

PUBLIC DISCLOSURE

April 21, 2015

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

PATRIOT COMMUNITY BANK

**237 LEXINGTON STREET
WOBURN, MA 01801**

**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 its authority when examining financial institutions subject to its 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 Division 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 **Patriot Community Bank (or the “Bank”)** prepared by the Division, the institution's supervisory agency as of April 21, 2015. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the 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 following summarizes the Bank’s performance.

- The Bank’s average loan-to-deposit ratio (80.9 percent) is reasonable, given the institution’s size, financial condition, and assessment area credit needs.
- Less than a majority of residential and small business loans (36.6 percent by number) were originated inside the institution’s assessment area. The Bank’s performance for this criterion is poor.
- 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).
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- The Bank has not received any CRA-related complaints since the last CRA evaluation.

SCOPE OF THE EXAMINATION

Small Bank CRA evaluation procedures were used to assess the Bank's CRA performance. These procedures evaluated the Bank's CRA performance pursuant to the following criteria: loan-to-deposit (LTD) ratio, assessment area concentration, the borrower's profile, the geographic distribution of loans, and response to CRA complaints. The CRA evaluation considered activity in the prior two years. The applicable timeframes for the loan product line reviews are described in the paragraphs that follow.

Patriot Community Bank is primarily a residential lender. Full-year Home Mortgage data from January 1, 2013 through December 31, 2014 was analyzed. Information concerning the 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 re-financings, of one- to four-family and multifamily (five or more units) properties. The evaluation emphasizes 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 lending data (aggregate lending data), which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated loans in the Bank's assessment areas. The Bank's home mortgage lending performance is also compared with demographic data. Demographic information is from the 2010 U.S. Census unless otherwise noted.

Additionally, the Bank's small business lending in 2013 and 2014 was analyzed and included in this report. While small business data collection is not required, the Bank internally keeps track of this information. These internal records were used to conduct the small business analysis.

PERFORMANCE CONTEXT

Description of Institution

Patriot Community Bank was established in 2006 and is a mutually owned, state-chartered co-operative bank headquartered at 237 Lexington Street in Woburn, Massachusetts. This is the Bank's sole office. The Bank offers full commercial, residential, and consumer products and services. Since the prior examination, dated March 21, 2011 the Bank has significantly grown when assets totaled \$99.4 million as of December 31, 2010. Bank management attributes this growth to a more focused marketing effort and to the natural effects of the market, especially in 2012.

As of December 31, 2014, the Bank had total assets of \$146.1 million and total deposits of \$126.8 million. Total loans were \$110.3 million and represented 75.5 percent of total assets. Since the last CRA evaluation, the Bank's assets have grown 47.0 percent, total loans have increased 50.7 percent, and deposits have increased 44.0 percent.

Table 1 illustrates the current distribution of the Bank's loan portfolio.

Table 1		
Loan Distribution as of December 31, 2014		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction, Land and Other Land Loans	17,461	15.8
1-4 Family Residential	46,297	42.0
Multi-Family (5 or more) Residential	4,425	4.0
Non-farm, Non-residential	28,114	25.5
Total Real Estate Loans	96,297	87.3
Commercial and Industrial	13,828	12.6
Consumer	146	0.1
Less unearned income	(0)	0.0
Total Loans	110,271	100.0

Source: FFIEC Call Report December 31, 2014

The Bank is primarily a residential lender with a significant level of the loan portfolio secured by residential properties. As noted in Table 1, approximately 42.0 percent of the loans are secured by residential one to four-family properties, followed by Non-farm/Non-residential loans at 25.5 percent, and construction and land development loans at 15.8 percent. Total real estate loans account for 87.3 percent of the total loan portfolio. It should be noted that the Bank sells its home mortgage loans to the secondary market. In discussions with the Bank's management, it was further noted that the Bank is continuing to focus its lending efforts on both commercial and residential lending.

Patriot Community Bank is a full-service financial institution that offers a wide variety of products and services. The Bank offers residential and commercial mortgages, home equity loans, personal loans, and automobile loans. In addition the Bank participates in the "Get the Lead Out" loan program in partnership with Mass Housing. The Bank also offers checking accounts, statement savings accounts, passbook savings accounts, money market accounts, business checking accounts, business money marketing accounts, Individual Retirement Accounts (IRA), certificates of deposit, a 24-hour telephone banking service, free on-line banking, wire transfers, direct deposit, and ATM/debit cards. The Bank maintains a website at www.patriotcb.com.

The branch is open Monday through Wednesday and Friday, 8:00 a.m. to 5:00 p.m., Thursday, 8:00 a.m. to 7:00 p.m. and Saturday 8:30 a.m. to noon. The Bank maintains one walk up automated teller machine (ATMs) in the branch lobby.

The Division last evaluated the Bank's CRA performance on March 21, 2011 and assigned a rating of "Satisfactory."

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. The Bank does operate in a highly competitive market as 498 different lenders originated at least one home mortgage loan within the assessment area in 2013. Also considered was the Bank's size and the fact that it operates from a single branch.

Description of the 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 permitted otherwise by the regulation), (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

Patriot Community Bank has defined its assessment area to include 23 cities and towns: Acton, Arlington, Bedford, Belmont, Billerica, Burlington, Carlisle, Concord, Lexington, Medford, Reading, North Reading, Stoneham, Sudbury, Tewksbury, Wakefield, Waltham, Westford, Wilmington, Winchester, and Woburn are in Middlesex County; Andover and North Andover are in Essex County. Essex and Middlesex Counties are located in the Boston-Cambridge-Newton Metropolitan Statistical Area and the Cambridge-Newton-Framingham Metropolitan Division.

The Bank's assessment area has significantly expanded from five communities (Arlington, Lexington, Medford, Winchester, and Woburn) since the last CRA evaluation to the 23 listed above.

Refer to Table 2 below for pertinent demographic information concerning the assessment area:

Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (census tracts)	127	0.0	11.8	50.4	37.8
Population by Geography	636,228	0.0	9.0	52.9	38.1
Owner-Occupied Housing by Geography	173,081	0.0	5.5	53.4	41.0
Family Distribution by Income Level	163,089	15.6	15.6	22.2	46.7
Businesses by Geographies	65,975	0.0	7.3	50.4	42.3
Distribution of Low and Moderate Income Families throughout AA Geographies	50,827	0.0	14.2	59.3	26.5
Median Family Income (MFI)		\$113,594	Median Housing Value		\$489,158
FFIEC Adjusted Median Family Income for 2013		\$101,000	AA Unemployment Rate		3.86%
FFIEC Adjusted Median Family Income for 2014		\$93,300	(2010 US Census)		
Families Below Poverty Level		3.0%	MA March 2015 Bureau		4.8%
Households Below Poverty Level		5.5%	of Labor Statistics		

Source: PCI Corporation CRA Wiz; 2010 US Census Data; FFIEC Updated MFI for 2013 and 2014; 2013 Business Geo-demographic Data

As the data in Table 2 shows, in 2013, the area is comprised of 127 census tracts, of which 15 or 11.8 percent are moderate-income; 64 or 50.4 percent are middle-income; and 48 or 37.8 percent are upper-income. There are no low-income census tracts. The majority of the moderate-income census tracts are located in Medford and Waltham.

It should further be noted that in 2014, demographic changes took place resulting in a shift in census tracts. Of the Bank's 127 total tracts, 10 or 7.9 percent are moderate-income; 59 or 46.5 percent are middle-income; and 58 or 45.7 percent are upper-income.

The assessment area has a total population of 636,228 residing in 163,089 family households. Of all family households in the area, 15.6 percent are low-income, 15.6 percent are moderate-income, 22.2 percent are middle-income, 46.7 percent are upper-income and 3.0 percent are families below the poverty level. A closer look at the households reveals that, of the 236,037 total households, 46,252 or 19.6 percent are low-income; 32,635 or 13.8 percent are moderate-income; 13,062 or 5.5 percent are households that are below the poverty level and 1.5 percent of households receive some form of public assistance. Living below the poverty level typically indicates a reduced ability to qualify for a mortgage loan, thereby reducing a financial institution's ability to originate residential loan products to lower-income individuals.

Income categories for census tracts are defined in Appendix A of this evaluation. Based on the 2010 U.S. Census, the Median Family Income ("MFI") for the assessment area is \$113,594. However, the Federal Financial Institutions Examinations Council ("FFIEC") annually adjusts the MFI based on estimates. As noted in the table above, the adjusted MFI, as determined by HUD, for 2013 is \$101,000 and for 2014 is \$93,300. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-income:	Less than 50% MFI
Moderate-income:	At least 50% but less than 80% of MFI
Middle-income:	At least 80% but less than 120% of MFI
Upper-income:	Equal to or greater than 120% of MFI

The assessment area consists of 248,753 total housing units, of which 173,081 or 69.6 percent are owner-occupied, 62,956 or 25.3 percent are rental units and 12,716 or 5.1 percent are vacant units. Of the 173,081 owner-occupied housing units, 9,571 or 5.5 percent are in the moderate-income census tracts, 92,484 or 53.4 percent are in the middle-income census tracts while 71,026 or 41.0 percent are in upper-income census tracts. The median housing value in 2010 for the assessment area was \$489,158, and the median age of the housing stock was 52 years. Like much of New England, the area's housing prices, until recently, saw dramatic increases in value since 2000. The weighted average monthly gross rent is \$1,273.

Data obtained from the 2013 Business Geo-demographic Data show that there are 65,975 businesses in the assessment area, of which 71.3 percent have gross annual revenues of \$1 million or less, 6.4 percent have gross annual revenues greater than \$1 million, and the remaining 22.3 percent have unknown revenues. Of total businesses in the assessment area, 7.3 percent are in moderate-income census tracts, 50.4 percent are in middle-income tracts, and 42.3 percent are in upper-income tracts. Included among the largest employers in the Bank's assessment area are Analog Devices, Inc., Bentley University, Brandeis University, CGI, Fresenius Medical Care, Genesis HR Solutions, and Pfizer Corp.

The unemployment rate (not seasonally adjusted) for the Boston-Cambridge-Newton MSA is 4.4 percent and statewide for Massachusetts is 4.8 percent according to March 2015 statistics

gathered from the Bureau of Labor Statistics. This represents a decrease as compared to March 2013 and 2014, where the unemployment rates in Massachusetts were 6.7 and 5.9 percent, respectively. The following is a sample of unemployment rates of cities and towns within the assessment area according to the Bureau of Labor Statistics December 2014 data: Andover: 4.1; Lexington: 3.9; Medford: 4.8; North Andover: 5.0; and Wilmington: 5.2.

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 and the country. Among the more prominent lenders competing with the Bank are JP Morgan Chase, Wells Fargo, Bank of America and Citi Bank. Bank management has identified its primary competitors in the area to be Eagle Bank, Northern Bank & Trust, and Rockland Trust.

Community Contact

As part of the evaluation process, third parties active in community affairs, are contacted to assist in assessing the general banking needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and service needs of the communities, and what further opportunities, if any, are available. For purposes of this evaluation, a community contact was conducted with a local non-profit community development organization serving Burlington, Wilmington, Winchester, and Woburn. The organization provides food pantry services to nearly 300 households per month, subsidized affordable day care services to low- and moderate-income families and free first time parenting education. The contact was very complimentary of the support that local financial institutions have provided to the organization. Financial institutions have helped in terms of making charitable contributions, sitting on the Board of the organization, and volunteering time. One area for additional support from financial institutions would be to extend credit in the form of “heat loans” during the winter season for the households in need. Overall, the contact was pleased with the responsiveness of the local banks to the areas credit needs.

Based on the area’s demographics and the insights gained through discussions with management and the community contacts, 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.

PERFORMANCE CRITERIA

1. 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 Bank's net LTD ratio is 86.1 percent as of December 31, 2014. A comparative analysis of the Bank's quarterly net LTD ratios for the last 16 quarters since the prior CRA evaluation was conducted. The quarters reviewed include those ending March 31, 2011 through December 31, 2014. 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 Bank's average quarterly net LTD ratio over the period reviewed was 80.9 percent and is considered reasonable. The net LTD ratio for this period has fluctuated over the last 16 quarters from a high of 92.7 percent (December 2012) to a low of 68.1 percent (June 2013). During this timeframe, net loans have increased 79.3 percent and deposits have increased 43.8 percent. According to Bank management, since the last examination, the Bank hired a Commercial Lender in December 2010 and another in 2014. The Bank has also experienced a high volume of loan originations on the residential side, especially in 2012 as a result of the industry wide refinance movement.

For comparison purposes, the Bank's average net LTD ratio was compared against the average net LTD ratios of four similarly situated institutions (these three institutions are similar in terms of asset size, financial condition, geographic location, and loan portfolio composition) for the same time period.

Table 3		
Peer Group Loan-to-Deposit Comparison		
Bank Name	Total Assets (000) as of 12/31/14	Average Net LTD Ratio 3/31/11 through 12/31/14
Melrose Cooperative Bank	209,910	74.2
Wakefield Cooperative Bank	183,806	73.6
Patriot Community Bank	146,065	80.9
Bank of Easton	122,075	64.5

Source: FFIEC Report of Condition and Income (Call Reports)

As shown in Table 3, the similarly situated institutions' average net LTD ratios ranged between 64.5 percent and 80.9 percent. At 80.9 percent, the Bank's average net LTD is higher than the similarly situated institutions.

Based on the above information and the Bank's capacity to lend, the capacity of other similarly-situated banks, the types of loans available at the Bank, and the lending opportunities available, the Bank's loan-to-deposit ratio is considered to meet the standards for satisfactory performance.

2. COMPARISON OF CREDIT EXTENDED INSIDE AND OUTSIDE OF THE ASSESSMENT AREA

This performance criterion determines what percentage of the Bank's lending occurs within the Bank's assessment area and evaluates its appropriateness. Based on a review of home loan and small business loan data, the majority of the Bank's lending activity occurs outside the institution's assessment area.

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

Table 4 Assessment Area Concentration										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				
	Inside Assessment Area		Outside Assessment Area			Inside Assessment Area		Outside Assessment Area		Total \$(000s)
	#	%	#	%		\$(000s)	%	\$(000s)	%	
HMDA	410	35.8	734	64.2	1,144	152,724	38.2	247,392	61.8	400,116
Small Businesses	40	47.1	45	52.9	85	18,643	44.0	23,742	56.0	42,385
Total	450	36.6	779	63.4	1,229	171,367	38.7	271,134	61.3	442,501

Source: 2013 and 2014 HMDA LARs and Internal Bank Documents

Residential Real Estate Lending

As shown in Table 4, the Bank originated 410 HMDA reportable loans totaling \$152.7 million inside the assessment area during the evaluation period. This represents 35.8 percent of the total number of home loans originated by the Bank and 38.2 percent by dollar volume. The distribution of loans by number bears more weight on the Bank's rating than the distribution by dollar amount, as the number of loans correlates more closely to the number of individuals or families who were able to obtain home mortgage loans.

The institution has only been operational for nine years and operates from a single office. The Bank operates in a very competitive residential lending environment with well established financial institutions operating in the assessment area. According to market share reports, 498 HMDA lenders were in the Bank's assessment area in 2013, with Patriot Community Bank ranked 36th with 0.60 percent of the market share. The Bank has made efforts to improve this ratio by reevaluating its assessment area since the last examination and attentively monitoring its lending practices from a senior management and Board level. While the Bank's percentage of residential lending inside of its assessment area increased since the last examination (12.7 percent), the percentage of residential loans within the assessment area is poor.

Small Business Lending

The Bank also originated 40 Small Business loans totaling \$18.6 million inside the assessment area during the evaluation period. This represents 47.1 percent of the total number of small business loans originated by the Bank and 44.0 percent by dollar volume. Even though this ratio has increased since the prior examination (35.7 percent), the percentage of small business loans originated inside the assessment area needs to improve.

Despite the mitigating factors within the residential and small business portfolios, the low percentage of lending within the assessment area does not meet the standards for satisfactory performance.

3. DISTRIBUTION OF CREDIT AMONG BORROWERS OF DIFFERENT INCOME LEVELS

The Bank’s HMDA reportable loans and small business loans were further analyzed to determine the distribution of lending by borrower income and gross annual revenue levels.

Residential Real Estate Lending

The distribution of loans by borrower income was reviewed to determine the extent to which the Bank is addressing the credit needs of the area’s residents. The Bank achieved a reasonable penetration of loans among borrowers of different income levels based on the area’s demographics and/or a comparison to aggregate lending data. Refer to Table 5 for information concerning the distribution of home loans by borrower income.

Table 5 Distribution of HMDA Loans by Borrower Income						
Median Family Income Level	% Family Distribution Income Level	2013 Bank		2013 Aggregate Lending Data	2014 Bank	
		#	%	%	#	%
Low	15.6	4	1.5	4.4	7	4.9
Moderate	15.6	33	12.4	14.0	12	8.3
Middle	22.2	67	25.2	23.8	26	18.0
Upper	46.6	156	58.6	47.2	96	66.7
N/A	0.0	6	2.3	10.6	3	2.1
Total	100.0	266	100.0	100.0	144	100.0

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

As shown in Table 5, during 2013 the percentage of home loans originated by the Bank to low-income borrowers at 1.5 percent is slightly lower than the percentage of loans reflected in the aggregate data for the same income category and time period at 4.4 percent. Also in 2013, the Bank’s lending to moderate-income borrowers at 12.4 percent is slightly lower than the percentage of lending to moderate-income borrowers at 14.0 by the aggregate. This is primarily attributed to the significant competition the Bank faces, including competition from a variety of well established financial institutions in the area competing for the same loans.

In 2014, the volume of loans decreased and distribution of home loans among the borrower income categories was comparable to the prior year in that the middle- and upper-income borrowers accounted for the majority of the home loans. The proportion of loans to the low-

income borrowers increased from 1.5 percent to 4.9 percent, while moderate-income borrowers decreased from 12.4 percent to 8.3 percent.

The Bank organizes a First Time Home Buyer seminar every year at its branch. Additionally, the Bank participates in government sponsored loan programs targeted to low- and moderate-income borrowers such as the FHA, MHFA, FNMA, FHLMC and the Get the Lead Out loan program in partnership with Mass Housing.

Based on the above information, the loan distribution by borrower income meets the standards of satisfactory performance.

Small Business Lending

Table 6 illustrates the distribution of the Bank’s small business loans within the assessment area by businesses’ revenues sizes along with the percentage of businesses in the area.

Table 6 – Distribution of Small Business Loans by Gross Annual Revenues (GAR)						
GAR \$(000)	2013 % of Total Businesses	2013 Bank		2014 % of Total Businesses	2014 Bank	
		#	%		#	%
≤ \$1,000	71.3	10	58.8	70.4	18	78.3
> \$1,000	6.4	7	41.2	6.9	5	21.7
Not Reported	22.3	0	0	22.7	0	0.0
Total	100.0	17	100.0	100.0	23	100.0

Source: Sample of the Bank’s Small Business Loans for 2013 and 2014, 2013 and 2014 Business Geo-demographic data

The Bank made a majority of its small business loans to businesses with gross annual revenues (GARs) under \$1 million. The Bank displayed a reasonable penetration in lending to smaller businesses in both years under review. In 2014, the Bank’s lending to smaller businesses exceeded the percentage of assessment area businesses in this revenue category. As shown in the table above, the Bank has increased the number of loans to businesses with GARs under \$1 million by 80 percent over the two-year span.

The Bank’s overall dispersion of lending to businesses of different revenue categories is considered reasonable.

4. GEOGRAPHIC DISTRIBUTION OF LOANS

This criterion evaluates the distribution of the Bank’s loans within the assessment area by census tract income level, with emphasis on lending in low- and moderate-income census tracts.

Residential Real Estate Lending

Table 7 illustrates the geographic distribution of the Bank’s 2013 and 2014 residential mortgage lending within the assessment area by number. For comparison purposes, the table includes the percentage of owner-occupied housing units within each income category and the aggregate

market lending data for 2013. There are no low-income census tracts in the Bank’s assessment area.

Table 7 Distribution of HMDA Loans by Census Tract Income						
Census Tract Income Level	% Owner- Occupied Housing Units	Bank 2013		Aggregate Lending Data 2013	Bank 2014	
		#	%	%	#	%
Moderate	5.5	25	9.4	6.4	4	2.8
Middle	53.4	97	36.5	49.7	64	44.4
Upper	41.1	144	54.1	43.9	76	52.8
Total	100.0	266	100.0	100.0	144	100.0

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

An analysis of the Bank’s residential mortgage originations in 2013 indicates that 9.4 percent were originated in moderate-income census tracts. The Bank’s performance was higher than the aggregate data (6.4 percent) and the owner occupied units (5.5 percent). Although there was a decrease in the number of loans made to borrowers in the moderate-income tracts, it should be noted that the Bank’s overall lending volume decreased as well. Additionally, as mentioned in the Description of the Assessment Area, the number of moderate-income census tracts decreased from 15 in 2013 to 10 in 2014 as a result of FFIEC geocode restructuring. The strong performance in the middle- and upper-income census tracts is not surprising considering that these census tracts contain 94.5 percent of the area’s owner-occupied housing units. In addition, the Bank’s branch office is located in a middle-income census tract.

The Bank’s performance is considered to meet the standards of satisfactory performance in this criterion.

Small Business

As displayed in Table 8, a distribution analysis of the Bank’s small business loans was conducted to determine if the needs the assessment area are being addressed.

Table 8 – Distribution of Small Business Loans by Census Tract Income Level						
Census Tract Income Level	2013 % of Total Businesses	2013 Bank		2014 % of Total Businesses	2014 Bank	
		#	%		#	%
Moderate	7.3	4	23.5	4.9	2	8.7
Middle	50.4	6	35.3	45.4	15	65.2
Upper	42.3	7	41.2	49.7	6	26.1
Total	100.0	17	100.0	100.0	23	100.0

Source: Sample of the Bank’s Small Business Loans for 2013 and 2014, 2013 Business Geo-demographic data

A considerable percentage of small business loans were made in the moderate-income tracts for both years. In 2013 and 2014, the Bank originated more loans in moderate-income tracts than the

percent of total businesses. In 2014, small business lending in the moderate-income tract decreased, however, the percent of total businesses in the moderate-income tract decreased as well.

The Bank's performance is considered reasonable in this area.

5. REVIEW OF COMPLAINTS/ FAIR LENDING POLICIES AND PRACTICES

A review of the Public File and the Division's internal records indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

Patriot Community Bank's fair lending performance was reviewed to determine how it conforms to the guidelines established by Regulatory Bulletin 1.3-106, the Division's Community Reinvestment and Fair Lending Policy.

While there were no fair lending violations cited, examiners made suggestions while on site for improvement and maintaining compliance in this area in regards to potential risk mitigation.

The Bank takes a pro-active approach to fair lending. All employees are provided with training appropriate to their job description and responsibilities in fair lending issues.

MINORITY APPLICATION FLOW

The Bank's HMDA LARs for 2013 and 2014 were reviewed to determine if the application flow from different minority 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 had a total population of 636,228 individuals, of which 16.9 percent are minorities. The assessment areas minority and ethnic population consists of 2.7 percent Black/African American, 8.2 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 4.0 percent Hispanic or Latino and 2.0 percent other.

The Bank's residential lending in 2013 was compared to the 2013 aggregate lending performance. 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 a comparison to aggregate lending data within the Bank's assessment area.

Table 9 MINORITY APPLICATION FLOW					
RACE	Bank 2013		2013 Aggregate Data	Bank 2014	
	#	%	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	0.1	1	0.5
<i>Asian</i>	113	37.9	8.4	72	39.6
<i>Black/ African American</i>	0	0.0	0.9	0	0.0
<i>Hawaiian/Pac Isl.</i>	0	0.0	0.1	0	0.0
<i>2 or more Minority</i>	0	0.0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	13	4.4	1.6	7	3.8
Total Minority	126	42.3	11.1	80	43.9
<i>White</i>	162	54.4	65.5	99	54.4
<i>Race Not Available</i>	10	3.3	23.4	3	1.7
Total	298	100.0	100.0	182	100.0
ETHNICITY					
<i>Hispanic or Latino</i>	3	1.0	1.2	6	3.3
<i>Not Hispanic or Latino</i>	281	94.3	74.3	173	95.1
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	4	1.3	0.9	0	0.0
<i>Ethnicity Not Available</i>	10	3.4	23.6	3	1.6
Total	298	100.0	100.0	182	100.0

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

The Bank's minority application flow was considerably above the population demographics for Asian applicants derived from the census data, and slightly above the census data for Black/African America and Latino applicants. In regard to peer lending data, the figures for racial and ethnic minority applicants were comparable to the performance of the aggregate, again with a notable exception of Asian consumers, whose ratio at the Bank far exceeds all criteria.

In 2013, the Bank received 298 HMDA reportable loan applications within its assessment area. Of these applications, 126 or 42.3 percent were received from racial minority applicants. The aggregate received 49,417 applications of which 11.0 percent were from minority applicants. For the same time period, the Bank also received seven or 2.3 percent applications from ethnic groups of Hispanic origin within its assessment area. The aggregate received 1,045 or 2.1 percent of applications from ethnic groups of Hispanic origins.

A review of 2014 indicates continuation of these trends, with 43.9 percent received from racial minority applicants and 3.3 percent received from ethnic groups of Hispanic origin within the assessment area.

The Bank's minority application flow, when compared to the aggregate's lending performance levels and the assessment area demographics, is more than reasonable.

General Definitions

GEOGRAPHY TERMS

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

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.

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.

HOUSING TERMS

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).

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.

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.

INCOME TERMS

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.

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, if a person or geography is located outside an MSA.

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

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.

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.

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.

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.

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.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

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.

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.

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 237 Lexington Street, Woburn, MA 01801."

- 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.