

PUBLIC DISCLOSURE

April 25, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PeoplesBank
Certificate Number: 90213

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Holyoke, Massachusetts 01040

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.

TABLE OF CONTENTS

Institution Rating	
Overall Rating	1
Performance Test Ratings Table	1
Summary of Major Factors Supporting Rating.....	1
Institution	
Scope of Evaluation	3
Description of Institution	5
Description of Assessment Area	7
Conclusions on Performance Criteria	11
Discriminatory or Other Illegal Credit Practices Review	27
Appendix	
A – Fair Lending Policies and Procedures (Division of Banks)	28
B – Glossary	30

INSTITUTION'S CRA 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		X	
High Satisfactory			X
Satisfactory**	X		
Needs to Improve			
Substantial Noncompliance			

* The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating.

** 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.

The following summarizes the bank's Lending, Investment, and Service Test performances.

The Lending Test is rated Satisfactory.

- The lending activity reflects excellent responsiveness to assessment area credit needs.
- A high percentage of home mortgage and small business loans were originated within the assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among borrowers of different income levels and businesses of different sizes.
- The bank uses innovative and flexible lending programs to serve the assessment area's credit needs during the evaluation period.
- The bank originated a low level of community development loans.

The Investment Test is rated Outstanding.

- The bank has an excellent 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 excellent responsiveness to credit and community economic development needs.
- The bank makes extensive use of innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the 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.
- The bank's business hours and services do not vary in a way that inconveniences portions of the assessment area, particularly low- and moderate-income geographies and low- and moderate-income individuals.
- The institution provides a relatively high level of community development services.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation, dated May 4, 2015, to the current evaluation dated April 25, 2018. Examiners used Large Institution CRA Examination Procedures to evaluate PeoplesBank's performance. These procedures include three tests: Lending, Investment, and Service.

Demographic and economic information referenced in the evaluation was obtained from the 2010 United States (U.S.) Census, 2015 American Community Survey (ACS), D&B, Moody's Analytics, and U.S. Bureau of Labor Statistics. The institution's financial data was obtained from the December 31, 2017, Report of Income and Condition (Call Report).

The Lending Test evaluated the bank's performance using the following criteria:

- Lending activity
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Innovative or flexible lending practices
- Community development lending

The Investment Test evaluated the bank's performance using the following criteria:

- The dollar amount of qualified investments
- The innovativeness or complexity of qualified investments
- The responsiveness of qualified investments to credit and community developments needs
- The degree to which the qualified investments are not routinely provided by private investors

The Service Test evaluated the bank's performance using the following criteria:

- Accessibility of delivery systems
- Changes in branch locations
- Reasonableness of business house and services
- The extent, innovativeness, and responsiveness of community development services

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 originated or purchased significantly more home mortgage loans by both number and dollar amount than small business loans during the evaluation period; therefore, home mortgage lending performance carried greater weight in

assigning the Lending Test rating. No other loan types, such as small farm loans or consumer loans, represent a major product line; therefore, these loans provided no material support for conclusions or ratings and are not presented in this evaluation. Furthermore, the bank's affiliates do not originate residential or commercial loans; therefore, this evaluation does not include an analysis of affiliate lending activities.

Examiners reviewed all loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) for 2016 and 2017. The LARs contain data about home purchase and home improvement loans, including refinances of one-to-four family and multi-family properties. The bank reported 650 loans totaling \$315.7 million in 2016 and 612 loans totaling \$197.1 million in 2017. Examiners compared the bank's home mortgage lending performance to 2016 and 2017 aggregate lending data and to demographic data. Aggregate data includes all lending activity within the bank's assessment area from HMDA reporting institutions.

Examiners also reviewed all small business loans reported on the bank's CRA Loan Registers for 2016 and 2017. The registers contain information on originated commercial real estate and commercial and industrial loans with original balances of \$1 million or less. The bank reported 83 small business loans totaling \$21.4 million in 2016 and 82 small business loans totaling \$17.4 million in 2017. Examiners compared the bank's performance to 2016 aggregate data, the most recent year of available CRA aggregate data, and to D&B business demographic data. CRA aggregate data includes all small business loans reported in the bank's assessment area; however, aggregate data excludes activity of many institutions not required to report such data.

For the Lending Test, examiners reviewed both the number and dollar volume of home mortgage and small business loans for 2016 and 2017; however, examiners focused on the number of loans when assessing bank performance, as it better indicates the number of individuals and businesses served. The evaluation considered the bank's innovative or flexible lending programs and community development loans, investments, and services since the prior CRA evaluation dated May 4, 2015.

The CRA requires separate performance analyses and conclusions in each metropolitan statistical area (MSA) where the bank maintains branch offices. All PeoplesBank branch offices, including the main office, are located within the Springfield, MA MSA. Therefore, examiners performed a full-scope review of bank performance in the Springfield, MA MSA.

DESCRIPTION OF INSTITUTION

Background

PeoplesBank is a savings bank headquartered in Holyoke, Massachusetts that operates in southwestern Massachusetts. PeoplesBancorp, MHC, a mutually owned, one-bank holding company also headquartered in Holyoke, wholly owns PeoplesBank. The bank maintains several subsidiaries:

- **PBHQ Whitney, Inc.** - manages the bank's headquarters facility,
- **Arundo, Inc.** - a Massachusetts securities corporation,
- **TNOP, Inc.** - holds other real estate owned property,
- **PB Partners, Inc.** - a Massachusetts securities corporation, and
- **NEFWC, Inc.** - an entity formed to manage a low-income housing investment in Springfield, Massachusetts.

The institution received a Satisfactory rating at its previous joint FDIC and Division CRA Performance Evaluation, dated May 4, 2015, based on Interagency Large Institution Examination Procedures.

Operations

PeoplesBank operates 19 full-service branches and its main office throughout the Springfield, MA MSA. The main office and 14 branches are located in Hampden County, and 5 branches are located in Hampshire County. The bank also operates 24 deposit-taking ATMs, two of which are stand-alone ATMs. In addition, the bank maintains seven non-deposit taking ATMs, six of which are outside of the branch network.

On March 1, 2017, the bank relocated the main office from 314 High Street, Holyoke, Massachusetts to 330 Whitney Avenue, Holyoke, Massachusetts. In 2017, the bank closed a stand-alone ATM located at 6 North Westfield Street, Feeding Hills, Massachusetts. PeoplesBank did not close any branches and no merger or acquisition activities occurred since the previous evaluation.

PeoplesBank offers a variety of lending and deposit products for consumers and businesses. Lending products include home mortgage, commercial, and consumer loans, with home mortgage and commercial lending representing the primary business focus. Home mortgage lending types include conventional fixed and variable rate loans, jumbo loans, home equity lines of credit, construction loans, secondary market loans, home loan modifications, and special loan programs for first-time homebuyers. Commercial loan offerings include fixed loans, term loans, lines of credit, and government guaranteed loans. PeoplesBank offers various checking and savings deposit products, as well as insurance and investment services. Alternative banking services include online and mobile banking with electronic bill pay.

Ability and Capacity

Assets totaled \$2.4 billion as of December 31, 2017, and included total loans of \$1.8 billion and securities totaling \$375.4 million. The bank's assets grew by 18.8 percent since the prior evaluation, primarily due to loan growth. Loans secured by non-farm non-residential real estate and commercial and industrial loans represent the largest percentage of the loan portfolio at 47.7 percent. Home mortgage lending, consisting of one-to-four family and multi-family properties, also represents a significant percentage of the loan portfolio at 46.5 percent. The loan portfolio composition is similar to the previous evaluation.

The table below illustrates PeoplesBank's loan portfolio distribution as of December 31, 2017.

Loan Portfolio Distribution as of December 31, 2017		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	90,278	5.0
Secured by 1-4 Family Residential Properties	700,721	39.5
Secured by Multi-family (5 or more) Residential properties	123,576	7.0
Secured by Non-farm Non-Residential Properties	651,036	36.7
Total Real Estate Loans	1,565,611	88.2
Commercial and Industrial Loans	190,714	11.0
Consumer	6,199	0.0
Obligations of States and Political Subdivisions in the U.S.	13,246	0.8
Total Loans	1,775,770	100.0
<i>Source: December 31, 2017 Call Report</i>		

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to designate an assessment area within which its CRA performance will be evaluated. PeoplesBank designated a single assessment area that includes the entire Springfield, MA MSA, which comprises Hampshire and Hampden Counties. The following list of Massachusetts cities and towns form the bank's assessment area.

Hampshire County (Springfield, MA MSA):

- Amherst
- Belchertown
- Chesterfield
- Easthampton
- Granby
- Hadley
- Hatfield
- Huntington
- Northampton
- Pelham
- South Hadley
- Southampton
- Ware
- Westhampton
- Williamsburg
- Worthington

Hampden County (Springfield, MA MSA):

- Agawam
- Blandford
- Brimfield
- Chicopee
- East Longmeadow
- Hampden
- Holyoke,
- Longmeadow
- Ludlow
- Monson
- Palmer
- Southwick
- Springfield
- Wales
- West Springfield
- Westfield
- Wilbraham

Economic and Demographic Data

The assessment area includes all 139 census tracts in Hampshire and Hampden Counties. These tracts reflect the following income designations according to 2015 ACS data:

- 24 low-income tracts,
- 22 moderate-income tracts,
- 43 middle-income tracts,
- 46 upper-income tracts, and
- 4 tracts with no income designation

The low- and moderate-income census tracts are primarily concentrated in the City of Springfield, followed by the City of Holyoke. All assessment area census tracts are included within the MSA; therefore, there are no non-metropolitan distressed or underserved census tracts within the assessment area.

The evaluation of home mortgage lending includes comparisons to 2016 demographic data, which is based on 2010 U.S. Census data. The Lending Test also includes comparisons to 2017 demographic data, which is based on 2015 ACS data. The 2016 and 2017 demographic information is generally consistent; however, the net change in census tract income designations resulted in two additional low-income tracts and four fewer moderate-income tracts in the assessment area.

The following table illustrates select 2017 demographic information for the assessment area, which is the most current demographic data.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	139	17.3	15.8	30.9	33.1	2.9
Population by Geography	628,800	14.3	15.3	31.8	35.7	2.9
Housing Units by Geography	254,960	14.1	16.0	34.5	35.2	0.1
Owner-Occupied Units by Geography	147,690	4.7	12.4	36.2	46.6	0.0
Occupied Rental Units by Geography	87,841	28.4	21.1	32.4	17.9	0.3
Vacant Units by Geography	19,429	20.9	20.7	31.2	26.8	0.4
Businesses by Geography	35,634	14.3	15.3	29.5	40.0	0.9
Farms by Geography	1,093	2.4	6.0	33.6	57.7	0.3
Family Distribution by Income Level	149,875	24.6	15.7	17.9	41.8	0.0
Household Distribution by Income Level	235,531	27.1	14.5	15.5	42.9	0.0
Median Family Income MSA - 44140 Springfield, MA MSA		\$67,381	Median Housing Value			\$209,221
			Median Gross Rent			\$856
			Families Below Poverty Level			12.0%
Source: 2010 U.S. Census, 2015 ACS Census, and 2017 D&B Data Due to rounding, totals may not equal 100.0 (*) The NA category consists of geographies that have not been assigned an income classification.						

Approximately 12.0 percent of families are below poverty level, creating challenges for making home mortgage loans to low-income individuals. The poverty rate typically indicates a reduced ability to secure a mortgage loan, especially considering the median housing value of \$209,221. The demographic table also shows low distributions of owner-occupied housing units in the low- and moderate-income tracts, which suggests limited opportunities for lenders to make home mortgage loans in those geographies. Only 4.7 percent of owner-occupied units are located in low-income census tracts, and 12.4 percent of owner-occupied units are located in moderate-income census tracts.

The Federal Financial Institutions Examination Council (FFIEC) updated median family income levels were used to analyze home mortgage loans under the Borrower Profile criterion. The following table presents low-, moderate-, middle-, and upper-income categories for the Springfield, MA MSA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Springfield, MA MSA Median Family Income (44140)				
2016 (\$68,000)	<\$34,000	\$34,000 to <\$54,400	\$54,400 to <\$81,600	≥\$81,600
2017 (\$66,600)	<\$33,300	\$33,300 to <\$53,280	\$53,280 to <\$79,920	≥\$79,920
Source: FFIEC				

Data from the U.S. Bureau of Labor Statistics indicates that 2017 unemployment rates were 5.0 percent and 3.4 percent for Hampden County and Hampshire County, respectively. The Hampden County unemployment rate exceeded the statewide unemployment rate of 3.7 percent. Unemployment rates have decreased since the prior evaluation, reflecting an improving economy.

According to 2017 D&B data, 35,634 non-farm businesses operated within the assessment area. The analysis of small business loans under the Borrower Profile section of the Lending Test compares the bank's lending to the distribution of businesses by gross annual revenue (GAR) level. Percentages of businesses in each GAR category in the assessment area are as follows:

- 81.8 percent have \$1 million or less
- 6.4 percent have more than \$1 million
- 11.8 percent did not report revenues

Service industries represent the largest portion of businesses at 45.8 percent; followed by retail trade at 14.7 percent; and finance, insurance, and real estate at 8.7 percent. In addition, 69.3 percent of businesses in the area employ four or fewer people, and 86.8 percent of businesses in the area operate from a single location. These particularly small businesses may use alternative financing, such as home-secured or credit card loans, to fund business operations.

According to Moody's Analytics, the top employers in the Springfield, MA MSA are University of Massachusetts, Baystate Health, Big Y Supermarkets, and Westover Air Reserve Base. Moody's also indicated that the Springfield, MA housing market is weak but improving, home price appreciation is accelerating, and residential building is increasing.

Competition

According to FDIC Deposit Market Share data as of June 30, 2017, there were 20 depository institutions operating 192 offices within the assessment area. PeoplesBank ranked third with \$1.7 billion in deposits, reflecting a market share of 11.0 percent. Westfield Bank, Easthampton Savings Bank, and Florence Bank represent other local banks with over \$1.0 billion in deposits. Each of these banks operates predominantly or exclusively within the assessment area. The top two depository institutions in the area were Bank of America (13.6 percent) and TD Bank (11.3 percent), with a combined 24.9 percent market share. Large regional banks such as KeyBank, Citizens Bank, and People's United Bank also have a strong deposit presence in the area. The number of national, regional, and community banks within the assessment area creates significant competition for PeoplesBank.

For home mortgage lending, PeoplesBank faces significant competition from larger financial institutions and mortgage companies that operate on a regional or national basis. In 2017, 322 HMDA-reporting institutions originated or purchased 14,820 loans in the assessment area. PeoplesBank ranked fourth with a 3.3 percent market share. Florence Bank ranked 10th (2.5 percent), Westfield Bank ranked 12th (2.4 percent), and Easthampton Savings Bank ranked 18th (2.0) percent. National mortgage companies comprise 6 of the top 10 home mortgage lenders in the assessment area.

Market share reports from 2017 show that local institutions had more success in making conventional loans, which represented 70.3 percent of total HMDA loans. Local banks or credit unions comprise 8 of the top 10 conventional mortgage lenders in the assessment area. Conversely, no local bank ranked within the top 100 for Federal Housing Administration (FHA) loans. National mortgage companies dominated the FHA market, which represented 21.3 percent of total HMDA loans.

For small business lending, PeoplesBank ranked 22nd among 80 small business lenders in the assessment area. PeoplesBank small business lending represented 0.5 percent of total market share, by number of loans. The top ten financial institutions held 79.2 percent of total market share, by number, and the majority of these institutions are either credit card institutions or national banks.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to assist in identifying the area's 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 contacted representatives from a community development corporation that serves Hampshire County and from an affordable housing organization that serves a broader regional area that includes the assessment area. The contacts highlighted that low-income individuals and those on fixed-incomes depend significantly on community services. Non-profit organizations provide these individuals with affordable access to quality health services, food, and housing. Flat household incomes despite rising housing costs have increased low-income individuals' reliance on community service support.

In Hampshire County, the lack of single-room occupancy units has increased the homeless population. In addition, the condition of the housing stock is a barrier to home ownership due to deferred maintenance costs. Potential low- and moderate-income homeowners require financing beyond purchasing a home in order to address critical repairs required in affordable homes.

Overall, the community contacts indicated that financial institutions have been responsive to the area's credit and community development needs.

Credit and Community Development Needs and Opportunities

Considering information from the community contacts, bank management, and demographic and economic data, examiners determined that affordable housing and community service support for

low- and moderate-income individuals represent the primary community development needs of the assessment area. Opportunities exist, particularly in the cities of Springfield and Holyoke, to support affordable housing and community services support through lending, investments, and services. These cities contain a high number of low- and moderate-income areas and individuals.

Credit products for first-time homebuyers and products that target low- and moderate-income borrowers are a credit need in the area. In particular, residential loan products with low down payment requirements are a primary credit need. Such products allow low- and moderate-income individuals to purchase affordable homes while retaining funds to make critical repairs often required in affordable homes.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank's overall Lending Test performance is rated Satisfactory. The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area by considering home mortgage, small business, and community development lending. The following sections address the bank's performance throughout the assessment area under each Lending Test factor.

Lending Activity

The bank's lending levels reflect excellent responsiveness to assessment area credit needs.

Home Mortgage Loans

PeoplesBank originated 490 home mortgage loans totaling \$198.9 million in 2016, and 491 home mortgage loans totaling \$90.8 million in 2017. In 2016, PeoplesBank ranked fourth with a market share of 3.2 percent out of 334 HMDA lenders. The bank trailed Wells Fargo Bank, Quicken Loans, and Merrimack Mortgage Company, LLC. PeoplesBank ranked fourth in 2017. The bank ranked ahead of all local banks in each year. PeoplesBank's lending volume in the assessment area, particularly given significant competition, reflects excellent responsiveness to assessment area credit needs.

Small Business Loans

The bank originated 67 loans totaling \$15.3 million 2016 and 61 loans totaling \$10.4 million in 2017. PeoplesBank ranked 22nd out of 80 small business loan reporters with a market share of 0.5 percent by number and 3.9 percent by dollar volume. The highest ranked lenders were mainly national banks and credit card companies. These lenders include Citibank, American Express, and Barrington Bank and Trust. The bank's small business loan activity reflects good responsiveness to assessment area credit needs.

Assessment Area Concentration

The bank made a high percentage of home mortgage and small business loans, by number and dollar volume, within its assessment area. PeoplesBank originated 77.7 percent by number and 57.2 percent by dollar amount of its combined home mortgage and small business loans within the assessment area. The following table illustrates the bank's lending inside and outside of the assessment area for each product type.

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	490	75.4	160	24.6	650	198,987	63.0	116,667	37.0	315,654
2017	491	80.2	121	19.8	612	90,817	46.1	106,297	53.9	197,114
Subtotal	981	77.7	281	22.3	1,262	289,804	56.5	222,964	43.5	512,768
Small Business										
2016	67	80.7	16	19.3	83	15,374	71.5	6,121	28.5	21,495
2017	61	74.4	21	25.6	82	10,442	59.7	7,056	40.3	17,498
Subtotal	128	77.6	37	22.4	165	25,816	66.2	13,177	33.8	38,993
Total	1,109	77.7	318	22.3	1,427	315,620	57.2	236,141	42.8	551,761
Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data										

The percentage of lending activity in the assessment area, by number of loans, remained generally consistent during the evaluation period. However, the percentage of home mortgage lending activity in the assessment area, by dollar volume, significantly decreased in 2017. Increased lending to first-time homebuyers, which resulted in a larger number of lower dollar loans, contributed to the decrease in loan dollar volume in the assessment area.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects adequate penetration throughout the assessment area. Strong lending in low-income tracts for both product types offset lower lending levels in moderate-income tracts. The bank's strong lending in low-income tracts and comparisons to similarly situated banks support adequate geographic distribution.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the assessment area. The following table demonstrates the geographic distribution of home mortgage loans.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	3.3	3.3	12	2.4	1,684	0.8
2017	4.7	5.3	36	7.3	4,528	5.0
Moderate						
2016	15.4	15.2	40	8.2	114,958	57.8
2017	12.4	13.8	39	7.9	4,523	5.0
Middle						
2016	41.4	40.6	215	43.9	36,599	18.4
2017	36.2	36.9	153	31.2	25,776	28.4
Upper						
2016	40.0	41.0	223	45.5	45,746	23.0
2017	46.6	43.9	263	53.6	55,990	61.7
Not Available						
2016	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.0	0	0.0	0	0.0
Totals						
2016	100.0	100.0	490	100.0	198,987	100.0
2017	100.0	100.0	491	100.0	90,817	100.0
Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 and 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0						

The bank's 2016 lending percentage in low-income census tracts slightly trailed aggregate data and the percentage of owner-occupied housing units. However, PeoplesBank ranked ninth out of 101 lenders with a 2.4 market share in low-income tracts. This ranking exceeded other local banks, with Chicopee Savings Bank (16th) the only other local bank in the top 20. Furthermore, the bank's performance in low-income census tracts significantly improved in 2017, as the bank tripled the number of loans in these geographies from the prior year. In addition to its lending percentage exceeding aggregate and demographic data, PeoplesBank ranked third in 2017 for lending in low-income tracts, slightly trailing Citizens Bank and Quicken Loans. This performance is noteworthy considering significant competition from national banks and mortgage companies.

PeoplesBank's 2016 performance in moderate-income census tracts trailed aggregate data and the percentage of owner-occupied housing units. The number and percentage of loans remained consistent in 2017, while aggregate and demographic percentages decreased; however, the bank still trailed these comparators.

Significant competition and favorable comparisons to similarly situated banks mitigate low lending activity in moderate-income tracts. HMDA market share reports indicate significant competition for local banks. With the exception of Florence Bank, which ranked 11th with a 2.1

percent market share, no local bank ranked in the top 20 in 2016 for lending in moderate-income tracts. PeoplesBank ranked 21st with a 1.7 percent market share, ahead of Westfield Bank (31st) and Easthampton Savings Bank (35th). In 2017, PeoplesBank improved to 12th in moderate-income tracts, which exceeded all other local banks. Four large national banks and seven mortgage companies ranked ahead of the bank.

As noted in the Description of Assessment Area section, national banks and mortgage companies dominate the FHA loan market. Within moderate-income tracts, FHA loans represented 43.1 percent of total loans in 2016 and 42.3 percent of total loans in 2017, double the percentage of FHA loans for the entire assessment area. For just conventional loans, PeoplesBank ranked 5th among 128 lenders in 2016 and 4th among 132 lenders in 2017 within moderate-income tracts.

Management indicated that all local banks struggle to compete with mortgage companies for FHA loans due to mortgage companies' FHA underwriting resources and expertise. Bank management created an in-house first-time homebuyer (FTHB) product in late 2015 to meet credit needs in low- and moderate-income areas. The bank's FTHB product has many flexible features similar to FHA loans, including low down payment requirements and closing cost credits. Most features of the bank's FTHB product are more favorable to the consumer than FHA loans, such as a lower minimum down payment, no upfront mortgage insurance premiums, and the ability to cancel mortgage insurance premiums during the loan term. The bank has experienced significant growth in originating FTHB loans during the review period.

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration throughout the assessment area. Strong penetration in low-income tracts and poor penetration in moderate-income tracts support the adequate conclusion overall. The following table illustrates the geographic distribution of small business loans.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	14.0	11.5	15	22.4	2,689	17.5
2017	14.3	--	15	24.6	2,638	25.3
Moderate						
2016	17.5	15.1	6	9.0	1,175	7.6
2017	15.3	--	6	9.8	1,057	10.1
Middle						
2016	34.0	35.6	23	34.3	5,465	35.5
2017	29.5	--	14	23.0	1,549	14.8
Upper						
2016	34.3	37.6	22	32.8	5,895	38.3
2017	40.0	--	26	42.6	5,198	49.8
Not Available						
2016	0.3	0.2	1	1.5	150	1.0
2017	0.9	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	67	100.0	15,374	100.0
2017	100.0	--	61	100.0	10,442	100.0
Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0						

In 2016, PeoplesBank performance in low-income census tracts significantly exceeded aggregate and demographic data. The bank's performance remained strong in 2017 and outperformed the demographic comparator by 10.3 percentage points.

In 2016, PeoplesBank performance in moderate-income census tracts significantly trailed aggregate and demographic data. The percentage of loans in moderate-income census tracts remained consistent in 2017, again trailing the demographic comparator. Market share reports for 2016 show that PeoplesBank ranked 26th out of 61 lenders in moderate-income census tracts, with a market share of 0.3 percent; however, most of the top 10 lenders in moderate-income tracts are national banks, which collectively capture 78.8 percent of the market.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among individuals of different income levels and businesses of different sizes. Reasonable performance in home mortgage and small business lending support this conclusion. Examiners focused primarily on the percentage, by number, of home mortgage loans extended 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 home mortgage loans to borrowers of different income levels, including low- and moderate-income, is adequate. Despite generally unfavorable comparisons to aggregate data for low- and moderate-income borrowers, the bank provided an adequate level of lending to these categories of borrowers. Favorable comparisons to other local banks and improved performance in 2017 primarily support this conclusion. The following table illustrates the distribution of home mortgage loans by borrower income level.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2016	23.6	5.5	14	2.9	1,106	0.6
2017	24.7	5.0	19	3.9	1,479	1.6
Moderate						
2016	16.1	19.2	72	14.7	8,450	4.2
2017	15.7	18.9	88	17.9	10,360	11.4
Middle						
2016	19.1	23.2	125	25.5	18,282	9.2
2017	17.9	23.2	103	21.0	15,689	17.3
Upper						
2016	41.2	37.1	253	51.6	55,577	27.9
2017	41.8	37.7	255	51.9	57,879	63.7
Not Available						
2016	0.0	15.1	26	5.3	115,572	58.1
2017	0.0	15.3	26	5.3	5,410	6.0
Totals						
2016	100.0	100.0	490	100.0	198,987	100.0
2017	100.0	100.0	491	100.0	90,817	100.0
<i>Source: 2010 U.S. Census & 2015 ACS Census, 1/1/2016 - 12/31/2017 Bank Data, 2016 and 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0</i>						

In 2016, the bank's performance in lending to low-income borrowers trailed aggregate data by 2.6 percentage points, and significantly trailed demographic data. However, the bank's performance improved in 2017, as the bank increased its lending percentage to low-income borrowers, moving within 1.1 percentage points of the aggregate percentage. High home values relative to low-income families earning approximately \$34,000 or less explains why both bank and aggregate performance fell well below the percentage of low-income families.

For 2016, market share reports for low-income borrowers indicate the bank performed comparably to local competitors. PeoplesBank ranked tied for 20th out of 119 lenders, with a 1.7 percent market share. It slightly trailed Westfield Bank (19th), tied Florence Bank (20th), and was ahead of Easthampton Savings Bank (30th). National banks and large mortgage companies primarily ranked ahead of local banks. For 2017, PeoplesBank's ranking for low-income

borrowers improved to tie for 12th, exceeding all three local bank competitors. The bank's improving trend in lending to low-income borrowers supports adequate performance.

The bank's 2016 performance in lending to moderate-income borrowers trailed aggregate data and slightly trailed demographic data. Its performance improved in 2017, as the bank increased its lending percentage to moderate-income borrowers, outperforming demographic data and trailing aggregate data by just one percentage point. Despite trailing the aggregate percentage for moderate-income borrower lending, market share reports support that the bank's performance is adequate. The bank ranked 8th in lending to moderate-income borrowers in both 2016 and 2017, outperforming local competitors each year. For conventional loans, PeoplesBank ranked third in 2016 and second in 2017 for loans to moderate-income borrowers.

Small Business Loans

The distribution of loans reflects adequate penetration to businesses of different sizes. The bank's increasing trend of loans to businesses with GARs of \$1 million or less primarily supports this conclusion. The following table demonstrates the distribution of small business loans by GAR category.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2016	81.8	40.8	26	38.8	6,117	39.8
2017	81.8	--	35	57.4	3,110	29.8
>1,000,000						
2016	6.4	--	41	61.2	9,257	60.2
2017	6.4	--	26	42.6	7,332	70.2
Revenue Not Available						
2016	11.8	--	0	0.0	0	0.0
2017	11.8	--	0	0.0	0	0.0
Totals						
2016	100.0	100.0	67	100.0	15,374	100.0
2017	100.0	--	61	100.0	10,442	100.0

Source: 2016 & 2017 D&B Data; 1/1/2016 - 12/31/2017 Bank Data; 2016 CRA Aggregate Data; "--" data not available.

In 2016, the bank's performance in lending to businesses with GARs of \$1 million or less aligns with the aggregate data, trailing by only 2.0 percentage points. The bank's performance in 2017 increased notably, as the bank increased its lending to business with GARs of \$1 million or less by 18.6 percentage points.

Market share data further supports the bank's adequate performance. The bank ranked 16th, with a 0.5 percent market share, out of 79 lenders in lending to businesses with GAR of \$1 million or less within the assessment area. The top ten financial institutions held 91.4 percent of total market share, by number, and the majority of these institutions are either credit card banks or

national banks. The bank is the seventh highest ranked local lender of small business loans in the assessment area.

Innovative and Flexible Lending

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: (1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and (2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

The following table illustrates the bank's originations of innovative and flexible loan products.

Innovative or Flexible Lending Programs										
Type of Program	2015*		2016		2017		2018**		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
FTHB	13	2,171	37	5,922	51	7,174	20	3,040	121	18,307
FHLB Equity Builder	7	989	10	1,259	9	1,006	0	0	26	3,254
MassHousing	1	151	1	152	0	0	0	0	2	303
FHA	6	1,310	0	0	0	0	0	0	6	1,310
Business Express	0	0	0	0	10	412	9	248	19	660
SBA 7(A)	1	100	3	400	7	904	2	125	13	1,529
SBA 504 CDC	0	0	2	297	4	484	0	0	6	781
Mass Bus Dev Corp Capital Access Plan Express	4	220	2	43	0	0	0	0	6	263
Totals	32	4,941	55	8,073	81	9,980	31	3,413	199	26,407

*Source: Bank Records; *May 4, 2015 – December 31, 2015; **January 1, 2018 – April 25, 2018.*

PeoplesBank makes use of innovative and flexible lending programs to assist meeting the credit needs of the area's low- and moderate-income residents and small businesses. The bank does this through residential and commercial products, increasing access to credit, and providing opportunities for homeownership and entrepreneurship. The bank's in-house FTHB programs and the Business Express program primarily support the positive conclusion under this criterion. These programs reflect new ways in which the bank meets the credit needs of low- and moderate-income individuals and small businesses in the assessment area. The following highlights innovative and flexible loan programs offered by the bank.

Home Mortgage Loan Programs

- **First-time Homebuyer (FTHB) Programs:** The FTHB programs are available to borrowers who have not previously owned a single- or two-family primary residence in Massachusetts. The bank offers four types of FTHB programs: Advantage, Plus, No

Income Limit, and Veterans Service Members. Two of the four FTHB programs (Advantage and Plus) have income limits with a maximum borrower income of \$33,300 and \$79,920 to qualify, respectively. As noted under Geographic Distribution, FTHB program features are similar to FHA loans, but generally more favorable to borrowers. During the evaluation period, PeoplesBank originated 183 loans totaling \$30.0 million under these programs, of which 121 loans totaling 18.3 million benefitted low- or moderate-income individuals.

- **Equity Builder Program (EBP):** The bank offers the Equity Builder Program (EBP) through the Federal Home Loan Bank (FHLB). This program offers flexible terms, conditions, and underwriting guidelines to help serve the credit needs of low- and moderate-income homebuyers. The FHLB offers its member banks grants to provide households with less than 80 percent of area median income with assistance in areas such as down payment, closing costs, and homebuyer counseling. The program includes a fixed-rate mortgage, and the bank provides a closing cost credit and a waiver of private mortgage insurance. This program also features a forgivable grant from the FHLB for the closing costs and down payment. The bank originated 26 loans totaling \$3.3 million during the evaluation period.
- **MassHousing Loan Programs:** PeoplesBank is a MassHousing-approved lender. MassHousing is a quasi-public authority designed to increase affordable home ownership opportunities. Loan programs are available for challenged groups such as first-time homebuyers and war veterans. Loan programs through MassHousing offer low down payments, competitive interest rates, reduced mortgage insurance premiums, and special programs for veterans such as *Operation Welcome Home*. Underwriting is flexible and mortgage payment protection is provided. During the evaluation period, PeoplesBank originated two loans totaling \$303,000 through MassHousing mortgage programs.
- **Federal Housing Administration (FHA):** As an FHA-approved lender, the bank offers FHA loans, which have more flexible standards when compared to conventional loans, including down payments of as little as 3.5 percent and credit scores as low as 500. The FHA insures these loans to offset credit risk for the bank. PeoplesBank originated six FHA loans totaling \$1.3 million during the evaluation period.

Commercial Loan Programs

- **Business Express Loan Program:** The bank developed this product in 2017 to meet the credit needs of small businesses. An entrepreneur or current small business owner can obtain start-up funding with loan amounts up to \$100,000 and with expedited loan origination processing. During the evaluation period, the bank originated 19 Business Express Loans totaling \$660,000.
- **The SBA 7A Program:** This program helps small businesses with expansion, start-up, or typical business expenses. PeoplesBank funds the loan, and the SBA provides a loan guarantee of 75 to 90 percent of the total loan amount, depending on how the proceeds are used. These SBA loans offer smaller down payments and flexible terms. During the evaluation period, the bank originated 13 loan totaling \$1.5 million through this program.

- **The SBA 504 CDC Program:** This program provides financing for the purchase of fixed assets, such as real estate, buildings, and machinery. The program works by distributing the loan among three parties: the business owner (10 percent), the financial institution (50 percent), and the SBA (40 percent). The bank originated six loans totaling \$781,000 during the evaluation period.
- **Massachusetts Business Development Corporation Capital Access Plan (CAP):** This program offers loans to create and expand smaller community-based businesses in an effort to create and maintain new jobs. PeoplesBank originated six loans totaling \$263,260 through this program during the evaluation period.

Community Development Lending

PeoplesBank's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; (2) the responsiveness of the institution's community development lending; and (3) the extent of leadership the institution has demonstrated in community development lending. PeoplesBank made a low level of community development loans.

During the evaluation period, PeoplesBank originated three community development loans totaling approximately \$4.2 million that directly benefit the assessment area. This represents a significant decrease since the last evaluation. The total dollar amount of community development loans originated during the evaluation period represents approximately 0.2 percent of PeoplesBank's total loans.

The following are the bank's community development loans originated during the evaluation period.

- In 2016, PeoplesBank originated a \$50,000 loan to a substance abuse treatment organization that operates three treatment centers, including one in Springfield, Massachusetts. The community service primarily benefits low- and moderate-income individuals.
- In 2017, the bank originated a \$3.2 million loan to rehabilitate a hotel by constructing 26 additional rooms. The hotel is located in a low-income tract in Downtown Springfield, Massachusetts, and the project was expected to create and retain jobs for low- and moderate-income individuals.
- In 2017, PeoplesBank originated a \$937,000 loan to a not-for-profit corporation that provides a comprehensive range of behavioral health services. This organization has locations in Hampden and Hampshire Counties. The organization primarily serves low- and moderate-income individuals.

INVESTMENT TEST

The bank's Investment Test performance is rated Outstanding. The following sections discuss bank performance under each criterion. PeoplesBank has an excellent level of qualified investments, and it exhibits excellent responsiveness to credit and community economic development needs. In addition, PeoplesBank makes extensive use of innovative and/or complex investments to support community development initiatives.

Investment Activity

Based upon the bank's financial ability, its capacity to invest, and the opportunities available within the assessment area, PeoplesBank made an excellent level of qualified investments and donations. During the evaluation period, PeoplesBank made 504 qualified investments totaling \$26.1 million, equating to 1.2 percent of average total assets. This total includes approximately \$19.7 million in current period equity investments, \$5.2 million in prior equity investments, and \$1.3 million in qualified grants and donations. Qualified investments increased significantly from the \$8.4 million that qualified at the previous evaluation.

The following table illustrates the bank's community development qualified investments.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	688	1	2,754	0	0	2	1,731	5	5,173
2015	1	2,478	0	0	0	0	0	0	1	2,478
2016	1	2,088	0	0	0	0	0	0	1	2,088
2017	2	4,000	2	11,110	0	0	0	0	4	15,110
Subtotal	6	9,254	3	13,864	0	0	2	1,731	11	24,849
Qualified Grants & Donations	43	136	408	790	10	30	32	304	493	1,260
Total	49	9,390	411	14,654	10	30	34	2,035	504	26,109
<i>Source: Bank Records</i>										

Equity Investments

Qualified equity investments totaled approximately \$24.8 million, equating to 6.2 percent of average securities. PeoplesBank's qualified equity investments increased significantly since the prior evaluation, when the bank had \$7.4 million in qualified equity investments. The following are examples of the bank's current and prior period equity investments.

Current Period Investments

- In 2017, the bank made two investments totaling \$4.0 million to the MassHousing Equity Fund. The project involves the preservation of 25 buildings containing 61 units in Springfield's Upper Hill neighborhood. It is the second phase of a larger plan to redevelop 59 scattered site buildings containing 136 units. All of the units will be set aside for low- and moderate-income individuals.

- In February 2016, PeoplesBank made a \$2.1 million investment in mortgage-backed securities offered through the Federal National Mortgage Association. The security consisted of a 500-unit apartment complex located in Springfield, Massachusetts. A majority of the units are designated for low-income individuals.
- In January 2017, PeoplesBank made a \$3.6 million investment in a MassDevelopment Finance Agency Revenue Bond. The bond will go towards the purchase and improvement of a building for a charter school in Springfield, Massachusetts. A majority of the school's students are from low- and moderate-income families.
- In August 2017, PeoplesBank made a \$7.5 million investment in a MassDevelopment Finance Agency Revenue Bond. Proceeds of the bond will go towards a not-for-profit located in Springfield, Massachusetts that provides a comprehensive range of behavioral health services to low- and moderate-income individuals.
- In July 2015, PeoplesBank made a \$2.5 million investment in mortgage-backed securities offered through the Government National Mortgage Association. The mortgage pool primarily consisted of mortgages to either low- or moderate-income borrowers in the assessment area.

Prior Period Investments

- The bank continues to hold two investments in the MassHousing Investment Corporation New Markets Western Massachusetts Fund, LLC. The objective of the fund is for the redevelopment of disadvantaged neighborhoods in Western Massachusetts, including those located in the bank's assessment area. The current book value of the two investments is \$1.7 million.
- In August 2014, PeoplesBank invested \$3.1 million to purchase a Massachusetts Development Bond for the renovation of a building to house a charter school in Springfield, Massachusetts. The charter school is part of a network of three alternative public charter schools that enroll at-risk students in Chelsea, Lawrence, and Springfield. A majority of the student body is low- and moderate-income. The current book value of this investment is \$2.8 million.
- In December 2010, PeoplesBank invested in a Limited Partnership that developed and renovated 42 low-income housing units in the North End of Springfield. The bank's initial investment was \$400,000, and the current book value of the investment is \$180,000.
- PeoplesBank has an investment in the MassHousing Equity Fund XIX. This fund supports low-income housing in a broader statewide area that includes the bank's assessment area. The current book value of this investment is \$507,987.

Donations

During the evaluation period, the bank made an excellent level of qualified donations totaling approximately \$1.3 million. Donations increased by over \$351,000 from the previous

evaluation. Qualified donations for 2015, 2016, and 2017 represented 1.6 percent, 3.0 percent, and 1.9 percent of pre-tax net operating income, respectively. The majority of the bank's donations benefitted organizations that provide community services to low- and moderate-income individuals.

The following are examples of organizations that received qualified donations through the bank.

- **Nuestras Raices:** This urban agriculture organization is located in Holyoke. It provides subsidized food to low- and moderate-income residents through farm shares and a mobile farmers market.
- **Revitalize CDC:** Revitalize CDC performs critical repairs, modifications, and rehabilitation on the homes and non-profit facilities of low-income families with children, the elderly, military veterans, and people with special needs in Holyoke and Springfield, Massachusetts.
- **Wayfinders (HAPHousing):** This organization's mission is to eliminate homelessness, increase the supply of stable and affordable housing, and help people buy their first homes. The organization's housing center offers rental assistance, job training and placement, and financial workshops.
- **Hilltown Community Health Center:** This federally qualified health center provides primary, preventive, dental, mental health, substance abuse, eye care, and other community based services to low- and moderate-income individuals. The Center's mission is to facilitate access to health insurance coverage for low-income residents and eliminate health disparities between racial and ethnic populations.

Responsiveness to Credit and Community Development Needs

The bank exhibits excellent responsiveness to credit and community economic development needs. The bank's equity investments benefitted several different organizations and projects that provided affordable housing and/or community services to low- and moderate-income individuals within the assessment area. Affordable housing and community services are the primary community development needs in the assessment area, as identified by the community contacts. Many of the bank's investments also specifically target high need areas within Springfield, Massachusetts, which contains many of the assessment area's low- and moderate-income tracts.

The high level of donations focused towards affordable housing and community services for low- and moderate-income individuals further illustrates the bank's responsiveness to the needs of the community.

Community Development Initiatives

The bank makes extensive use of innovative and/or complex investments to support community development initiatives. The bank's current period investments include investments into the MassHousing Equity Fund that support a large-scale affordable housing project involving 59 Springfield, Massachusetts buildings. These investments are important sources of funding for

complex projects that often include multiple investing and financing entities. In addition, the bank's investments in the form of MassDevelopment Finance Agency Bonds are an innovative way to provide capital to organizations that serve the assessment area's low- and moderate-income populations.

SERVICE TEST

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

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank's assessment area. Alternative delivery systems supplement the bank's branches.

Distribution of Branches

PeoplesBank operates 19 full-service branches located in Amherst, Chicopee (2), East Longmeadow, Hadley, Holyoke (3), Longmeadow (2), Northampton, South Hadley (2), Springfield (4), West Springfield, and Westfield. The bank also has branches in Longmeadow and Springfield located in retirement communities. These branches are open from 9:00 am to 1:00 pm on Wednesday and are generally not accessible to the public. The following table illustrates the distribution of full-service bank branches and deposit-taking ATMs.

Branch and ATM Distribution by Geography Income Level								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	24	17.3	90,131	14.3	2	10.5	3	12.5
Moderate	22	15.8	96,164	15.3	3	15.8	3	12.5
Middle	43	30.9	199,731	31.8	7	36.8	8	33.3
Upper	46	33.1	224,710	35.7	6	31.6	8	33.3
NA	4	2.9	18,064	2.9	1	5.3	2	8.4
Total	139	100	628,800	100	19	100	24	100
<i>Source: 2015 ACS and Bank Records</i>								

The bank operates two branches, or 10.5 percent of total branches, in low-income census tracts. This is lower than the percentage of low-income census tracts and is also slightly below the population located in low-income tracts. The bank has three, or 15.8 percent, of its branches in moderate-income tracts, which aligns with both the percentage of moderate-income tracts and the population located in moderate-income tracts.

All but four of the full-service branches have drive-up ATMs. One of the four branches without a drive-up ATM is in a low-income tract, while the other three are in middle- or upper-income tracts. All full-service branches are equipped with 24-hour ATMs. The bank also operates 24 deposit-taking ATMs. Two of these deposit-taking ATMs are stand-alone and are located in upper-income tracts in Granby and Holyoke.

Alternative Delivery Systems

In addition to the branch network and ATMs, the institution also provides a variety of alternative delivery systems. These alternative systems provide customers with access to the bank's various retail services and include the following:

- Mobile banking allows customers to access their accounts through a mobile phone to check balances, transfer funds, pay bills, and receive alerts from the bank.
- Night depository services are provided to customers at all branch locations, allowing them to make after-hour deposits.
- Online banking is available to individuals and businesses, which allows customers to view account balances, transaction history, and electronic statements, and to conduct internal funds transfer and bill payment activities. In addition, consumers are able to open checking and saving accounts online.

Changes in Branch Locations

To the extent that changes have been made, the bank's record of opening and closing branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies or to low- and moderate-income individuals. PeoplesBank did not open or close any branches during the evaluation period.

Reasonableness of Business Hours and Services

Overall, business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies or individuals. Branch hours are generally consistent at each location. Most of the full service branches are open from 8:45 am to 5:00 pm daily, with most branches offering extended evening hours. All full-service branches are open on Saturdays from 8:45 am to 12:00 pm with some branches staying open as late as 2:00 pm. All full-service branches offer the bank's complete line of products and services, and a majority offer drive-up services.

Community Development Services

PeoplesBank provides a relatively high level of community development services within its assessment area. Bank employees contributed approximately 2,315 hours in the review period to 67 agencies and organizations. Employees devoted this time to community development organizations supporting affordable housing and neighborhood revitalization efforts, transitional housing and shelters for homeless and disabled populations, economic and community development projects and programs, first-time homebuyer seminars, financial literacy, and mortgage education activities. The following table summarizes the community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2015	183	473	50	36	742
2016	287	708	0	3	998
2017	125	225	0	3	353
YTD 2018	65	157	0	0	222
Total	660	1,563	50	42	2,315
<i>Source: Bank Records, # represents hours spent on qualifying activity</i>					

The following are notable examples of the bank's community development services:

Employee Involvement

- **Food Bank of Western Massachusetts:** The Food Bank of Western Massachusetts provides food to organizations serving low-income individuals. The organization distributes food to member agencies in Berkshire, Franklin, Hampden, and Hampshire Counties. The bank's chief risk officer serves as a Board member.
- **Boys and Girls Club of Greater Holyoke:** This Boys and Girls Club provides programs and services for adolescents from low- and moderate-income families. An associate vice president serves as the Treasurer of the Board and serves on several committees.
- **Greater Springfield Habitat for Humanity:** This organization works in partnership with low-income families using volunteer labor and donated materials to renovate old houses or build new, inexpensive homes. The organization sells these homes to families at cost. A first vice president serves on the organization's Board.
- **Massachusetts Fair Housing Center:** This organization provides free legal services regarding housing discrimination, preserves homeownership by advocating for distressed homeowners in mortgage lending cases, and assists victims of foreclosure rescue scams. The organization primarily serves low- and moderate-income individuals. A senior vice president serves on the Board.
- **Springfield Partners for Community Action:** This community action agency provides a variety of services to individuals that live below the poverty line. Programs offered by the organization include asset development, housing and energy conservation, youth and family services, and veterans' services. A senior vice president serves as Board member and on the finance committee.

Financial Education

- **Credit for Life:** The Credit for Life program helps high school students develop personal financial management skills and promotes financial literacy. The bank sponsors Credit for Life fairs in schools in Holyoke, Springfield, Chicopee, and Westfield. Most of these schools have a student body that is majority low- and moderate-income. The

bank sponsored eight Credit for Life fairs during the review period, with participation from over 1,000 students.

- **First Time Homebuyer Classes:** The bank partners with Valley CDC and Wayfinders (formerly known as HAP Housing) to provide FTHB classes primarily benefiting low- and moderate-income individuals. During the evaluation period, classes were held at the bank's Amherst, Northampton, and Holyoke (High Street) branches. In 2015 and 2016, the bank participated in four FTHB classes. In 2017, the bank participated in 6 FTHB classes with 143 participants. One of these classes was conducted in Spanish and had 40 attendees. In YTD 2018, the bank participated in 3 FTHB classes with 85 participants. One of these classes was conducted in Spanish and had 25 attendees. All FTHB classes primarily benefited low- and moderate-income individuals.

Other Services

- The bank participates in the Interest on Lawyers Trust Account program. Interest paid on these accounts is used to provide legal assistance to indigent, low- and moderate-income individuals in need of legal services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A

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 received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, examiners did not identify any violations of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2016 and 2017 were reviewed 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 2010 U.S. Census Data, in 2016 the bank's assessment area contained a total population of 628,800 individuals of which 29.6 percent are minorities. The assessment area's minority and ethnic population is 6.5 percent Black/African American, 2.9 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 18.2 percent Hispanic or Latino and 1.9 percent other.

In 2016, the bank received 662 HMDA reportable loan applications from within its assessment area. Of these applications, 56 or 8.5 percent were received from minority applicants, of which 41 or 73.2 percent resulted in originations. The aggregate received 23,371 HMDA reportable loan applications of which 1,825 or 7.8 percent were received from minority applicants and 1,024 or 56.1 percent were originated. For the same time period, the bank also received 42 or 6.4 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 29 or 69.0 percent were originated versus the aggregate that received 2,040 applications or 8.7 percent of which 1,166 or 57.2 percent were originated.

For 2017, the bank received 647 HMDA reportable loan applications from within its assessment area. Of these applications, 60 or 9.3 percent were received from minority applicants, of which 49 or 81.7 percent resulted in originations. For the same time period, the bank also received 63 or 9.7 percent of applications from ethnic groups of Hispanic origin of which 45 or 71.4 percent resulted in originations.

The bank's level of lending was compared with that of the aggregate's lending performance level for the most recent year that data was available, the year 2016. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential 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 2016		2016 Aggregate Data	Bank 2017	
	#	%		#	%
American Indian/ Alaska Native	0	0.0	0.4	1	0.2
Asian	21	3.2	1.9	27	4.2
Black/ African American	21	3.2	4.0	13	2.0
Hawaiian/Pacific Islander	4	0.6	0.2	2	0.3
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	10	1.5	1.2	17	2.6
Total Minority	56	8.5	7.8	60	9.3
White	566	85.5	73.1	534	82.5
Race Not Available	40	6.0	19.1	53	8.2
Total	662	100.0	100.0	647	100.0
ETHNICITY					
Hispanic or Latino	37	5.6	7.7	51	7.9
Not Hispanic or Latino	583	88.1	73.0	531	82.1
Joint (Hisp/Lat /Not Hisp/Lat)	5	0.8	1.0	12	1.9
Ethnicity Not Available	37	5.6	18.3	53	8.2
Total	662	100.0	100.0	647	100.0

Source: US Census 2010, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2016, the bank's minority application flow is reasonable.

APPENDIX B

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. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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 Division and FDIC, at 330 Whitney Avenue, Holyoke, Massachusetts 01040".

[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.