

PUBLIC DISCLOSURE

January 14, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Pentucket Bank
Certificate Number: 90208

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Haverhill, Massachusetts 01830

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection

Division of Banks
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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.

Pentucket Bank's satisfactory Community Reinvestment Act (CRA) performance under the Lending Test and Community Development Test supports the overall rating. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects reasonable penetration of loans among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory by the FDIC and High Satisfactory by the Division of Banks (DOB).*

**Note: The agencies agree on overall performance under the Community Development Test; however, Part 345 of FDIC Rules and Regulations does not include a "High Satisfactory" rating.*

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 26, 2015, to the current evaluation dated January 14, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Pentucket Bank's (PB's) CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints

The Community Development Test considered the following factors.

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the evaluation period. Although the bank originated three small farm loans during the evaluation period, neither small farm nor consumer lending, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented. Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period.

This evaluation considered all home mortgage loans reported on the bank's 2016 and 2017 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2016, the bank reported 189 loans totaling \$42.4 million, and for 2017, the bank reported 226 loans totaling \$48.5 million. Examiners compared the bank's performance in both years to aggregate data.

PB is not a small business reporter and does not voluntarily report. However, the bank collected the data and made it available for examiners. Therefore, examiners evaluated the entire universe of small business loans from 2016, 2017, and the first three quarters of 2018. The bank originated 92 small business loans totaling \$22.9 million in 2016, 85 small business loans totaling \$13.9 million in 2017, and 85 small business loans totaling \$15.7 million in the first three quarters of 2018. Since the bank does not report small business loans, examiners did not use aggregate lending information for comparison purposes. D&B data for 2016 and 2017 provided a standard of comparison for the bank's small business lending.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although this evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

For the Community Development (CD) Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated October 26, 2015.

Interstate Banking and Branching Efficiency Act

The Interstate Banking and Branching Efficiency Act of 1994 require ratings and conclusions for each Multi-State Metropolitan Statistical Area (MSA) in addition to the rating and conclusions for overall performance. As PB's assessment area (AA) and all branches are located entirely within the Multi-State Boston-Cambridge-Newton, Massachusetts (MA)-New Hampshire (NH) MSA (Boston MSA), the evaluation presents a single rating and conclusions.

DESCRIPTION OF INSTITUTION

Background

PB is headquartered in Haverhill, (MA) and operates in the northern part of Essex County, MA and the southern part of Rockingham County, NH. PB is a stock bank that is wholly owned by mid-tier holding company Pentucket Bancorp, Inc. Pentucket Bancorp, Inc. is owned by a mutual holding company, Pentucket Bancorp, MHC. PB owns two subsidiaries. One is a foundation that makes donations on the bank's behalf. The second is Pentucket Securities Corp, which holds the bank's securities.

The institution received a "Satisfactory" rating at its previous FDIC Performance Evaluation dated October 26, 2015 based on ISI procedures. FDIC examiners rated both the Lending Test and CD Test "Satisfactory" while the DOB rated the CD Test "High Satisfactory".

Operations

PB operates six full-service branches in its AA. Four are in the northeastern part of MA and two in southern NH. The institution provides a variety of deposit services including checking, savings, money market deposit accounts, and certificates of deposit. PB offers home mortgage, commercial, agricultural, and consumer loans, with a primary focus on home mortgage and commercial lending. The bank also offers investment financial services and insurance sales. PB provides alternative banking services through internet and mobile banking, electronic bill pay, and 12 stand-alone automated teller machines (ATMs). The bank neither opened nor closed any branches since the previous evaluation, but established a deposit taking ATM in Haverhill, MA. PB is a member of the SUM Network, allowing customers to avoid ATM surcharges at thousands of participating ATMs across the country. No merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

Assets totaled approximately \$751 million as of September 30, 2018, and included total loans of \$598 million and total securities of \$104 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 09/30/18		
Loan Category	\$(000s)	%
Construction and Land Development	18,348	3.1
Secured by Farmland	246	0.0
Secured by 1-4 Family Residential Properties	303,174	50.7
Secured by Multifamily (5 or more) Residential Properties	19,341	3.2
Secured by Nonfarm Nonresidential Properties	177,235	29.6
Total Real Estate Loans	518,344	86.6
Agricultural Production and Other Loans to Farmers	402	0.1
Commercial and Industrial Loans	77,710	13.0
Consumer Loans	1,698	0.3
Other Loans	32	0.0
Total Loans	598,186	100.0
<i>Source: Reports of Condition and Income</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which examiners will evaluate its CRA performance. PB designated a single AA in the Boston MSA. The Boston MSA is a multi-state MSA that includes Essex County, MA and Rockingham County, NH. The bank added the cities of Lawrence, MA and Methuen, MA to its AA since the previous evaluation. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

The AA includes 79 census tracts (CTs) in Essex County, MA and Rockingham County, NH. These tracts reflect the following income designations according to the U.S. Census Bureau's 2015 American Community Survey (ACS):

- 22 low-income tracts,
- 11 moderate-income tracts,
- 37 middle-income tracts, and
- 9 upper-income tracts.

PB's AA has changed significantly from the previous evaluation due to the addition of Lawrence and Methuen and individual CT income level changes resulting from the 2015 ACS data, which became effective on January 1, 2017. There are low- and moderate-income CTs in Lawrence, MA; Haverhill, MA; and Methuen, MA. Additional moderate-income CTs are located in North Andover, MA and Derry, NH. PB's AA at the previous evaluation had 2 low-income CTs, 7 moderate-income CTs, 29 middle-income CTs, and 12 upper-income CTs.

The following table illustrates select demographics of the AA based on 2015 ACS data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	79	27.8	13.9	46.8	11.4	0.0
Population by Geography	382,342	24.5	14.9	47.6	13.0	0.0
Housing Units by Geography	149,409	22.7	16.5	48.5	12.3	0.0
Owner-Occupied Units by Geography	91,160	8.7	14.1	59.6	17.6	0.0
Occupied Rental Units by Geography	50,267	47.2	20.5	29.1	3.2	0.0
Vacant Units by Geography	7,982	29.0	17.7	44.5	8.8	0.0
Businesses by Geography	23,830	19.1	14.3	51.1	15.5	0.0
Farms by Geography	577	4.3	11.4	63.4	20.8	0.0
Family Distribution by Income Level	99,627	29.2	18.4	20.6	31.8	0.0
Household Distribution by Income Level	141,427	30.0	16.3	18.0	35.7	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$273,113
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH MD		\$90,150	Median Gross Rent			\$1,058
			Families Below Poverty Level			9.3%
<i>Source: 2010 U.S. Census & 2015 ACS Census and 2018 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>						

According to 2018 D&B data, there were 23,830 businesses. Gross annual revenues (GARs) for these businesses are below:

- 85.1 percent have \$1 million or less
- 6.3 percent have more than \$1 million
- 8.6 percent have unknown revenues

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represented the largest portion of businesses at 43.8 percent; followed by retail trade at 13.8 percent; non-classifiable establishments at 10.0 percent; construction at 9.9 percent; and finance, insurance, and real estate at 7.6 percent. In addition, 68.7 percent of area businesses have four or fewer employees, and 90.3 percent operate from a single location. D&B data for 2017 showed similar distribution of businesses by GAR level when compared to 2018. Large employers in the AA include Columbia Gas of Massachusetts, Lawrence General Hospital, Holy Family Hospital, and the Timberlane Regional School District.

Examiners used the 2016 and 2017 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. Median family income is analyzed at the Metropolitan Division (MD) level. The Cambridge-Newton-Framingham, MA MD contains the Essex County, MA portion of PB's AA and the Rockingham County-Strafford County, NH MD

contains the Rockingham County, NH portion of PB's AA. The following table presents the low-, moderate-, middle- and upper-income categories for both MDs.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham, MA MD Median Family Income (15764)				
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
Rockingham County-Strafford County, NH MD Median Family Income (40484)				
2016 (\$87,900)	<\$43,950	\$43,950 to <\$70,320	\$70,320 to <\$105,480	≥\$105,480
2017 (\$93,800)	<\$46,900	\$46,900 to <\$75,040	\$75,040 to <\$112,560	≥\$112,560
<i>Source: FFIEC</i>				

In the AA, there are 149,409 housing units. Of these, 61.0 percent are owner-occupied, 33.6 percent are occupied rental units, and 5.3 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the MA unemployment rate was 3.5 percent and 3.0 in Essex County, MA as of October 2018. The NH unemployment rate was 2.6 percent and 2.3 in Rockingham County, NH as October 2018. Unemployment rates have steadily declined throughout the evaluation period.

Competition

PB's AA is competitive in the market for financial services. According to the FDIC Deposit Market Share data as of June 2018, 19 financial institutions operated 96 full-service branches within the AA. Of these institutions, PB ranked 4th with a 7.6 percent deposit market share. For comparison, the top three institutions, TD Bank, NA; Santander Bank, NA; and Bank of America NA, control 46.1 percent of deposit market share.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2016, 396 lenders reported 15,776 residential mortgage loans originated or purchased. PB ranked 32nd out of this group of lenders, with a market share of 1.0 percent by number of loans. The three most prominent home mortgage lenders, Wells Fargo Bank, NA; Quicken Loans; and Residential Mortgage Services accounted for 13.6 percent of total market share. In 2017, 359 lenders reported 13,779 residential mortgage loans originated or purchased. PB's rank increased to 22nd out of this group of lenders, with a market share of 1.4 percent by number.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons against aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. The 2017 aggregate data shows that 125 institutions reported 24,875 small business loans in Essex County, MA and Rockingham County, NH, indicating a high degree of competition for this product.

Community Contact

As part of the evaluation process, examiners contact third parties active in the AA to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. Examiners referenced information provided by two community contacts. These include an economic development organization that serves the Essex County, MA part of the AA, and an affordable housing agency that serves the Rockingham County, NH part of the AA.

The community contact in Essex County, MA identified a significant need for affordable housing in the AA. As the demand for housing is greater than the supply and the general costs of housing (both purchase and rental) are increasing while wages remain stagnant, these factors magnify the need. Financing options are generally available for potential low- and moderate-income homebuyers who are able to find a home to purchase. The contact specifically cited the Federal Housing Administration and Massachusetts Housing Partnership loans as popular mortgage financing options for such borrowers. The contact also discussed the need for financing and technical assistance for very small start-up businesses in Essex County, MA citing a high level of entrepreneurship and self-employment in the area.

A second community contact also identified a need for affordable housing in the Rockingham County, NH part of the AA. This area differs from Essex County, MA because the need here is due to a low volume of rental properties and new construction is predominantly expensive homes. The contact also identified a significant need for institutions to offer a greater variety of non-conforming portfolio home purchase financing products because typical secondary market standards are too rigid for many low- and moderate-income borrowers in the area.

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 loans represent a primary credit need for the AA. This need exists in the form of home mortgage products accessible to low- and moderate-income borrowers in the AA as well as financing for the construction of affordable housing units to meet high demand. Examiners also identified a secondary need for small business loans, particularly those for start-up businesses.

The contacts also identified opportunities for financial institutions to participate in real estate development projects by providing construction loan financing or through community investment tax credits. Both contacts also identified the opportunity to provide community development services by participating in homebuyer education. Financial institutions are generally responsive to the credit and community development needs. In the NH part of the AA, competition is high amongst banks to finance approved affordable housing construction projects.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

PB demonstrated reasonable performance under the Lending Test. Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable given the institution's size, financial condition, and AA credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 92.2 percent over the past 12 calendar quarters from December 31, 2015, to September 30, 2018. The ratio ranged from a low of 82.6 percent as of December 31, 2015, to a high of 97.7 percent as of June 30, 2018. The average ratio increased from 84.3 percent at the previous evaluation and gradually increased during the evaluation period. PB maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 09/30/2018 (\$000s)	Average Net LTD Ratio (%)
Pentucket Bank	750,768	92.2
Haverhill Bank	395,671	83.6
North Shore Bank	855,404	98.7
Newburyport Five Cents Savings Bank	878,800	116.2
Optima Bank & Trust Company	524,176	92.1

Source: Reports of Condition and Income 12/31/15 through 09/30/18

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its AA. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	154	81.5	35	18.5	189	28,978	68.4	13,410	31.6	42,388
2017	193	85.4	33	14.6	226	38,613	79.7	9,864	20.3	48,477
Subtotal	347	83.6	68	16.4	415	67,591	74.4	23,274	25.6	90,865
Small Business										
2016	66	71.7	26	28.3	92	16,459	72.0	6,412	28.0	22,871
2017	58	68.2	27	31.8	85	6,561	47.2	7,339	52.8	13,900
2018	63	74.1	22	25.9	85	10,540	67.0	5,198	33.0	15,738
Subtotal	187	71.4	75	28.6	262	33,560	63.9	18,949	36.1	52,509
Total	534	78.9	143	21.1	677	101,151	70.6	42,223	29.4	143,374
<i>Source: 2016 and 2017 HMDA Reported Data, (*)2016, 2017, and three quarters of 2018 Bank Records</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the AA. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income CTs.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA. Examiners focused on the comparison to aggregate data. The following table shows the bank's performance in low-income CTs is lower than the aggregate level in 2016 and 2017. In 2016, the bank ranked 28th in lending in low-income CTs with a 0.9 percent market share by number. In 2017, this ranking increased to 24th with a 1.2 percent market share by number.

In the moderate-income CTs, PB's performance exceeded aggregate by 4.2 percent in 2016 and was slightly below aggregate by 0.4 percent in 2017. As for market share, in 2016 and 2017, the bank ranked 21st in lending in moderate-income CTs with a 1.3 percent and 1.4 percent market share by number, respectively. The market rankings for lending in low- and moderate-income CTs are relatively consistent with and in most cases moderately higher than the bank's overall market rank of 32nd and 22nd in the AA during 2016 and 2017.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	8.6	10.1	14	9.1	2,281	7.9
2017	8.7	13.7	22	11.4	3,664	9.5
Moderate						
2016	12.4	12.0	25	16.2	4,102	14.2
2017	14.1	15.9	30	15.5	5,070	13.1
Middle						
2016	58.2	55.5	84	54.5	16,318	56.3
2017	59.6	55.2	122	63.2	23,683	61.3
Upper						
2016	20.8	22.4	31	20.1	6,277	21.7
2017	17.6	15.2	19	9.8	6,196	16.0
Totals						
2016	100.0	100.0	154	100.0	28,978	100.0
2017	100.0	100.0	193	100.0	38,613	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Data; 2016 and /2017HMDA Reported Data; 2016-2017 HMDA Aggregate Data.</i>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the AA. The following table shows that the bank's performance in low-income CTs was 9.4 percent lower than demographics in 2016, but improved notably to align with demographics in 2017. Performance decreased slightly in the first three quarters of 2018. The increase in small business lending from 2016 to 2017 reflects the AA expansion that occurred in 2017 when PB added Lawrence, MA and Methuen, MA. This change added 18 new low-income CTs (out of 22) to the AA. The positive trend observed in 2017 aligns with the bank's efforts to serve these new areas after 2016.

Performance in moderate-income CTs was 3.0 percentage points lower than demographics in 2016, but improved in 2017 to align with demographics. Performance decreased slightly in the first three quarters of 2018.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2016	17.0	5	7.6	2,285	13.9
2017	19.2	10	17.2	647	9.9
2018	19.1	10	15.9	917	8.7
Moderate					
2016	10.6	5	7.6	617	3.7
2017	14.2	8	13.8	863	13.2
2018	14.3	6	9.5	976	9.3
Middle					
2016	53.0	45	68.2	10,377	63.0
2017	51.3	32	55.2	4,543	69.2
2018	51.1	40	63.5	7,990	75.8
Upper					
2016	19.4	11	16.7	3,180	19.3
2017	15.3	8	13.8	508	7.7
2018	15.5	7	11.1	657	6.2
Totals					
2016	100.0	66	100.0	16,459	100.0
2017	100.0	58	100.0	6,561	100.0
2018	100.0	63	100.0	10,540	100.0
<i>Source: 2016, 2017 & 2018 D&B Data and Bank Records</i>					

Borrower Profile

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

Home Mortgage Loans

The distribution of borrowers reflects reasonable penetration among individuals of different income levels. Examiners emphasized performance compared to the aggregate and market share rankings.

PB's lending to low-income individuals exceeded the aggregate performance in 2016 and 2017. As for market share, in 2016, the bank ranked 21st in lending to low-income borrowers with a 1.4 percent market share by number. In 2017, PB's ranking improved slightly to 18th with a 1.5 percent market share by number.

PB's lending as well as aggregate lending to low-income families is notably lower than demographics in 2016 and 2017. The percentage of families living below the poverty level (9.3 percent in the AA) partially explains this discrepancy. Additionally, considering the AA's median housing value of \$273,113, a low-income individual would be less likely to qualify for a mortgage under conventional underwriting standards. Therefore, opportunities for lending to low-income families are relatively limited.

In 2016, the bank's lending to moderate-income borrowers was better than the aggregate and demographics. In 2017, lending to moderate-income borrowers declined. The bank's lending was less than aggregate, but remained above demographics. As for market share, in 2016 and 2017, the bank ranked 25th in lending to moderate-income borrowers with a 1.1 percent and 1.2 percent market share by number, respectively.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	26.3	7.7	17	11.0	1,771	6.1
2017	29.2	9.7	20	10.4	2,036	5.3
Moderate						
2016	18.7	22.0	38	24.7	4,945	17.1
2017	18.4	25.3	42	21.8	6,068	15.7
Middle						
2016	21.3	23.8	42	27.3	7,123	24.6
2017	20.6	23.4	57	29.5	12,193	31.6
Upper						
2016	33.7	28.7	41	26.6	9,671	33.4
2017	31.8	25.6	58	30.1	14,693	38.1
Not Available						
2016	0.0	17.8	16	10.4	5,468	18.9
2017	0.0	16.0	16	8.3	3,623	9.4
Totals						
2016	100.0	100.0	154	100.0	28,978	100.0
2017	100.0	100.0	193	100.0	38,613	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Data; 2016 and 2017 HMDA Reported Data; 2016-2017 HMDA Aggregate Data.</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank originated 42.4 percent of loans to businesses with GARs of \$1 million or less in 2016 with the percentage increasing slightly year over year. Although the bank's performance is notably below demographic data for both years, performance is still reasonable when considering the high level of competition in the AA and a positive trend since the previous evaluation. According to 2017 aggregate data, the top five small business lenders were national banks and credit card companies with an average loan size below \$30,000. The top five small business lenders captured 58.6 percent of this market. Given the level of competition and positive trend, the bank's performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2016	85.1	28	42.4	4,693	28.5
2017	85.3	25	43.1	1,643	25.0
2018	85.1	28	44.4	3,037	28.8
>\$1,000,000					
2016	6.3	29	43.9	9,058	55.0
2017	6.3	20	34.5	4,063	61.9
2018	6.3	31	49.2	6,922	65.7
Revenue Not Available					
2016	8.6	9	13.6	2,708	16.5
2017	8.4	13	22.4	855	13.0
2018	8.6	4	6.3	581	5.5
Totals					
2016	100.0	66	100.0	16,459	100.0
2017	100.0	58	100.0	6,561	100.0
2018	100.0	63	100.0	10,540	100.0
<i>Source: 2016, 2017 & 2018 D&B Data and Bank Records</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

PB's community development performance demonstrated adequate responsiveness to the community development needs of its AA through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

PB originated 47 community development loans totaling approximately \$34.4 million during the evaluation period. This level of activity represents 5.0 percent of average total assets and 6.5 percent of average total loans since the prior CRA evaluation. This number increased significantly from seven loans totaling approximately \$6.9 million during the prior evaluation period. Of the 47 community development loans, 16 totaling \$9.2 million were for affordable housing projects, 5 totaling \$6.3 million were for community services, and 4 totaling \$16.1

million were for revitalization projects. Additionally, the bank supported a large number of economic development projects during the evaluation period with 22 loans for \$2.8 million.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	2	1,150	2	585	0	0	1	432	5	2,167
2016	6	1,616	3	5,710	8	1,576	3	15,700	20	24,602
2017	5	1,165	0	0	7	746	0	0	12	1,911
2018	3	5,277	0	0	7	501	0	0	10	5,778
YTD 2019	0	0	0	0	0	0	0	0	0	0
Total	16	9,208	5	6,295	22	2,823	4	16,132	47	34,458

Source: Bank Records

The following are notable examples of community development loans:

- In 2016, the bank provided a \$7.5 million loan as part of a participation of a larger \$32 million revitalization project located in a low-income census tract in Lawrence. The project provided funds to renovate and refinance an office building as part of a two million square-foot office park. The project provides space for multiple tenants including six Massachusetts state agencies and creates additional employment opportunities.
- In 2016, the bank provided a \$6.6 million loan to convert two commercial condominium units as part of a larger revitalization project located in a low-income census tract in Haverhill. The new building will provide retail space, office space, and affordable housing.
- In 2018, the bank provided a \$4 million loan to renovate 117 residential units in a low-income census tract in Haverhill. Proceeds purchased new windows, roofing, plumbing, and funded several other updates. The property provides affordable housing for low-income seniors and/or disabled residents whereby a majority receives Medicaid.

Qualified Investments

PB made 245 qualified investments totaling approximately \$2.6 million. Of these, two are equity investments for nearly \$2.3 million. The \$2.3 million includes one prior period investment totaling \$250,000 and a new investment for \$2 million. Equity investments equate to 0.3 percent of average total assets and 2.0 percent of average total securities since the last evaluation. PB's total qualified investments represent a moderate increase from 228 qualified investments totaling approximately \$2.2 million during the prior evaluation period.

The bank also made 226 qualified donations totaling approximately \$314,000 and the Pentucket Bank Charitable Foundation made 17 donations for approximately \$65,000, for a combined total of \$379,000. Of the total dollar amount of donations, 92.6 percent benefitted community service organizations.

Of the total dollar amount of equity investments and donations, 86.2 percent were for affordable housing. This was due to the new \$2 million equity investment. These investments demonstrate the bank’s responsiveness, particularly to the need for an increased supply of affordable housing. Community contacts identified affordable housing as a need. 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	1	250	0	0	0	0	0	0	1	250
2015	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0
2017	0	0	0	0	0	0	0	0	0	0
2018	1	2,000	0	0	0	0	0	0	1	2,000
YTD 2019	0	0	0	0	0	0	0	0	0	0
Subtotal	2	2,250	0	0	0	0	0	0	2	2,250
Qualified Grants & Donations	11	17	218	351	8	7	6	4	243	379
Total	13	2,267	218	351	8	7	6	4	245	2,629

Source: Bank Records

The following are notable examples of qualified investments:

Prior Period Investments

- **New Hampshire Community Loan Fund** - The bank continues to participate in the New Hampshire Community Loan Fund. The New Hampshire Community Loan Fund provides financing and support for individuals with low- and moderate-incomes to find affordable housing, quality jobs, childcare, and early education for their children, and helps them become financially independent.

Current Period Investments

- **Ginnie Mae Multi-family Real Estate Mortgage Investment Conduit (REMIC) Trust** - In 2018, the bank invested into the nationwide fund in which multi-family properties secure the underlying mortgages. The bank’s \$2 million investment targeted a Housing and Urban Development (HUD)-subsidized property that provides affordable housing in Haverhill. All units are for low- and moderate-income individuals who pay 30 percent of their gross income less HUD deductions for rent.

The following are notable examples of organizations that received donations:

- **Opportunity Works** - This non-profit organization provides community services including specialized day habilitation, recreational services, and other programs for disabled adults in the bank's AA. All individuals served by Opportunity Works are low- and moderate-income.

- ***Working Cities Grant Partnership*** - Haverhill was one of five Massachusetts cities awarded a Federal Reserve Bank of Boston grant for initiatives focused on neighborhood revitalization, workforce development, and improving access to economic opportunity for projects implemented over a three-year period. PB contributed to this initiative in 2016.
 - ***Lawrence Partnership*** - This partnership is a coalition of leaders coordinating resources and ideas to invest in people and nurture small business owners by providing training, generating career paths, and catalyzing workforce and economic development to lift residents to a greater prosperity to become more independent.
 - ***Salem Family Resources*** - This non-profit organization, established by The United Way, organizes early childhood programs and resources for parents of young children in the Greater Salem, NH area. The donation helps fund their Head Start program that primarily serves low-income individuals.
 - ***Isaiah 58 New Hampshire*** - This non-profit organization's mission is to end homelessness in western Rockingham County, NH. The organization provides food, shelter, transitional/ affordable housing, homelessness prevention counseling, life skills training, educational and clinical support, and employment training to help individuals achieve independence.
- Emmaus House, Incorporated*** - Located in Haverhill, this organization provides immediate assistance and long-term solutions for homelessness through emergency shelters and affordable housing for low- and moderate-income individuals and families.
- ***Liz Murphy Open Hand Pantry*** - This organization is a federally funded food pantry that provides community services to low- and moderate-income individuals and households. The pantry aids in feeding the needy in the greater Haverhill area and provides necessities to over 300 Haverhill households each month.

Community Development Services

During the evaluation period, employees provided 519 instances of financial expertise or technical assistance to 41 different community development-related organizations. Some of the services included in the following table benefitted the regional or statewide area. The following table illustrates 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
	#	#	#	#	#
2015	8	41	0	0	49
2016	17	103	6	0	126
2017	11	132	9	0	152
2018	9	177	6	0	192
YTD 2019	0	0	0	0	0
Total	45	453	21	0	519
<i>Source: Bank Records</i>					

Employee Involvement

The following are notable examples of community development services:

- ***Bethany Community Services*** - A senior vice president served as a Board member. Bethany Community Services provides safe and affordable independent housing to low- and moderate-income seniors. Bethany Community Services provides a wide range of activities, trips, wellness and mental healthcare, personal assistance, transportation, and meals to those who are aging in place, allowing them to remain independent and within the community.
- ***Community Action, Incorporated*** - A vice president served on the Board. This Haverhill-based community service organization envisions strong, thriving communities free of poverty and provides resources and opportunities for individuals, families, and communities to overcome poverty.
- ***Emmaus, Incorporated*** - A management member served on the Board. Emmaus Inc. serves the homeless, disadvantaged, disabled, unemployed, and the oppressed. Their goal is to enhance societal and personal advancement through housing and support services that empower individuals and families to reach their fullest potential. Emmaus programs include emergency shelters, affordable housing, homelessness prevention and housing stabilization services, and education and job training, as well as community outreach.
- ***Boys and Girls Club of Greater Haverhill*** - A vice president served on the Board. The Boys and Girls Club looks to inspire and enable all young people, especially those who need them most, to realize their full potential as productive, responsible, and caring citizens. The Boys and Girls Club provides the low- and moderate-income youth of Greater Haverhill with a safe, clean, wholesome environment that allows its members to strive towards excellence.

- ***Rebuilding Together Greater Haverhill*** - Multiple employees served on the Board. This organization preserves and revitalizes homes and communities assuring that income-challenged homeowners, particularly older adults, veterans, disabled, or families with children live in warmth, safety, and independence.

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.

APPENDIX

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedure pursuant to Regulatory Bulletin 1.3-106. 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 noted no evidence of disparate treatment.

The bank's fair lending performance has an adequate level of written policies and procedures, training, and marketing efforts specific to fair lending. The bank has six bi-lingual employees who can provide services in three different languages including Spanish, French, and Arabic.

Examiners recommended including marketing personnel in the fair lending trainings provided by the bank to new employees and annual refresher trainings as deemed practicable by bank management.

MINORITY APPLICATION FLOW

Examiners reviewed Pentucket Savings Bank's 2016 and 2017 HMDA LARs to determine if the application flow from the different racial groups within the institution's AA reflected the AA's demographics.

According to the 2010 U.S. Census Data, the bank's AA contained a population of 382,342 individuals of which 28.6 percent are minorities. The AA's minority and ethnic population is 1.4 percent Black/African American, 2.5 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 23.3 percent Hispanic or Latino, and 1.3 percent other.

In 2016, the bank received 189 HMDA reportable loan applications from within its AA. Of these applications, the bank received 9 or 4.2 percent from minority applicants. The aggregate received 22,727 HMDA reportable loan applications of which 1,319 or 5.8 percent were from minority applicants. For the same period, the bank also received 19 or 8.8 percent of applications from ethnic groups of Hispanic origin within its AA as compared to the aggregate that received 2,917 applications or 12.8 percent.

In 2017, the bank received 226 HMDA reportable loan applications from within its AA. Of these applications, the bank received 7 or 2.6 percent from minority applicants. The aggregate received 19,446 HMDA reportable loan applications of which 1,239 or 6.4 percent were from minority applicants. For the same time, the bank received 21 or 7.9 percent of applications from ethnic groups of Hispanic origin within its AA as compared to the aggregate that received 2,632 applications or 13.6 percent.

Refer to the following table for information on the bank's minority application flow as well as the aggregate in the bank's AA.

MINORITY APPLICATION FLOW						
RACE	Bank 2016		2016 Aggregate Data	Bank 2017		2017 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.5	0	0.0	0.3
Asian	5	2.3	1.9	3	1.1	1.9
Black/ African American	1	0.5	2.2	1	0.4	2.6
Hawaiian/Pacific Islander	0	0.0	0.2	2	0.8	0.4
2 or more Minority	0	0.0	0.1	0	0.0	0.1
Joint Race (White/Minority)	3	1.4	0.9	1	0.4	1.1
Total Minority	9	4.2	5.8	7	2.6	6.4
White	179	83.3	73.2	244	91.4	71.2
Race Not Available	27	12.6	21.0	16	6.0	22.5
Total	215	100.0	100.0	267	100.0	100.0
ETHNICITY						
Hispanic or Latino	16	7.4	11.7	15	5.6	12.5
Not Hispanic or Latino	169	78.6	67.3	231	86.5	64.9
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.4	1.1	6	2.3	1.1
Ethnicity Not Available	27	12.6	19.0	15	5.6	21.6
Total	215	100.0	100.0	267	100.0	100.0

The bank's performance for applications to racial minorities was below aggregate and decreased in 2017. Application flow with respect to ethnicity was below aggregate for Hispanic borrowers. It should be noted that the bank operates in a highly competitive area for financial offerings and in an AA comprised of numerous low- and moderate-income census tracts. The bank remains cognizant of its minority application flow as it regularly tracks and monitors and employs business strategies to improve the percentage of Hispanic loan applications. Considering the demographic composition of the AA and the bank's strategies, examiners considered the bank's minority application flow adequate.

GLOSSARY

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

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county 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;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

Core Based Statistical 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).

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

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

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

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

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

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement, and temporary-to-permanent construction loans.

Home Mortgage Loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multi-family (five or more families) dwelling loans, loans to purchase manufactured homes, and refinancings of home improvement and home purchase loans.

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households are only one person, median household income is usually less than median family income.

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

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

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

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

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

Nonmetropolitan Area: All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

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

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

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