

PUBLIC DISCLOSURE

July 31, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northern Bank & Trust Company
Certificate Number: 18266

275 Mishawum Road
Woburn, Massachusetts 01801

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 Satisfactory.

- Lending levels reflect adequate responsiveness to the assessment area’s credit needs.
- The institution originated an adequate percentage of loans in the assessment area.
- The geographic distribution of loans reflects poor penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent 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 meet the assessment area’s needs.
- The institution has made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The bank made a significant level of qualified community development investments and grants, often in a leadership position, particularly those that are not routinely provided by private investors.
- The bank exhibits good responsiveness to credit and community economic development needs.
- The institution occasionally makes use of 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 institution's assessment area.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services, including, where appropriate, business hours, do not vary in a way that inconveniences 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

Northern Bank & Trust Company (Northern Bank) is a \$2.8 billion state-chartered institution headquartered in Woburn, Massachusetts. The bank is wholly-owned by Northern Bancorp, Inc., a one-bank holding company. Northern Bank has twelve subsidiaries, two of which are new since the prior evaluation. One new subsidiary holds real estate for the bank's Littleton branch. The other, Northern Home Loans LLC (NHL), commenced operations in January 2023 and offers residential mortgages and home equity lines of credit. NHL loan were not considered as part of this evaluation. The remaining subsidiaries include five that hold bank premises; two that are Massachusetts securities corporations; one entity that holds other real estate owned; one created for charitable purposes (Northern Bank & Trust Charitable Foundation, Inc.); and one for 1031 exchanges. Charitable donations made through the Northern Bank and Trust Charitable Foundation were considered under the Investment Test.

The bank received a Satisfactory CRA rating at its previous evaluation dated April 27, 2020. The Massachusetts Division of Banks (DOB) and Federal Deposit Insurance Corporation (FDIC) conducted the evaluation jointly using Interagency Large Institution Examination Procedures.

Operations

Northern Bank operates 13 full-service branches throughout Middlesex County, Massachusetts. On December 13, 2021, the bank opened a new branch located at 240 Main Street in Stoneham, Massachusetts in a middle-income census tract. All of the bank's branches have automated teller machines (ATMs), and all except for the Burlington and Melrose branches have drive-up facilities. In addition, the bank participates in the SUM program. Cardholders of financial institutions that are part of the SUM program can withdraw funds from ATMs belonging to any participating bank, without a surcharge. Other alternative banking services include mobile banking, online banking, and remote deposit capture.

Northern Bank's primary lending focus is commercial real estate and commercial and industrial lending. Before launching the NHL subsidiary, the bank also offered residential loans in-house. The bank's assets remain concentrated in commercial loans. As of March 31, 2023, commercial loans represented 71.0 percent of the loan portfolio, and residential loans represented 9.8 percent. Northern Bank also offers a variety of deposit products, including business-purpose checking, money market, and savings accounts, as well as consumer-purpose checking, money market, savings, and health savings accounts.

The bank operates two websites, www.nbtc.com and www.northernbankdirect.com. The first is the main website, which houses the online banking platform. Northern Bank Direct (NBD) is the bank's nationwide online deposit gathering platform. NBD account offerings include certificates of deposits and money market and health savings accounts.

Ability and Capacity

Bank assets totaled \$2.8 billion as of March 31, 2023, which included total loans of \$2.6 billion and total securities of \$87.2 million. Bank deposits totaled \$2.3 billion.

The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 03/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	373,244	14.6
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	249,345	9.8
Secured by Multifamily (5 or more) Residential Properties	99,474	3.9
Secured by Nonfarm Nonresidential Properties	709,083	27.7
Total Real Estate Loans	1,431,146	56.0
Commercial and Industrial Loans	1,106,364	43.3
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	203	0.0
Obligations of State and Political Subdivisions in the U.S.	19,100	0.7
Other Loans	154	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	2,556,967	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Northern Bank designates a single assessment area comprised of Middlesex County, Massachusetts in its entirety. The county is in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD), which is part of the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The bank's defined assessment area did not change since the previous evaluation.

Economic and Demographic Data

The assessment area consists of 357 census tracts. These tracts reflect the following income designations according to 2020 U.S. Census data:

- 20 low-income census tracts,
- 56 moderate-income census tracts,
- 122 middle-income census tracts,
- 151 upper-income census tracts, and
- 8 census tracts without an income designation.

The 2020 U.S. Census updated census tract boundaries and demographic data, resulting in changes to the assessment area, when compared to demographic data from the 2015 American Community Survey (ACS) and 2010 U.S. Census boundaries. The census data resulted in an increase in the number of census tracts from 318 to 357 in Middlesex County. The breakdown by income-level within the assessment area remains relatively similar, with slight changes to the proportions of low-, moderate-, middle-, and upper-income census tracts.

The following table illustrates select demographic characteristics 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)	357	5.6	15.7	34.2	42.3	2.2
Population by Geography	1,632,002	4.6	15.8	36.2	42.6	0.8
Housing Units by Geography	641,278	4.4	15.7	37.4	41.7	0.7
Owner-Occupied Units by Geography	380,079	1.7	11.1	37.4	49.4	0.4
Occupied Rental Units by Geography	231,771	8.9	22.9	37.4	29.6	1.2
Vacant Units by Geography	29,428	5.3	18.3	36.4	39.2	0.9
Business by Geography	184,665	3.4	13.9	36.4	45.8	0.5
Farms by Geography	3,220	2.4	11.7	37.3	48.3	0.3
Family Distribution by Income Level	392,836	19.5	15.6	20.1	44.8	0.0
Household Distribution by Income Level	611,850	23.5	13.9	17.0	45.6	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA		\$121,481	Median Housing Value			\$586,934
			Median Gross Rent			\$1,737
			Families Below Poverty Level			4.5%
<i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Low- and moderate-income census tracts, by number, comprise 21.3 percent of the total number of census tracts within the assessment area. 35.1 percent of families in the assessment area are low- or moderate-income families, with 4.5 percent of families below the poverty level. This data indicates that community development opportunities exist within the assessment area.

Examiners used the 2021 and 2022 FFIEC-updated median family income (MFI) data to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories relevant to 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)				
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
2022 (\$138,700)	<\$69,350	\$69,350 to <\$110,960	\$110,960 to <\$166,440	≥\$166,440
<i>Source: FFIEC</i>				

The median housing value in the assessment area is \$586,934. Given the median family income levels of low- and moderate-income families in the assessment area, borrowing opportunities for families within these income designations are likely limited.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of the bank's small business loans to the distribution of businesses by gross annual revenue (GAR) level. According to 2022 D&B data, there were 184,665 non-farm businesses operating in the assessment area. The GARs for these businesses are as follows.

- 88.6 percent have \$1.0 million or less,
- 4.4 percent have more than \$1.0 million, and
- 7.0 percent have unknown revenues.

Service industries represent the largest portion of businesses in the assessment area at 39.6 percent; followed by non-classified businesses at 22.5 percent; finance, insurance, and real estate at 10.1 percent; retail trade at 8.8 percent; and construction at 7.8 percent. In 2022, 91.7 percent of businesses had nine or fewer employees and 91.6 percent of businesses operated from a single location.

According to the U.S. Bureau of Labor and Statistics, the average unemployment rate in Middlesex County was 4.5 percent in 2021 and 3.1 percent in 2022. Both years were below statewide unemployment rates of 5.5 percent in 2021 and 3.8 percent in 2022.

Competition

Middlesex County is highly competitive for financial services. As of June 30, 2022, FDIC Deposit Market Share data reflected 51 financial institutions operating 469 full-service branches within the assessment area. Of these, Northern Bank ranked 10th with a 2.8 percent deposit market share. The top three financial institutions were national banks and made up 43.9 percent of the deposit market share.

The assessment area is highly competitive for home mortgage loans. According to 2021 aggregate home mortgage lending data, 551 lenders originated or purchased 97,231 home mortgage loans totaling \$45.8 billion in the assessment area. Of these, Northern Bank ranked 47th with a 0.5 percent market share, by number. According to 2022 aggregate home mortgage lending data, 521 lenders originated or purchased 44,359 home mortgage loans totaling \$23.6 billion in the assessment area. Of these, Northern Bank ranked 70th with a 0.3 percent market share, by number. Institutions ranking ahead of Northern Bank in both years were mostly larger financial institutions, credit unions, and mortgage companies. The top three home mortgage lenders in the assessment area include Guaranteed Rate, Inc. (6.3 percent), Rocket Mortgage (5.2 percent), and Leader Bank, NA (5.1 percent).

The assessment area is also competitive for small business loans. According to 2021 aggregate small business lending data, 198 lenders originated or purchased 54,107 small business loans totaling \$2.3 billion in the assessment area. Of these, Northern Bank ranked 23rd with a 0.7 percent

market share, by number. Institutions ranked ahead of Northern Bank were mostly large national banks and credit card companies. The top three small business lenders in the assessment area included American Express National Bank (21.3 percent), Bank of America (15.4 percent), and JP Morgan Chase Bank (7.6 percent).

Community Contact

As part of the evaluation process, examiners contacted third-parties active in the assessment area to assist in identifying the credit and community development needs. This information helps examiners ascertain what credit and community development opportunities are available and determine whether local financial institutions are responsive to those needs.

Examiners contacted a nonprofit business development organization that serves several municipalities within the assessment area. The contact indicated that the overall economic climate of Middlesex County is strong; however, some areas have recovered faster than others following the COVID-19 pandemic. The contact noted that large local businesses are thriving, while small businesses have struggled to return to pre-pandemic levels of profitability. The contact specifically stated that businesses in the hospitality industry, such as restaurants and hotels, are struggling as people have curtailed discretionary spending.

The contact indicated that the most glaring need in the assessment area is housing, as home prices are high and the housing stock is relatively limited. The contact explained that developers often face permit issues, which inhibit development. Secondly to housing, the contact noted that small businesses have the most pressing credit needs. The contact stated that the healthy economy in the county lends itself to opportunities for bank involvement. According to the contact, local institutions are very involved in the community and actively participate in community service and economic development initiatives.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and economic development are the primary community development opportunities of the assessment area. Examiners identified small business loans as a primary credit need.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated April 27, 2020, to the current evaluation dated July 31, 2023. Examiners used the Interagency Large Institution Examination Procedures to evaluate Northern Bank's CRA performance. These procedures include the Lending Test, Investment Test, and Service Test.

Examiners used full-scope procedures to evaluate the bank's CRA performance in its assessment area. This evaluation does not include any lending activity performed by affiliates.

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. The bank did not originate any small farm loans during the evaluation period.

Examiners considered all home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank reported 1,040 originated or purchased home mortgage loans totaling \$404.9 million in 2020, 879 loans totaling approximately \$364.9 million in 2021, and 213 loans totaling approximately \$197.1 million in 2022. Examiners compared the bank's 2020, 2021, and 2022 home mortgage performance under the Geographic Distribution and Borrower Profile criteria to aggregate data for each applicable year. Examiners also compared 2020 and 2021 home mortgage performance to 2015 ACS demographic data, and compared 2022 home mortgage performance to 2020 U.S. Census demographic data.

Examiners considered all small business loans reported on the bank's 2020, 2021, and 2022 CRA Loan Registers. The bank reported 1,420 originated or purchased small business loans totaling \$162.2 million in 2020, 701 loans totaling \$100.6 million in 2021, and 128 loans totaling \$40.2 million in 2022. Examiners compared the bank's 2020 and 2021 small business performance under the Geographic Distribution and Borrower Profile criteria to aggregate data for 2020 and 2021; however, aggregate data is not yet available for 2022. Examiners also compared 2020, 2021, and 2022 small business performance to D&B business demographic data.

For the Lending Test, examiners analyzed the number and dollar volume of loans; however, examiners emphasized performance by number of loans, as it is a better indicator of the number of businesses and individuals served. Based on the bank's business focus, origination activity of home mortgage loans, and the loan portfolio distribution, examiners assigned equal weight to the bank's home mortgage and small business lending performance when arriving at overall conclusions and ratings.

Examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals and small businesses; delivery systems for providing retail-banking services, including branches and alternative delivery systems; and the impact of any branch openings and closings during the evaluation period.

Examiners also reviewed community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices from April 27, 2020 through the current evaluation date of July 31, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Satisfactory. The bank's excellent performance under the Borrower Profile and Community Development Lending criteria as well as adequate performance under the Lending Activity, Assessment Area Concentration, and Innovative and Flexible Lending Practices criteria support this rating; however, Geographic Distribution performance was poor.

Lending Activity

Northern Bank's lending activity reflects adequate responsiveness to the assessment area's credit needs considering performance context and competition for loans.

From 2020 to 2022, MSB originated or purchased 2,132 home mortgage loans totaling approximately \$967 million and 2,249 small business loans totaling approximately \$303 million. Of this total, 1,101 home mortgage loans totaling \$457 million, and 1,100 small business loans totaling \$144 million, were inside the assessment area. Among HMDA-reporting financial institutions, the bank ranked 47th with a 0.5 percent market share in 2021 and 70th with 0.3 percent market share in 2022, by number of loans.

Home mortgage lending volume decreased significantly from 2020 and 2021 to 2022. This decline was due to interest rates rising after being at historic lows. Consequently, the number of refinance transactions slowed after the 2020 pandemic and purchase transactions remained stable due to lack of inventory and sales prices statewide.

The bank originated a high volume of small business loans in 2020 and 2021. In 2022, loan volumes returned to pre-pandemic levels. Specifically, the volume of small business loans was significantly higher than the last evaluation period due to the bank's participation in originating Small Business Administration (SBA) Paycheck Protection Program (PPP) loans in 2020 and 2021. Northern Bank experienced a sizable decrease in small business lending in 2022 due to the SBA's discontinuation of the PPP loan program in May 2021. In 2020, the bank originated 1,287 PPP loans, of which 351 were in the assessment area. In 2021, the bank originated 561 PPP loans, of which 193 were in the assessment area. Among CRA-reporting financial institutions, the bank ranked 23rd with a 0.7 percent market share in 2021 by number of loans.

Assessment Area Concentration

The institution made an adequate percentage of loans in the assessment area. The bank originated 50.2 percent of all home mortgage and small business lending, by number, in the assessment area. Most of Northern Bank's PPP loans were outside the assessment area, resulting in lower assessment area concentration ratios, particularly in 2020. While the bank originated less than 50.0 percent of home mortgage and small businesses loans inside the assessment area in 2020, performance improved year over year by number and dollar amount. By 2022, the bank's assessment area concentration ratio improved to 59.6 percent for home mortgage loans and 65.6 percent for small

business loans, by number. Refer to the following table for more details about the bank’s assessment area concentration of loans.

.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										
2020	515	49.5	525	50.5	1,040	183,524	45.3	221,460	54.7	404,983
2021	459	52.2	420	47.8	879	171,820	47.1	193,095	52.9	364,915
2022	127	59.6	86	40.4	213	102,099	51.8	94,970	48.2	197,069
Subtotal	1,101	51.6	1,031	48.4	2,132	457,443	47.3	509,525	52.7	966,968
Small Business										
2020	624	43.9	796	56.1	1,420	74,547	46.0	87,669	54.0	162,216
2021	392	55.9	309	44.1	701	48,080	47.8	52,507	52.2	100,587
2022	84	65.6	44	34.4	128	21,982	54.6	18,262	45.4	40,244
Subtotal	1,100	48.9	1,149	51.1	2,249	144,609	47.7	158,438	52.3	303,047
Total	2,201	50.2	2,180	49.8	4,381	602,052	47.4	667,963	52.6	1,270,015
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

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

Home Mortgage Loans

As shown in the following table, the geographic distribution of home mortgage loans reflects poor penetration throughout the assessment area. For 2020, 2021, and 2022, the bank's performance in low-income census tracts trailed aggregate data and demographics. For moderate-income census tracts, the bank's performance in 2020 and 2021 also trailed both aggregate and demographic data; however, the bank’s performance in 2022 was similar to aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	2.4	2.4	8	1.6	2,172	1.2
2021	2.4	2.8	7	1.5	2,020	1.2
2022	1.7	2.2	1	0.8	1,820	1.8
Moderate						
2020	11.9	11.1	40	7.8	14,268	7.8
2021	11.9	12.2	29	6.3	8,920	5.2
2022	11.1	11.6	14	11.0	6,041	5.9
Middle						
2020	43.1	42.6	296	57.5	98,014	53.4
2021	43.1	41.8	260	56.6	81,003	51.2
2022	37.4	36.9	64	50.4	29,001	28.4
Upper						
2020	42.6	43.9	171	33.2	69,071	37.6
2021	42.6	43.2	163	35.5	72,877	42.4
2022	49.4	48.7	48	37.8	65,227	63.9
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.4	0.6	0	0.0	0	0.0
Totals						
2020	100.0	100.0	515	100.0	185,524	100.0
2021	100.0	100.0	459	100.0	171,820	100.0
2022	100.0	100.0	127	100.0	102,099	100.0

Source: 2015 ACS & 2020 US Census Data; Bank Data, 2020, 2021 & 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the assessment area. In 2020 and 2021, the bank's lending fell well below aggregate performance in low-income census tracts. In 2022, the bank did not originate a small business loan in any low-income census tracts. Northern Bank's lending in moderate-income census tracts also fell well below aggregate in 2020 and 2021. However, during 2022, the bank's percentage of lending in moderate-income census tracts was above the percentages of businesses.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	5.5	5.2	12	1.9	2,633	3.5
2021	5.5	5.4	3	0.8	742	1.5
2022	3.4	---	0	0.0	0	0.0
Moderate						
2020	13.5	13.2	22	3.5	3,495	4.7
2021	13.7	14.6	13	3.3	2,040	4.2
2022	13.9	---	16	19.0	3,925	17.9
Middle						
2020	40.8	42.3	403	64.6	45,372	60.9
2021	40.8	41.8	262	66.8	27,794	57.8
2022	36.4	---	42	50.0	8,404	38.2
Upper						
2020	40.2	39.2	187	30.0	23,047	30.9
2021	40.0	38.1	114	29.1	17,504	36.4
2022	45.8	---	26	31.0	9,653	43.9
Not Available						
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
2022	0.4	---	0	0.0	0	0.0
Totals						
2020	100.0	100.0	624	100.0	74,547	100.0
2021	100.0	100.0	392	100.0	48,080	100.0
2022	100.0	--	84	100.0	21,982	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; 2020 & 2021 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance in home mortgage and good performance in small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate- income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. During the evaluation period, lending to low-income borrowers exceeded aggregate performance in 2020, 2021, and 2022. Lending to moderate-income borrowers exceeded demographics and aggregate performance for all three years.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2020	20.5	4.0	40	7.8	7,603	4.1
2021	20.5	5.0	33	7.2	6,466	3.8
2022	19.5	6.6	13	10.2	3,448	3.4
Moderate						
2020	15.7	15.2	96	18.6	26,502	14.4
2021	15.7	15.4	99	21.6	28,421	16.5
2022	15.6	16.6	23	18.1	8,562	8.4
Middle						
2020	19.8	23.0	148	28.7	51,266	27.9
2021	19.8	21.7	119	25.9	41,611	24.2
2022	20.1	21.6	34	26.8	13,665	13.4
Upper						
2020	44.1	47.6	212	41.2	85,864	46.8
2021	44.1	45.5	189	41.2	80,294	46.7
2022	44.8	43.1	32	25.2	22,382	21.9
Not Available						
2020	0.0	10.1	19	3.7	12,289	6.7
2021	0.0	12.3	19	4.1	15,028	8.7
2022	0.0	12.1	25	19.7	54,042	52.9
Totals						
2020	100.0	100.0	515	100.0	183,524	100.0
2021	100.0	100.0	459	100.0	171,820	100.0
2022	100.0	100.0	127	100.0	102,099	100.0
Source: 2015 ACS and 2020 US Census Data; Bank Data, 2020, 2021 & 2022 HMDA Aggregate Data, Due to rounding, totals may not equal 100.0%						

Small Business Loans

The distribution of small business loans reflects, given the product lines offered by the institution, good penetration of loans to businesses with GARs of \$1.0 million or less. In 2020 and 2021, the bank’s small lending exceeded aggregate performance. The bank’s percentage of lending to businesses with GARs of \$1.0 million or less decreased in 2022. Aggregate data is not yet available for 2022; however, the bank’s performance was similar to aggregate performance of previous years shown in the table.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2020	86.7	37.4	316	50.6	15,313	20.5
2021	87.5	44.1	225	57.4	16,270	33.8
2022	88.6	--	34	40.5	11,240	51.1
>\$1,000,000						
2020	5.7	--	308	49.4	59,234	79.5
2021	5.1	--	167	42.6	31,810	66.2
2022	4.4	--	49	58.3	10,242	46.6
Revenue Not Available						
2020	7.6	--	0	0.0	0	0.0
2021	7.5	--	0	0.0	0	0.0
2022	7.0	--	1	1.2	500	2.3
Totals						
2020	100.0	100.0	624	100.0	74,547	100.0
2021	100.0	100.0	392	100.0	48,080	100.0
2022	100.0	--	84	100.0	21,982	100.0
<i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; 2020 & 2021 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 flexible lending practices in order to serve assessment area credit needs. The bank originated 1,019 innovative and flexible loans, totaling approximately \$142.6 million, to businesses and individuals during the evaluation period. Of these innovative and flexible loans, the bank extended \$128.4 million through small business lending programs and approximately \$14.2 million through residential lending programs. The following table details the bank’s innovative and flexible loans originated since the previous evaluation

Innovative or Flexible Lending Programs										
Type of Program	2020		2021		2022		YTD 2023		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Massachusetts Housing Finance Agency (MHFA)	12	3,274	1	222	0	0	0	0	13	3,496
Massachusetts Housing Partnership (MHP) One Program	14	2,809	12	3,164	6	1,432	3	717	35	8,122
MassHousing <= 80% AMI	0	0	0	0	1	333	0	0	1	333
Fannie Mae (FNMA) Home Ready Program	5	1,217	2	578	0	0	0	0	7	1,795
Veterans Affairs (VA)	1	469	0	0	0	0	0	0	1	469
Subtotal Residential Loans	32	7,769	15	3,964	7	1,765	3	717	57	14,215
SBA 504	2	692	12	5,847	6	4,796	6	6,405	26	17,740
SBA 7A	10	1,750	11	3,252	22	9,618	3	1,363	46	15,983
SBA- PPP	351	38,020	539	56,687	0	0	0	0	890	94,707
Subtotal Small Business Loans	363	40,462	562	65,786	28	14,414	9	7,768	962	128,430
Totals	395	48,231	577	69,750	35	16,179	12	8,485	1,019	142,645
<i>Source: Bank Records</i>										

The following are the bank's innovative and/or flexible programs.

Home Mortgage Lending Programs

- *FNMA Home Ready Program* – This program expands eligibility for financing homes in low-income communities and is designed for creditworthy low-to-moderate-income borrowers. The program allows up to 97.0 percent loan-to-value financing, flexible sources of funds for down payment and closing costs, and affordable and cancellable monthly mortgage insurance.
- *Veterans Affairs* – The VA loans require no down payment and the U.S. Department of Veterans Affairs guarantees them. Borrowers must meet both service requirements and credit/income requirements to be eligible. VA allows sellers to pay all mortgage loan-related closing costs, up to 4.0 percent in concessions, which can cover expenses such as property taxes and homeowner's insurance.

Northern Bank is also a MassHousing approved lender. MassHousing is a nonprofit, public agency working to support affordable housing for low- and moderate-income Massachusetts

residents. MassHousing loan programs offer low down payments, competitive rates, and discounted mortgage insurance. During the evaluation period, the bank originated loans under the following MassHousing programs.

- *MHFA* – This program offers a traditional 30-year fixed-rate mortgage. Borrowers may finance up to 97.0 percent loan-to-value. The MassHousing Mortgage Insurance Fund insures loans with down payments of less than 20.0 percent. Borrowers benefit from flexible underwriting, low down payments, and quick processing due to automated underwriting and online mortgage insurance approvals.
- *MHP One Program* – This program is a first time homebuyer’s program that offers a low fixed-rate with as little as 3.0 percent down. In addition, this program offers financial assistance for eligible low- and moderate-income homebuyers.
- *Mass Housing <=80% AMI Program* – This program offers financing up to 97% loan-to-value and it is for borrowers with income less than or equal to 80% of the area median income.

Small Business Lending Programs

- *SBA 7a Loan Program* – This loan program helps small businesses with start-up expenses or expansion. SBA 7a loans offer long-term financing options, a fixed maturity, and no prepayment penalties. The maximum loan amount is \$5.0 million and the SBA guarantees 75.0 percent of the value of most loans; 85.0 percent guaranty for loans up to \$150,000.
- *SBA 504 Certified Development Company (CDC) Program* – This loan program provides small businesses with long-term financing through a Certified Development Company (CDC) and promotes business growth and job creation. Generally, the loan structure includes a 10.0 percent equity investment by the small business, 40.0 percent participation from the CDC, and 50.0 percent participation by the bank.
- *SBA Paycheck Protection Program (PPP)* - This program, offered in 2020 and 2021 during the COVID-19 pandemic, helped small businesses keep their workforce employed during the pandemic. The program only required borrowers to provide payroll data for their businesses before approval for a one percent interest loan with amount approximately equal to 2.5 times the borrowers’ monthly payroll. Interest and principal payments could be deferred and the loan forgiven if businesses met certain criteria.

Community Development Loans

The institution has made a relatively high level of community development loans. During the evaluation period, the bank originated 27 community development loans for approximately \$90.9 million. Of this total, 10 loans for approximately \$16.8 million directly benefitted the bank’s

assessment area. The bank also originated 17 loans for approximately \$74.1 million, outside the assessment area benefitting a broader statewide or regional area in Massachusetts. The bank’s community development lending activity represents 4.0 percent of average total loans and 3.4 percent of average total assets.

The bank’s overall community development lending significantly increased since the prior evaluation period by both number and dollar. During the prior evaluation period, Northern Bank originated 17 community development loans totaling approximately \$60.2 million. Northern Bank made more community development loans than several similarly situated institutions including East Cambridge Savings Bank, Main Street Bank, Avidia Bank, and Lowell Five. Enterprise Bank was the only similarly situated institution that Northern Bank did not outperform.

The following table illustrates the bank’s community development loans by community development purpose and year.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
4/28/2020-12/31/2020	4	10,293	0	0	0	0	1	2,600	5	12,893
2021	9	16,264	0	0	0	0	1	1,700	10	17,964
2022	5	8,933	2	4,600	0	0	1	39,980	8	53,513
YTD 2023	3	3,826	1	2,700	0	0	0	0	4	6,526
Total	21	39,316	3	7,300	0	0	3	44,280	27	90,896
<i>Source: Bank Data</i>										

The following are examples of Northern Bank’s community development loans:

- In 2020, the bank originated a \$2.0 million loan for the purchase and renovation of an abandoned property located in a moderate-income census tract in the assessment area. Upon completion of the project, the property will revitalize a moderate-income area.
- In 2020, the bank originated a \$6.9 million loan for the purchase and renovation of property that included 20 rental units. The property is located in a moderate-income census tract outside of the bank’s assessment area but part of a broader statewide or regional area. Of the 20 units, 8 are affordable units with rents below the U.S. Department of Housing and Urban Development Fair Market Rate; therefore, the bank received pro rata consideration of approximately \$2.8 million as a community development loan.
- In 2021, the bank refinanced a \$35.3 million loan that was for the purchase and construction of a 70-unit multifamily rental building located outside of the bank’s assessment area but in a broader statewide or regional area. This loan provides affordable housing for low- and moderate-income individuals and families through nine income restricted rental units

available to those making less than 70.0 percent of the area median income. Therefore, the bank received pro rata consideration of \$4.5 million as a community development loan.

- In 2022, the bank originated a \$40 million loan for the construction of a 123-room hotel for the revitalization and stabilization of a low-income census tract outside the bank's assessment area but in a broader statewide or regional area. This project is part of a larger redevelopment project in the area that will attract and retain businesses and residents in the surrounding low- and moderate-income geographies.

INVESTMENT TEST

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

Investment and Grant Activity

Northern Bank has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank and its charitable foundation made 104 qualified investments totaling approximately \$21.8 million during the examination period. This total includes 16 qualified equity investments of approximately \$20.5 million and 88 grants and donations of approximately \$1.3 million. The bank's investments increased 151.5 percent compared to the prior evaluation period, which is significant compared to the bank's increase in total assets of 35.7 percent. The bank made \$16.6 million in new equity investments during the evaluation period, all of which were in the broader statewide or regional area that includes the assessment area. Total donations increased by \$598,000.

Examiners compared the bank's investment activity to that of similarly situated institutions. Comparable institutions were selected based on asset size, geographic location, and lending focus. Northern Bank's investment and donation activity was significantly above one similarly situated institution by dollar amount, but below both similarly situated institutions by the number of qualified investments. 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	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	9	3,448	0	0	0	0	2	425	11	3,873
4/28/2020-12/31/2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	0	0	0	0	2	5,160	2	5,160
2022	0	0	0	0	2	5,453	0	0	2	5,453
YTD 2023	1	6,000	0	0	0	0	0	0	1	6,000
Subtotal	10	9,448	0	0	2	5,453	4	5,585	16	20,486
Qualified Grants & Donations	15	774	73	536	0	0	0	0	88	1,310
Total	25	10,222	73	536	2	5,453	4	5,585	104	21,796
<i>Source: Bank Data</i>										

Equity Investments

The bank has 16 investments totaling approximately \$20.5 million. Of this total, 5 investments totaling approximately \$16.6 million are new and 11 investments totaling approximately \$3.9 million remain from prior period investments. The total dollar amount of equity investments equates to 0.8 percent of average total assets and 29.0 percent of average total securities since the previous evaluation. The following are examples of the bank's new and prior period equity investments.

- The bank maintains seven mortgage-backed securities (MBSs) within its investment portfolio. These are secured by one-to-four-family residential mortgages to low- and moderate-income borrowers located within the bank's assessment area. The combined current book value of the MBSs is \$1.3 million. The bank's investment in these MBSs helps to provide access to affordable housing within the bank's assessment area.
- The bank continues to maintain an investment in the Access Capital Strategies Community Investment Fund, Inc. (ACSCIF). The fund provides a secondary market and financing vehicle for community development loan originators. ACSCIF makes investments in securities designed to promote affordable housing and economic development that benefit low- and moderate-income individuals and geographies. The current book value is \$1.2 million. The bank's involvement in this fund helped expand access to affordable housing within the bank's assessment area.
- In 2022, the bank invested \$3.6 million in Federal historic rehabilitation tax credits and \$1.8 million in state historic rehabilitation tax credits on a project to rehabilitate a blighted factory building into a 123-room hotel in East Boston, Massachusetts. The bank also originated the construction loan for the project. The hotel is part of a larger redevelopment project that will create jobs and help retain and attract businesses in a low- and moderate-income area. The bank's investment in the Federal and State historic rehabilitation tax

credits helped revitalize low- and moderate-income geographies in the broader statewide area.

- In 2023, the bank invested \$6.0 million in Low-Income Housing Tax Credits (LIHTCs) on a project to renovate and preserve a 100-unit affordable housing complex in Attleboro, Massachusetts. The property was at risk of being converted into market-rate housing prior to the project that involved MassHousing and the Massachusetts Department of Housing and Community Development. Renovations to the units included bathroom renovations, new kitchen appliances, the creation of handicap-accessible units, and structural improvement to roofs and balconies. The property consists of 16 one-bedroom units, 72 two-bedroom units, and 12 three-bedroom units. Of these units, 13 are restricted to individuals and families earning 30.0 percent or less of the area median income (AMI), of which eight are through the Massachusetts rental voucher program. Additionally, 19 units are restricted to 50.0 percent AMI, 33 units are restricted to 60.0 percent AMI, and 35 units are restricted to 80.0 percent AMI, with 27 of those units being workforce housing. The bank's investment in this LIHTC helped maintain and preserve affordable housing in a broader statewide area.

Grants and Contributions

During the evaluation period, Northern Bank and its charitable foundation made approximately \$1.3 million in qualified donations. While the total number of qualified grants and donations decreased since the last exam, the dollar amount increased by \$598,000.

All of the bank's CRA qualified grants and donations supported affordable housing and community service organizations that primarily benefit low- and moderate-income individuals and families. The following are notable examples of qualified donations.

- **Heading Home, Inc.** – Heading Home, Inc. is a nonprofit organization whose mission is to end homelessness in the Greater Boston area. Heading Home, Inc. provides emergency shelter, transitional and permanent housing, and supportive services including financial literacy and job training to homeless and formerly homeless families and individuals in the assessment area, including the cities and towns of Cambridge, Everett, Malden, Medford, and Somerville. Heading Home owns and operates 10 properties that house and serve clients. In addition, through housing subsidies from state and federal resources, the organization rents 500 affordable units and provides direct services to up to 1,400 individuals annually. The bank's support of this organization helped provide access to affordable housing and other services for low-income families and individuals in the bank's assessment area.
- **Merrimack Valley Housing Partnership** – The Merrimack Valley Housing Partnership promotes responsible and sustainable home ownership opportunities for low- and moderate-income individuals by producing comprehensive first-time homebuyer seminars and counseling programs. The bank's support of this organization during the evaluation period helped provide access to affordable housing for low- and moderate-income individuals and families in the bank's assessment area.

- **Mission of Deeds** – This nonprofit community service organization provides furniture, basic kitchen supplies, and other household items to low- and moderate-income families and individuals. The bank’s involvement with this organization helps support community services for low- and moderate-income families and individuals in the assessment area.
- **Food Pantries** – During the evaluation period, the bank made multiple donations to local food pantries that serve the assessment area. While the bank made donations to food pantries throughout the evaluation period, many of the bank’s donations were in direct response to the COVID-19 pandemic. The bank made donations to the following food pantries and organizations that provided services during the pandemic: Acton Community Supper and Food Pantry, Bread of Life, Cor Unum Meal Center, Council of Social Concern, Daniel’s Table, Heading Home, Loaves & Fishes Food Pantry, Melrose Farmer’s Market (Snap Program), First Church Stoneham Food Pantry, the Food Drive, Mystic Valley Elder Services (Meals on Wheels), People Helping People, Reading Food Pantry, Sudbury Community Food Pantry, Sunshine Gals of Billerica, Table of Plenty, and the Westford Food Pantry. The bank’s donations helped provide vital community services to low- and moderate-income individuals within the assessment area.

Responsiveness to Credit and Community Development Needs

Northern Bank exhibits good responsiveness to credit and community economic development needs. The bank provided \$10.2 million in investments, grants, and donations for affordable housing initiatives, which the community contact and examiners identified as a significant need given the high housing costs within the assessment area. The bank responded to this need through investments in mortgage-backed securities secured by 1-4 family mortgages to low- and moderate-income borrowers within the assessment area. The bank was also responsive to the need for affordable housing through grants and donations to organizations that create and maintain affordable housing. Of specific note was the bank’s significant increase in donations that were particularly responsive to the heightened needs for community services during the COVID-19 pandemic.

Community Development Initiatives

Northern Bank occasionally uses innovative and/or complex investments to support community development initiatives. During the current evaluation period, the bank invested in LIHTCs as well as State and Federal Historic Rehabilitation Tax Credits that supported community development needs through a complex affordable housing project and an economic development project outside of the bank’s assessment area which benefitted the greater statewide or regional area.

SERVICE TEST

The Service Test is rated Satisfactory. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution’s assessment area. The following table illustrates the distribution of branches and ATMs by tract income level.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	20	5.6	75,072	4.6	0	0.0	0	0.0
Moderate	56	15.7	257,856	15.8	2	15.4	4	18.2
Middle	122	34.2	590,785	36.2	7	53.8	12	54.5
Upper	151	42.3	695,233	42.6	4	30.8	6	27.3
NA	8	2.2	13,056	0.8	0	0.0	0	0.0
	357	100.0	1,632,002	100.0	13	100.0	22	100.0

Source: 2020 US Census Data; Bank Data

As shown in the previous table, Northern Bank maintains a network of 13 branches and 22 deposit-taking ATMs throughout the assessment area. While the bank does not have any branches or ATMs located in low-income census tracts, the bank’s distribution of branches and ATMs in moderate-income census tracts is comparable to the percentage of moderate-income census tracts and the percentage of the population that lives in those tracts. Further, 5 of the low-income tracts have access to a Northern Bank branch within a 5-mile radius. Access to the SUM network and other alternative delivery systems expand retail and commercial banking service access to all individuals and business customers. Access to the SUM network offers customer surcharge-free ATM transactions at thousands of ATMs nationwide. Other alternative delivery services include personal and business online and mobile banking, remote deposit capture, remote wallet, automated telephone banking, and a contact center open between the hours of 8:00 a.m. and 6:00 p.m. Monday through Friday, and 8:30 a.m. and 12:30 p.m. on Saturday.

Changes in Branch Locations

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

During the evaluation period, the bank did not close any branches. The bank opened one new branch in a middle-income census tract located at 240 Main Street, Stoneham, Massachusetts.

Reasonableness of Business Hours and Services

Services and business hours do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies, and/or individuals. All of the bank’s locations maintain the same business hours and provide the same services, loan products, and deposit products. The bank’s hours of operation are 9:00 a.m. to 4:00 p.m. Monday through Friday, and 9:00 a.m. to 12:00 p.m. on Saturday.

Community Development Services

The institution provides an adequate level of community development services. During the evaluation period, bank employees provided 666 hours of community development services to 18 organizations in the assessment area. The number of hours provided to community organizations decreased since the prior evaluation period, primarily due to restrictions on in-person activities mandated during the COVID-19 pandemic.

The following table illustrates the bank’s community development service hours by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
4/28/2020-12/31/2020	16	91	0	0	107
2021	19	93	16	0	128
2022	32	181	120	0	333
YTD 2023	17	81	0	0	98
Total	84	446	136	0	666
<i>Source: Bank Data</i>					

The following are examples of community development services provided by the institution.

- **Southern Middlesex Opportunity Council (SMOC)** – During the evaluation period, the bank provided multiple first-time homebuyer seminars through SMOC. SMOC is a community service organization located in Middlesex County serving low- and moderate-incomes individuals through education, advocacy, and services to combat poverty. Several

employees participate in the seminars.

- **Community Teamwork** – Throughout the evaluation period, an Assistant Vice President provided several first-time homebuyer programs at Community Teamwork in Lowell, Massachusetts. Community Teamwork is a community action agency located in the assessment area that provides resources for low-income people to achieve stability and self-sufficiency.
- **Mystic Valley Elder Services (MVES)** – In 2020, an Assistant Vice President served on the Advisory Board at MVES. MVES is a community service organization that supports older adults and adults living with disabilities through information, advice, and quality resources. The majority of those served by the organization are low- and moderate-income individuals in the bank's assessment area.
- **Woburn Redevelopment Authority (WRA)** - The WRA is an independent municipal urban renewal authority established under the Massachusetts General Laws Chapter 121B. A Vice President of the bank serves on the five-member governing board. The WRA is a community development agency that assists small businesses located in the City of Woburn.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank did not receive any complaints pertaining to the institution's CRA performance since the previous examination. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify any evidence of disparate treatment.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's HMDA LARs for 2021 and 2022 to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2020 US Census Data, the bank's assessment area contained a total population of 1,632,002 individuals of which 33.46 percent are minorities. The minority population represented is 5.2 percent Black/African American, 12.9 percent Asian, 0.2 percent American Indian, 8.8 percent Hispanic or Latino, and 13.5 percent other.

The bank's level of lending in 2021 was compared with that of the 2021 aggregate lending 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	Bank 2021 HMDA		2021 Aggregate Data	Bank 2022 HMDA	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	39	9.6	12.8	11	7.5
Black/ African American	5	1.2	2.2	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	15	3.7	2.2	2	1.4
Total Racial Minority	59	14.5	17.5	13	8.9
White	306	75.0	56.6	115	78.8
Race Not Available	43	10.5	25.9	18	12.3
Total	408	100.0	100.0	146	100.0
ETHNICITY					
Hispanic or Latino	6	1.5	4.3	6	4.1
Joint (Hisp/Lat /Not Hisp/Lat)	4	1.0	1.2	1	0.7
Total Ethnic Minority	10	2.5	5.5	7	4.8
Not Hispanic or Latino	344	84.3	68.7	117	80.1
Ethnicity Not Available	54	13.2	25.8	22	15.1
Total	408	100.0	100.0	146	100.0
<i>Source: U.S. Census 2020, HMDA Aggregate Data 2021, HMDA LAR Data 2021 and 2022</i>					

In 2021 the bank received 408 HMDA reportable loan applications within its assessment area. Of these applications, 59 or 14.5 percent were received from minority applicants, 98.3 percent of which resulted in originations. The aggregate received 17.5 percent of its applications from minority consumers, of which 67.1 percent of which were originated. For the same time period, the bank received 10 or 2.5 percent of all applications from ethnic groups of Hispanic origin within its assessment area of which 9 or 90.0 percent were originated, compared to an aggregate ethnic minority application rate of 5.5 percent with a 62.7 percent were origination rate.

In 2022, the bank received 146 HMDA reportable loan applications within its assessment area. Of these applications, 13 or 8.9 percent were received from minority applicants, of which 12 or 92.3 percent resulted in originations. The bank also received 7 or 4.8 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 6 or 85.7 percent were originated.

The bank's rate of home mortgage loan originations and marketing efforts in majority minority census-tracts further support the conclusion. Considering the demographic composition of the assessment area, the bank's lending in 2021 and 2022, and comparisons to aggregate data in 2021, 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.