

PUBLIC DISCLOSURE

June 6, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Marlborough Savings Bank
Certificate Number: 90235

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Marlborough, Massachusetts 01752

Division of Banks
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Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following performance criterion support Marlborough Saving Bank's satisfactory Community Reinvestment Act (CRA) performance. Examiners reviewed the bank's compliance with fair lending regulations and cited an isolated violation of the Equal Credit Opportunity Act and its implementing regulation Regulation B. The isolated violation did not negatively affect the bank's overall CRA rating. Management implemented prompt corrective action to address the violation.

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 15, 2013, to the current evaluation dated June 6, 2016. Examiners used Interagency Intermediate Small Bank (ISB) Examination Procedures to evaluate Marlborough Savings Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-Deposit Ratio
- AA Concentration
- Geographic Distribution
- Borrower Profile
- Response to CRA-Related Complaints

The Community Development Test considered the following factors:

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

Loan Products Reviewed

Home mortgage loans are the bank's largest loan category, representing 53 percent of total loans as of the March 31, 2016, Consolidated Report of Condition and Income (Call Report). Commercial loans are the institution's second largest category, representing 38 percent of total loans. The bank does not originate agricultural loans; therefore, farm loans are not included in this evaluation. The bank's loan product mix is similar to the last CRA Public Evaluation where home mortgage and commercial loans represented 61 percent and 33 percent of the loan portfolio, respectively.

Examiners reviewed home mortgage and small business loans to evaluate the bank's CRA performance. This included 502 home mortgage loans totaling \$63.4 million. The review included all loans on the bank's 2014 and 2015 Home Mortgage Disclosure Loan Application Registers (HMDA LARs) and Mass Save Heat Loans. The Mass Save Heat Loan Program is a home improvement loan that provides homeowners with a 0 percent loan to install qualified energy efficient improvements.

As an ISB, Marlborough Savings Bank has the option of collecting and reporting small business lending data. The bank opted to collect, but not report, the data. The bank originated 70 small business loans totaling \$15.3 million during January 1, 2014 through December 31, 2015. Examiners utilized the bank-provided small loan business data to analyze the bank's CRA performance.

Given the loan portfolio and the bank's lending focus, home mortgage loans received more weight in this evaluation than small business loans. Examiners weighted the number and dollar volume of loans equally when conducting the Assessment Area Concentration. Conversely, examiners weighted the number of loans more heavily than the dollar volume when conducting the Borrower Profile analysis. This is because the number of loans is a better indicator of the home mortgage borrowers and small businesses served.

DESCRIPTION OF INSTITUTION

Background

Marlborough Savings Bank is a state-chartered mutual savings bank that is wholly owned by Marlborough Bancshares, Inc., a one-bank holding company located in Marlborough, Massachusetts. The institution received a "Satisfactory" rating at its previous CRA FDIC and Division Performance Evaluation, dated February 15, 2013, based on Interagency ISB Examination Procedures.

Operations

Marlborough Savings Bank is a full-service financial institution headquartered in Marlborough, Massachusetts. The institution operates one additional full-service branch in Marlborough, as well as four other offices in Northborough, Southborough, Sudbury, and Westborough, Massachusetts. The bank is planning to open a full service branch in Hudson, Massachusetts during June 2016. At evaluation time, the bank had not opened the branch. The institution offers traditional loan products including commercial, home mortgage, and consumer loans. Additionally, the bank offers various deposit products including checking, savings, money market deposit accounts, certificates of deposit, and individual retirement accounts. Alternative banking services include internet and mobile banking, electronic bill pay, telephone banking, and bank-owned automated teller machines (ATM) located at each branch. In addition, consumers can open deposit accounts and apply for loans online. Marlborough Savings Bank has not opened or closed any offices or been involved in any merger or acquisition activity since the prior evaluation.

Ability and Capacity

The bank's assets totaled approximately \$534 million as of March 31, 2016, which included \$345 million in loans. The bank's loan portfolio increased by approximately 25 percent since the previous examination. This is mainly attributed to an increase in commercial loans. Total deposits amounted to \$445 million as of the same date. The bank has historically specialized in home mortgage lending, which represented 53 percent of total loans as of March 31, 2016. Commercial loans, as a percentage of total loans, increased 15 percent since the prior evaluation. Examiners did not identify any financial, legal, or other impediments that affect the institution's ability to meet the assessment area's credit needs.

The following table displays the institution's loan portfolio.

| Loan Portfolio Distribution as of 3/31/16 | | |
|--|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction and Land Development | 29,948 | 8.7 |
| Secured by Farmland | 0 | 0.0 |
| 1-4 Family Residential | 175,418 | 50.9 |
| Multi-family (5 or more) Residential | 6,972 | 2.0 |
| Commercial Real Estate | 99,423 | 28.8 |
| Total Real Estate Loans | 311,761 | 90.4 |
| Commercial and Industrial | 30,944 | 9.0 |
| Agricultural | 0 | 0.0 |
| Consumer | 2,206 | 0.6 |
| Other | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 344,911 | 100.0 |
| <i>Source: Reports of Income and Condition</i> | | |

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within its CRA performance to be evaluated.

Marlborough Savings Bank designated a single assessment area within the Boston-Worcester-Manchester, Massachusetts-Rhode Island-New Hampshire (MA-RI-NH) Combined Statistical Area (CSA). The assessment area includes Marlborough, Hudson, Northborough, Southborough, and Westborough as well as portions of Framingham and Sudbury. Northborough, Southborough, and Westborough are in Worcester County and within the Worcester, Massachusetts (MA) Metropolitan Statistical Area (MSA). The remaining communities are within Middlesex County and the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). Given the single assessment area, examiners performed a full scope review. The bank's assessment area has not changed since the previous CRA review. In 2014, the Office of Management and Budget revised the income level designation of three census tracts within the bank's assessment area. The following sections discuss demographic and economic information for the assessment area.

| Description of Assessment Area | | | |
|---------------------------------------|-------------------------|---------------------------|----------------------|
| Area | Counties in Area | # of Census Tracts | # of Branches |
| Cambridge-Newton-Framingham, MA MD | Middlesex | 13 | 3 |
| Worcester, MA MSA | Worcester | 9 | 3 |
| <i>Source: Bank Records</i> | | | |

The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area includes 22 census tracts throughout Middlesex and Worcester Counties. These tracts reflect the following income designations according to the 2010 U.S. Census:

- 1 moderate-income tract,
- 9 middle-income tracts, and
- 12 upper-income tracts

The following table illustrates select AA demographics based on 2010 United States (U.S.) Census data. Examiners used this information to analyze the bank's record of extending home mortgage and small business loans to borrowers of all income and revenue levels. The only information that is not specific to the assessment area is the Federal Financial Institutions Examination Council's (FFIEC's) Estimated Median Family Incomes (MFI). The following table shows these figures separately for the Cambridge-Newton-Framingham, MA MD and the Worcester, MA MSA.

| Demographic Information of the Assessment Area | | | | | | |
|---|----------|------------------------------|-----------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 22 | 0.0 | 4.5 | 40.9 | 54.5 | 0.0 |
| Population by Geography | 117,311 | 0.0 | 6.4 | 46.4 | 47.2 | 0.0 |
| Housing Units by Geography | 46,699 | 0.0 | 7.4 | 49.4 | 43.2 | 0.0 |
| Owner-Occupied Units by Geography | 32,272 | 0.0 | 4.1 | 47.8 | 48.1 | 0.0 |
| Occupied Rental Units by Geography | 11,931 | 0.0 | 15.1 | 53.6 | 31.2 | 0.0 |
| Vacant Units by Geography | 2,496 | 0.0 | 12.8 | 49.8 | 37.3 | 0.0 |
| Businesses by Geography | 11,336 | 0.0 | 6.9 | 31.7 | 61.5 | 0.0 |
| Farms by Geography | 262 | 0.0 | 6.5 | 37.4 | 56.1 | 0.0 |
| Family Distribution by Income Level | 30,202 | 13.6 | 13.2 | 18.8 | 54.4 | 0.0 |
| Household Distribution by Income Level | 44,203 | 20.0 | 12.0 | 15.7 | 52.3 | 0.0 |
| Median Family Income Cambridge-Newton-Framingham, MA MD | \$90,625 | Median Housing Value | | \$395,337 | | |
| | | Median Gross Rent | | \$1,065 | | |
| Median Family Income - Worcester, MA-CT MSA | \$77,128 | Families Below Poverty Level | | 3.3% | | |
| <i>Source: 2010 U.S. Census and 2015 D&B Data</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

According to 2015 D&B data, there were 11,336 businesses. Gross annual revenues (GARs) for these businesses are below:

- 74.7 percent have \$1 million or less
- 7.3 percent have more than \$1 million
- 18.0 percent have unknown revenues

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represented the largest portion of businesses at 51.2 percent, followed by retail trade (11.7 percent), construction (7.7 percent), and non-classifiable establishments (5.9 percent). In addition, 67.4 percent of area businesses have four or fewer employees, and 87.9 percent operate from a single location. D&B data for 2015 showed a similar distribution of businesses by GAR level when compared to 2014.

There are 46,699 housing units. Of these, 69.1 percent are owner-occupied, 25.6 percent are occupied rental units, and 5.3 percent are vacant. The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

Data obtained from the U.S. Bureau of Labor and Statistics indicates that the Massachusetts unemployment rate as of April 2016 was 3.9 percent. As of the same time period, in Middlesex and Worcester Counties, unemployment rates were 3.1 percent and 4.1 percent, respectively. The Massachusetts unemployment as of April 2015 was 4.7 percent. As of the same time period, in Middlesex and Worcester Counties, unemployment rates were 3.8 percent and 5.1 percent,

respectively. The Massachusetts unemployment rate has steadily declined throughout the evaluation period. The Massachusetts unemployment rate as of March 2013 was 7.0 percent.

Major employers in the AA include Boston Scientific Corporation, Globalfoundries, Inc., and Raytheon Civil Communications.

Competition

The assessment area is competitive for financial services. According to the FDIC Deposit Market Share data as of June 2015, 75 financial institutions operated 741 full-service branches within Middlesex and Worcester Counties. Of these institutions, Marlborough Savings Bank ranked 31st with a 0.61 percent deposit market share.

Aggregate home mortgage lending data for 2014 shows that 296 lenders originated 4,783 home mortgage loans within the bank's assessment area. The top lenders include large national and regional banks, credit unions, and mortgage companies. These include Wells Fargo Bank, JP Morgan Chase, St. Mary's Credit Union, Bank of America, Commerce Bank and Trust Company, Mortgage Master, and Quicken Loans. Management considers many institutions within close geographical proximity to its branches as its main competitors. These include St. Mary's Credit Union, Digital Federal Credit Union, Avidia Bank, Middlesex Savings Bank, MutualOne Bank, Fidelity Cooperative Bank, and TD Bank, N.A. Marlborough Savings Bank ranked 13th out of this group of lenders, with a 1.3 percent market share.

As Marlborough Savings Bank collects, but does not report, small business data, the small business loan analysis under the Lending Test does not include comparisons against aggregate data. However, to gain a perspective on small business loan competition, examiners reviewed aggregate data. The aggregate data reflects a high demand for small business loans. Aggregate small business lending data for 2014 shows 130 lenders originated 43,975 small business loans in Middlesex and Worcester Counties. Due to data limitations, aggregate market share data is reflected at the county level.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available. Examiners reviewed an existing community contact, conducted within the previous 12 months, in conjunction with this evaluation.

The contact works with municipal and private investors to foster economic development, job growth, and community revitalization in the City of Marlborough and surrounding towns and cities within the Interstate 495 corridor.

The contact indicated there is a need for affordable housing in Marlborough as several new businesses have entered the area in recent years. This individual stated that a few affordable

housing developments are currently under construction. The contact felt newer community development organizations without connections with bank foundations or other charitable funding sources need donations, grants, and volunteer work. The contact stated four local area institutions, including Marlborough Savings Bank, are active in the community and with the contact's organization. The contact also indicated area banks tend to be conservative. This resulted in a lack of funding for some affordable housing projects that both the City of Marlborough and developers had approved.

Credit and Community Development Needs and Opportunities

Based upon the information from the community contact and management, as well as demographics and economic data, examiners concluded that affordable housing is the assessment area's primary need.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio (LTD)

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 77.0 percent over the past 13 quarters from March 31, 2013, through March 31, 2016. The bank's LTD ratio during this period fluctuated from a low of 71.2 percent as of March 31, 2013 to a high of 80.9 percent as of June 30, 2015. Since the previous CRA evaluation, net loans and deposits increased 23.9 percent and 15.2 percent, respectively. Net loans increased approximately \$66 million and deposits increased nearly \$59 million. The following table shows the bank's LTD ratio at 77.0 percent is the lowest when compared to similarly situated institutions. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

| Loan-to-Deposit Ratio Comparison | | |
|--|--|--------------------------------------|
| Bank | Total Assets as of 3/31/16 \$(000s) | Average Net LTD Ratio (%) |
| Marlborough Savings Bank Marlborough, Massachusetts | 533,555 | 77.0 |
| Clinton Savings Bank Clinton, Massachusetts | 518,528 | 92.8 |
| Hometown Bank Oxford, Massachusetts | 428,446 | 96.9 |
| North Middlesex Savings Bank Ayer, Massachusetts | 410,856 | 89.0 |

Source: Reports of Income and Condition 3/31/13 through 3/31/16

Assessment Area Concentration

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

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|---|-----------------|-------------|------------|-------------|------------|---------------------------------|-------------|---------------|-------------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ | % | \$ | % | |
| Home Mortgage | | | | | | | | | | |
| 2014 | 114 | 50.4 | 112 | 49.6 | 226 | 11,729 | 53.7 | 10,116 | 46.3 | 21,845 |
| 2015 | 164 | 59.4 | 112 | 40.6 | 276 | 23,971 | 57.6 | 17,631 | 42.4 | 41,602 |
| Subtotal | 278 | 55.4 | 224 | 44.6 | 502 | 35,700 | 56.3 | 27,747 | 43.7 | 63,447 |
| Small Business* | | | | | | | | | | |
| 2014 | 19 | 59.4 | 13 | 40.6 | 32 | 2,185 | 36.0 | 3,892 | 64.0 | 6,077 |
| 2015 | 23 | 60.5 | 15 | 39.5 | 38 | 4,887 | 53.3 | 4,289 | 46.7 | 9,176 |
| Subtotal | 42 | 60.0 | 28 | 40.0 | 70 | 7,072 | 46.4 | 8,181 | 53.6 | 15,253 |
| Total | 320 | 55.9 | 252 | 44.1 | 572 | 42,772 | 54.3 | 35,928 | 45.7 | 78,700 |

*Source: 2014 and 2015 HMDA Reported Data, * 2014 and 2015 Bank Data*

Home Mortgage Loans

The bank originated a majority of its home mortgage loans, by number and dollar volume, inside its AA.

Small Business Loans

The bank originated a majority of its small business loans, by number, inside the assessment area in 2014 and 2015. A majority of small business loans, by dollar volume, were outside the assessment area for 2014, which management attributed to the local competitive banking market.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in the moderate-income census tract. As indicated previously, examiners placed more weight on home mortgage lending in the overall CRA analysis.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area, particularly in the moderate-income census tract. As detailed in the following table, the bank's lending within the moderate-income census tract exceeds both the aggregate lending performance in 2014 and the percentage of owner-occupied housing within this geography in 2014 and 2015. Market share data further support the bank's excellent performance. Specifically, market share reports for 2014 indicate that the bank ranked 3rd out of

89 institutions in lending in the moderate-income geography. This represents a 5.4 percent market share. The bank's consistent performance in lending in the moderate-income census tract in 2015 contributes to the excellent assessment.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2014 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2015 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2014 | 4.1 | 4.3 | 11 | 9.6 | 1,390 | 11.9 |
| 2015 | 4.1 | -- | 16 | 9.8 | 2,871 | 12.0 |
| Middle | | | | | | |
| 2014 | 47.8 | 42.0 | 51 | 44.7 | 4,977 | 42.4 |
| 2015 | 47.8 | -- | 76 | 46.3 | 10,195 | 42.5 |
| Upper | | | | | | |
| 2014 | 48.1 | 53.7 | 52 | 45.6 | 5,362 | 45.7 |
| 2015 | 48.1 | -- | 72 | 43.9 | 10,905 | 45.5 |
| Not Available | | | | | | |
| 2014 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2015 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2014 | 100.0 | 100.0 | 114 | 100.0 | 11,729 | 100.0 |
| 2015 | 100.0 | -- | 164 | 100.0 | 23,971 | 100.0 |
| <i>Source: 2010 U.S. Census, 2014 and HMDA Reported Data, 2014 HMDA Aggregate Data, "--" data not available</i> | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion. The following table shows that the bank's performance in the moderate-income census tract lags business demographics by 1.4 percentage points in 2014 and exceeds D&B data by 10.5 percentage points in 2015. The number of small business loans originated is low, which affects the large variations in the ratios.

| Geographic Distribution of Small Business Loans | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2014 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2015 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | |
| 2014 | 6.7 | 1 | 5.3 | 115 | 5.0 |
| 2015 | 6.9 | 4 | 17.4 | 208 | 4.0 |
| Middle | | | | | |
| 2014 | 31.8 | 5 | 26.3 | 641 | 29.0 |
| 2015 | 31.7 | 11 | 47.8 | 2,981 | 61.0 |
| Upper | | | | | |
| 2014 | 61.5 | 13 | 68.4 | 1,429 | 65.0 |
| 2015 | 61.5 | 8 | 34.8 | 1,698 | 35.0 |
| Not Available | | | | | |
| 2014 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2015 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2014 | 100.0 | 19 | 100.0 | 2,185 | 100.0 |
| 2015 | 100.0 | 23 | 100.0 | 4,887 | 100.0 |
| <i>Source: 2014 & 2015 D&B Data, 2014 and 2015 Bank Data.</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects reasonable penetration of loans to borrowers of different income levels and businesses of different sizes. Examiners emphasized the bank's record of home mortgage lending to low- and moderate-income borrowers and small business lending to businesses with GARs of \$1 million or less. As indicated previously, examiners gave more weight to home mortgage lending in the overall CRA analysis.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels is reasonable. In 2014, the bank's lending to low-income borrowers is above the aggregate performance and below demographics. In 2015, despite an increase in the number of loans to low-income borrowers, the bank's lending remained less than demographics. For moderate-income borrowers, the bank's 2014 lending lagged both the aggregate performance and demographics. However, in 2015 there was an increase in the percentage of loans originated to moderate-income borrowers. This percentage is above demographics.

Market share data further supported the bank's reasonable performance under this criterion. In 2014, the bank ranked 24th in lending, out of 81 institutions making loans to low-income borrowers, with a 1.6 percent market share. Additionally, the bank ranked 14th in lending, out of 134 institutions making loans to moderate-income borrowers, with a 2.1 percent market share.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2014 | 13.6 | 3.5 | 7 | 6.1 | 116 | 1.0 |
| 2015 | 13.6 | -- | 18 | 11.0 | 1,414 | 5.9 |
| Moderate | | | | | | |
| 2014 | 13.2 | 12.5 | 13 | 11.4 | 1,549 | 13.2 |
| 2015 | 13.2 | -- | 31 | 18.9 | 4,169 | 17.4 |
| Middle | | | | | | |
| 2014 | 18.8 | 18.3 | 25 | 21.9 | 2,171 | 18.5 |
| 2015 | 18.8 | -- | 38 | 23.2 | 5,063 | 21.1 |
| Upper | | | | | | |
| 2014 | 54.4 | 50.6 | 65 | 57.0 | 7,327 | 62.5 |
| 2015 | 54.4 | -- | 70 | 42.7 | 11,356 | 47.4 |
| Not Available | | | | | | |
| 2014 | 0.0 | 15.1 | 4 | 3.5 | 566 | 4.8 |
| 2015 | 0.0 | -- | 7 | 4.3 | 1,969 | 8.2 |
| Totals | | | | | | |
| 2014 | 100.0 | 100.0 | 114 | 100.0 | 11,729 | 100.0 |
| 2015 | 100.0 | -- | 164 | 100.0 | 23,971 | 100.0 |
| <i>Source: 2010 U.S. Census, 2014 and 2015, 2014 HMDA Aggregate Data, "--" data not available.</i> | | | | | | |

Small Business Loans

The distribution of small business loans reflects, given the demographics of the assessment area, poor penetration among businesses of different sizes. In 2014, the bank's performance of lending to businesses with GARs of \$1 million or less was 22.3 percentage points below the demographics. Lending to businesses with GARs of \$1 million or less decreased in 2015, and was 39.9 percentage points lower than the demographic comparison.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|--|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| <=\$1,000,000 | | | | | |
| 2014 | 69.7 | 9 | 47.4 | 1,395 | 63.8 |
| 2015 | 74.7 | 8 | 34.8 | 1,225 | 25.1 |
| >1,000,000 | | | | | |
| 2014 | 7.2 | 10 | 52.6 | 790 | 36.2 |
| 2015 | 7.3 | 15 | 65.2 | 3,662 | 74.9 |
| Revenue Not Available | | | | | |
| 2014 | 23.1 | 0 | 0.0 | 0 | 0.0 |
| 2015 | 18.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2014 | 100.0 | 19 | 100.0 | 2,185 | 100.0 |
| 2015 | 100.0 | 23 | 100.0 | 4,887 | 100.0 |

Source: 2014 & 2015 D&B Data, 2014 and 2015 Bank Data.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Marlborough Savings Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities.

Community Development Loans

The bank originated 15 community development loans totaling approximately \$3.4 million during the evaluation period. This activity level represents 0.6 percent of total assets and 1.0 percent of total loans as of March 31, 2016. Of the 15 community development loans, 13 loans totaling slightly more than \$2.0 million created affordable housing.

The bank's community development lending includes eight loans outside the assessment area in the bordering town of Berlin. As the bank has been responsive to the community development needs of its assessment area, examiners considered these loans under the Community Development Test. The following table illustrates the bank's community development lending activity by year and purpose.

| Community Development Loans | | | | | | | | | | | | |
|-----------------------------|---------------------|--------------|--------------------|----------|----------------------|--------------|-------------------------|----------|----------------------------|----------|-----------|--------------|
| Activity Year | Qualifying Category | | | | | | | | | | Totals | |
| | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Neighborhood Stabilization | | | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2013 | 2 | 192 | 0 | 0 | 1 | 555 | 0 | 0 | 0 | 0 | 3 | 747 |
| 2014 | 9 | 1,050 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 9 | 1,050 |
| 2015 | 2 | 785 | 0 | 0 | 1 | 832 | 0 | 0 | 0 | 0 | 3 | 1,617 |
| YTD 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 13 | 2,027 | 0 | 0 | 2 | 1,387 | 0 | 0 | 0 | 0 | 15 | 3,414 |

Source: Bank Records

The following are community development loan examples.

- In May 2013, the bank extended a \$170,000 non-revolving line of credit and a \$596,000 non-revolving unit construction line of credit to finance a residential development in Berlin. Berlin is contiguous to the northern towns of the bank’s assessment area. The project is qualified under Chapter 40B. Chapter 40B is a Massachusetts statute that enables local zoning boards to approve affordable housing developments under flexible rules if at least 20-25 percent of the units have long-term affordability restrictions. The residential development has 32 units, 8 of which are earmarked as affordable housing. The pro rata share of the loan amounts that provide affordable housing is \$191,500.
- In February 2014, the bank granted a \$170,000 non-revolving line of credit and a \$596,000 non-revolving unit construction line of credit to finance the 40B residential development in Berlin. The pro rata share of the loan amounts that provide affordable housing is \$191,500.
- In October 2015, the bank made an \$858,000 non-revolving line of credit for infrastructure improvements and a \$1,190,000 revolving line of credit for the construction of a 12-lot 40B residential development in Westborough. Of the 12 lots, the developer earmarked 3 as affordable housing. The developer budgeted \$190,000 for construction per affordable housing unit. The portion of these loans that provide affordable housing total \$784,500.
- Over the evaluation period, the bank originated two SBA 504 community development loans for \$1,387,036 inside the assessment area. The SBA 504 program helps small businesses and promotes job creation and economic development.

Qualified Investments

The bank made 61 qualified investments totaling \$177,285. This total includes 1 equity investment made during the current evaluation period totaling \$50,000 and 60 qualified donations and grants made during the current evaluation totaling approximately \$127,285. The following table also includes investments that benefitted the regional or statewide area including the bank's assessment area. Qualified equity investments represent .06 percent of average securities and .01 percent of average total assets.

| Qualified Investments | | | | | | | | | | | | |
|--|---------------------|--------------|--------------------|----------------|----------------------|---------------|-------------------------|----------|----------------------------|----------|-----------|----------------|
| Activity Year | Qualifying Category | | | | | | | | | | Totals | |
| | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Neighborhood Stabilization | | | |
| | # | \$ | # | \$ | # | \$ | # | \$ | # | \$ | # | \$ |
| Prior Period | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2013 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2014 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2015 | 0 | 0 | 0 | 0 | 1 | 50,000 | 0 | 0 | 0 | 0 | 1 | 50,000 |
| YTD 2016 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 1 | 50,000 | 0 | 0 | 0 | 0 | 1 | 50,000 |
| Qualified Grants & Donation | 4 | 2,350 | 46 | 105,845 | 10 | 19,090 | 0 | 0 | 0 | 0 | 60 | 127,285 |
| Total | 4 | 2,350 | 46 | 105,845 | 11 | 69,090 | 0 | 0 | 0 | 0 | 61 | 177,285 |

Source: Bank Records

Equity Investments

- Marlborough Economic Development Corporation (MEDC) Revolving Loan Fund (Loan Fund):** The Loan Fund provides access to capital for small businesses in the City of Marlborough. The Loan Fund's primary purpose is to provide gap financing. This financing provides a bridge between the funding the small businesses owners obtained through a private lender and the actual amount needed to start or expand their business. During the current evaluation period, the bank invested \$50,000.

Qualified Grants and Charitable Donations

The bank provides charitable contributions directly and through the Marlborough Savings Bank Charitable Foundation. Of the total donations, 83.2 percent by dollar amount benefitted organizations whose efforts support community development services. The following are examples of organizations that received qualified contributions and grants.

- **Roland’s House:** Based in Marlborough, this temporary emergency shelter can serve up to 18 homeless men and women at a time. Individuals served by the organization are eligible for employment, mental, and substance abuse services.
- **Marlborough Mayor’s Charity Relief Fund:** This fund helps individuals in need of financial assistance. Examples include low-income seniors in need of heating and fuel assistance, families that have lost their home due to fire, and individuals that are financially struggling due to an illness.
- **Homeowners Options for Massachusetts Elders:** This organization’s mission is to protect the equity of low- and moderate-income elder homeowners and prevent foreclosure. The organization does not charge any fees to its clients for its services.
- **HOPEsudbury:** This organization helps underserved residents. Assistance can include food, rent/mortgage payment, heating, and household repair assistance.

Community Development Services

During the evaluation period, bank employees provided 41 instances of financial expertise or technical assistance to 11 different community development-related organizations. The following table illustrates the bank’s community development services by year and purpose.

| Community Development Services | | | | | | |
|--------------------------------|---------------------|--------------------|----------------------|-------------------------|----------------------------|-----------|
| Activity Year | Qualifying Category | | | | | Totals |
| | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Neighborhood Stabilization | |
| | # | # | # | # | # | |
| 2013 | 1 | 1 | 5 | 2 | 0 | 9 |
| 2014 | 1 | 1 | 5 | 2 | 0 | 9 |
| 2015 | 1 | 2 | 6 | 2 | 0 | 11 |
| YTD 2016 | 1 | 3 | 6 | 2 | 0 | 12 |
| Total | 4 | 7 | 22 | 8 | 0 | 41 |

Source: Bank Records

The following are examples of the bank’s community development services.

- Boys & Girls Clubs of MetroWest (BGCMW):** The BGCMW provides youth development, education, prevention, and recreation programs to at-risk children. The program develops and prepares young adults to be responsible and productive members of the community. The BGCMW utilized bank funding to support and provide services to low- and moderate-income individuals and families. A senior vice president serves on the Board.
- Marlborough Economic Development Corporation (MEDC):** This organization works with municipal and private investors to foster economic development, job growth, and community revitalization in the City of Marlborough. The organization’s Loan Fund provides gap financing to small businesses that are unable to obtain a loan through traditional sources. An executive vice president of commercial lending serves on the Loan Committee.
- Massachusetts Community and Banking Council (MCBC):** MCBC’s mission is to partner with financial institutions and community organizations to improve the availability of credit and financial services to underserved communities, low- and moderate-income families, and small businesses. The organization operates in a greater statewide area that includes the bank’s assessment area. The bank’s senior vice president and risk officer serves on the Economic Development Committee. The bank’s vice president of retail lending serves as Co-Chair of the Lending Committee.

- **Greater Marlborough Programs:** This organization provides affordable housing, employment training, and other health services to disabled working-age individuals in Marlborough. A majority of individuals served by the organization are low- and moderate-income. The bank's vice president of loan operations serves as a Finance Committee member.
- **Employment Options:** This organization provides workforce development, occupational training and education, and family counseling services to the economically disadvantaged. The bank's executive vice president of retail banking serves as Board Chairperson.

Financial Education and Outreach

- **First Time Homebuyer Seminars:** The bank continues to provide first-time homebuyer seminars semiannually through the Assabet Valley Adult Continuing Education Program. The bank hosted six first time homebuyer seminars at its branch locations since 2013.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The CRA requires that examiners consider discriminatory violations or other illegal credit practices when evaluating a bank's performance. Examiners identified an isolated discriminatory violation of Regulation B, which implements the Equal Credit Opportunity Act, during the concurrent compliance examination. Because of the violation's isolated nature, it did not impact the bank's CRA performance rating. Examiners found that this violation occurred despite the bank's policies, procedures, and training programs to prevent discriminatory or other illegal credit practices. Management was responsive to the violation and took prompt corrective action on the violation. Management also committed to enhancing its procedures.

APPENDIX

FAIR LENDING POLICIES AND PROCEDURES

Examiners reviewed the bank's fair lending performance to determine how it relates to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy. Based upon the review of the bank's public comment file and its performance relative to fair lending policies and practices, examiners identified an isolated violation of anti-discrimination laws and regulations.

MINORITY APPLICATION FLOW

Examiners reviewed the bank's 2014 and 2015 HMDA LARs to determine if the application flow from different minority groups reflected assessment area demographics.

Examiners compared the bank's 2014 residential lending to the 2014 aggregate lending performance. The comparison assists in deriving reasonable expectations for the application rate received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow, as well as a comparison to aggregate lending data within the assessment area.

| Minority Application Flow | | | | | |
|----------------------------------|------------------|--------------|----------------------------|------------------|--------------|
| RACE | Bank 2014 | | 2014 Aggregate Data | Bank 2015 | |
| | # | % | % | # | % |
| American Indian/ Alaska Native | 0 | 0.0 | 0.2 | 0 | 0.0 |
| Asian | 2 | 2.3 | 7.8 | 6 | 4.6 |
| Black/ African American | 0 | 0.0 | 0.8 | 1 | 0.8 |
| Hawaiian/Pacific Islander | 0 | 0.0 | 0.2 | 0 | 0.0 |
| 2 or more Minority Races | 0 | 0.0 | 0.0 | 0 | 0.0 |
| Joint Race (White/Minority) | 1 | 1.2 | 1.6 | 1 | 0.8 |
| Total Minority | 3 | 3.5 | 10.6 | 8 | 6.2 |
| White | 69 | 80.2 | 65.0 | 104 | 80.6 |
| Race Not Available | 14 | 16.3 | 24.4 | 17 | 13.2 |
| Total | 86 | 100.0 | 100.0 | 129 | 100.0 |
| ETHNICITY | | | | | |
| Hispanic or Latino | 5 | 5.8 | 3.6 | 5 | 3.9 |
| Not Hispanic or Latino | 65 | 75.6 | 71.1 | 107 | 82.9 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 2 | 2.3 | 1.2 | 0 | 0.0 |
| Ethnicity Not Available | 14 | 16.3 | 24.1 | 17 | 13.2 |
| Total | 86 | 100.0 | 100.0 | 129 | 100.0 |

Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data

According to the 2010 U.S. Census data, the bank's assessment area had a population of 117,311 individuals, of which 18.4 percent are minorities. The assessment area's minority and ethnic population consists of 0.1 percent American Indian, 7.2 percent Asian/Pacific Islander, 1.7 percent Black, 5.8 percent Hispanic, and 3.6 percent other.

In 2014, the bank received 86 HMDA reportable loan applications within its assessment area. Of these applications, the bank received 3, or 3.5 percent, from racial minority applicants. This is below the aggregate's performance of 10.6 percent of applications received from minorities. In 2014, the bank received 5 applications representing 5.8 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from ethnic minority applicants was slightly above the aggregate's performance of 3.6 percent of applications received from the Hispanic or Latino ethnic group.

In 2015, the bank received 6.2 percent of applications from racial minorities and 3.9 percent of applications from Hispanic or Latino applicants.

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

GLOSSARY

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

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and by the Federal Deposit Insurance Corporation, at 81 Granger Boulevard, Marlborough, Massachusetts."

[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.