

PUBLIC DISCLOSURE

October 24, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Reading Cooperative Bank
Certificate Number: 26620

180 Haven Street
Reading, Massachusetts 01867

Commonwealth of Massachusetts
Division of Banks
1000 Washington St, 10th Floor
Boston, Massachusetts 02118

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 federal financial supervisory agency concerning the safety and soundness of this financial institution.

Institution Rating	2
Scope of Evaluation	3
Description of Institution	4
Description of Assessment Area.....	6
Conclusions on Performance Criteria	9
Appendix A – Fair Lending	19
Appendix B - Glossary.....	21

INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

- The average loan-to-deposit (LTD) ratio of 107.9 percent is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority (65.5 percent) of its home mortgage and small business loans within the assessment area during the evaluation period.
- The geographic distribution of loans reflects adequate dispersion throughout the assessment area, including low- and moderate-income geographies.
- The distribution of borrowers reflects reasonable penetration of loans among businesses of different sizes and individuals of different income levels, including low- and moderate-income individuals.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated September 17, 2013, to the current evaluation dated October 24, 2016. Examiners used Intermediate Small Bank Examination Procedures established by the Federal Financial Institutions Examination Council (FFIEC) to evaluate Reading Cooperative Bank's CRA Performance. These procedures include two tests: the Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Loan Products Reviewed

This evaluation focused on home mortgage and small business lending activity from January 1, 2015 to June 30, 2016. The bank's most recent Call Report as of June 30, 2016, shows that 70.9 percent of the bank's loan portfolio is residential real estate loans. Commercial real estate and commercial and industrial loans made up 21.4 percent of the portfolio.

Information related to residential mortgage lending was derived from the Loan Application Registers (LARs) maintained by the bank, pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase and home improvement loans, including refinancing, of one- to four-family and multifamily properties (five or more units). The evaluation emphasized the bank's home mortgage lending performance in 2015, as this is the most recent year for which aggregate lending data is available. Home mortgage lending data for the first 2 quarters of 2016 (YTD2016) is referenced to illustrate trends in the bank's lending data.

The bank's home mortgage lending performance is compared with aggregate HMDA data, which is a measure of home mortgage loan demand. Aggregate lending data reflects the lending activity of all HMDA reporting lenders that originated at least a single home mortgage in the bank's designated assessment area. The bank's home mortgage lending performance was also compared with demographic data.

Small business loans were also reviewed for the same period. Small business loans include loans whose original amounts are \$1 million or less and are secured by nonfarm nonresidential properties or are commercial and industrial loans. The bank's internal records indicated that 15 small business loans totaling \$1.1 million were originated in 2015, and eight small business loans totaling \$1.3 million were originated in YTD2016. The bank's small business lending performance was compared with the 2015 demographic data from Dun & Bradstreet. The bank's small business lending for YTD2016 is referenced to illustrate trends.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because it is not influenced by factors including applicant income, housing values, or business size, and provides a better overall indicator of the number of individuals and businesses served by the bank.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated September 17, 2013.

DESCRIPTION OF INSTITUTION

Background

Reading Cooperative Bank is a state chartered cooperative bank established in 1886. The bank's corporate headquarters are located at 180 Haven Street, Reading, MA. The institution received a rating of "Satisfactory" at its previous CRA evaluation dated September 17, 2013.

Operations

Reading Cooperative Bank operates seven full service branches located in Reading, Andover, Burlington, North Reading, Wilmington (2), and Woburn. The bank also operates one branch located at Reading Memorial High School in Reading, MA, which is only open to the high school community. Since the last evaluation, the bank has opened a branch at Northeast Metropolitan Regional Vocational High School in Wakefield, MA. This branch primarily serves the high school community, but does have lobby hours Monday through Friday from 8:15am to 2:00pm for the general public.

All full service branches have an automated teller machine (ATM). In addition, the bank operates a remote ATM located in Woburn, MA.

The institution offers a variety of lending and deposit products. Deposit products include checking, savings, money market, certificates of deposit (CDs), and individual retirement accounts (IRAs). Consumer lending products include fixed and adjustable rate mortgages, lines of credit, auto loans, personal unsecured loans, and student loans. Business lending products include commercial construction, equipment, business acquisition financing, working capital lines of credit, and Small Business Administration (SBA) loans. Alternative banking services include online banking and bill pay, mobile banking, and telephone banking.

Ability and Capacity

As of June 30, 2016, the bank had total assets of \$488.7 million and total deposits of \$366.9 million. Total loans were \$391.0 million and represented 80.0 percent of total assets. The bank's net loan-to-deposit ratio, as of the same date, was 105.9 percent. Since the last CRA evaluation, the bank's assets have increased 27.4 percent, net loans have increased 35.5 percent, and deposits have increased 27.0 percent.

The bank is primarily a residential lender with 70.9 percent of the loan portfolio secured by residential properties. The loan portfolio is illustrated in the following table.

Loan Portfolio Distribution as of 6/30/2016		
Loan Category	\$(000s)	%
Construction and Land Development	27,018	6.9
Secured by Farmland	84	0.0
1-4 Family Residential	245,050	62.7
Multi-family (5 or more) Residential	31,975	8.2
Commercial Real Estate	63,056	16.1
Total Real Estate Loans	367,183	93.9
Commercial and Industrial	20,892	5.3
Agricultural	0	0.0
Consumer	1,921	0.5
Other	1,013	0.3
Less: Unearned Income	0	0.0
Total Loans	391,009	100.0
<i>Source: Reports of Income and Condition</i>		

There are no significant financial or legal impediments that would limit the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Reading Cooperative Bank designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD). The following sections discuss the demographic and economic information for the assessment area.

Economic and Demographic Data

The bank's assessment area includes the following cities and towns located in Middlesex and Essex Counties: Andover, Lawrence, Lynnfield, Methuen, Middleton, North Andover, Bedford, Billerica, Burlington, Lexington, North Reading, Reading, Stoneham, Tewksbury, Wakefield, Wilmington, Winchester, and Woburn. The assessment area has not changed since the last exam.

The bank's assessment area consists of 102 census tracts that reflect the following income designations, according to the 2010 U.S. Census:

- 17 low-income tracts
- 6 moderate-income tracts
- 44 middle-income tracts

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	102	16.7	5.9	43.1	34.3	0
Population by Geography	512,011	13.2	6.0	46.5	34.3	0.0
Housing Units by Geography	195,362	12.9	6.4	47.5	33.2	0.0
Owner-Occupied Units by Geography	135,003	5.2	4.7	50.6	39.5	0.0
Occupied Rental Units by Geography	50,120	32.3	10.2	40.3	17.2	0.0
Vacant Units by Geography	10,239	20.0	10.3	41.6	28.1	0.0
Businesses by Geography	42,254	7.7	3.9	52.2	36.2	0.0
Family Distribution by Income Level	132,280	20.2	15.9	20.9	43.0	0.0
Household Distribution by Income Level	185,123	23.6	14.1	16.8	45.6	0.0
Median Family Income		\$100,897	Median Housing Value			\$450,501
FFIEC-Estimated Median Family Income for 2015		\$101,700	Median Gross Rent			\$1,089
FFIEC-Estimated Median Family Income for 2016		\$98,600	Families Below Poverty Level			5.7%

Source: 2010 U.S. Census, 2015 D&B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.

- 35 upper-income tracts

The following table provides additional demographic and economic information pertaining to the bank's assessment area.

The assessment area consists of 195,362 housing units, of which 135,003 or 69.1 percent are owner-occupied units, 50,120 or 25.7 percent are rental units, and 10,239 or 5.2 percent are vacant. Of the owner-occupied units, 5.2 percent are located in low-income tracts and 4.7 percent are located in moderate-income tracts.

The median housing value is \$450,501 in the assessment area. Additional information obtained from the Warren Group show that the average median sales price for a one-family home in Essex County was \$375,000 in 2015 and \$390,000 in 2016. The average median sales price for a one-family home in Middlesex County was \$460,000 in 2015 and \$483,000 in 2016.

The 2015 and 2016 FFIEC-updated median family income (MFI) level is used to analyze home mortgage lending under the Borrower Profile criterion. The low-, moderate-, middle- and upper-income categories are presented in the following table. These categories are based on the MFI of \$101,700 in 2015 and \$98,600 in 2016 for the Cambridge-Newton-Framingham, MA MD.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Cambridge-Newton-Framingham MA, MD Median Family Income				
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040
2016 (\$98,600)	<\$49,300	\$49,300 to <\$78,880	\$78,880 to <\$118,320	≥\$118,320
<i>Source: FFIEC Estimated Median Family Income</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2015 D&B data, there are 42,254 businesses within the assessment area. Gross annual revenues (GARs) for these businesses are below:

- 75.5 percent have GARs of \$1 million or less
- 7.4 percent have GARs of more than \$1 million
- 17.1 percent have unknown revenues

Service industries represent the largest portion of businesses at 51.4 percent, followed by retail trade at 10.9 percent and construction at 8.8 percent. In addition, 67.9 percent of businesses have four or fewer employees, and 89.4 percent operate from a single location.

According to the 2010 U.S. Census, the unemployment rate for the assessment area was 6.2 percent. Data obtained from the U.S. Bureau of Labor and Statistics as of August 2016 indicates that the unemployment rate was 3.8 percent for the state of Massachusetts, 3.2 percent for Middlesex County, and 3.9 percent for Essex County.

Competition

There is a high level of competition for loans among several banks, credit unions, and non-depository lenders in the assessment area. In 2015, 428 lenders reported a total of 20,064 home mortgage loans originated or purchased in the assessment area. Reading Cooperative Bank ranked 48th with a market share of 0.6 percent.

The bank competes with several local institutions including Salem Five, Eastern Bank, TD Bank, Northern Bank and Trust, Lowell Five Bank, and Stoneham Bank.

Community Contact

As part of the evaluation process, examiners contact organizations active in the assessment area to gain an understanding of the credit and community development needs. This information allows examiners to determine whether local financial institutions are responsive to identified needs. The contacts may also help identify what credit and community development opportunities are available.

Examiners contacted a Community Development Financial Institution (CDFI) that delivers loan and investment services to people and communities that have often been underserved by other financial institutions. The contact provided a general sense of what may be needed for borrowers in the region to further improve their prospects, namely financial literacy education for both businesses and individuals seeking loans. The contact indicated that many local businesses do not have the capital, proper financing, accounting documentation, or business plan to meet the underwriting standards that the financial institutions require to make the loan.

As it relates to individual borrowers, the contact pointed to a wide swath of underbanked people, suggesting that they would benefit from programs such as financial education seminars, home buying classes, and products that are tailored to individuals that currently rely on non-bank entities such as check cashers, private lenders, and payday lenders.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, it was determined that financing for small businesses and financial literacy programs represent the greatest credit and community development needs for the assessment area. Investment in alternative sources of credit, such as CDFIs, community development corporations (CDCs), community loan funds, or special loan products can help these low- and moderate-income small businesses that are in need of financing. Increasing the number of financial literacy seminars and classes can help the large underbanked population in the assessment area, many of which are low- or moderate-income.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

The loan-to-deposit ratio (LTD) is more than reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 107.9 percent over the past 12 quarters from September 30, 2013, to June 30, 2016. The ratio ranged from a low of 99.3 percent on September 30, 2013, to a high of 114.5 percent on June 30, 2015. Reading Cooperative Bank maintained a ratio higher to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 06/30/2016 \$(000s)	Average Net LTD Ratio (%)
<i>Reading Cooperative Bank</i>	<i>488,730</i>	<i>107.9</i>
Northmark Bank	334,030	100.0
The Savings Bank (Wakefield)	529,371	90.6
Winchester Co-operative Bank	597,845	73.3
<i>Source: Reports of Income and Condition 9/30/13 through 6/30/16</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans by number within the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2015	110	65.9	57	34.1	167	30,845	51.0	29,617	49.0	60,462
2016	57	64.8	31	35.2	88	19,031	61.7	11,817	38.3	30,848
Subtotal	167	65.5	88	34.5	255	49,876	54.6	41,434	45.4	91,310
Small Business										
2015	11	73.3	4	26.7	15	856	78.5	235	21.5	1,091
2016	4	50.0	4	50.0	8	545	43.1	720	56.9	1,265
Subtotal	15	65.2	8	34.8	23	1,401	59.5	955	40.5	2,356
Total	182	65.5	96	34.5	278	51,277	54.7	42,389	45.3	93,666
<i>Source: 2015, and 2 quarters of 2016 HMDA and CRA Reported Data</i>										

Geographic Distribution

The geographic distribution of loans reflects adequate dispersion throughout the assessment area. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate dispersion. In 2015, the bank's performance in low-income tracts was below the aggregate by 0.5 percent. For the same year, the bank's performance in moderate-income tracts was below the aggregate by 3.1 percent. The majority of low- and moderate-income tracts are located in the City of Lawrence, which is a highly competitive market with many lenders competing for home mortgage loans. Furthermore, the percentage of owner-occupied units in low- and moderate-income tracts is only 9.9 percent, leaving lenders to compete for a limited number of loans.

In YTD2016, the bank did not originate any loans in low-income tracts and originated one loan in moderate-income census tracts.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	5.2	6.0	6	5.5	2,159	7.0
2016	5.2	--	0	0.0	0	0.0
Moderate						
2015	4.7	4.9	2	1.8	315	1.0
2016	4.7	--	1	1.8	805	4.2
Middle						
2015	50.6	49.4	50	45.4	12,456	40.4
2016	50.6	--	29	50.9	7,077	37.2
Upper						
2015	39.5	39.7	52	47.3	15,915	51.6
2016	39.5	--	27	47.3	11,149	58.6
Totals						
2015	100.0	100.0	110	100.0	30,845	100.0
2016	100.0	--	57	100.0	19,031	100.0
<i>Source: 2010 U.S. Census; 2015, and 2 quarters of 2016 HMDA Reported Data; 2015 HMDA Aggregate Data; "--" data not available</i>						

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion. The bank did not make any loans to businesses in low- and moderate-income tracts in 2015 or YTD2016. For both years, the majority of the bank's loans went to businesses located in middle-income tracts.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2015	7.7	0	0	0	0.0
2016	7.7	0	0	0	0.0
Moderate					
2015	3.9	0	0	0	0.0
2016	3.9	0	0	0	0.0
Middle					
2015	52.2	7	63.6	721	84.2
2016	52.2	4	100.0	545	100.0
Upper					
2015	36.2	4	36.4	135	15.8
2016	36.2	0	0.0	0	0.0
Total					
2015	100.0	11	100.0	856	100.0
2016	100.0	4	100.0	545	100.0
<i>Source: 2015 D&B Data; 2015 and YTD2016 sample - bank data</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

In 2015, the bank's home mortgage lending to low-income borrowers was below the aggregate by 1.1 percent. In YTD2016, the bank's lending to low-income borrowers decreased to 3.5 percent.

In 2015, the bank's home mortgage lending to moderate-income borrowers was higher than the aggregate by 2.9 percent. The bank's lending to moderate-income borrowers decreased to 12.3 percent in YTD2016.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2015	20.2	5.6	5	4.5	479	1.6
2016	20.2	--	2	3.5	75	0.4
Moderate						
2015	15.9	16.2	21	19.1	4,741	15.4
2016	15.9	--	7	12.3	1,508	7.9
Middle						
2015	20.9	21.4	24	21.8	5,749	18.6
2016	20.9	--	15	26.3	3,572	18.8
Upper						
2015	43.0	37.1	52	47.3	16,970	55.0
2016	43.0	--	29	50.9	10,701	56.2
Income Not Available						
2015	0.0	19.7	8	7.3	2,906	9.4
2016	0.0	--	4	7.0	3,175	16.7
Total						
2015	100.0	100.0	110	100.0	30,845	100.0
2016	100.0	--	57	100.0	15,856	100.0
<i>Source: 2010 U.S. Census; 2015, and 2 quarters of 2016 HMDA Reported Data; 2015 HMDA Aggregate Data; "--" data not available</i>						

Small Business Loans

The distribution of small loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that 81.8 percent of small business loans were originated to businesses in this revenue category in 2015, slightly higher than the percentage of businesses. In YTD2016, the percentage of loans to businesses with GARs of \$1 million or less decreased to 50.0 percent.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Annual Revenues	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2015	75.5	9	81.8	340	39.7
2016	75.5	2	50.0	400	73.4
> \$1,000,000					
2015	7.4	2	18.2	516	60.3
2016	7.4	2	50.0	145	26.6
Revenue N/A					
2015	17.1	--	--	--	--
2016	17.1	--	--	--	--
Total					
2015	100.0	11	100.0	856	100.0
2016	100.0	4	100.0	545	100.0
<i>Source: 2015 D&B Data; 2015 and YTD2016 sample - bank data</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Reading Cooperative Bank demonstrated reasonable 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 eight community development loans totaling approximately \$3.9 million inside the assessment area during the evaluation period. This level of activity represents 0.6 percent of total assets and 1.0 percent of total loans as of the June 30, 2016 Call Report. Of the eight community development loans, five loans totaling \$1.9 million were used to create affordable housing in the City of Lawrence.

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 Service		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization			
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015	4	1,877	0	0	1	146	0	0	0	0	5	2,023
1/1/16-10/24/16	1	45	0	0	2	1,793	0	0	0	0	3	1,838
Total	5	1,922	0	0	3	1,939	0	0	0	0	8	3,861

Source: Bank Records.

Below are notable examples of the bank's community development lending.

- In 2015, the bank originated a working line of capital for \$400,000 to a non-profit organization that provides affordable housing to low- and moderate-income seniors in the Town of Reading.
- In 2016, the bank participated in a loan fund that provides financing to small businesses located in the City of Lawrence. The goal of the fund is to attract new businesses and create

jobs in the city’s commercial and mill districts. The bank’s participation in the loan fund totaled \$250,000.

- Over the evaluation period, the bank made four loans totaling \$1.5 million for the purpose of purchasing and rehabilitating multi-family properties that provide affordable housing in the City of Lawrence. These properties are located in low- or moderate-income census tracts and have below-market rents.
- Over the evaluation period, the bank originated two SBA 504 loans totaling \$1.7 million in the assessment area. The SBA 504 program promotes economic development.

Qualified Investments

The bank made a total of 110 qualified investments totaling \$146,781. This total includes one equity investment made during the current evaluation period totaling \$1,000, and 109 qualified donations and grants made during the current evaluation totaling approximately \$145,781. Of the total qualified investments, 71.7 percent by dollar amount went to organizations that support community services to low- and moderate-income individuals. It should be noted that the following table includes investments that benefitted the regional or statewide area that includes the bank’s assessment area.

Qualified Investments												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Service		Economic Development		Revitalize or Stabilize*		Neighborhood Stabilization Projects			
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
9/17/13-12/31/13	2	390	5	4,361	0	0	0	0	0	0	7	4,751
2014	3	1,050	39	44,828	0	0	0	0	0	0	42	45,878
2015	7	32,365	28	9,215	1	1,000	0	0	0	0	36	42,580
1/1/16-6/6/16	1	2,500	22	46,872	2	4,200	0	0	0	0	25	53,572
Total	13	36,305	94	105,276	3	5,200	0	0	0	0	110	146,781

Source: Bank Records.

Equity Investments

- **North Shore Community Development Corporation (CDC)** - the bank invested \$1,000 in the Community Investment Tax Credit Program that benefited the North Shore CDC, an organization that creates affordable housing and fosters economic development in the communities north of Boston.

Charitable Donations and Grants

- **Lazarus House** – This organization offers emergency shelter, food assistance, job training, and health services to low- and moderate-income individuals in the Merrimack Valley.
- **Elder Services of the Merrimack Valley (ESMV)** – ESMV is a private nonprofit organization. Its employees work with the elderly and their families to ensure access to necessary services, living arrangements, healthcare and benefits.
- **Lawrence Partnership** - The Lawrence Partnership is a nonprofit organization of business leaders, community representatives, and elected officials focused on economic development in the city of Lawrence. The Partnership provides capital assistance for startups and existing businesses, and undertakes advocacy and outreach programs designed to encourage investment in the city.
- **EMARC** – EMARC is a nonprofit that provides adult foster care, residential services, employment assistance, and a series of other services to developmentally disabled individuals in Wakefield and the surrounding area.
- **North Reading Food Pantry Dare to Begin Program** – The Dare to Begin program is conducted in conjunction with Christian Community Service. The initiative awards interest-free loans to low-income individuals who use the North Reading Food Pantry. Loans are approved by a panel of business people and representatives from North Reading churches.

Community Development Services

During the evaluation period, bank employees performed 315 instances of financial expertise or technical assistance to 19 organizations throughout the assessment area. A majority of these instances were weekly banking services provided to low- and moderate-income elderly individuals. Please refer to the following table illustrating the bank's community development services by year and purpose.

Community Development Services						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Service	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization Projects	
	#	#	#	#	#	
9/17/13-12/31/13	1	2	0	0	0	3
2014	0	91	0	0	0	91
2015	0	114	0	0	0	114
1/1/16-10/24/16	0	107	0	0	0	107
Total	1	314	0	0	0	315

Source: Bank Records.

Notable instances of the bank’s community development services include:

- **Eliot Community Human Services** – This organization provides a number of services for homeless adults, including mental health treatment, counseling, advocacy, and housing support. The organization seeks to help homeless individuals find permanent housing by offering transition support and guiding them towards appropriate accommodations. A bank employee serves as the Treasurer of the agency.
- **Teach Children to Save** - Teach Children to Save is a national program that organizes banker volunteers to help young people develop a savings habit early in life. Since the program started in 1997, some 146,400 bankers have taught savings skills to 6.4 million students. Several bank employees have participated in this program, notably teaching at Lawrence public schools and the YMCA in Lawrence.
- **Mission of Deeds** - Mission of Deeds is a non-profit volunteer organization that provides beds, used furniture and household items to families in need. The organization serves families and individuals throughout Middlesex and Essex counties, including veterans, previously homeless, survivors of domestic abuse, refugees, the elderly, victims of fire or other tragedies, and those with disabilities. Employees on the bank’s marketing team used their expertise to assist the organization with creating and implementing a blanket donation drive.
- **Northeast Metropolitan Regional Vocational High School** - The bank opened an educational branch office inside the High School. The branch offers traditional banking products and services to students and staff at the school. Additionally, students are encouraged to work at the branch, learning valuable operations and financial literacy skills. A majority of the student body is low- and moderate-income.

- **Banking Services at Elderly Assisted Living Facilities**– Several bank employees are involved with providing banking services and assistance to low- and moderate-income elderly individuals residing in assisted living facilities, namely *Windsor Place of Wilmington, Sanborn Place, Atria Marland Place*, and the *Residences at Pearl Street*. Bank employees use their technical expertise to assist residents with services such as processing transactions, deposits, withdrawals, and cashing checks.
- **Greater Lawrence Community Action Council**- this organization’s mission is alleviate poverty through education, child care, health, housing, and youth employment programs and services. The bank’s Human Resources Manager served on the organization’s Personnel Committee to assist with reworking policies and procedures and other personnel matters.

APPENDIX A

Division of Banks – 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 did not identify any violations of anti-discrimination laws and regulations.

Minority Application Flow

The bank’s HMDA LARs for 2015 and first two quarters of 2016 were reviewed to determine if the application flow from different minority groups was reflective of the assessment area demographics.

The bank’s residential application flow in 2015 was compared to the 2015 aggregate. The comparison of this data assists in deriving reasonable expectations for the rate of applications the institution 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 the aggregate within the assessment area.

Minority Application Flow					
RACE	2015 Bank		2015 Aggregate Data	2016 Bank	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	0	0.0
Asian	3	1.8	7.0	1	1.1
Black/ African American	0	0.0	1.6	1	1.1
Hawaiian/Pacific Islander	0	0.0	0.2	0	0.0
2 or more Minority	0	0.0	0.0	0	0.0
Joint Race (White/Minority)	1	0.6	1.5	1	1.1
Total Minority	4	2.4	10.5	3	3.3
White	137	80.1	64.6	66	75.0
Race Not Available	30	17.5	24.9	19	21.7
Total	171	100.0	100.0	88	100.0
ETHNICITY					
Hispanic or Latino	3	1.8	7.5	1	1.1
Not Hispanic or Latino	131	76.6	67.2	68	77.3
Joint (Hisp/Lat /Not Hisp/Lat)	3	1.8	1.1	0	0.0
Ethnicity Not Available	34	19.8	24.2	19	21.6
Total	171	100.0	100.0	88	100.0

Source: 2010 U.S. Census; 2015 and YTD2016 HMDA Reported Data; 2015 HMDA Aggregate Data

According to the 2010 U.S. Census data, the bank’s assessment area had a population of 512,011 individuals, of which 24.3 percent are minorities. The assessment area’s minority and ethnic population consists of 0.1 percent American Indian, 6.1 percent Asian/Pacific Islander, 1.8 percent Black, 14.8 percent Hispanic, and 1.5 percent other.

In 2015, the bank received 171 HMDA reportable loan applications within its assessment area. Of these applications, 4 or 2.4 percent were received from racial minority applicants. This is below

the aggregate's performance of 10.5 percent of applications received from minorities. For the same year, the bank received 6 applications representing 3.6 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from ethnic minority applicants was below the aggregate's performance of 8.6 percent of applications received from the Hispanic or Latino ethnic group.

In YTD2016, the bank received 3.3 percent of applications from racial minorities and 1.1 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.

APPENDIX B GLOSSARY

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

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 AA 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 AA(s) or a broader statewide or regional area including the bank's AA(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 AA. 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 AA. 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/AA.

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, require all financial institutions to take the following actions within 45 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 "180 Haven Street, Reading MA 01867."

- 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.