

PUBLIC DISCLOSURE

July 22, 2019

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

North Shore Bank, a Co-operative Bank
Certificate Number: 26484

248 Andover Street
Peabody, Massachusetts 01960

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

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
New York, New York 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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

Institution Rating	1
Scope of Evaluation	2
Description of Institution	4
Description of Assessment Area	6
Conclusions on Performance Criteria	10
Discriminatory or Other Illegal Credit Practices Review	20
Division of Banks Fair Lending Policies and Procedures	21
Glossary	23

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.

North Shore Bank, a Co-operative Bank's (NSB) 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 more than 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 reasonable 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 July 5, 2016, to the current evaluation dated July 22, 2019. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate NSB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

The evaluation references demographic and economic information from the 2015 American Community Survey (ACS), D&B, Moody's Analytics Regional Workstation (Moody's), and the U.S. Bureau of Labor Statistics (BLS). Bank financial data reflects the March 31, 2019 Consolidated Reports of Condition and Income (Call Report).

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.

Bank records indicate that the overall lending and product mix remained consistent throughout the evaluation period, although there was a slight increase within the construction and land development segment of the portfolio. The bank's record of originating residential mortgage loans and small business loans during the evaluation period contributed equally to overall conclusions. Although the bank originated more home mortgage loans than small business loans over the evaluation period, by both number and dollar volume, nonfarm nonresidential and commercial and industrial lending represented a larger portion of the bank's loan portfolio. Therefore, considering the bank's business strategy, examiners placed equal weight on home mortgage and small business loans in arriving at overall conclusions.

As of March 31, 2019, residential real estate loans, including multi-family residential properties, accounted for 40.1 percent of the loan portfolio. Commercial lending, consisting of nonfarm nonresidential and commercial and industrial loans, represented 47.0 percent of the loan portfolio. Small farm loans, agricultural loans, and consumer loans represent a nominal portion of the loan portfolio; therefore, they provided no material support for conclusions or ratings and are not considered in this analysis.

The Lending Test considered all home mortgage originations reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) from January 1, 2016, through December 31, 2018. In 2016, the bank reported 202 home mortgage loans totaling \$68.1 million and reported 195 loans totaling \$96.6 million in 2017. In 2018, the bank reported 354 loans totaling \$100.7 million, including Home Equity Lines of Credit (HELOCs). As the bank's lending between years was consistent, examiners presented lending data for the most recent calendar year (2018) and the most recent full calendar year with aggregate data (2017). The Assessment Area Concentration criterion reflects all years analyzed. This evaluation compares the bank's performance against aggregate lending data and considers demographic data information from the 2015 ACS.

Examiners also evaluated the bank's small business lending performance. The CRA defines small business loans as commercial real estate loans and nonfarm nonresidential and industrial loans with original balances of \$1.0 million or less. Due to its asset size, the bank is not required to collect and report small business lending data for CRA purposes. However, the bank collected its small business data for its own purposes during the evaluation period. This evaluation considered all small business loans originated in 2016, 2017 and 2018. The bank originated 144 small business loans totaling \$42.6 million in 2016, 135 small business loans totaling \$36.0 million in 2017, and 134 small business loans totaling \$37.9 million in 2018. The bank's small business lending was consistent over the evaluation period; therefore, examiners presented the most recent two calendar years in the evaluation. All years analyzed are included in the Assessment Area Concentration criterion. The evaluation compared the bank's small business lending activity to D&B business demographic data.

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 July 5, 2016.

DESCRIPTION OF INSTITUTION

Background

NSB is a wholly-owned subsidiary of North Shore Bancorp, a mutual holding company. NSB operates three wholly-owned subsidiaries: Compass Rose Security Corporation, First Saugus Corporation, and North Shore Security Corporation. Both security corporations buy, sell, and hold securities; First Saugus Corporation is a real estate holding investment subsidiary. North Shore Capital Trust is a wholly-owned subsidiary of North Shore Bancorp formed for the purpose of issuing trust-preferred securities and investing the proceeds in subordinated debentures.

The institution received a Satisfactory rating from the FDIC and the Division during its prior joint evaluation using ISI Examination Procedures.

Operations

The bank operates 12 full-service branches, including its corporate headquarters in Peabody, Massachusetts (MA). The other 11 branches are located in Beverly, Danvers, Merrimac, Middleton, Peabody, Salem, and Saugus, MA; and Newton, New Hampshire (NH). NSB relocated a branch from 50 Dodge Street, Beverly to 140 Brimbal Avenue, Beverly during the examination period; both locations are located in middle-income census tracts. The bank has not closed any branches during the evaluation period.

The bank offers a variety of consumer and commercial deposit and loan products and services. Consumer deposit products include checking and savings accounts, certificates of deposit, money market accounts, savings bonds, and Individual Retirement Accounts. Consumer loan products include fixed- and adjustable-rate home mortgages, jumbo mortgages, home equity loans and HELOCs, personal loans, auto loans, collateral loans, construction loans, and VISA or American Express Credit Cards. Alternative banking services include online banking, mobile banking including a smartphone application, mobile deposit, and Automated Teller Machines (ATMs). A portion of the bank's ATMs are included in the SUM networks: Beverly, Peabody (2), Middleton (2), and Merrimac (2).

Business deposit products include checking accounts, certificates of deposit, and money markets accounts. Business loan products include commercial real estate and construction loans, small business loans, commercial lines of credit, commercial term loans, equipment financing, commercial letters of credit, and condominium association financing. The bank is an approved member of the Small Business Administration (SBA) Express Lender program. Other services include business mobile banking, VISA credit cards, wire transfers, online banking with account history and loan payment capability, as well as liquidity management, cash management services, collection/disbursement services, and business forms. Voice banking is available by phone for personal and business accounts. The bank offers financial planning services through a third-party partnership with Coastal Capital Group, Inc.

Ability and Capacity

As of March 31, 2019, NSB reported approximately \$864.3 million in total assets, which included \$706.4 million in total loans. During the evaluation, period total assets grew by

approximately 12.0 percent. The bank’s strategic focus is spread equally between residential lending, including multi-family properties, and nonfarm nonresidential properties and commercial and industrial lending. The following table illustrates the loan portfolio composition.

Loan Portfolio Distribution as of 3/31/19		
Loan Category	\$(000s)	%
Construction and Land Development	89,474	12.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	230,970	32.7
Secured by Multifamily (5 or more) Residential Properties	51,940	7.4
Secured by Nonfarm Nonresidential Properties	253,329	35.9
Total Real Estate Loans	625,713	88.6
Commercial and Industrial Loans	78,684	11.1
Agricultural Loans	0	0.0
Consumer Loans	1,919	0.3
Other Loans	52	0.0
Less: Unearned Income	0	0.0
Total Loans	706,368	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0</i>		

There are no significant financial or legal impediments identified that would limit the bank’s ability to help meet the credit or community development needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area(s) within which examiners will evaluate its CRA performance. NSB designated a single assessment area in the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) and the Rockingham-Strafford, NH MD. Both MDs are part of the multi-state Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA). The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

The assessment area includes 124 census tracts within Essex and Middlesex Counties in MA and Rockingham County in NH. Essex and Middlesex Counties are part of the Cambridge-Newton-Framingham, MA MD, and Rockingham County is part of the Rockingham-Strafford, NH MD. The bank added 47 census tracts to the assessment area since the last evaluation. The following table details the cities and towns in the assessment area and notes which areas are new since the prior evaluation.

Assessment Area Cities and Towns	
Essex County, MA	
Amesbury*	Middleton
Beverly	Newbury*
Boxford*	Newburyport*
Danvers	North Andover*
Georgetown*	Peabody
Groveland*	Rowley*
Hamilton*	Salem
Haverhill*	Saugus
Ipswich*	Swampscott
Lynn	Topsfield*
Lynnfield	Wenham*
Marblehead	West Newbury
Merrimac	
Middlesex County, MA	
Melrose	Wakefield
Rockingham County, NH	
East Kingston	South Hampton
Kensington	Newton
Kingston	

** New to the assessment area since the prior evaluation*

The census tracts in the assessment area reflect the following income designations according to the 2015 ACS data.

- 18 low-income census tracts,
- 24 moderate-income census tracts,
- 60 middle-income census tracts, and
- 22 upper-income census tracts.

The low-income census tracts are located in Lynn (12), Haverhill (4), Peabody (1), and Salem (1). The moderate-income tracts are located in Lynn (7), Haverhill (4), Peabody (4), Salem (4), Beverly (2), Saugus (1), Melrose (1), and North Andover (1). There are no distressed or underserved geographies or designated disaster areas in the bank's assessment area.

The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	124	14.5	19.4	48.4	17.7	0.0
Population by Geography	614,367	11.7	18.9	49.7	19.8	0.0
Housing Units by Geography	249,374	11.7	19.9	50.8	17.6	0.0
Owner-Occupied Units by Geography	155,990	4.6	15.7	56.5	23.2	0.0
Occupied Rental Units by Geography	79,239	25.3	27.4	40.2	7.1	0.0
Vacant Units by Geography	14,145	14.3	23.7	47.2	14.8	0.0
Businesses by Geography	44,399	9.5	17.0	51.5	22.1	0.0
Farms by Geography	1,093	5.5	11.7	57.6	25.2	0.0
Family Distribution by Income Level	155,370	24.3	18.0	21.3	36.4	0.0
Household Distribution by Income Level	235,229	27.9	15.5	17.8	38.8	0.0
Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA MD		\$100,380	Median Housing Value			\$355,923
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH MD		\$90,150	Median Gross Rent			\$1,105
			Families Below Poverty Level			6.7%

Source: 2015 ACS Census and 2018 D&B Data
Due to rounding, totals may not equal 100.0
(*) The NA category consists of geographies that have not been assigned an income classification.

Examiners used the FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle- and upper-income categories for both MDs in the assessment area.

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 (15764)				
2017 (\$104,800)	<\$52,400	\$52,400 to <\$83,840	\$83,840 to <\$125,760	≥\$125,760
2018 (\$110,300)	<\$55,150	\$55,150 to <\$88,240	\$88,240 to <\$132,360	≥\$132,360
Rockingham County-Strafford County, NH MD Median Family Income (40484)				
2017 (\$93,800)	<\$46,900	\$46,900 to <\$75,040	\$75,040 to <\$112,560	≥\$112,560
2018 (\$101,300)	<\$50,650	\$50,650 to <\$81,040	\$81,040 to <\$121,560	≥\$121,560

Source: FFIEC
Due to rounding, totals may not equal 100.0

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. There are 249,374 housing units in the assessment area. Of these, approximately 62.5 percent are owner-occupied, 31.8 percent are occupied rental units, and 5.7 percent of the units are vacant. Further, 4.6 percent of owner-occupied housing units in the assessment area are in low-income census tracts and 15.7 percent are in moderate-income census tracts. According to data from Moody's Analytics as of May 2018, land constraints are preventing residential construction growth in the Cambridge-Newton-Framingham, MA MD. Moody's data indicates strong housing demand in the Rockingham-Strafford, NH MD. Further, Moody's notes that housing prices in Rockingham-Strafford, NH MD are growing at one of the fastest paces in the region, due to lower housing inventory and a strong demand for housing.

Data obtained from the U.S. BLS indicates that the annual average 2018 unemployment rate was 3.3 percent in MA and 2.5 percent in NH. The annual average 2018 unemployment rate in Essex and Middlesex, MA Counties was 3.4 percent and 2.7 percent, respectively. The unemployment rate in Rockingham County was 2.8 percent. Unemployment rates each county have gradually declined throughout the evaluation period.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. According to 2018 D&B business demographic information, there are 44,399 nonfarm businesses in the assessment area. The GAR distribution for these businesses are below. Due to rounding, totals may not equal 100.0 percent.

- 85.7 percent have \$1.0 million or less.
- 6.2 percent have more than \$1.0 million.
- 8.2 percent have unknown revenues.

Further, approximately 81.2 percent of all businesses in the assessment area have GARs of less than \$0.5 million, 69.1 percent of businesses have four or fewer employees, and 90.6 percent of businesses operate from a single location. These factors indicate that the majority of businesses in the assessment area are very small. Service industries represent the largest portion of businesses in the assessment area at 45.0 percent; followed by retail trade (13.0 percent); non-classifiable establishments (10.4 percent); construction (8.9 percent); and finance, insurance, and real estate (8.7 percent).

According to data obtained from Moody's as of May 2018, the top employers in the Cambridge-Newton-Framingham, MA MD included Harvard University, Massachusetts Institute of Technology, The TJX Co., Inc., and DeMoulas Super Markets Inc. The top employers in the Rockingham-Strafford, NH MD included Genesis Healthcare, Shaw's Supermarkets Inc., Wentworth-Douglass Hospital, and Exeter Hospital.

Competition

The assessment area is highly competitive for financial services. According to Peer Deposit Market Share data as of June 30, 2018, 32 financial institutions operated 206 full-service branches within the assessment area. Of these institutions, NSB ranked 9th with approximately 3.3 percent of the deposit market share. Four larger state-chartered banks ranked higher than NSB including Salem Five Cents Savings Bank, Eastern Bank, Institution for Savings in Newburyport and its Vicinity, and East Boston Savings Bank.

There is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders in the assessment area. In 2017, 424 lenders originated or purchased 21,769 home mortgage loans in the assessment area. NSB ranked 41st out of this group of lenders with a market share of 0.6 percent. The top three lenders in the assessment area were Wells Fargo Bank, N.A.; JP Morgan Chase Bank, NA; and Quicken Loans. These three lenders accounted for 15.3 percent of the market share.

The bank is not required to collect or report its small business loan data, and it has not elected to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. The aggregate data, however, reflects the level of demand for small business loans and is therefore included. Aggregate data for 2017 indicates a high degree of competition for small business loans with 167 institutions reported 64,476 small business loans in the counties of the assessment area. American Express, FSB; Bank of America, NA; and Capital One Bank (USA), NA were the top three lenders, as they accounted for 46.5 percent of the market share.

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 contacted a representative of a non-profit organization active in the assessment area. The organization is involved in developing and maintaining affordable housing for low- and moderate-income individuals and families. The contact noted that, while the economy in the assessment area is generally strong, there are significant displacement and gentrification issues impacting low- and moderate-income individuals, due to rising real estate prices. Further, the contact identified Lynn and parts of Peabody and Salem as areas most in need of development and access to credit and financial services. Specifically, the contact stated that there is a need for first-time homebuyer programs that are tailored to meet the particular needs of low- and moderate-income individuals, such as flexible financing and down payment assistance programs. The contact further stated that offering these types of products is a need, but ensuring that the target population is aware and can understand the product is another need. The contact also indicated that there is a need for financial education, particularly regarding how to build credit and repair credit. Lastly, small business lending is also a need in the assessment area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that flexible first-time homebuyer programs, affordable housing programs, financial literacy education, and small business lending are the assessment area's primary credit and community development needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NSB demonstrated reasonable performance under the Lending Test. Assessment Area Concentration, Geographic Distribution, and Borrower Profile performance primarily support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio 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 99.7 percent over the past 12 quarters from June 30, 2016, to March 31, 2019. The ratio ranged from a low of 96.2 percent as of December 31, 2016, to a high of 102.9 percent for both the quarters of December 31, 2017, and March 31, 2018. For the duration of the evaluation period, the ratio was fairly consistent.

Examiners compared the bank's LTD ratio to that of similarly situated institutions. Examiners selected the comparable institutions based on asset size, geographic location, and lending focus. As shown in the following table, the bank maintained a ratio that was above two similarly situated institutions and below two similarly situated institutions.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2019 \$(000s)	Average Net LTD Ratio (%)
North Shore Bank	864,252	99.7
Cape Ann Savings Bank	658,456	84.9
Pentucket Bank	777,330	93.5
The Provident Bank	998,134	101.2
Newburyport Five Cents Savings Bank	898,686	113.9
<i>Source: Reports of Condition and Income 6/31/16 through 3/31/19</i>		

Assessment Area Concentration

The bank made a majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The increase in the number of home mortgage loans from 2017 to 2018 is due to the new required HMDA reporting of HELOCs.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	159	78.7	43	21.3	202	48,615	71.4	19,505	28.6	68,120
2017	134	68.7	61	31.3	195	56,786	58.8	39,811	41.2	96,597
2018	277	78.2	77	21.8	354	65,239	64.8	35,484	35.2	100,723
Subtotal	570	75.9	181	24.1	751	170,640	64.3	94,800	35.7	265,440
Small Business										
2016	89	61.8	55	38.2	144	23,415	54.9	19,200	45.1	42,615
2017	81	60.0	54	40.0	135	18,182	50.5	17,816	49.5	35,998
2018	84	62.7	50	37.3	134	19,824	52.4	18,042	47.6	37,866
Subtotal	254	61.5	159	38.5	413	61,421	52.7	55,059	47.3	116,480
Total	824	70.8	340	29.2	1,164	232,061	60.8	149,858	39.2	381,919
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2018 Bank Data Due to rounding, totals may not equal 100.0</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank’s reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of the bank’s home mortgage loans is reasonable. As shown in the following table, while the bank’s performance in low-income census tracts was slightly below the aggregate performance in 2017, it was above the percentage of owner-occupied housing units. In moderate-income areas, the bank’s lending was slightly above the aggregate and the percentage of owner-occupied housing units. In 2018, the bank’s performance reflected a slight trend upward, by number of loans, in low- and moderate-income tracts, but decreased as a percentage of overall lending. As mentioned, the increase in the number of loans in 2018 is partially attributed to the new HMDA reporting requirements for HELOCs.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	4.6	7.0	8	6.0	8,558	15.1
2018	4.6	--	9	3.2	2,260	3.5
Moderate						
2017	15.7	19.1	28	20.9	8,607	15.2
2018	15.7	--	41	14.8	9,471	14.5
Middle						
2017	56.5	53.4	73	54.5	29,099	51.2
2018	56.5	--	177	63.9	40,130	61.5
Upper						
2017	23.2	20.4	25	18.7	10,522	18.5
2018	23.2	--	50	18.1	13,378	20.5
Not Available						
2017	0.0	0.0	0	0.0	0	0.0
2018	0.0	--	0	0.0	0	0.0
Totals						
2017	100.0	100.0	134	100.0	56,786	100.0
2018	100.0	--	277	100.0	65,239	100.0
<small>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</small>						

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. In 2017, lending in low-income census tracts was consistent with the percentage of businesses and exceeded the demographics in moderate-income tracts. The bank's lending in both low- and moderate-income tracts displayed a positive trend over the evaluation period, exceeding the demographics in 2018.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2017	9.6	8	9.9	1,740	9.6
2018	9.5	10	11.9	3,341	16.9
Moderate					
2017	16.9	16	19.8	3,270	18.0
2018	17.0	17	20.2	2,905	14.7
Middle					
2017	51.7	36	44.4	7,111	39.1
2018	51.5	35	41.7	8,367	42.2
Upper					
2017	21.9	21	25.9	6,061	33.3
2018	22.1	22	26.2	5,211	26.3
Total					
2017	100.0	81	100.0	18,182	100.0
2018	100.0	84	100.0	19,824	100.0

*Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available.
Due to rounding, totals may not equal 100.0*

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and the percentage of small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among and low- and moderate-income borrowers. The following table shows that in 2017, lending to low-income borrowers was consistent with aggregate performance and below the percentage of families. Lending to moderate-income borrowers was below aggregate performance. While the bank's 2018 lending to both low- and moderate-income borrowers increased by number and dollar volume, showed that, while the number of loans increased, the percentage of loans decreased. Bank management attributed this decrease to the reporting of HELOCs in 2018.

Examiners noted that a low-income family in the assessment area would not likely qualify for a mortgage. A low-income family earning less than \$55,150 in the Cambridge-Newton-Framingham, MA MD and less than \$50,650 in the Rockingham-Strafford, NH MD would not likely qualify for a mortgage under conventional underwriting standards considering the median housing value of \$355,923. Further, in 2017 the bank captured approximately 0.8

percent of the market share in lending to low-income borrowers, which is slightly higher than its 0.6 percent of overall market share in the assessment area.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2017	24.3	6.7	10	7.5	1,728	3.0
2018	24.3	--	17	6.1	1,817	2.8
Moderate						
2017	18.0	21.0	18	13.4	4,532	8.0
2018	18.0	--	53	19.1	7,764	11.9
Middle						
2017	21.3	26.3	34	25.4	8,987	15.8
2018	21.3	--	75	27.1	11,454	17.6
Upper						
2017	36.4	33.3	39	29.1	13,989	24.6
2018	36.4	--	106	38.3	25,124	38.5
Not Available						
2017	0.0	12.7	33	24.6	27,550	48.5
2018	0.0	--	26	9.4	19,080	29.2
Totals						
2017	100.0	100.0	134	100.0	56,786	100.0
2018	100.0	--	277	100.0	65,239	100.0
<i>Source: 2015 ACS Census; 1/1/2017 - 12/31/2018 Bank Data, 2017 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. As the following table shows, a significant majority of small business loans were to businesses with GARs of \$1 million or less. The bank's 2018 lending in this category trended upward.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$100,000					
2017	85.8	60	74.1	12,027	66.1
2018	85.7	66	78.6	16,515	83.3
> \$1,000,000					
2017	6.2	21	25.9	6,155	33.9
2018	6.2	18	21.4	3,309	16.7
Revenue Not Available					
2017	8.0	0	0.0	0	0.0
2018	8.2	0	0.0	0	0.0
Total					
2017	100.0	81	100.0	18,182	100.0
2018	100.0	84	100.0	19,824	100.0
<i>Source: 2017 & 2018 D&B Data; 1/1/2017 - 12/31/2018 Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0</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

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

Community Development Lending

NSB originated 20 community development loans totaling approximately \$8.1 million during the evaluation period. This level of activity represents approximately 1.0 percent of average total assets and 1.2 percent of average total loans since the prior CRA evaluation. The bank's community development loans supported affordable housing and economic development in the assessment area. The bank's community development lending increased significantly from the prior evaluation where the bank originated 10 loans totaling \$2.9 million. As the bank demonstrated its responsiveness to these needs in the assessment area, examiners considered three loans totaling approximately \$2.5 million originated outside the assessment area, but within the larger statewide or regional area. These loans demonstrate the bank's responsiveness to this community development need identified by the community contact.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/1/2016 -12/31/2016	1	850	0	0	1	37	0	0	2	887
2017	4	2,646	0	0	1	45	0	0	5	2,691
2018	4	1,010	0	0	7	1,931	0	0	11	2,941
YTD 2019	1	63	0	0	1	1,500	0	0	2	1,563
Total	10	4,569	0	0	10	3,513	0	0	20	8,082

Source: Bank Records

Below are notable examples of the bank’s community development loans:

- In 2016, the bank originated an \$850,000 loan for a multi-family property located in a low-income census tract in Salem, MA. The property contained 14 units, all of which rented at rates below the United States Department of Housing and Urban Development’s fair market rents.
- In 2018, the bank made a \$4.8 million loan for the construction of a 24-unit multifamily property located in Danvers, MA. Of the total units, three are designated as affordable housing units. The bank received credit for \$610,875 of the total loan amount.
- In 2018, the bank made a loan for \$880,000 to a small business to open a new restaurant in Middleton, MA. The new restaurant created between 10 and 20 jobs for low- and moderate-income individuals. The bank’s loan helped promote economic development in the area.
- In 2019, the bank originated a \$1.5 million line of credit for the acquisition of a seafood distributor that closed due to bankruptcy. Due to the closure, approximately 180 employees lost their jobs unexpectedly. A majority of the workers were hourly or seasonal employees and were low- and moderate-income workers. Additionally, the distributor meets the SBA’s small business size standard. The bank’s line of credit allowed the distributor to reopen and saved jobs. Although this loan originated outside of the bank’s assessment area, it demonstrated the bank’s commitment to serving a critical economic development need just outside of the assessment area.
- During the evaluation period, the bank originated five loans totaling \$238,267 to a business development corporation in the assessment area. The corporation is dedicated to providing loans and investments to small businesses to support economic growth and create jobs in the assessment area. The bank’s loans funded various loan and investment programs offered by the organization to support small businesses and economic development.

Qualified Investments

NSB made 92 qualified investments totaling \$191,450. This dollar amount is solely comprised of grants and donations benefitting the assessment area. This level of donations represents approximately 2.6 percent of pre-tax net operating income. The bank significantly increased the dollar volume of qualified investments since the last evaluation, where the bank made 94 donations totaling \$102,000.

Of the total dollar amount, 59.6 percent of the donations benefitted community service organizations that serve low- and moderate-income individuals. Additionally, 36.4 percent of the donations had a primary purpose of affordable housing. The following table illustrates community development investments by year and purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
7/1/2016 -12/31/2016	3	17	9	21	0	0	2	2	14	40
2017	6	28	22	33	0	0	3	3	31	64
2018	5	25	31	52	0	0	1	3	37	80
YTD 2019	1	1	9	8	0	0	0	0	10	8
Total*	15	71	71	114	0	0	6	8	92	191

Source: Bank Records
**Due to rounding, totals may not add.*

Below are notable examples of the bank's qualified investment activities:

- **Beverly Bootstraps:** This non-profit organization provides a variety of community services targeted to low- and moderate-income families. Beverly Bootstraps offers emergency shelter, a food pantry, case management services, adult and youth education, and counseling.
- **Harborlight Community Partners:** This organization is dedicated to providing affordable housing to low- and moderate-income individuals in the North Shore region of MA. The bank provided three donations to this organization over the evaluation period.
- **North Shore Community Development Coalition (NSCDC):** NSCDC is a community development organization committed to revitalizing neighborhoods in the North Shore region of MA. The organization provides a number of services and programs including affordable housing development, small business assistance, family counseling, community revitalization, and workforce development.
- **Citizens Inn:** This non-profit social service organization is dedicated to helping end the cycle of homelessness and hunger across the bank's assessment area. Citizens Inn offers a number of programs including case management, transitional sober housing, emergency shelter for homeless families, affordable rental housing, and operates a food pantry.

In-Kind Contribution

The bank provides free office space to Habitat for Humanity at 14 Park Street in Danvers, MA. The organization works to provide low- and moderate-income families with affordable housing. During the evaluation period, the bank provided Habitat for Humanity with approximately \$79,872 in rent assistance.

Community Development Services

During the evaluation period, 21 bank employees provided 80 instances of financial expertise or technical assistance to 20 different community development-related organizations in the assessment area. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
7/1/2016 -12/31/2016	4	10	4	0	18
2017	6	12	2	1	21
2018	11	12	1	0	24
YTD 2019	8	8	0	1	17
Total	29	42	7	2	80
<i>Source: Bank Records</i>					

Bank employees are involved in local community development organizations in multiple capacities. The employees provide services through their membership and participation, and by providing financial expertise. The following are some of the organizations that benefited from bank employee services.

- ***Metro North YMCA:*** This non-profit organization provides a number of community service programs to communities throughout the bank’s assessment area. During the evaluation period, the Metro North YMCA began construction on a new facility located in a low-income census tract in Lynn. The new location will primarily benefit the low- and moderate-income individuals and families in Lynn. A bank senior vice president (SVP) served on the Board of this organization and served on the Lynn Building Committee.
- ***North Shore Elder Services:*** North Shore Elder Services offers health care services for elderly patients in the North Shore. The organization offers a Money Management Program that helps low-income elders manage their household expenses. A bank employee participates in the Money Management Program and serves as an advisor for the North Shore Elder Service Advisory Board.

- ***North Shore Habitat for Humanity:*** This non-profit organization is dedicated to creating and improving affordable housing in the bank’s assessment area. A bank Board member served as the President of the organization during the evaluation period. Additionally, a SVP served on Habitat for Humanity’s Board in 2016 and 2017.
- ***Coastal Homebuyer Education:*** Coastal Homebuyer Education’s mission is to provide workshops for low- to moderate-income first-time homebuyers. The workshops help prepare homebuyers to make sound decisions during the home purchase process. The organization offers workshops that are required for Mass Housing programs, the Mass Housing Partnership One Mortgage, and the Equity Builder programs. A vice president served on the Board of this organization in 2018 and 2019.

Financial Education and Outreach

The bank also provided financial educational workshops during the evaluation targeted to first time homebuyers. Descriptions of notable examples are included below.

- The bank hosts first-time homebuyer education programs in collaboration with Coastal Homebuyer Education Inc. This program targets low- and moderate-income homebuyers. During the evaluation period, three employees participated in nine sessions.
- A bank assistant vice president presented two homebuyer education programs at the Lynn Housing Authority in 2018. This organization’s mission is to assist low- and moderate-income individuals and families with affordable housing needs.

Other Community Services

- ***Massachusetts Community and Banking Council’s (MCBC) Basic Banking:*** The bank continues to offer deposit products that meet the Basic Banking in Massachusetts guidelines set forth by the MCBC. This state-wide program is designed to offer low-cost checking and savings accounts to low- and moderate-income individuals.
- ***Interest on Lawyers’ Trust Accounts (IOLTA):*** The bank participates in the IOLTA. Interest earned on the account is utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients.
- ***Bank Branches:*** NSB’s Peabody corporate headquarters and branch are located in a moderate-income census tract. Additionally, NSB’s Salem office is located in a moderate-income tract, and the Peabody Square branch is located in a low-income tract. Further, the bank has an additional five branches that are contiguous to low- and moderate-income census tracts in the assessment area. All bank branches have ATMs. These branches and ATMs support the availability of banking services to low- and moderate-income individuals and geographies.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the institution's overall CRA rating.

APPENDIX

FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the previous examination. No evidence of disparate treatment was noted based on these procedures.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2017 and 2018 were reviewed to determine if the application flow from the different racial and ethnic groups reflected the assessment area's demographics.

According to the 2017 demographic data, the bank's assessment area contained a population of 614,367 individuals of which 19.2 percent are minorities. The assessment area's minority and ethnic population is 3.1 percent Black/African American, 3.1 percent Asian, 0.1 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 10.9 percent Hispanic or Latino, and 1.9 percent Other.

In 2017, the bank received 184 HMDA reportable loan applications from within its assessment area. Of these applications, nine, or 4.9 percent were received from racial minority applicants, of which six, or 66.7 percent resulted in originations. For the same period, the bank also received 2 applications, or 1.0 percent, from ethnic groups of Hispanic origin within its assessment area, of which 1, or 50.0 percent, resulted in an origination.

In 2017, aggregate data showed 29,419 HMDA reportable loan applications of which 1,973, or 6.7 percent, were received from minority applicants and 1,270, or 64.4 percent, resulted in originations. For the same time period, the aggregate received 2,352 applications, or 8.0 percent, from Hispanic applicants of which 1,620, or 68.9 percent, resulted in originations.

In 2018, the bank received 387 HMDA reportable loan applications from within its assessment area. Of these applications, 11 or 2.8 percent were received from racial minority applicants, of which 10 or 90.9 percent resulted in originations. There were 10 or 2.6 percent of applications received from Hispanic applicants and 6 or 60.0 percent were originated.

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 table below for information on the bank's minority application flow, as well as the aggregate lenders, in the assessment area.

MINORITY APPLICATION FLOW					
RACE	HMDA 2017		HMDA Aggregate 2017	HMDA 2018	
	#	%	%	#	%
American Indian/ Alaska Native	0	0.0	0.2	1	0.3
Asian	4	2.2	2.5	6	1.6
Black/ African American	3	1.6	2.5	1	0.3
Hawaiian/Pacific Islander	0	0.0	0.1	0	0.0
2 or more Minority	0	0.0	0.1	0	0.0
Joint Race (White/Minority)	2	1.1	1.2	3	0.8
Total Minority	9	4.9	6.7	11	2.9
White	127	69.0	72.3	287	74.2
Race Not Available	48	26.1	21.0	89	23.0
Total	184	100.0	100.0	387	100.0
ETHNICITY					
Hispanic or Latino	1	0.5	6.9	5	1.3
Not Hispanic or Latino	133	72.3	71.4	280	72.4
Joint (Hisp/Lat /Not Hisp/Lat)	1	0.5	1.1	5	1.3
Ethnicity Not Available	49	26.6	20.7	97	25.1
Total	184	100.0	100.0	387	100.0

Given the assessment area's demographic composition and comparisons to aggregate data, the bank's minority application flow is adequate.

GLOSSARY

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

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

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

Census Tract: A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Underserved middle-income nonmetropolitan geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area's population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

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

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

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

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

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

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.