introduced in late 2019, offers reduced closing costs and allows a maximum loan-to-value ratio of 97 percent. Low- and

moderate-income first time homebuyers with down payments of at least 10 percent are not required to obtain private mortgage insurance. NSB originated 29 loans totaling nearly \$7 million during the evaluation period.

- ***MassHousing First Time Homebuyer Conventional and Workforce Advantage 3.0 (WFA 3.0)*** - These first time homebuyer programs offer flexible underwriting features including high loan-to-value limits, reduced reserves, and closing cost credits. The WFA 3.0 program also allows for a second mortgage of up to 10 percent of the sales price with zero percent interest and deferred payments until refinance, payoff of first mortgage, or sale of the property. NSB originated four loans totaling \$1.3 million under these programs.
- ***Freddie Mac Home Possible*** - This program offers flexible underwriting features for low- and moderate-income borrowers to purchase and refinance first lien mortgages. The maximum loan-to-value is 97 percent with secondary financing allowed and rental income from the property may account for up to 30 percent of qualifying income. NSB originated three loans totaling \$698,850 under this program.
- ***Fannie Mae HomeReady*** - This program also offers flexible underwriting features for low- and moderate-income borrowers to purchase and refinance first lien mortgages. The maximum loan-to-value is 97 percent and there is no requirement that a portion of the down payment must be from the borrower's own funds. The program also allows lenders to consider rental income from the subject property as part of qualifying income. NSB originated four loans totaling \$984,905 under this program.
- ***Federal Home Loan Bank Equity Builder Grant*** - This program offers low-income borrowers grants of up to \$22,000 towards closing costs and/or down payment. The bank also provides a \$750 closing cost credit. NSB originated four mortgage loans with these grants during the evaluation period.
- ***Federal Home Loan Bank Housing our Workforce Grant*** - This program offers low- and moderate-income borrowers grants of up to \$20,000 for a down payment. The bank also provides a \$750 closing cost credit. NSB originated four mortgage loans with these grants during the evaluation period.
- ***Habitat for Humanity*** - The bank allocated \$1 million to finance home mortgage loans for low-income or disabled individuals through a relationship with Habitat for Humanity. The terms include below-market interest rates, reduced closing costs, and 100 percent financing through a second mortgage from either Habitat for Humanity or the Lynn Housing Authority. The bank approved one loan through this program during the evaluation period, but it has not yet been originated.

Small Business Loan Programs

- ***SBA*** - NSB is an approved SBA Express Lender and offers SBA loans to businesses for various purposes, including refinancing current business debt; purchasing furniture, fixtures, and

supplies; and utilizing as working capital. The bank originated 31 SBA loans totaling over \$7 million during the evaluation period.

- **SBA PPP** - The SBA created the PPP in April 2020 and offered the program until May 2021. SBA designed the program so to help businesses continue paying their employees during the COVID-19 pandemic. The bank originated 1,283 PPP loans totaling over \$131 million.

Community Development Loans

The bank has made a relatively high level of community development loans. During the evaluation period, the bank originated 37 community development loans totaling \$49.5 million. As the bank demonstrated responsiveness to the community development credit needs within the assessment area, examiners considered 12 loans made outside the assessment area, but within the larger statewide or regional area. These loans are included in the stated totals and in the following table. In addition, the totals include eight PPP loans totaling \$10.7 million. The bank’s activity level increased since the previous evaluation period when the bank originated 20 community development loans totaling \$8.1 million. The current total of \$49.5 million represents approximately 3.4 percent of average total assets and 4.5 percent of average total loans. The bank’s performance is comparable to similarly situated institutions that also received favorable ratings in community development lending.

A majority of the bank’s community development loans supported affordable housing, which is an identified need within the assessment area. Additional loans assisted in revitalizing and stabilizing low- and moderate-income communities and in economic development initiatives within the assessment area. These activities demonstrate good responsiveness to the primary community development needs and opportunities within the assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)	#	\$ (000)
2019	2	7,250	0	0	3	149	0	0	5	7,399
2020	9	7,042	0	0	2	2,946	1	1,949	12	11,937
2021	7	5,283	0	0	4	2,168	5	9,569	16	17,020
YTD 2022	4	13,135	0	0	0	0	0	0	4	13,135
Total	22	32,710	0	0	9	5,263	6	11,518	37	49,491

Source: Bank Data

The following are notable examples of the bank’s community development loans inside the assessment area.

- In 2019, the bank originated a \$1.35 million loan to purchase a multi-family property where all units six are designated as affordable housing.

- In 2020, the bank originated a first and a second mortgage totaling \$2.3 million used to purchase a multi-family property where all 67 units are designated as affordable housing.
- In 2021, the bank originated a \$1.4 million SBA PPP loan to a local food service business that operates in a moderate-income census tract and employees 105 people. The borrower utilized the loan proceeds to continue paying the employees during the time the business could not operate due to the COVID-19 pandemic.

INVESTMENT TEST

The bank's Investment Test performance is rated “Satisfactory”. The following sections discuss the bank's performance under each criterion.

Investment Activity

The institution has an adequate level of qualified community development investments and grants, but not in a leadership position, particularly to those that are not routinely provided by private investors. The bank made 84 qualified donations totaling approximately \$658,900. During the prior evaluation, the bank made 92 qualified donations for \$191,450. The bank’s 244.0 percent increase in donations is significantly higher than the bank’s 46.4 percent increase in total assets. The donation and asset increase is primarily due to the Beverly Bank merger in 2019.

A majority of donations, by number and dollar volume, supported community service organizations that serve low- and moderate-income individuals in the assessment area. Examiners compared the bank’s investment activity to that of similarly situated institutions. Examiners selected comparable institutions based on asset size, geographic location, and lending focus. NSB’s investment activity was below the performance of those similarly situated institutions; however, this is maybe because the bank recently transitioned from an intermediate small institution to a large bank after the merger with Beverly Bank. The following table illustrates the bank’s community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$
2019	3	29,000	10	71,933	0	0	1	2,500	13	103,433
2020	2	25,000	26	218,050	0	0	2	15,000	29	258,050
2021	4	39,500	21	157,850	0	0	1	10,000	25	207,350
YTD 2022	3	4,000	15	86,067	0	0	0	0	17	90,067
Total	12	97,500	72	533,900	0	0	4	27,500	84	658,900
<i>Source: Bank Data</i>										

The following are notable examples of qualified donations.

Donations

- *Beverly Bootstraps* – This organization provides essential services to families in Beverly and surrounding towns. Services primarily aid individuals with significant need, including food assistance, adult education (high school equivalency tutoring and workforce development), and free tax preparation. The bank provided several donations, including a large COVID-19 relief grant in 2020 to continue critical operations.
- *Harborlight Community Partners (HCP)* – HCP’s aim is to develop, manage, and advocate for affordable housing in the North Shore area. The organization constructs and manages large housing projects that primarily benefit low-income individuals (99 percent of clients are delineated as low-income based on the median income) and helps individuals in need move toward homeownership with homebuyer education and individual development accounts. The bank donated annually to HCP.
- *Boys and Girls Club of Greater Salem* – The Boys and Girls Club of Greater Salem provides afterschool and teen enrichment programs for students. With locations at the Saltonstall and Collins schools, the majority of students served receive free or reduced-price lunch.
- *Plummer Youth Promise* – This organization focuses on young low- and moderate-income individuals in or at risk of entering state care in developing essential skills and community connections. Programs include foster care support and residential programs for young people entering adulthood. The 2021 donation help meet capital funding needs.
- *Citizen’s Inn (CI)* – CI’s mission is to aid North Shore individuals and families experiencing a housing crisis or food insecurity. Programs include addiction recovery, transitional housing, emergency shelter for families experiencing homelessness, and a food pantry. The bank’s 2020 and 2021 donations included sponsorships for COVID-19 relief and free summer lunch programs.

North Shore Community Development Coalition (CDC) – CDC invests in and supports communities in need. The CDC focuses resources on North Shore’s low-income or distressed neighborhoods through housing, small business assistance, and neighborhood beautification. The bank donated annually during the evaluation period.

In-Kind Contribution

The bank provides free office space at the Danvers branch to Habitat for Humanity (HH). HH provides affordable housing to low- and moderate-income families. The value of the rental space during the evaluation period totaled \$124,800.

Responsiveness to Credit and Community Development Needs

The institution exhibits adequate responsiveness to credit and economic development needs. The bank provided approximately \$97,500 in donations for affordable housing initiatives, which examiners identified as a significant need given the assessment area’s high housing costs. The bank

also made many donations that supported low- and moderate-income individuals and families and provided financial literacy and a wide range of community development activities.

Community Development Initiatives

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

SERVICE TEST

The bank’s overall Service Test performance is rated “Satisfactory”. The follow sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the bank’s assessment area. The bank has 15 locations within the Multistate MSA. Each location has a walk-up ATM, and 10 locations offer a drive-up ATM. Of the drive-up ATMs, one is located in a low-income census tract and two are in moderate-income census tracts. NSB also maintains a remote ATM in Plaistow, NH from which customers can make withdrawals.

The following table illustrates the branch and ATM distribution by tract income level (remote ATM excluded from the totals).

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	18	13.8	71,830	10.9	2	13.3	2	13.3
Moderate	24	18.5	116,061	17.7	3	20.0	3	20.0
Middle	62	47.7	318,994	48.8	9	60.0	9	60.0
Upper	26	20.0	148,235	22.6	1	6.7	1	6.7
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	130	100.0	654,670	100.0	15	100.0	15	100.0

Source: 2015 ACS Data; Bank Data

As the table illustrates, branch distribution in the low-income census tracts is greater than the percentage of the population residing in these tracts and in-line with the total percentage of low-income census tracts in the assessment area. Branch distribution among moderate-income census tracts is greater than the percentage of population residing in these tracts and the percentage of moderate-income census tracts in the assessment area.

In addition to its branches and ATMs, NSB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers personal and business online and mobile banking, as well as mobile deposit capabilities. All ATMs also provide service in both English and Spanish. The bank is also part of the SUM ATM Network, which offers customers surcharge-free ATM transactions at thousands of participating ATM locations in the U.S. and Puerto Rico.

NSB also offers deposit products that meet the Basic Banking for Massachusetts (BBM) guidelines issued by the Massachusetts Community Banking Council. BBM's goal is to encourage the underbanked and unbanked to bank. Additionally, this statewide program expands the availability of low-cost checking and savings accounts as a way to make banking services more accessible to low- and moderate-income individuals. Checking accounts feature a \$25.00 opening deposit requirement; a maximum monthly fee of \$3.00; at least 15 free withdrawals, including at least eight checks per month; and a maximum charge of \$1.00 for each withdrawal over the allowed number of free withdrawals. Savings accounts feature a \$10.00 opening deposit requirement, no monthly fee on balances of \$10.00 or more, a maximum monthly fee of \$1.00, and interest on all account balances of \$10.00 or more.

NSB has employees who speak at least one language outside of English. The bank maintains an employee list, which contains the spoken languages and their corresponding departments, so all bank personnel can easily contact a bilingual employee to serve customers with limited-English proficiency. Spoken languages include American Sign Language, Bulgarian, Cambodian/Khmer, French, Greek, Portuguese, Spanish, and Russian. NSB's language services enhance consumer accessibility to bank products and services and promotes economic inclusion among first-generation immigrants and other consumers who may have limited financial resources, many of which are low- and moderate-income individuals and families. These language services help, as demographics indicate that a large portion of low- and moderate-income individuals in the assessment area are first-generation Americans, where English may not be their first language.

Changes in Branch Locations

To the extent changes have been made, the bank's opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.

With the Beverly Bank merger, NSB's branch network expanded to 18 branches throughout the North Shore and Southern NH. In 2020, NSB closed four of these branches. The Peabody branch, a former Beverly Bank branch located in a moderate-income census tract at 167 Washington Street was closed as NSB maintained another branch 0.6 miles away. The Beverly, Danvers, and Saugus branches were in middle-income census tracts, and all were less than 1.5 miles from other NSB branch offices. In March 2020, NSB also opened one new location in an upper-income census tract in Reading.

Reasonableness of Business Hours and Services

Services (including, where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. NSB branch hours differ slightly depending on location. The bank’s locations open between 8:00 a.m. and 9:00 a.m. and close between 4:00 p.m. and 6:00 p.m. Monday through Friday. Of the five branches in low- or moderate-income census tracts, three are open from 9:00 a.m. to 5:00 p.m., Monday through Friday; one is open from 9:00 a.m. to 4:00 p.m., Monday through Friday; and the main office is open from 8:00 a.m. to 5:00 p.m., Monday through Friday.

The bank also offers Saturday hours from 8:00 a.m. to 1:00 p.m. at 10 branches, as well as Sunday hours at the Corporate Headquarters and the Lynn Fells Parkway location from 10:00 a.m. to 2:00 p.m. and 11:00 a.m. to 2:00 p.m., respectively. The two branches in low-income census tracts, located at 32 Main Street in Peabody and 73 Lafayette Street in Salem, offer Saturday hours at both the lobby and drive-up windows. Two of the three branches in moderate-income census tracts, located at 248 Andover Street in Peabody and 319 Highland Avenue in Salem, offer Saturday hours at both the lobby and drive-up windows. The third location at 254 Cabot Street in Beverly does not have a drive-up window and is not open on Saturdays.

Community Development Services

The institution provides an adequate level of community development services. A majority of the bank’s community development service activity consisted of employees and board members serving on the boards of local community development organizations in the assessment area. The bank provided 107 instances of community development services to these organizations. Since the prior evaluation, service activity increased. During the previous evaluation, NSB performed 80 instances of community development services. NSB’s level of community development services was less than that of similarly situated institutions, but this was primarily due to the institution recently becoming a large bank and the effects of the COVID-19 pandemic. The following table summarizes the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	5	17	3	0	25
2020	4	18	3	0	25
2021	8	20	3	0	31
YTD 2022	5	18	3	0	26
Total	22	73	12	0	107

Source: Bank Data

The following are examples of community development services provided.

First Time Homebuyer Seminars

- *Neighborhood of Affordable Housing, Inc. (NOAH)* – NOAH is a community development corporation whose mission is to increase access to affordable housing and create social and economic opportunities. In 2021, NSB provided two virtual first time homebuyer seminars in Spanish. Conducting these seminars in Spanish was important as 65 percent of NOAH’s client base represents a minority demographic.
- *Lynn Housing Authority* – Lynn Housing Authority promotes safe, decent, and affordable housing with an emphasis on creating economic independence and homeownership opportunities. In 2019 and 2021, NSB provided virtual first time homebuyer seminars.
- *Harborlight Community Partners (HCP)* – HCP is a community development corporation located in Beverly that focuses on managing and advocating for quality, affordable, and inclusive sustainable housing. In 2020, 2021, and 2022, NSB provided first time homebuyer seminars at HCP.

Employee Involvement

- *Habitat for Humanity North Shore Inc. (HHNS)* – A director served on HHNS’ board. HHNS provides affordable housing for poor and disadvantaged families by rehabilitating land and buildings using donated labor and materials.
- *YMCA of the North Shore* – A senior vice president serves on the YMCA’s board. The YMCA of the North Shore offers affordable housing to adults and families in Beverly, Cape Ann, Haverhill, and Ipswich.
- *Coastal Homebuyer Education* – A vice president serves on the organization’s board. Coastal Homebuyer Education provides first time homebuyer education workshops to potential buyers on the North Shore. The courses provide workshops for Mass Housing programs, the MHP One Mortgage, the Equity Builder programs, as well as other down payment assistance or affordable housing programs.
- *Danvers Affordable Housing Trust* – An assistant vice president serves on the organization’s board and as treasurer.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The DOB provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous evaluation. Examiners conducted the fair lending review in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not note any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected assessment area's demographics.

According to the 2015 ACS data, the bank's assessment area contained a total population of 655,120 individuals of which 18.7 percent are minorities. The minority population represented is 3.0 percent Black/African American, 3.3 percent Asian, 0.1 percent American Indian, 10.4 percent Hispanic or Latino, and 1.9 percent other.

Examiners compared the bank's 2020 and 2021 lending levels to the 2020 and 2021 aggregates' lending performance. Comparing this data assists in deriving reasonable expectations for the application rate the bank received from minority home mortgage loan applicants. Refer to the following table for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2020 HMDA		2020 Aggregate Data	Bank 2021 HMDA		2021 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	1	0.1	0.2	0	0.0	0.2
Asian	9	1.1	2.8	7	1.1	3.4
Black/ African American	13	1.6	1.8	8	1.3	2.5
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.2	0.1
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	7	0.9	1.2	7	1.1	1.3
Total Racial Minority	30	3.7	6.2	23	3.7	7.6
White	715	87.7	71.5	503	80.2	67.3
Race Not Available	70	8.6	22.3	101	16.1	25.1
Total	815	100.0	100.0	627	100.0	100.0
ETHNICITY						
Hispanic or Latino	13	1.6	5.8	10	1.6	7.3
Jo5.8int (Hisp/Lat /Not Hisp/Lat)	6	0.7	1.2	4	0.6	1.3
Total Ethnic Minority	19	2.3	7.0	14	2.2	8.6
Not Hispanic or Latino	728	89.3	70.0	506	80.7	66.7
Ethnicity Not Available	68	8.3	23.0	107	17.1	24.7
Total	815	100.0	100.0	627	100.0	100.0

Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 20221

In 2020, the bank received 815 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 30 or 3.7 percent from racial minority applicants, of which 24 or 80.0 percent resulted in originations. The aggregate received 6.2 percent of its applications from racial minority applicants, of which it originated 61.9 percent. For the same period, the bank received 19 or 2.3 percent of all applications from ethnic groups of Hispanic origin within its assessment area. Of these applications, the bank originated all or 100.0 percent. Examiners

compared this rate to an aggregate ethnic minority application rate of 7.0 percent and a 60.2 percent origination rate.

In 2021, the bank received 627 HMDA reportable loan applications from within its assessment area. Of these applications, the bank received 23 or 3.7 percent from racial minority applicants, of which 10 or 43.5 percent resulted in originations. The aggregate received 7.6 percent of its applications from racial minority applicants, of which the bank originated 61.4 percent. For the same period, the bank received 14 or 2.2 percent of all applications from ethnic groups of Hispanic origin within its assessment area, of which 12 or 85.7 percent resulted in originations. Examiners compared this rate to an aggregate ethnic minority application rate of 8.6 percent and a 61.7 percent origination rate.

The bank's 2020 and 2021 lending reflects an adequate racial minority application flow. The bank's advertising and resources for individuals with limited English proficiency further support the performance. Considering the assessment area's demographic composition and comparisons to aggregate data, the bank's minority application flow is adequate.

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank'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 available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) 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 community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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

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

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

Nonmetropolitan Area (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.