

PUBLIC DISCLOSURE

July 18, 2016

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The Savings Bank
Certificate Number: 90291

357 Main St
Wakefield, MA 01880

Division of Banks
1000 Washington Street
Boston, Massachusetts 02118

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, NY 10118

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

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INSTITUTION RATING

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

The Community Development Test is rated Satisfactory.

- The institution demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, 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 March 18, 2013, to the current evaluation dated July 18, 2016. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate the bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

- Loan-to-deposit ratio
- 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. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

The bank's record of originating home mortgage loans contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending during the most recent evaluation period. Also, no other loan types, such as small farm loans or consumer loans, represent a major product line. Therefore, they provided no material support for conclusions or ratings and are not presented.

Bank records indicated that the lending focus and product mix remained consistent throughout the evaluation period. Examiners considered all home mortgage loans reported on the bank's 2014 and 2015 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2014 the bank reported 249 loans totaling \$75.7 million, and for 2015 the bank reported 257 loans totaling \$82.7 million. The 2014 HMDA information contributed more weight to the overall conclusions, as this is the most recent year for which aggregate data is available.

In addition, this evaluation considered all small business loans reported on the bank's 2014 and 2015 Community Reinvestment Act (CRA) Loan Application Registers (LARs). For 2014 the bank reported 51 loans totaling \$9.6 million, and for 2015 the bank reported 33 loans totaling \$8.1 million. 2014 data is afforded more weight in overall conclusions as this is the most recent year for which aggregate data is available.

For the Lending Test, examiners reviewed the number and dollar volume of small business and home mortgage loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of businesses and individuals served.

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 March 18, 2013.

DESCRIPTION OF INSTITUTION

Background

The Savings Bank (“TSB” or “the bank”) is a Massachusetts state-chartered, mutual savings bank headquartered at 357 Main Street in Wakefield, Massachusetts (MA). TSB has four wholly-owned subsidiaries. Wakefield Savings Security Corporation and Quannapowitt Security Corporation engage in the business of buying, selling and dealing in investment securities. TSB Insurance Services Inc. provides insurance products and services to customers and non-customers of the bank. First Financial Trust, N.A., an OCC supervised entity, provides investment management and trust services. These subsidiaries and the securities division allow the bank to provide enhanced financial services in asset management, insurance, and investment products to its customer base. The institution received a Satisfactory rating at its previous FDIC Performance Evaluation dated March 19, 2013, based on Interagency Large Bank Examination Procedures.

Operations

TSB operates eight full-service branches throughout the Cambridge-Newton-Framingham MA Metropolitan Division (MD) (15764) in Essex and Middlesex Counties. Three branch offices are located in Wakefield, MA; two in Lynnfield, MA; and one each in Andover, Methuen, and North Reading, MA. Five offices are located in upper-income census tracts and three are located in middle-income census tracts. All banking offices are equipped with Automated Teller Machines (ATMs). In addition to these full-service locations, the bank also operates two standalone 24-hour ATMs in Wakefield and a limited-service branch at Wakefield High School. The bank is also a member of the SUM Program.

The bank is a full-service financial institution that offers a wide variety of products and services. Savings and checking accounts offered by the bank include statement savings, holiday club, free checking, and interest checking accounts. Home financing programs include adjustable- and fixed-rate options for the purchase, refinance, improvement and construction of residential property, and home equity loans. The bank offers a First Time Home Buyers Program, which provides financing through MassHousing. The bank also offer several types of Small Business Administration (SBA) loans. Other services offered by the bank include online banking and bill payment, 24-hour ATM banking, and mobile banking services. The bank offers a variety of business banking services which include business checking accounts, online banking and cash management, remote deposit capture, lines of credit, term loans, commercial real estate mortgages, SBA loans, and merchant credit card services. The bank did not open or close any branches, and no merger or acquisition activities occurred since the previous evaluation.

Ability and Capacity

As of March 31, 2016, the bank’s total assets were \$535.3 million. Net loans (total loans less the allowance for loan and lease losses) totaled \$413.0 million representing 77.1 percent of total assets. Since December 31, 2012, assets increased approximately \$78.1 million, or 17.1 percent, while net loans increased by 40.8 percent, and deposits increased by 8.8 percent as of March 31, 2016. The loan portfolio as of March 31, 2016 is in the following table.

Loan Portfolio Distribution as of March 31, 2016		
Loan Type	Dollar Amount \$(‘000s)	Percent of Total Loans
Loans Secured by Real Estate		
Construction, Land Development, and Other Land Loans	11,458	2.7
Revolving, Open-end Loans Secured by 1-4 Family Residential Properties and Extended Under Lines of Credit	9,280	2.2
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by First Liens	265,304	63.8
Closed-end Loans Secured by 1-4 Family Residential Properties: Secured by Junior Liens	585	0.1
Secured by Multi-Family (5 or more) Residential Properties	33,073	8.0
Secured by Nonfarm Nonresidential Properties	83,866	20.1
Commercial and Industrial	11,981	2.9
Loan to Individuals for Household, Family, or Other Personal Expenditures (Consumer Loans)	511	0.1
Other Loans	81	0.1
TOTAL LOANS	416,139	100.0

Source: Reports of Income and Condition

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. Based upon the bank’s asset size, product offerings, and branch network, its ability to meet the community’s credit needs remains strong.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area (AA) within which its CRA performance will be evaluated. The Savings Bank has designated a single AA in the Cambridge-Newton-Framingham, MA MD(15764). The bank’s assessment area conforms to CRA requirements since it consists of whole geographies, does not arbitrarily exclude low- and moderate-income areas, and does not reflect illegal discrimination. The following sections discuss demographic and economic information for the AA.

Economic and Demographic Data

The assessment area includes 69 census tracts across Essex and Middlesex counties. These tracts include the following cities and towns; Andover, Lawrence, Lynnfield, Melrose, Methuen, Middleton, North Reading, Reading, Saugus, Stoneham, Wakefield, and Wilmington. The included tracts reflect the following income designations according to the 2010 U.S. Census:

- 17 low-income tracts,
- 6 moderate-income tracts,
- 29 middle-income tracts, and
- 17 upper-income tracts.

The following table details specifics regarding the assessment area.

Demographic Information for the Assessment Areas					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	69	24.6	8.7	42.0	24.6
Population by Geography	339,360	20.0	9.6	44.0	26.4
Owner-Occupied Units by Geography	85,398	8.1	8.4	51.2	32.2
Businesses by Geography	24,240	13.5	6.6	50.9	28.9
Family Distribution by Income Level	86,347	24.7	16.4	20.9	38.0
Median Family Income (2010 U.S. Census)		\$90,625	Median Housing Value		\$380,075
2015 FFIEC-Estimated Median Family Income		\$101,700	Unemployment Rate		4.1
Families Below Poverty Level		7.4%			

Sources: 2010 U.S. Census data, 2015 FFIEC-Estimated Median Family Income, 2015 D&B Data

The table above shows that the majority of the population and the majority of owner occupied units are located in middle- and upper-income geographies.

According to 2015 D&B data, there were 24,781 businesses. Gross annual revenues (GARs) for these businesses are below.

- 77.7 percent have \$1 million or less.
- 5.8 percent have more than \$1 million.
- 16.5 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 50.5 percent; followed by retail trade (12.5 percent); construction (9.4 percent); and

finance, insurance, and real estate (8.7 percent). In addition, 69.9 percent of area businesses have four or fewer employees, and 90.7 percent operate from a single location.

FFIEC Estimated Median Family Income data is used to analyze home mortgage loans under the Borrower Profile section of the Lending Test. The table below presents the low-, moderate-, middle-, and upper-income categories. These categories are based on the FFIEC estimates for 2014 and 2015 median family incomes.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Assessment Area Median Family Income				
2014 (\$93,300)	<\$46,650	\$46,650 to <\$74,640	\$74,640 to <\$111,960	≥\$111,960
2015 (\$101,700)	<\$50,850	\$50,850 to <\$81,360	\$81,360 to <\$122,040	≥\$122,040

Source: 2014 and 2015 FFIEC-Estimated Median Family Income

There are 130,496 housing units in the assessment area, 85,398 of which are owner occupied, 37,943 are occupied rental units, and 7,155 are vacant. The median housing value of \$380,075 suggests a housing market comparable to the state of Massachusetts.

Further analysis used Warren Group housing sales data. During the evaluation period the, median home sales averaged \$409,132 throughout the twelve municipalities that formed the assessment area. Median sales prices ranged from \$560,000 in Lynnfield to \$237,667 in Lawrence. This further suggests an economically disparate environment. Methuen, Lawrence and Saugus are less expensive areas and house families at lower income levels. Conversely, Lynnfield, Andover, and Reading have housing markets that reflect affluent areas.

Competition

The Savings Bank operates in a very competitive lending environment. The bank faces competition from large national and regional institutions, including mortgage companies, community banks, and credit unions in the area. Residential lending market share reports for 2014 revealed that 351 lenders reported 8,801 originations and purchases totaling approximately \$3.0 billion in the assessment area. The top three financial institutions were JP Morgan Chase Bank NA, Wells Fargo Bank NA, Quicken Loans, with a combined 15.8 percent market share of originations. The Savings Bank ranked 20th out of this group of lenders, with a market share of 1.4 percent. The bank considers its direct local competitors to be Stoneham Bank, Winchester Savings Bank, Winchester Co-operative Bank, Reading Co-operative Bank and Wakefield Co-operative Bank.

The bank has elected to collect and report its small business data. Market share data for small business loans includes information at the full county level and as such does not represent the competition specifically within the boundaries of the assessment area. The information provided does reflect a moderate level of competition for small business loans; 126 lenders (including credit card companies, local banks, and large national institutions) originated 46,334 loans in the area for \$1.7 billion.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners conducted a community contact with a local nonprofit agency that offers social services and operates a food pantry in the region. The contact felt that the quality and availability of housing and economic opportunity in the area was strong, with room to improve in regards to opportunities for low- and moderate-income individuals and families; median housing prices indicate that low- and moderate-income borrowers would have difficulty qualifying to purchase a home. The contact identified the need for more affordable housing and rental units as a key priority.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing development represents a primary credit need for the assessment area. The relatively high cost of housing in portions of the assessment area support this conclusion. Additionally, in lower-cost segments of the assessment area the large population of low- and moderate-income families suggest an opportunity for outreach in the form of community development activity.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Savings Bank demonstrated reasonable performance under the Lending Test. The satisfactory performance of three criteria (LTD, Assessment Area Concentration, and Borrower Profile) primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and credit needs of the assessment area. The Bank's LTD ratio was calculated from quarterly Call Report data from June 30, 2013 to March 31, 2016, and averaged 89.0 percent. The ratio ranged from a high of 96.0 percent as of March 31, 2016, to a low of 76.8 percent as of June 30, 2013. The ratio rose steadily over the course of the evaluation period. The Bank maintained a ratio similar to those of comparable institutions, as shown in the following table. Examiners selected comparable institutions based on asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/16 \$(000s)	Average Net LTD Ratio (%)
The Savings Bank	535,340	89.0
Winchester Co-operative Bank	596,885	73.2
Winchester Savings Bank	540,715	76.4
Stoneham Bank	511,255	114.8
Reading Co-operative Bank	504,046	106.7
Wakefield Co-operative Bank	197,454	82.8

Source: Reports of Income and Condition 06/30/13 through 03/31/16

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. Please see the following table for more detail.

Lending Inside and Outside of the Assessment Areas										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2014	141	56.6	108	43.4	249	43,104	56.9	32,634	43.1	75,738
2015	141	54.9	116	45.1	257	46,528	56.2	36,200	43.8	82,728
Subtotal	282	55.7	224	44.3	506	89,632	56.6	68,834	43.4	158,466
Small Business										
2014	32	62.7	19	37.3	51	5,221	54.1	4,426	45.9	9,647

2015	19	57.6	14	42.4	33	3,394	42.0	4,684	58.0	8,078
Subtotal	51	60.7	33	39.3	84	8,615	48.6	9,110	51.4	17,725
Total	333	56.4	257	43.6	590	98,247	55.8	77,944	44.2	176,191

Source: 2014 and 2015 HMDA Reported Data, 2014 and 2015 CRA Small business data

Geographic Distribution

The geographic distribution of loans reflects poor 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 poor dispersion throughout the assessment area. Examiners focused on the comparison to aggregate data. The following table shows that the bank's 2014 performance in low-income census tracts is far below aggregate data and demographics of the assessment area. The bank's performance improves in moderate-income census tracts, however it remains below aggregate data. Likewise, the bank performed below the demographic data of moderate-income census tracts.

In 2015, the bank's performance did not improve. The bank's performance remained flat in low-income areas and fell slightly in moderate-income census tracts.

The bank's market share in low- and moderate-income census tracts in 2014 was 0.5 percent. While low, this performance corresponds to the history of the bank. The local financial institutions with the best performance in these areas have a long-established presence in Lawrence whereas the Savings Bank only recently included this municipality in their assessment area.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	8.1	8.6	2	1.4	248	0.6
2015	8.1	--	2	1.4	319	0.7
Moderate						
2014	8.4	8.6	7	5.0	1,857	4.3
2015	8.4	--	6	4.3	1,206	2.6
Middle						
2014	51.2	51.0	72	51.1	22,112	51.3
2015	51.2	--	50	35.5	15,176	32.6
Upper						
2014	32.2	31.8	60	42.6	18,887	43.8
2015	32.2	--	83	58.9	29,827	64.1
NA						
2014	0.0	0.0	0	0.0	0	0.0
2015	0.0	--	0	0.0	0	0.0
Totals						

2014	100.0	100.0	141	100.0	43,104	100.0
2015	100.0	--	141	100.0	46,528	100.0

Source: 2010 U.S. Census; 2014 and 2015 HMDA Reported Data; 2014 HMDA Aggregate Data "--" data not available

Small Business Loans

The geographic distribution of small business loans reflects poor dispersion. In 2014, no loans were originated in the low-income census tracts, below the demographic of businesses and the aggregate lending trends in the same areas. Similarly, the table shows that the bank's performance in moderate-income census tracts is below demographics and area lending trends with one loan originated. The 2015 performance is consistent with 2014, with one loan originated in all low- or moderate-income areas. Similar to home mortgage loans, the bank's relatively new focus on lending in Lawrence mitigates apparent weakness in reaching these markets.

Geographic Distribution of Small Business Loans						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	13.3	11.2	0	0.0	0	0.0
2015	13.5	--	1	5.3	3	0.0
Moderate						
2014	6.6	6.5	1	3.1	380	7.0
2015	6.6	--	0	0.0	0	0.0
Middle						
2014	51.0	54.0	14	43.8	2,497	48.0
2015	50.9	--	9	47.4	2,606	77.0
Upper						
2014	29.1	28.3	17	53.1	2,344	45.0
2015	28.9	--	9	47.4	785	23.0
Not Available						
2014	0.0	0.0	0	0.0	0	0.0
2015	0.0	--	0	0.0	0	0.0
Totals						
2014	100.0	100.0	32	100.0	5,221	100.0
2015	100.0	--	19	100.0	3,394	100.0

Source: 2014 & 2015 D&B Data; 2014 & 2015 CRA Bank Data; 2014 CRA Aggregate Data, "--" data not available.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's performance

of home mortgage and small business lending support this conclusion. Examiners focused on the percentage by number of home mortgage low- and moderate-income borrowers. They also focused on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to aggregate data.

The bank's 2014 home mortgage lending to low-income borrowers, at 5.0 percent is similar to aggregate performance for families of comparable incomes. The bank is similarly comparable to aggregate lender performance for moderate-income originations. In the case of low-income families, the bank performed below the demographic. The low-income family demographic is comprised of a large segment of individuals below the poverty line, and those individuals cannot afford to purchase homes in the assessment area. This explains why aggregate lender performance is also below the demographic. For 2015, the bank percentage of loans to low-income families increased slightly and its performance toward moderate-income borrowers remained consistent.

Market share data further supported the bank's reasonable performance under this criterion. Out of 119 lenders, the bank shared a rank of 15th (actual rank 22nd) in originations to low-income applicants with a market share of 1.2 percent. The bank shared a rank of 19th (actual rank 24th) out of 191 lenders to moderate-income applicants, with a market share of 1.4 percent.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2014	24.7	5.9	7	5.0	1,385	3.2
2015	24.7	--	11	7.8	1,712	3.7
Moderate						
2014	16.4	17.8	24	17.0	5,249	12.2
2015	16.4	--	24	17.0	5,661	12.2
Middle						
2014	20.9	21.8	39	27.7	10,590	24.6
2015	20.9	--	42	29.8	13,237	28.5
Upper						
2014	38.0	37.4	68	48.2	24,483	56.8
2015	38.0	--	59	41.8	24,215	52.0
Income Not Available						
2014	0.0	17.2	3	2.1	1,397	3.2
2015	0.0	--	5	3.5	1,703	3.7
Total						
2014	100.0	100.0	141	100.0	43,104	100.0
2015	100.0	--	141	100.0	46,528	100.0

Small Business Lending

The distribution of the small business loans reflects reasonable penetration of businesses of different sizes. The following table shows that in 2014 37.5 percent of small business loans were extended to businesses with GARs of \$1 million or less. While this level of lending is below the area demographic of businesses in this revenue category, the bank compares reasonably to aggregate lending trends. In 2015, the bank's percentage of loans in this revenue category improved to a majority of the originations.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2014	72.0	44.9	12	37.5	2,106	40.3
2015	77.7	--	11	57.9	1,687	49.7
>1,000,000						
2014	5.5	--	13	40.6	2,343	44.9
2015	5.8	--	7	42.1	1,704	50.3
Revenue Not Available						
2014	22.4	--	7	21.9	772	14.8
2015	16.5	--	1	5.3	3	0.1
Totals						
2014	100.0	100.0	32	100.0	5,221	100.0
2015	100.0	--	19	100.0	3,394	100.0

Source: 2014 & 2015 D&B Data; 1/1/2014 - 12/31/2015 Bank Data; 2014 CRA Aggregate Data; "--" data not available.

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

TSB demonstrated adequate responsiveness to the community development needs of its AA 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

During the evaluation period, the bank originated four community development loans totaling \$2.1 million. This level of activity represents 0.4 percent of average total assets and 0.5 percent of average total loans since the prior CRA evaluation. All these loans CD were inside the AA. Two of the loans were for economic development and one each for community services and affordable housing.

Listed below are examples of the qualified community development loans made during the evaluation period:

- During 2014, the bank originated a \$420,000 term loan to an organization located inside the AA. This organization operates various group homes whose tenants receive services through the programs it provides. Three of the group homes operate under Section 811 of the National Affordable Housing Act and are regulated by the United States Department of Housing and Urban Development.
- The bank originated one SBA 504 loan totaling \$1,507,500 to a local business in 2015. The SBA 504 Loan program is designed to provide financing for the purchase of fixed assets (real estate, buildings, and machinery). The development of these businesses creates employment opportunities and promotes economic development.
- In 2016, the bank originated a \$200,000 SBA 7(a) loan to a company that opened for business inside the AA and created jobs. The jobs created were for low and moderate-income individuals.
- In 2016, the bank made a \$20,549 loan to a non-profit organization that operates 11 food pantries in Lawrence and Methuen. This organization provides free food to low- and moderate- income hungry families.

Qualified Investments

The bank has 190 qualified investments totaling \$766,800. This includes the current book value of one prior period equity investment totaling \$500,000 and 189 qualified donations and grants totaling \$266,808.

The following table details donations and the prior period investment.

Qualified Investments												
Activity Year	Qualifying Category										Totals	
	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization			
	#	\$	#	\$	#	\$	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	500,000	0	0	0	0	0	0	0	0	1	500,000
3/20/2013-12/31/2013	9	16,400	39	31,750	1	1,500	0	0	0	0	49	49,650
2014	7	11,350	47	68,240	1	1,500	0	0	0	0	55	81,090

2015	9	24,800	46	70,718	1	1,500	0	0	0	0	56	97,018
1/1/2016-7/15/2016	5	3,330	23	25,720	1	10,000	0	0	0	0	29	39,050
Total	31	555,880	155	196,428	4	14,500	0	0	0	0	190	766,808

Source: Bank Records

Equity Investments

The bank has not made any new equity investments since the prior evaluation.

Prior Period

The bank invested \$500,000 in the CRA Qualified Investment Fund managed by Community Capital Management (CCM). The mutual fund’s objective is to provide a high level of current income consistent with the preservation of capital and to provide investments to be qualified under the Community Reinvestment Act. CCM seeks to allocate investments from the bank within its assessment area. Fund investments have financed the creation of affordable rental housing units, home mortgages, down payment assistance, job training and job creation programs, and neighborhood revitalization. Investments are allocated to municipal bonds, GNMA and FNMA loan pools, and FHA programs. The bank’s shares in the CRA Qualified Investment Fund have a book value of \$500,000 as of March 31, 2016.

Qualified Grants and Charitable Donations

The majority of the bank’s qualified donations were made directly by the bank, while others were through the TSB Charitable Foundation, Inc. and Donald E. Garrant Foundation, Inc. Through the bank, total donations were \$182,808. Through the TSB Charitable Foundation, total grants were \$73,000. Through the Donald E. Garrant Foundation, total grants were \$11,000.

Examples of organizations that received qualified charitable contributions and grants follow:

- **Lazarus House**
Lazarus House helps head of households and individuals living in poverty regain their dignity and become self-sufficient members of the community. The organization provides emergency shelter, long term assisted living, and transitional housing. The facility supports families as they overcome homelessness. This organization is located in Lawrence, MA.
- **Mystic Valley Elder Services**
This non-profit organization provides numerous services to low-income elders in North Reading, Reading, Wakefield, Stoneham, Melrose, Medford, Malden, and Everett. One of its main functions is administering the Massachusetts Money Management Program free of charge to needy elders who are at risk of losing their independence due to an inability to manage their own finances.
- **Notre Dame Cristo Rey High School (NDCRHS)**

This school is located in Lawrence, MA and provides a Catholic, affordable, culturally sensitive college preparatory education for young men and women from families of limited income. NDCRHS serves students between 14 and 18 years old. Of the students, 97 percent are minorities, with Latinos comprising 91 percent. Also, 91 percent live in Lawrence and are all from low-income families.

- **Methuen Arlington Neighborhood, Inc.**

This organization is a non-profit community development corporation formed by residents of the Methuen Arlington Neighborhood to increase and enhance small business opportunities, neighborhood investment, and self-sufficiency of LMI residents. The Methuen Arlington Neighborhood is a densely populated, LMI area of Methuen in which residents suffer from poverty, a lack of employment opportunities, and social skills.

- **Lawrence Partnership**

This organization is a private/public sector collaboration started in 2014 for the economic development and general improvement for the City of Lawrence. The mission of this organization is to make loans to businesses who do not qualify for traditional bank financing in Lawrence, MA.

Community Development Services

During the evaluation period, bank employees provided 61 instances of financial expertise or technical assistance to 16 different community development-related organizations. Some of the services in the following table benefit regional or statewide areas. The following table illustrates the bank’s community development services by year and CD purpose.

Community Development Services						
Activity Year	Qualifying Category					Totals
	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	
	#	#	#	#	#	
3/20/2013-12/31/2013	1	10	0	0	0	11
2014	1	11	1	0	0	13
2015	2	20	1	0	0	23
1/1/2016-7/15/2016	1	9	4	0	0	14
Total	5	50	6	0	0	61

Source: Bank Records

Below are notable community development service examples.

- **Community Services Network (CSN)**

The mission of CSN is to help low- and moderate-income clients access the knowledge, skills, and services that promote independence and self-sufficiency. A bank officer serves on the Board and is the Treasurer of this organization.

- **Emmaus, Inc.**
This organization serves people in need including homeless, disadvantaged, disabled, unemployed, and oppressed. Their goal is to enhance societal and personal advancement through provisions of housing and support services that empower individuals and families reach their fullest potential. A bank officer serves on the Board and Finance Committee.
- **Mystic Valley Elder Services Money Management Program**
This program assists low- and moderate-income elders with daily money management services. The program assists senior citizens in Everett, Malden, Medford, Melrose, North Reading, Reading, and Stoneham. A bank officer served on the Board of this organization prior to her retirement in 2015. Another bank officer now sits on the Board.
- **Financial Literacy Trust Fund Board**
This Board was established by the Massachusetts State Treasurer. It is a public and private effort to support organizations that have displayed success advancing financial education skills and empowerment. Financial education skills are vital as residents navigate increasingly complex financial decisions and products. A senior bank officer serves as treasurer of the Board.
- **Financial Abuse Prevention Seminars**
Three bank employees worked in accord with two local organizations to lead seminars preventing elder financial abuse. The seminars included guidance on assisting senior homeowners with displacement issues, scams and schemes targeting the elderly, and responding to elder financial exploitation. The seminars (two in 2013, and one in 2014) were specifically offered to other Massachusetts financial institutions, to the benefit of a vulnerable segment of the population reliant on fixed incomes.

Members of TSB has conducted and participated in numerous seminars designed to educate consumers about banking and products available to meet their specific needs.

Other Community Services

- The bank's deposit products meet the Basic Banking in Massachusetts guidelines set forth by the Massachusetts Community and Banking Council's (MCBC). This statewide program offers low-cost checking and savings accounts to low- and moderate-income individuals.

APPENDIX A
Fair Lending Policies and Practices

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

Based on a review of the bank’s public comment file and its performance relative to fair lending policies and practices, examiners did not identify any violations of the anti-discrimination laws and regulations.

Minority Application Flow

Examiners reviewed the bank’s HMDA LARs for 2014 and 2015 to determine if the application flow from different minority groups within the AA was reflective of AA demographics.

The bank’s residential lending in 2014 was compared to 2014 aggregate lending data. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the following table for information on the bank’s minority application flow as well as a comparison to aggregate lending data.

Minority Application Flow					
RACE	Bank 2014		2014 Aggregate Data	Bank 2015	
	#	%	%	#	%
American Indian/ Alaska Native	1	0.6	0.2	1	0.6
Asian	5	3.2	4.4	4	2.6
Black/ African American	1	0.6	1.7	0	0.0
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority Races	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	0	0.0	1.1	2	1.3
Total Minority	7	4.4	7.6	7	4.5
White	144	92.3	68.4	142	91.6
Race Not Available	5	3.2	24.0	6	3.9
Total	156	100.0	100.0	155	100.0
ETHNICITY					
Hispanic or Latino	2	1.3	10.3	4	2.6
Not Hispanic or Latino	149	95.5	65.0	142	91.6
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.1	2	1.3
Ethnicity Not Available	5	3.2	23.6	7	4.5
Total	156	100.0	100.0	155	100.0
<i>Source: U.S. Census 2010, HMDA LAR Data 2014 and 2015, HMDA Aggregate Data 2014</i>					

According to the 2010 U.S. Census data, the bank's AA has a population of 339,360, of which 27.6 percent are minorities. The AA's minority population consists of 0.1 percent American Indian, 3.8 percent Asian/Pacific Islander, 1.6 percent Black/African American, 20.8 percent Hispanic, and 1.3 percent other race.

In 2014, the bank received 156 HMDA reportable loan applications within its AA. Of these applications, 4.4 percent were received from racial minority applicants. The bank's application flow was below the aggregate's performance of 7.6 percent. In 2014, the bank received 2 applications representing 1.3 percent of applications from the Hispanic or Latino ethnic group. The bank's application flow from this ethnicity category was below the aggregate performance of 11.4 percent.

In 2015, the bank increased its applications from Hispanic applicants (3.9 percent), and its applications to minorities by race was consistent with 2014 (4.5 percent).

The bank's low minority application flow appears directly correlated to its limited presence in Lawrence. The city accounts for approximately 66 percent of the assessment area's minority population, and the bank has no branch presence in the area. However, the bank has recognized the need to make improvements since incorporating the municipality into the assessment area. The results of 2015 show that the bank's efforts to increase their minority application flow is having a positive impact in reaching the Hispanic population. Additionally, the outreach to the Lawrence Partnership program, highlights the bank's commitment to reach out to this new segment of their assessment area. Overall, considering the demographic composition of the AA, comparisons to aggregate data, the bank's minority application flow is adequate.

APPENDIX B

GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

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.

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

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.

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.

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 US 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 US 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.

APPENDIX C

INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. 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. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the US Department of the Treasury and the Internal Revenue Service. The US Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX D

Standard PE Language

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

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

Innovative and Flexible Lending Practices:

Performance Criteria

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

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 357 Main Street, Wakefield, MA 01880."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, 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.