PUBLIC DISCLOSURE

March 23, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

FIRST IPSWICH BANK

Cert #442806

31 MARKET STREET
IPSWICH, MA 01938

Division of Banks
1000 Washington Street
Boston, MA 02118

NOTE:	This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.

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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its assessment area.

This document is an evaluation of the CRA performance of **First Ipswich Bank (or the "Bank")**, prepared by the Division, the institution's supervisory agency as of **March 23, 2015**. The agency evaluates performance in the assessment area as it is delineated by the institution, rather than individual branches. This assessment area evaluation may include visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in Massachusetts Regulation 209 CMR 46.00.

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

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

The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. The Bank's performance under each of these two tests is summarized below:

Lending Test: "Satisfactory"

- The Bank's average loan-to-deposit ratio of 85.6 percent is reasonable given its size, financial condition, and assessment area credit needs.
- A majority of the Bank's total loans (51.3) are in the assessment area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

Community Development Test: "Satisfactory"

The institution demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering its capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF THE EXAMINATION

Intermediate Small Bank (ISB) CRA procedures were utilized for the evaluation. These procedures utilize two performance tests: the Lending Test and the Community Development Test. This evaluation considered the Bank's lending and community development activities for the period of January 3, 2011 through March 23, 2015. The data and applicable timeframes for the Lending Test and the Community Development Test are discussed below.

The Bank is primarily a real estate secured lender. This is reflected in the Bank's most recent Consolidated Report of Condition and Income (Call Report) as of December 31, 2014, which shows that 83.8 percent of the Bank's loan portfolio is secured by real estate. For purposes of this evaluation, greater emphasis is placed on the Bank's small business lending performance as it was the Bank's primary lending focus throughout the evaluation period. Small farms loans and consumer loans were not analyzed as part of this evaluation as these loans also do not constitute a substantial portion of the Bank's loan portfolio or recent lending activity.

The Lending Test focused on home mortgage and small business lending. Home mortgage lending data analyzed included full-year data from January 1, 2013 through December 31, 2014. Information related to home mortgage lending was derived from the Loan Application Registers (LARs) maintained by the Bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing of one- to four-family and multifamily properties (five or more units). The evaluation emphasized the Bank's home mortgage lending performance in 2013 as this is the most recent year for which aggregate lending data is available. The Bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the Bank's designated assessment area. The Bank's home mortgage lending performance was also compared with demographic data. Home mortgage lending data for 2014 is illustrated in the Bank's lending data; however, the Bank's 2013 performance is more heavily weighted for the purpose of assigning a rating.

Small business lending data was also analyzed. For the purpose of this evaluation, small business loans are defined as commercial real estate loans and commercial and industrial loans with original balances of $1 million or less. As an Intermediate Small Bank, the Bank is not required to collect and report small business loan data; however, the Bank has opted to collect and report this loan data, therefore the 2013 and 2014 data was derived from the Bank's CRA LAR. The Bank's small business lending activity performance will be compared to 2013 and 2014 demographic data.

The Community Development Test included an analysis of the Bank's qualified community development loans, investments, and services from January 3, 2011 through March 23, 2015. Qualified community development grants and donations for the same period were also included. Qualified equity investments currently held by the Bank were also included regardless of investment date.

Demographic information is from the 2010 U.S. Census Data unless otherwise noted. Financial data was derived from the December 31, 2014 Report of Condition and Income (Call Report).

PERFORMANCE CONTEXT

Description of Institution

First Ipswich Bank is a state-chartered commercial bank established in 1892. The Bank is headquartered at 31 Market Street, Ipswich, MA, and operates four additional branch locations in Gloucester, Essex, Rowley, and Newburyport. The Bank also operates a stand-alone ATM in Gloucester. First Ipswich Bank is a wholly-owned subsidiary of Brookline Bancorp Bank holding company that owns three subsidiary banks. The other two subsidiary Banks include Brookline Bank, with approximately $3.6 billion in assets, and Bank Rhode Island with approximately $1.9 billion in assets. First Ipswich Bank sold its 33 State Street location in Boston to Brookline Bank in 2014; that location was subsequently reopened as a Brookline Bank branch.

First Ipswich Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers a variety of residential mortgage loans including fixed or adjustable rate mortgages, residential construction loans, home equity lines of credit and home equity loans. The Bank offers commercial and small business loans for the purchase or refinance of commercial real estate loans, business lines of credit, and business construction loans. The Bank also offers deposit products and services including checking accounts, savings accounts, money market accounts, and certificates of deposit. Services for businesses include business checking, savings, and money market accounts. Other services include online banking for balance inquiry, transferring funds between accounts and reviewing recent activity, view transaction history, locate branches or ATMs, deposit checks, pay bills, view copies of cleared checks and account access 24 hours a day, 7 days a week.

As of December 31, 2014, First Ipswich assets totaled $333 million, with total loans of $237.8 million, and total deposits at $249.9 million. As stated, the Bank is primarily a commercial lender as loans secured by nonfarm nonresidential properties and commercial and industrial loans accounted for 62.6 percent of the Bank’s loan portfolio. Residential lending accounts for the next highest percentage of the portfolio, with 1-4 family residential loans accounting for 22.4 percent.

Table 1 illustrates the distribution of the Bank's loan portfolio as of December 31, 2014.

Table 1 – Loan Portfolio Distribution as of December 31, 2014		
Loan Type	**Dollar Amount $(000s)**	**Percent of Total Loans**
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	14,075	5.9
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	53,391	22.4
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	640	0.3
Secured by Multi-Family (5 or more) Residential Properties	14,114	6.0
Total Residential Real Estate Loans	**82,220**	**34.6**
Construction, Land Development, and Other Land Loans	4,832	2.0
Secured by Nonfarm Nonresidential Properties	112,320	47.2
Total Real Estate Loans	**199,372**	**83.8**
Commercial and Industrial	36,622	15.4
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	491	0.2
Loans to non-depository financial institutions and other loans	1,405	0.6
Total Loans	**237,890**	**100.0**

Source: Report of Condition and Income (Call Reports) December 31, 2014

This is the first CRA evaluation of First Ipswich Bank conducted by the Division of Banks. The Bank was last examined under the Community Reinvestment Act by the Office of the Comptroller of the Currency (OCC) on January 3, 2011. That examination was conducted using Small Institution CRA Examination Procedures and resulted in a "Satisfactory" rating.

There are no apparent 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 financial institutions to define an assessment area within which its CRA performance will be evaluated. The Bank's assessment area as currently defined meets the technical requirements of the CRA regulation since it: (1) consists of one or more political subdivisions, (2) includes the geographies where the Bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, (3) consists of whole census tracts, (4) does not extend substantially beyond state boundaries, unless otherwise permitted by the regulation, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The Bank's current assessment area contains the following cities and towns located in Essex County; Amesbury, Essex, Georgetown, Gloucester, Hamilton, Ipswich, Manchester, Middleton, Newbury, Newburyport, Rockport, Salisbury, Topsfield, Beverly, Danvers, Marblehead, Peabody, Salem, Rowley and Wenham.

The Bank's assessment area has changed since the previous CRA examination conducted January 3, 2011. With the sale of its State Street, Boston branch, the Bank removed the city of Boston from its assessment area and added the following cities and towns; Beverly, Danvers, Marblehead, Peabody, Salem, and Wenham.

In 2014, the Peabody MD #37764 became part of the Cambridge-Newton-Framingham MSA/MD #15764, and the income designation of many census tracts in Essex County changed.

Table 2 highlights the relevant demographic characteristics of the Bank's assessment area by year.

Table 2
Demographic Information

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts) (2013)	69	1.5	13.0	43.5	42.0
Geographies (Census Tracts) (2014)	692.9	2.9	20.3	56.5	20.3
Population by Geography (2013)	326,352	1.2	11.0	45.2	42.6
Population by Geography (2014)	325,352	1.9	18.5	56.2	23.4
Owner-Occupied Housing by Geography (2013)	89,616	0.5	7.5	45.5	46.5
Owner-Occupied Housing by Geography (2014)	89,616	1.0	14.5	59.9	24.6
Distribution of Families by Income Level (2013)	82,874	17.1	15.9	20.2	46.8
Distribution of Families by Income Level (2014)	82,874	19.7	18.5	21.3	40.5
Business Geography (2013)	33,815	2.0	12.4	41.1	44.5
Business Geography (2014)	30,019	2.4	18.0	54.1	25.5
MSA #37764 FFIEC Updated MFI, 2013 MSA #15764 FFIEC Updated MFI, 2014 Families Below Poverty Level		$83,500 $93,300 4.4%	Median Housing Value Unemployment Rate		$437,752 6.3%

Source: 2010 U.S. Census Data, 2013 and 2014 FFIEC-Updated MFI and 2013 and 2014 Dunn & Bradstreet Data

Economic and Demographic Data

As the data in Table 2 shows, in 2013, the Bank's assessment area consisted of 69 census tracts, of which there was 1 low-income census tract, 9 moderate-income census tracts, 30 middle-income census tracts, and 29 upper-income census tracts. In 2014, Metropolitan Statistical Area boundary changed the FFIEC census data and some demographic numbers changed. In 2014, the assessment area changed and now consists of 2 low-income census tracts, 14 moderate-income census tracts, 39 middle-income tracts, and 14 upper-income census tracts.

The assessment area has a total population of 326,352 residing in 82,874 families. Of all family households in the area, 17.1 percent are low-income, 15.9 percent are moderate-income, 20.2 percent are middle-income, 46.8 percent are upper-income and 4.4 percent are families below the poverty level.

The assessment area consists of 141,400 total housing units, of which 89,616 or 63.4 percent are owner-occupied, 39,785 or 28.1 percent are rental units and 11,999 or 8.5 percent are vacant units.

Of the 89,616 owner-occupied housing units, 425 or 0.5 percent are in low-income census tracts and 6,705 or 7.5 percent are in moderate-income census tracts. The median housing value in 2010 for the assessment area was $437,752. Information obtained from the Warren Group indicates the average median sales price for Essex County in 2013 was $305,000 and in 2014 the average median sales price was $323,000.

The Dun & Bradstreet business demographic data indicates that the number of businesses in the assessment area decreased from 2013 to 2014, with a drop of 33,815 to 30,019. The distribution of the businesses located in low- and moderate-income census tracts has remained relatively steady. In 2013, 2.0 percent of small businesses were located in the assessment area's low-income tract. This percentage of small businesses changed slightly to 2.4 percent in 2014. The percentage of businesses in moderate-income census tracts increased from 12.4 in 2013 to 18.0 percent in 2014. The 2014 data showed that 74.0 percent of businesses had gross annual revenues (GARs) of $1 million or less. About 66.9% of businesses in the assessment area employ between 1 to 4 individuals. The highest proportion of businesses are engaged in the service industry at 45.9 percent, followed by non-classified establishments at 12.4 percent, retail trade at 12.3 percent, and construction at 7.9 percent.

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 6.3 percent. More recent data obtained from the U.S. Bureau of Labor and Statistics indicates that the unemployment rate was 4.9 percent for Massachusetts as of December 2014. The average unemployment rate in Essex County was 6.0 percent.

The Bank faces strong competition from other financial institutions that originated loans within the assessment area. These institutions range in size from small credit unions and mortgage companies with single office locations to the largest banks in New England. Among the more prominent lenders competing with the Bank are Eastern Bank and Salem Five Cents Savings Bank. In terms of loan competition, 60 institutions reported originating or purchasing small business loans within the Bank's assessment area in 2014. The top ranking institutions included, American Express Bank, FSB, Capital One Bank, N.A., CitiBank, N.A., Chase Bank, N.A., and FIA Card Services, NA. In 2014, 338 lenders reported originating or purchasing home mortgage loans within the assessment area.

The assessment area has no one primary credit need. The area's residents need a variety of retail loan products to meet personal needs and an array of home financing programs for the purchase, construction, improvement, or refinance of a residence. The area's business base also requires numerous commercial credit options to meet a wide variety of financing purposes.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was conducted with an organization that provides business assistance to prospective and existing small businesses. The contact stated that economic conditions in the area are improving and did not note any issues with small businesses' ability to obtaining financing. The contact specifically mentioned First Ipswich Bank as participating in small business counseling programs in Gloucester. Overall, the contact stated they were satisfied with the involvement of local financial institutions and their participation in small business counseling programs in the community.

<u>CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA</u>:

LENDING TEST

The Lending Test addresses the Bank's record of meeting the credit needs of its designated assessment area through consideration of the institution's home mortgage and small business lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the average net loan-to-deposit (LTD) ratio since the previous evaluation; 2) the concentration of lending within the assessment area; 3) the dispersion of loans to borrowers and small businesses in low-, moderate-, middle- and upper-income geographies in the assessment area; 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses of revenue sizes; and 5) the response to CRA complaints.

The Bank's overall performance with respect to the Lending Test is Satisfactory. The following sections discuss the analysis and conclusions regarding the Bank's performance under each criterion.

LOAN-TO-DEPOSIT ANALYSIS

This performance criterion determines what percentage of the Bank's deposit base is reinvested in the form of loans and evaluates its appropriateness. The average net loan-to-deposit ratio serves as a measure of the institution's distribution of loans with respect to deposits. These ratios are based on total loans, net of unearned income and net of the allowance for loan and lease losses, as a percentage of total deposits. The average net loan-to-deposit ratio since the previous evaluation is reasonable given the institution's size, financial condition, and assessment area credit needs.

The Bank's net LTD ratio, as calculated from Call Report data, averaged 85.6 percent over the past 17 calendar quarters from December 31, 2010 through December 31, 2014. During the review period, the Bank's LTD ratio ranged from a low of 77.5 percent to a high of 94.7 percent, and has been trending upward in the past five quarters.

The Bank maintained a slightly lower ratio to those of comparable institutions, as shown in the following table. The institutions were selected based on their asset size, geographic location, and loan portfolio composition.

Table 3
Loan-to-Deposit Comparison

Bank Name	Total Assets ($000s) as of 12/31/14	Average Net LTD Ratio % 12/31/10 - 12/31/14
First Ipswich Bank	**333.1**	**85.6**
Beverly Co-operative Bank	347.9	93.5
Northmark Bank	329.2	94.7

Source: FFIEC Report of Condition and Income (Call Reports)as of December 31, 2014

ASSESSMENT AREA CONCENTRATION

This performance criterion evaluates whether the Bank is meeting the credit needs within its assessment area. The analysis includes both residential lending and small business lending.

Based on a review of home loan and small business data, a majority (51.3) percent of the Bank's lending activity occurs within the institution's assessment area. The distribution of loans by number is weighted more in this analysis, as the number of loans correlates more closely to the number of individuals or families that were able to obtain home mortgage loans and is not skewed by large dollar amounts inside or outside the assessment area.

Table 4 illustrates the Bank's record of extending residential mortgage loans and small business loans inside and outside the assessment area by number and dollar amount over the period reviewed.

Table 4
Distribution of Loans Inside and Outside of Assessment Area

Loan Category of Type	Number Loans					Dollar Volume				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%	#	$(000s)	%	$(000s)	%	$(000s)
2013										
Home Purchase	10	62.5	6	37.5	16	3,160	61.9	1,944	38.1	5,104
Refinance	11	37.9	18	62.1	29	6,477	41.4	9,171	58.6	15,648
Home Improvement	0	0.0	1	100.0	1	0	0.0	195	100.0	195
Total	**21**	**45.7**	**25**	**54.3**	**46**	**9,637**	**46.0**	**11,310**	**54.0**	**20,947**
2014										
Home Purchase	7	43.8	9	56.2	16	1,602	35.5	2,905	64.5	4,507
Refinance	10	41.7	14	58.3	24	3,178	41.8	4,424	58.2	7,602
Home Improvement	0	0.0	0	0.0	0	0	0.0	0	0.0	0
Total	**17**	**42.5**	**23**	**57.5**	**40**	**4,780**	**39.5**	**7,329**	**60.5**	**12,109**
Total Home Loans	**38**	**44.2**	**48**	**55.8**	**86**	**14,417**	**43.6**	**18,639**	**56.4**	**33,056**
2013 and 2014 Total Small Business	**97**	**54.8**	**80**	**45.2**	**177**	**21,127**	**47.8**	**23,075**	**52.2**	**44,202**
Grand Total	**135**	**51.3**	**128**	**48.7**	**263**	**35,544**	**46.0**	**41,714**	**54.0**	**77,258**

Source: 2013 and 2014 HMDA LARs and 2013 and 2014 Small Business Loans

GEOGRAPHIC DISTRIBUTION

The geographic distribution of loans was reviewed to determine how well the Bank is addressing the credit needs throughout the assessment area. This performance criterion focuses on the distribution of lending in the area's low- and moderate-income census tracts. Considering the Bank's assessment area demographics, aggregate data, and performance context factors, the distribution of home mortgage and small business loans reflects a poor penetration in the low- and moderate-income geographies.

Home Mortgage Loans

For residential lending, examiners looked at the number of loans in the census tracts and compared them to the aggregate data and the percent of total owner-occupied housing units with the emphasis on the low-and moderate-income census tracts.

The geographic distribution of home mortgage loans reflects an adequate dispersion throughout the assessment area. The following table illustrates the Bank's lending to low- and moderate-income census tracts as compared to the demographics and the aggregate.

Table 5
Geographic Distribution - Home Mortgage Loans

Census Tract Income Level	2013 % Owner-Occupied Housing Units	2013 Aggregate Lending	2013 Bank Lending		2014 % Owner-Occupied Housing Units	2014 Bank Lending	
		#	#	%		#	%
Low	0.5	0.6	1	4.8	1.0	0	0.0
Moderate	7.5	7.7	2	9.5	14.5	2	11.8
Middle	45.5	41.6	8	38.1	59.9	11	64.7
Upper	46.5	50.1	10	47.6	24.6	4	23.5
Total	**100.0**	**100.0**	**21**	**100.0**	**100.0**	**17**	**100.0**

Source: 2013 Aggregate Data, 2013 and 2014 HMDA LARs, and 2010 U.S. Census Data

In 2013, the Bank's penetration of low- and moderate- income census tracts was 4.8 percent and 9.5 percent, respectively, compared to the aggregate lending data at 0.6 percent and 7.7 percent, respectively.

In 2014, the Bank did not extend any loans in low-income tracts. The Bank's performance in moderate-income census tracts is also below the percentage of owner-occupied units in 2014. The decrease of lending to borrowers in low- and moderate- income tracts in 2014 is largely attributable to the closure of a branch located in Boston. Furthermore, due to the low volume of lending, a slight increase or decrease in the year-to-year totals could greatly impact the Bank's performance.

Small Business Loans

The geographic distribution of small business loans reflects a poor dispersion throughout the assessment area. The following table shows the Bank is below the business demographics in both low- and moderate-income census tracts. The Bank's lending was below the aggregate for both 2013 and 2014 in low- and moderate- income census tracts.

Table 6 Geographic Distribution - Small Business Loans						
Census Tract Income Level	2013 Businesses (% of #)	2013 Bank Data		2014 Businesses (% of #)	2014 Bank Data	
		#	%		#	%
Low	1.9	0	0.0	2.4	1	1.7
Moderate	12.5	4	10.3	17.7	7	12.1
Middle	41.2	11	28.2	53.8	39	67.2
Upper	44.4	24	61.5	26.1	11	19.0
Total	**100.0**	**39**	**100.0**	**100.0**	**58**	**100.0**

BORROWER PROFILE

This performance criterion evaluates the distribution of the Bank's residential and small business loans based on borrower characteristics. Analyses were conducted of the Bank's residential mortgage loans inside the assessment area based on borrower income and the Bank's small business loans inside the assessment area based on size of business. For residential lending, emphasis is placed on loans to low- and moderate-income borrowers, and for small business lending, emphasis is placed on loans to businesses with gross annual revenues (GAR) of $1 million or less. Based on the review of the HMDA LARs and the Bank's Small Business Loans, the Bank has achieved an adequate penetration of loans among individuals of different income levels and businesses of different revenue sizes.

Home Mortgage Loans

The distribution of home mortgage loans reflects an adequate distribution to low- and moderate-income borrowers.

Table 7 Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	2013 % of Total Families	2013 Aggregate Lending	2013 Bank Lending		2014 % of Total Families	2014 Bank Lending	
		%	#	%		#	%
Low	17.1	3.9	1	4.8	19.7	2	11.8
Moderate	15.9	13.8	2	9.5	18.5	3	17.6
Middle	20.2	24.0	2	9.5	21.3	1	5.9
Upper	46.8	47.5	11	52.4	40.5	9	52.9
N/A	0.0	10.8	5	23.8	0.0	2	11.8
Total	**100.0**	**100.0**	**21**	**100.0**	**100.0**	**17**	**100.0**

Source: 2013 Aggregate Data, 2013 and 2014 HMDA LARs, and 2010 U.S. Census Data

In 2013, the Bank's lending was above the aggregate's percentage of lending to low-income borrowers. The Bank's lending increased from 4.8 percent in 2013 to 11.8 percent in 2014.

In 2013, the Bank's lending to moderate-income borrowers was below the aggregate. In 2014, the Bank's lending increased to 17.6 percent. It is important to note that due to the low volume of loans, an increase or decrease of even one loan could affect the percentage.

Small Business Loans

The distribution of small business loans in the Bank's assessment area reflects an adequate distribution of lending to business with GARs of $1 million or less. From 2013 to 2014, the Bank increased its lending from 46.2 percent to 55.2 percent to businesses with revenues less than or equal to $1 million.

Table 8
Distribution of Small Business Loans by Revenues

Gross Annual Revenue $(000s)	2013 Businesses (% of #)	2013 Bank Data		2014 Businesses (% of #)	2014 Bank Data	
		#	%		#	%
≤ $1,000	89.3	18	46.2	89.1	32	55.2
>$1,000	7.2	21	53.8	7.6	26	44.8
Not Reported	3.5	0	0.0	3.3	0	0.0
Total	**100.0**	**39**	**100.0**	**100.0**	**58**	**100.0**

RESPONSE TO CRA COMPLAINTS

The Bank has not received any CRA-related complaints during the evaluation period. As a result, this performance criterion is not applicable.

COMMUNITY DEVELOPMENT LENDING

The Community Development Test evaluates the Bank's responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments, and community development services as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area(s). The Bank's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area.

Community Development Loans

For the purpose of this evaluation, a community development loan is a loan that: (1) has community development as its primary purpose, (2) has not already been reported by the Bank for consideration under small business or home mortgage lending (unless it is a multi-family dwelling loan), and (3) benefits the Bank's assessment area or a broader statewide or regional area that includes the Bank's assessment area.

During the evaluation period, the Bank originated three community development loans totaling $1 million. Listed below are the qualified community development loans:

- In 2013, the Bank extended a $2.7 million loan for the construction of an 18 unit condominium project. As three out of the 18 units are earmarked for affordable housing, the Bank received credit for $443,333.

- In 2013, the Bank extended two loans totaling $588,630 to repurchase a loan participation which was used to purchase and renovate the offices of a non-profit organization. The organization operates a homeless shelter and provides education and counseling services to low- and moderate-income individuals.

<u>Community Development Investments</u>

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, donation, or grant that has community development as its primary purpose.

The Bank's qualified investments consist of a new equity investment, as well as donations to various community development organizations. The Bank's total investments and donations during the evaluation period was $509,012.

Qualified Equity Investments

The Bank made one investment, totaling $500,000, in a capital management company that specializes in CRA-specific investments. The funds are currently invested in the state housing agency which provides housing to low- and moderate-income families.

Qualified Donations

During the evaluation period, the Bank donated $9,012 in qualified donations to charitable organizations. These funds primarily support organizations that provide community services to low- and moderate-income individuals and families.

A sample of the organizations receiving benefit of the donations is listed below:

Action Inc. **–** The mission of this non-profit organization is to improve the lives of disadvantaged individuals and families by minimizing the effects of poverty, promoting economic security, and advocating for social change.

Senior Care, Inc. **–** This organization was formed to meet the expressed needs of low- and moderate-income older and disabled adults, enabling them to live independently at home or in a setting of their choice while remaining part of their community.

***North Shore Community Development Coalition* –** This community development organization focuses on the revitalization of low-income and distressed neighborhoods.

Community Development Services

A community development service is a service that has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. Officers and employees of the Bank are involved in local community development and non-profit organizations in various capacities. Bank personnel provided these organizations with financial and management expertise while serving as directors, officers, loan committee members and volunteers.

The following illustrates examples of the Bank's community development services:

Cape Ann Commercial Fishermen's Loan Fund – This organization provides money for fishing businesses that have exhausted traditional loan avenues. Cape Ann Commercial Fishermen's Loan Fund is a publically financed revolving loan fund supported in part by the U.S. Economic Development Administration (EDA). An Officer of the Bank is Director and Assistant Treasurer.

***Action Inc*. –** The mission of this organization is to improve the lives of disadvantaged individuals and families by minimizing the effects of poverty, promoting economic security, and advocating for social change. An Officer of the Bank is a Member of the Board and Finance Committee.

***Senior Care, Inc.* –** This organization was formed to meet the expressed needs of low- and moderate-income older and disabled adults. Two Officers of the Bank are on the Board of Directors, Audit Committee, Finance Committee, and Advisory Council.

APPENDIX A
Fair Lending Policies and Practices

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106.

Based on a review of the Bank's public comment file and its performance relative to fair lending policies and practices, no violations of the anti-discrimination laws and regulations were identified. The Bank's loan policy prohibits discrimination in compliance with the Equal Credit Opportunity Act (ECOA) and the Fair Housing Act (FHA). Also included in the Bank's loan policy are procedures for the second review process of denied loan applications.

MINORITY APPLICATION FLOW

The Bank's HMDA LARs for 2013 and 2014 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, the Bank's assessment area contained a total population of 326,352 individuals of which 9.3 percent are minorities. The assessment areas minority and ethnic population is 1.3 percent Black/African American, 1.6 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 4.7 percent Hispanic or Latino and 1.6 percent other.

In 2013, the Bank received 28 HMDA reportable loan applications from within its assessment area. Of these applications, 1 or 3.6 percent were received from minority applicants, of which 1 or 100.0 percent resulted in an origination. The aggregate received 23,865 HMDA reportable loan applications of which 588 or 2.5 percent were received from minority applicants and 422 or 71.8 percent were originated. For the same time period, the Bank received 1 or 3.6 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 1 or 100.0 percent resulted in an origination versus the aggregate that received 452 applications or 1.9 percent of which 311 or 68.8 percent were originated.

For 2014, the Bank received 21 HMDA reportable loan applications from within its assessment area. Of these applications, 0 were received from minority applicants. For the same time period, the Bank received 0 applications from ethnic groups of Hispanic origin.

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 2013. 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 Table 9 for information on the Bank's minority application flow as well as the aggregate lenders (excluding the Bank) in the Bank's assessment area.

Table 9 MINORITY APPLICATION FLOW					
RACE	**Bank 2013**		**2013 Aggregate Data**	**Bank 2014**	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.1	0	0.0
Asian	0	0.0	1.0	0	0.0
Black/ African American	0	0.0	0.5	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	1	3.6	0.8	0	0.0
Total Minority	**1**	**3.6**	**2.5**	**0**	**0.0**
White	22	78.6	77.8	18	85.7
Race Not Available	5	17.8	19.7	3	14.3
Total	**28**	**100.0**	**100.0**	**21**	**100.0**
ETHNICITY					
Hispanic or Latino	**0**	**0.0**	**1.1**	**0**	**0.0**
Not Hispanic or Latino	21	75.0	78.3	18	85.7
Joint (Hisp/Lat /Not Hisp/Lat)	**1**	**3.6**	**0.8**	**0**	**0.0**
Ethnicity Not Available	6	21.4	19.8	3	14.3
Total	**28**	**100.0**	**100.0**	**21**	**100.0**

Source: US Census 2010, HMDA LAR Data 2013 and 2014, HMDA Aggregate Data 2013

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is adequate for the aggregate lending and the demographics of the assessment area.

APPENDIX B
Glossary

Affordable Housing: In general, housing for which the occupant pays no more than 30 percent of his income for gross housing costs, including utilities. Some jurisdictions may define affordable housing based on other, locally determined criteria; therefore, this definition serves solely as an approximate guideline or general rule of thumb.

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 non-metropolitan median family income, it a person or geography is located outside an MSA.

Assessment Area: A geographic area delineated by the bank in accordance with 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 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 with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Combined Statistical Area (CSA): Two or more adjacent CBSAs that have substantial employment interchange. The CBSAs that combine to create a CSA retain separate identities within the larger CSA.

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

(1) Support affordable housing for low- and moderate-income individuals;
(2) Target community services toward low- and moderate-income individuals;
(3) Promote economic development by financing small businesses or farms; or
(4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies; or
(5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties located 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 as well as to the financial and marketing needs of the bank. 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, which include: 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; and 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 that includes 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 <u>financial</u> 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 Areas (CBSAs): 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.

D&B: A provider of business information in the United States and worldwide.

Distressed Middle-Income Non-metropolitan Geographies: A non-metropolitan 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 five-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 which 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-Adjusted Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and non-metropolitan 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: Performance under the applicable tests is analyzed considering performance context, quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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 applications, the amount of loan requested, and the disposition of the income of applications, the amount of loan requested, and the disposition of the application (for example, 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 for the purchase of manufactured homes and re-financings 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 consist of 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: Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan distribution, 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 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, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. 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 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 in place 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 consists of one or more main/secondary counties that represent an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

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

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

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

Non-metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Other Products: Includes any unreported optional loan category for which the institution collects and maintains data for consideration during a CRA evaluation. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

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, which are sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances; as a result, 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, which often give them partial ownership of those businesses, in the hope 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 Non-metropolitan Geographies: A non-metropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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 more than 120 percent of the area median income, or a median family income that is more than 120 percent 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) but excluding 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, 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 31 Market Street, Ipswich, MA 01938".

   [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.