

PUBLIC DISCLOSURE

November 28, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Northway Bank
Certificate Number: 14240

9 Main Street
Berlin, New Hampshire 03570

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

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

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding record of helping to meet the credit and community development needs of its assessment areas, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Outstanding.

- The loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of loans and other lending related activities are in the institution's assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

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

DESCRIPTION OF INSTITUTION

Background

Northway Bank (NB) is a commercial bank headquartered in Berlin, New Hampshire (NH). Northway Financial, Inc. wholly owns the bank, as well as Northway Capital Trust III and Northway Capital Trust IV, two of the bank's affiliates, neither of which engage in retail banking activities. NB has not undergone any merger or acquisition activity since the last examination. The institution received a Satisfactory rating at its prior FDIC CRA Performance Evaluation, dated September 9, 2019, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

NB operates 17 full-service branches throughout northern, central, and southeastern NH, located in the Belknap (3), Carroll (4), Coos (2), Grafton (3), Hillsborough (2), Merrimack (2), and Rockingham (1) Counties. Additionally, NB has a loan production office located in Portsmouth, NH. The bank opened a new branch in Bedford, NH in December 2021 and relocated its Concord branch to a nearby location in Concord in May 2021. Neither branch activity had any direct impact on low- and moderate-income areas. The bank has not closed any branches since the prior evaluation.

NB offers a wide variety of loan products, including home mortgage, commercial, and consumer loans. However, the institution primarily focuses on one-to-four family residential and commercial lending. NB provides a variety of deposit products as well, including checking, savings, money market deposit accounts, and certificates of deposit. Since the prior evaluation, the bank has re-launched construction loans and introduced online deposit account opening. The bank also offers investment and insurance advisory and trust services. Alternative banking services include internet and mobile banking, electronic bill pay, online account opening, and 17 bank-owned automated teller machines (ATMs) located at each branch.

Ability and Capacity

As of September 30, 2022, NB's assets totaled \$1.3 billion, with total loans of \$932.4 million, total securities of \$292.1 million, and total deposits of \$1.1 billion. Since the prior evaluation, total assets increased by 46.7 percent, total loans by 44.6 percent, and total deposits by 47.2 percent. There are no financial, legal, or other impediments that would limit NB's ability to meet the credit needs of its assessment areas. The following table illustrates the loan portfolio distribution.

Loan Portfolio Distribution as of 9/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	15,348	1.7
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	382,750	41.1
Secured by Multifamily (5 or more) Residential Properties	119,349	12.8
Secured by Nonfarm Nonresidential Properties	274,916	29.5
Total Real Estate Loans	792,363	85.1
Commercial and Industrial Loans	23,213	2.5
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	16,892	1.8
Obligations of State and Political Subdivisions in the U.S.	91,007	9.8
Other Loans	9,025	1.0
Lease Financing Receivable (net of unearned income)	0	0
Less: Unearned Income	(78)	(0.0)
Total Loans	932,422	100.2
<i>Source Reports of Condition and Income Due to rounding, totals may not equal 100.0%</i>		

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. NB designated three contiguous assessment areas referred to as the NH Nonmetropolitan Area assessment area (Non-MSA AA); Manchester-Nashua, NH Metropolitan Statistical Area assessment area, and Rockingham County-Strafford County, NH Metropolitan Division assessment area. Since the latter two assessment areas are both within the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA), the evaluation presents the bank's performance in these areas at the CSA level, referring to them as the CSA assessment area (CSA AA). Please refer to the full-scope assessment areas for more detail on economic and demographic characteristics.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior examination, dated September 9, 2019, to the current examination dated November 28, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate NB's CRA performance. These procedures include two tests: the Lending Test and the Community Development Test. 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.

Examiners obtained demographic and economic information referenced in the evaluation from the 2015 American Community Survey (ACS), D&B, Moody’s Analytics, the United States Bureau of Labor Statistics, and FDIC data. Examiners also obtained information from the September 30, 2022, Report of Income and Condition (Call Report).

Examiners conducted a full-scope review of the Non-MSA AA as this area maintains the greatest level of lending, deposits, and branches. Examiners also conducted a full-scope review of the CSA AA due to NB’s level of lending in this area and a relatively high percentage of low- and moderate-income census tracts in this area.

As shown in the following table, a vast majority of the bank’s lending, deposits, and branches are in the Non-MSA AA. Therefore, the bank’s performance in the Non-MSA AA received the greatest weight in determining the overall rating.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA AA	240,090	72.0	943,354	96.1	14	82.4
CSA AA	93,190	28.0	38,101	3.9	3	17.6
Total	333,280	100.0	981,455	100.0	17	100.0

Source Bank 2021 Home Mortgage and Small Business Lending Data; FDIC Summary of Deposits (6/30/2022)

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the number and dollar volume of loans originated during the evaluation period. The most recent Call Report as of September 30, 2022, indicates that residential lending, consisting of loans secured by one-to-four family and multifamily residential properties, represents 53.9 percent of the loan portfolio, an increase of 14.9 percent since the prior evaluation. Commercial lending, consisting of loans secured by nonfarm nonresidential property and commercial and industrial loans, represents 32.0 percent of NB’s loan portfolio, a decrease of 13.0 percent since the prior evaluation.

Due to the bank’s loan portfolio composition and trends in relation to residential and commercial lending, examiners placed slightly more weight on home mortgage loans than small business loans in arriving at overall Lending Test conclusions. The bank did not originate any small farm loans since the last evaluation, so the Lending Test does not include a discussion of small farm lending.

The evaluation considered all originated and purchased home mortgage loans reported on the bank’s 2019, 2020, and 2021 Home Mortgage Disclosure Act (HMDA) Loan Application Registers. The bank reported 433 home mortgage loans totaling \$94.2 million in 2019, 623 home mortgage loans totaling \$150.8 million in 2020, and 602 home mortgage loans totaling \$186.9 million in 2021. Examiners only presented 2021 HMDA data in the Geographic Distribution and Borrower Profile sections since bank lending performance in 2019 and 2020 was consistent with 2021. Examiners compared NB’s home mortgage lending performance for each year to the respective annual aggregate lending data and to 2015 ACS demographic data.

While NB is not required to collect and report small business loan data, it voluntarily collected small business loan data during each year of the evaluation period. Examiners used the full universes of small business lending for 2019, 2020, and 2021. The bank originated 208 small business loans totaling \$46.6 million in 2019, 830 small business loans totaling \$81.1 million in 2020, and 571 small business loans totaling \$58.6 million in 2021. The bank offered Paycheck Protection Program (PPP) loans through the Small Business Administration (SBA), resulting in the notable increase in originations from 2019 to 2020. Examiners used D&B data from 2019, 2020, and 2021 as the primary comparison for assessing bank small business lending. Although examiners referenced CRA aggregate data to better understand small business lending demand, the evaluation did not directly compare bank lending to CRA aggregate data because the bank does not report small business loan data. Due to the lack of PPP loans in 2019, comparing 2019 small business lending to 2020 and 2021 figures would not add value; thus, the Geographic Distribution and Borrower Profile sections do not present 2019 small business lending.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. While the evaluation presents both the number and dollar volume of loans, examiners emphasized performance by number of loans, which better represents the extent of individuals and businesses served by the bank.

For the Community Development Test, examiners reviewed community development loans, investments, and services performed since the prior CRA examination. For community development lending and qualified investments, examiners focused on the number and dollar volume of loans and qualified investments. Examiners focused on total number of hours when analyzing community development services.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

NB demonstrated excellent performance under the Lending Test. The bank's excellent performance under the Geographic Distribution and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. As shown in the following table, the bank's LTD ratio averaged 83.2 percent over the 13 calendar quarters since the prior evaluation, dated September 9, 2019, through September 30, 2022. The ratio ranged from a low of 78.3 percent as of December 31, 2021, to a high of 88.5 percent as of September 30, 2019. Despite fluctuations, the ratio decreased steadily from 2019 to 2021 due to the substantial increase in deposits brought on by the COVID-19 pandemic, which outpaced the growth in lending. This LTD ratio decrease is present at each of the other comparable institutions as well. Although NB's average LTD ratio is less than each comparable institution in the table, it is slightly greater than the prior evaluation's ratio of 81.0 percent. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 09/30/2022 (\$000s)	Average Net LTD Ratio (%)
Northway Bank	1,313,807	83.2
Meredith Village Savings Bank	1,483,609	105.9
Merrimack County Savings Bank	1,278,487	102.2
Woodsville Guaranty Savings Bank	641,019	86.5
<i>Source Reports of Condition and Income 9/30/2019 through 9/30/2022</i>		

Assessment Area Concentration.

The bank made a substantial majority of home mortgage and small business loans, by number and dollar amount, within the combined assessment area. The following table illustrates the bank's lending inside and outside the combined assessment area. The percentages of total home mortgage loans and small business loans made inside the assessment area, by number and dollar amount, both increased since the prior examination.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	399	92.1	34	7.9	433	86,451	91.8	7,770	8.2	94,221
2020	583	93.6	40	6.4	623	140,814	93.4	9,964	6.6	150,778
2021	538	89.4	64	10.6	602	155,386	83.1	31,561	16.9	186,947
Subtotal	1,520	91.7	138	8.3	1,658	382,651	88.6	49,295	11.4	431,946
Small Business										
2019	187	89.9	21	10.1	208	42,307	90.7	4,331	9.3	46,638
2020	788	94.9	42	5.1	830	74,397	91.7	6,704	8.3	81,101
2021	540	94.6	31	5.4	571	54,945	93.7	3,676	6.3	58,621
Subtotal	1,515	94.2	94	5.8	1,609	171,649	92.1	14,711	7.9	186,360
Total	3,035	92.9	232	7.1	3,267	554,300	89.6	64,006	10.4	618,306
<i>Source HMDA Reported Data; CRA Collected Data</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment areas. The bank's excellent performance in both the Non-MSA AA and CSA AA for home mortgage and small business loans supports this conclusion.

Borrower Profile

The distribution of borrowers of home mortgage and small business loans reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank’s excellent performance in the Non-MSA AA for borrower profile primarily supports this conclusion, due to its greater weight than the CSA AA.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

NB demonstrated excellent responsiveness to the community development needs in the combined assessment area through community development loans, qualified investments, and community development services. The bank’s community development lending performance compared to similarly situated institutions and the prior examination primarily supports this conclusion.

Community Development Loans

NB originated 73 community development loans totaling \$95.7 million during the evaluation period. The bank’s volume of community development lending substantially increased since the prior evaluation, when the bank originated 19 community development loans totaling approximately \$21.6 million. The bank’s total dollar volume of community development loans represents 8.5 percent of average total assets and 12.5 percent of average total loans during the evaluation period. These performance measures substantially exceeded those of similarly situated institutions.

The bank originated the majority of community development loans (83.3 percent) to affordable housing-related organizations and businesses, which is a primary community development need in both assessment areas. The high percentage of community development loans promoting affordable housing reflects excellent responsiveness to opportunities for community development lending. The following table presents the bank’s community development loans by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019 (Partial)	3	800	0	0	0	0	2	7,525	5	8,325
2020	13	20,318	0	0	0	0	4	8,296	17	28,614
2021	32	37,604	1	500	0	0	0	0	33	38,104
Year-to-Date (YTD) 2022	17	20,658	1	4	0	0	0	0	18	20,662
Total	65	79,380	2	504	0	0	6	15,821	73	95,705
<i>Source Bank Records</i>										

Total community development lending includes four affordable housing loans totaling \$11.6 million that did not benefit the assessment area, but were within the broader regional area. The bank originated a majority of its community development loans in the CSA AA, which contains greater opportunities for community development loans due to the greater number of low- and moderate-income census tracts.

Notable examples of NB’s community development loans serving a broader regional area in its combined assessment area include the following:

- In 2022, the bank originated a \$3.0 million loan to purchase and renovate a 40-unit property in Claremont, NH. The complex has 34 residential units, all of which currently have rents below the established U.S. Department of Housing and Urban Development (HUD) fair market rents for that area. As such, these units are affordable for low- and moderate-income individuals.

Please refer to the full-scope assessment area evaluations for more detail on community development lending.

Qualified Investments

The bank did not purchase any new qualified equity investments during the evaluation period; however, NB has three prior period equity investments with remaining book values totaling \$675,890. NB also made 95 qualified community development grants and donations totaling \$490,000 since the prior evaluation.

The equity investments and donations represent 0.1 percent of average total assets and 0.5 percent of average total securities since the prior evaluation. The bank’s level of qualified investments slightly declined since the prior evaluation. Bank performance slightly exceeded one similarly situated institution, but was below another. The bank focused the majority of its qualified investments on affordable housing, which represents the greatest need in both assessment areas. The concentration of investments supporting affordable housing reflects good responsiveness to opportunities.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	600	0	0	1	76	0	0	3	676
2019 (Partial)	2	26	0	0	1	1	0	0	3	27
2020	16	38	6	53	4	20	1	25	27	136
2021	19	115	12	53	0	0	0	0	31	168
YTD 2022	16	87	15	32	3	40	0	0	34	159
Total	61	991	34	138	9	137	1	25	98	1,166
<i>Source Bank Records</i>										

Notable examples of NB’s qualified investments that benefitted the broader regional area include the following:

- Prior to the evaluation period, NB made two investments with current book values totaling \$600,000 to the NH Community Loan Fund. This organization helps create and preserve affordable housing, jobs, and childcare specifically benefitting low- and moderate-income families. NB also made two donations for \$50,000 to this fund.
- Prior to the evaluation period, NB made an equity investment with a current book value of \$75,890 in a Small Business Investment Company (SBIC), which assists small businesses with non-traditional financing that would be difficult to obtain elsewhere. SBICs stimulate and supplement the flow of private equity and long-term loan funds to small businesses.
- From 2019 to 2022, NB donated a total of \$125,500 to Affordable Housing, Education and Development (AHEAD). AHEAD is an affordable housing organization that develops affordable housing to strengthen and revitalize rural communities and the low- and moderate-income families that live in them.

Please refer to the full-scope assessment area sections for more detail on NB’s qualified investments.

Community Development Services

During the evaluation period, bank employees provided 905 hours of community development services to 20 organizations. This represents an increase since the prior evaluation, when the bank had 746 community development service hours. The bank’s level of community development services was slightly below that of similarly situated institutions. A majority of community development services were for organizations located in the Non-MSA AA. The bank provided services across each community development category. The focus on economic development in 2020 and 2021 reflects good responsiveness, as small businesses had significant financial and operational needs due to the COVID-19 pandemic. The increasing trend overall, and for affordable housing and community services in particular, reflects favorably on the bank’s responsiveness to community development service opportunities. Both assessment areas have needs and opportunities for these two categories.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	32	16	31	11	90
2020	60	17	80	68	225
2021	50	68	102	33	253
YTD 2022	112	113	77	35	337
Total	254	214	290	147	905
<i>Source Bank Records</i>					

Five of the bank's branches, each of which contains a deposit-taking ATM, are located in moderate-income census tracts, benefitting low- and moderate-income individuals.

Notable examples of NB's community services that benefitted the broader regional area include the following:

- From 2019 to 2020, an employee was a member of the Board of Directors for Bethany Community Services, which is an affordable housing organization for seniors, located in a low-income census tract in Haverhill, MA.

Please refer to the full-scope assessment area sections for more detail on community development services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with the laws relating to discrimination or other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

Non-MSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA AA

The Non-MSA AA consists of 92 census tracts located within the contiguous counties of Belknap, Carroll, Coos, Grafton, and Merrimack in central to northern NH. NB added the remaining six tracts in each of Grafton and Merrimack Counties since the prior evaluation so the bank is now taking whole counties throughout this assessment area. These census tracts reflect the following income designations:

- 1 low-income
- 16 moderate-income
- 55 middle-income
- 20 upper-income

NB operates 14 of its 17 full-service branches in the Non-MSA AA. Please refer to the Scope of Evaluation section for the sources of data used by examiners for lending analysis.

Economic and Demographic Data

Demographic Information of the Assessment Area						
Non-MSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	92	1.1	17.4	59.8	21.7	0.0
Population by Geography	376,385	1.1	16.1	59.7	23.1	0.0
Housing Units by Geography	214,265	0.9	16.8	63.6	18.7	0.0
Owner-Occupied Units by Geography	110,021	0.8	14.7	61.8	22.8	0.0
Occupied Rental Units by Geography	41,720	1.7	23.4	58.5	16.4	0.0
Vacant Units by Geography	62,524	0.6	16.3	70.1	13.0	0.0
Businesses by Geography	42,154	0.5	17.4	57.3	24.8	0.0
Farms by Geography	1,784	0.2	12.1	66.4	21.3	0.0
Family Distribution by Income Level	99,252	19.9	17.8	21.8	40.5	0.0
Household Distribution by Income Level	151,741	23.1	16.8	18.2	41.9	0.0
Median Family Income Non-MSAs - NH		\$71,699	Median Housing Value			\$218,928
Families Below Poverty Level		6.6%	Median Gross Rent			\$909
<small>Source 2015 ACS and 2021 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.</small>						

Approximately 6.6 percent of families, representing a third of all low-income families, are below the poverty level, which poses challenges for home mortgage lending to this group, as these families likely face difficulty in qualifying for a home mortgage loan.

Examiners used the Federal Financial Institutions Examination Council (FFIEC)-updated median family income to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in the Non-MSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NH NA Median Family Income (99999)				
2019 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920
2020 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
2021 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
<i>Source FFIEC</i>				

Competition

The bank operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2022, 22 financial institutions operated 151 offices in the Non-MSA AA. Of these, NB ranked 7th with a 6.3 percent deposit market share. TD Bank N.A. ranked first in deposit market share at 21.7 percent and Citizens Bank N.A. ranked second at 11.0 percent.

NB faces a high level of competition for home mortgage lending from national banks, mortgage companies, credit unions, and community banks. In 2021, 405 financial institutions reported 21,697 originated or purchased home mortgage loans in the Non-MSA AA. NB ranked 11th with a 2.1 percent market share by number of loans. The three most prominent home mortgage lenders were Rocket Mortgage, Community Bank, N.A, and CMG Mortgage, and each lends nationwide. Together, these lenders comprised 19.5 percent of the home mortgage loan market share in the Non-MSA AA. NB’s primary local competitors are Meredith Village Savings Bank (ranked 5th), Bank of New Hampshire (ranked 8th), and Merrimack County Savings Bank (ranked 20th).

As previously discussed, the bank is not required to report its small business loan data, and it has not elected to do so. However, the aggregate data assists in determining demand for small business loans. In 2020, 121 lenders reported 9,416 small business loans in this AA. The three most prominent lenders were American Express with 1,234 originations, Citizens Bank with 870 originations, and TD Bank with 747 originations. Each of these banks are large national institutions.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the area's 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 used a recent community contact conducted with an affordable housing organization in Belknap County. The contact stated that there is a significant need for affordable rental housing, particularly multifamily housing. The organization has over 25 years of experience in the affordable housing market, and raises money for low- and moderate-income tenants to prevent evictions, as this has recently become a significant problem. Lastly, the contact indicated that there is an opportunity and need for community banks to invest in affordable housing projects.

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 is the assessment area's primary community development need. Nonetheless, needs and opportunities for all community development categories existed to some extent during the evaluation period. While home mortgage lending is a primary credit need, economic conditions caused by the COVID-19 pandemic also created notable small business credit needs. PPP loans served as an important product in meeting small business finance needs due to forced shutdowns for health and safety reasons in 2020 and 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA AA

LENDING TEST

NB demonstrated excellent performance under the Lending Test in the Non-MSA AA. The bank's excellent performance under both the Geographic Distribution and Borrower Profile criteria supports this conclusion.

Geographic Distribution

The bank's geographic distribution of home mortgage and small business loans reflect excellent dispersion throughout the Non-MSA AA. NB's excellent performance of both home mortgage and small business lending in low- and moderate-income census tracts supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the Non-MSA AA, particularly in low- and moderate-income geographies. As shown in the following table, the bank's performance in low- and moderate-income census tracts substantially exceeded the aggregate performance and the percentage of owner-occupied housing units in 2021.

Geographic Distribution of Home Mortgage Loans Non-MSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	0.8	0.3	14	3.0	1,714	1.5
Moderate	14.7	12.0	129	27.8	33,504	28.6
Middle	61.8	61.9	302	65.1	73,437	62.6
Upper	22.8	25.7	19	4.1	8,676	7.4
Totals	100.1	99.9	464	100.0	117,331	100.1
<i>Source 2015 ACS; Bank Data, 2021 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the Non-MSA AA. As shown in the following table, the bank’s small business lending in the low-income census tract substantially exceeded the percentage of businesses in those tracts in 2020 and 2021. Similarly, the bank’s lending in Non-MSA AA moderate-income tracts substantially exceeded the percentage of businesses in those tracts in both years.

Geographic Distribution of Small Business Loans Non-MSA Assessment Area						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2020	0.6	15	2.3	1,577	2.6
	2021	0.5	7	1.5	1,003	2.2
Moderate						
	2020	17.6	179	27.3	17,709	29.3
	2021	17.4	111	24.2	12,274	26.4
Middle						
	2020	56.8	425	64.9	39,310	65.1
	2021	57.3	324	70.6	31,337	67.4
Upper						
	2020	25.0	36	5.5	1,773	2.9
	2021	24.8	17	3.7	1,891	4.1
Total						
	2020	100.0	655	100.0	60,369	99.9
	2021	100.0	459	100.0	46,505	100.1
<i>Source 2020 & 2021 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes in the Non-MSA AA. The bank’s excellent performance of home mortgage lending primarily supports this conclusion, as home mortgage lending received greater weight in determining the overall conclusion.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels is excellent. NB’s percentage of lending to low-income borrowers nearly doubled aggregate performance. While the bank’s performance was lower than the percentage of low-income families, the aggregate performance indicates that the demand and opportunity for lending to such families is relatively limited, especially considering the percentage of low-income families who live below the poverty level. Additionally, market share data indicates that NB ranked 4th out of 135 lenders in the number of home mortgage loans to low-income borrowers in 2021 in the Non-MSA AA. The bank placed ahead of notable national institutions such as CMG Mortgage Inc. and United Wholesale Mortgage and community banks such as Meredith Village Savings Bank and Bank of New Hampshire.

Additionally, NB’s lending performance to moderate-income borrowers was slightly above the aggregate performance, supporting this conclusion. Both bank lending and aggregate performance were slightly below the percentage of moderate-income families.

Distribution of Home Mortgage Loans by Borrower Income Level Non-MSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.9	4.4	37	8.0	3,644	3.1
Moderate	17.8	15.8	75	16.2	10,859	9.3
Middle	21.8	22.6	104	22.4	17,515	14.9
Upper	40.5	44.5	222	47.8	69,665	59.4
Not Available	0.0	12.7	26	5.6	15,649	13.3
Totals	100.0	100.0	464	100.0	117,332	100.0
<i>Source 2015 ACS; Bank Data, 2021 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As shown in the following table, NB originated a majority of its small business loans to businesses with GARs of \$1.0 million or less in 2020 and 2021. Although the banks’ lending trailed demographics in each year, lending to businesses with GARs of \$1.0 million or less increased by percentage in 2021, illustrating a positive trend.

Distribution of Small Business Loans by Gross Annual Revenue Category Non-MSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	85.4	450	68.7	17,247	28.6
2021	86.1	333	72.5	13,601	29.2
>\$1,000,000					
2020	4.6	180	27.5	37,797	62.6
2021	4.2	115	25.1	28,984	62.3
Revenue Not Available					
2020	10.0	25	3.8	5,325	8.8
2021	9.7	11	2.4	3,920	8.4
Totals					
2020	100.0	655	100.0	60,369	100.0
2021	100.0	459	100.0	46,505	99.9
<i>Source 2020 & 2021 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

The bank demonstrated excellent responsiveness to the community development needs of the Non-MSA 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. The bank’s substantial increase in community development lending and its strong level of qualified donations primarily support this conclusion. Additionally, many of the bank’s community development loans and donations were for affordable housing purposes, which responds to a significant need in the Non-MSA AA.

Community Development Loans

NB originated 31 community development loans for \$29.1 million in the Non-MSA AA. This represents a substantial increase from the prior evaluation, when the bank originated 16 community development loans for \$15.0 million. Affordable housing accounted for 25, or 80.6 percent, of the community development loans. The following table reflects the community development loan activity by year and purpose:

Community Development Lending Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	3	800	0	0	0	0	1	325	4	1,125
2020	5	11,183	0	0	0	0	3	6,911	8	18,094
2021	12	6,759	1	500	0	0	0	0	13	7,259
Year-to-Date (YTD) 2022	5	2,622	1	4	0	0	0	0	6	2,626
Total	25	21,364	2	504	0	0	4	7,236	31	29,104
<i>Source Bank Records</i>										

The following are examples of community development loans made in the Non-MSA AA during the evaluation period:

- In 2020, the bank originated a \$218,250 loan to finance the acquisition of a 5-unit residential property in Pittsfield, NH. All of the units had rents below the established HUD fair market rents in the area. As such, these units are affordable for low- and moderate-income individuals.
- In 2021, the bank originated a \$280,000 loan to purchase and remodel commercial real estate into an affordable housing complex in Bristol, NH. All six of the units had rents below the established HUD fair market rents in the area. As such, these units are affordable for low- and moderate-income individuals.

Qualified Investments

During the evaluation period, NB made 64 qualified grants and donations in the Non-MSA AA, totaling approximately \$216,000. This represents an increase in dollar volume from the last evaluation, when the bank made 88 donations totaling approximately \$143,000. The following table reflects the activity by year and purpose:

Qualified Investments Non-MSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	1	1	0	0	0	0	0	0	1	1
2020	9	7	5	51	3	12	1	25	18	95
2021	12	30	10	53	0	0	0	0	22	83
Year-to-Date (YTD) 2022	10	5	13	32	0	0	0	0	23	37
Total	32	43	28	136	3	12	1	25	64	216
<i>Source Bank Records</i>										

The following are examples of grants and donations made in the Non-MSA NH AA:

- From 2020 to 2022, NB made 6 donations to Lakes Region Community Developers (LRCD) totaling \$26,807. LRCD is an affordable housing organization that not only develops affordable housing for low- and moderate-income families, but also operates a transitional housing program for homeless families and provides first-time homebuyer education.
- From 2021 to 2022, NB made 3 donations to Vaughn Community Services totaling \$100,100. Vaughn Community Services operates a food pantry, clothing closet, and an affordable childcare service, all of which primarily benefit low- and moderate-income individuals and families.

Community Development Services

During the evaluation period, bank employees provided 718 hours of financial expertise or technical assistance to 13 different community development-related organizations in the Non-MSA AA. This level of activity represents approximately 79.3 percent of all of the bank’s qualified community development service hours during the evaluation period, and an increase from the prior evaluation, which qualified 622 hours of service. The following table illustrates qualified service hours by year and purpose:

Community Development Services Non-MSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	26	8	7	11	52
2020	50	15	80	68	213
2021	50	20	102	33	205
YTD 2022	100	59	54	35	248
Total	226	102	243	147	718

Source Bank Records

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

- An employee served as a member of the Board of Directors for LRCD, which, as described previously, is a non-profit affordable housing agency. LRCD currently owns and operates 365 apartments throughout the Belknap, Carroll, and Grafton Counties.
- From 2020-2022, an employee served as a member of the Board of Directors and the Chairman of the Loan Committee for the Belknap Economic Development Council, which is a non-profit economic development corporation that supports local businesses and attracts new businesses to Belknap County.

CSA AA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN CSA AA

The CSA AA consists of 177 census tracts located within the contiguous counties of Hillsborough, Rockingham, and Strafford in southeastern NH. NB added the remaining 50 tracts in Hillsborough County since the prior evaluation so the bank is now taking whole counties throughout this assessment area. These census tracts reflect the following income designations:

- 9 low-income
- 40 moderate-income
- 83 middle-income
- 42 upper-income
- 3 non-applicable

NB operates 3 of its 17 full-service branches in the CSA AA. Please refer to the Scope of Evaluation section for the sources used by examiners for lending analysis.

Economic and Demographic Data

Demographic Information of the Assessment Area						
CSA Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	177	5.1	22.6	46.9	23.7	1.7
Population by Geography	828,251	4.4	20.5	48.7	26.3	0.0
Housing Units by Geography	347,438	5.0	23.1	48.2	23.7	0.0
Owner-Occupied Units by Geography	224,483	1.6	16.3	52.2	29.9	0.0
Occupied Rental Units by Geography	95,969	12.2	37.0	39.6	11.2	0.0
Vacant Units by Geography	26,986	7.7	30.4	45.2	16.7	0.0
Businesses by Geography	94,304	4.5	19.0	48.7	27.6	0.3
Farms by Geography	2,799	1.6	13.0	55.3	29.9	0.1
Family Distribution by Income Level	217,351	19.7	18.0	22.6	39.7	0.0
Household Distribution by Income Level	320,452	23.3	16.4	18.8	41.5	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Housing Value			\$256,013
Median Family Income MSA - 40484 Rockingham County-Strafford County, NH		\$90,150	Median Gross Rent			\$1,076
			Families Below Poverty Level			5.1%

Source 2015 ACS and 2021 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.

Approximately 5.1 percent of families, representing over a fourth of all low-income families, live below the poverty level, which poses challenges for home mortgage lending, as these families likely face difficulty in qualifying for a home mortgage loan under conventional underwriting standards.

Examiners used the FFIEC-updated median family income to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects low-, moderate-, middle-, and upper-income categories in both the Manchester-Nashua, NH MSA and the Rockingham County-Strafford County, NH MD, which are both within the CSA AA.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Manchester-Nashua, NH MSA Median Family Income (31700)				
2019 (\$98,100)	<\$49,050	\$49,050 to <\$78,480	\$78,480 to <\$117,720	≥\$117,720
2020 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000
2021 (\$101,900)	<\$50,950	\$50,950 to <\$81,520	\$81,520 to <\$122,280	≥\$122,280
Rockingham County-Strafford County MD, NH Median Family Income (40484)				
2019 (\$103,200)	<\$51,600	\$51,600 to <\$82,560	\$82,560 to <\$123,840	≥\$123,840
2020 (\$106,600)	<\$53,300	\$53,300 to <\$85,280	\$85,280 to <\$127,920	≥\$127,920
2021 (\$110,600)	<\$55,300	\$55,300 to <\$88,480	\$88,480 to <\$132,720	≥\$132,720
<i>Source FFIEC</i>				

Competition

The bank operates in a highly competitive market for financial services in this assessment area. According to FDIC Deposit Market Share data as of June 30, 2022, 34 financial institutions operated 212 offices in the CSA AA. Of these, NB ranked 28th with a 0.2 percent deposit market share. Citizens Bank, TD Bank, and Bank of America, all national institutions, represented the top three deposit market shares, combining for a collective deposit market share of 67.7 percent. The large cities of Manchester, Nashua, and Dover are contained within the CSA and all represent very competitive markets.

NB also faces a high level of competition for home mortgage lending from national banks, mortgage companies, credit unions, and community banks. In 2021, 463 financial institutions reported 56,915 home mortgage loan originations or purchases. NB reported 74 home mortgage loans and ranked 106th with a 0.1 percent market share. There was only one community bank in the top 40. The three most prominent home mortgage lenders were Rocket Mortgage, Community Bank, N.A., and United Wholesale Mortgage, all of which are national lenders. Together, these lenders comprised 18.7 percent market share in the CSA AA.

As previously discussed, the bank is not required to report its small business loan data, and it not elected to do so. However, the aggregate data assists in determining demand for small business loans. In 2020, 164 lenders made 23,133 small business loans in the CSA AA. The three most prominent lenders were American Express with 3,539 originations, TD Bank with 2,785 originations, and Citizens Bank 2,689 originations.

Community Contact

Examiners conducted a community contact with a community action partnership that provides community services to low- and moderate-income individuals in the Hillsborough and Rockingham Counties. The contact identified affordable housing, dental care, transportation, mental health, childcare, nutrition, legal services, homeless shelters, clothing, and substance abuse services as community needs for the low- and moderate-income population. However, the contact emphasized that affordable housing is the most pressing community need. The organization conducted a Community Needs Assessment in 2020 that reiterated the needs identified during the community contact.

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 is the assessment area's primary community development need, and both home mortgage and small business lending are primary assessment area credit needs. Additionally, Manchester and Nashua in particular have higher populations of low- and moderate-income families. These cities have needs and opportunities for community services targeted to low- and moderate-income families, as well as revitalization and stabilization of low- and moderate-income census tracts.

CONCLUSIONS ON PERFORMANCE CRITERIA IN CSA AA

LENDING TEST

NB demonstrated reasonable performance under the Lending Test in the CSA AA. The bank's reasonable borrower profile of home mortgage and small business loans primarily supports this conclusion.

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the CSA AA. The bank's excellent home mortgage performance, along with a reasonable small business lending performance supports this conclusion.

Home Mortgage

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the CSA AA. As shown in the following table, the percentage of loans made in low- and moderate-income census tracts substantially exceeds the percentage of owner-occupied housing units and the aggregate performance in these tracts. Specifically, the percentage of loans in low-income tracts more than doubled both aggregate performance and demographics. Furthermore, NB's percentage of loans originated in moderate-income census tracts is nearly double the percentage of owner-occupied housing and the aggregate performance.

Geographic Distribution of Home Mortgage Loans CSA Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low	1.6	2.2	4	5.4	1,443	3.8
Moderate	16.3	15.9	22	29.7	17,037	44.8
Middle	52.2	51.1	35	47.3	12,422	32.6
Upper	29.9	30.8	13	17.6	7,152	18.8
NA	0.0	0.0	0	0.0	0	0.0
Totals	100.0	100.0	74	100.0	38,054	100.0
<i>Source 2015 ACS; Bank Data, 2021 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business

The geographic distribution of small business loans reflects excellent dispersion throughout the CSA AA. In 2020 and 2021, NB's small business lending in both low- and moderate-income census tracts exceeded the percentage of businesses in those tracts.

Geographic Distribution of Small Business Loans CSA Assessment Area						
Tract Income Level		% of Businesses	#	%	\$(000s)	%
Low						
	2020	4.4	7	5.3	371	2.6
	2021	4.5	4	4.9	374	4.4
Moderate						
	2020	19.1	29	21.8	3,459	24.7
	2021	19.0	20	24.7	2,799	33.2
Middle						
	2020	48.7	60	45.1	6,359	45.3
	2021	48.7	30	37.0	2,947	34.9
Upper						
	2020	27.4	37	27.8	3,839	27.4
	2021	27.6	27	33.3	2,320	27.5
NA						
	2020	0.3	0	0.0	0	0.0
	2021	0.3	0	0.0	0	0.0
Total						
	2020	99.9	133	100.0	14,028	100.0
	2021	100.1	81	99.9	8,440	100.0
<i>Source 2020 & 2021 D&B Data; Bank Data; Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the CSA AA. The bank’s reasonable performance of both home mortgage and small business lending supports this conclusion.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels is reasonable. In 2021, the bank’s percentage of home mortgage loans made to low-income borrowers exceeded the aggregate performance. However, this percentage trailed the percentage of low-income families.

The bank’s percentage of home mortgage loans made to moderate-income borrowers in 2021 trailed the aggregate performance and demographics. However, 37.8 percent of home mortgage loans did not have borrower income available. The bank does not report income on business purpose or employee loans. The high percentage of loans with no available income data unfavorably skews comparisons of bank data to both aggregate performance and demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
CSA Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low	19.7	6.8	7	9.5	889	2.3
Moderate	18.0	21.1	10	13.5	2,384	6.3
Middle	22.6	25.7	6	8.1	1,732	4.6
Upper	39.7	33.0	23	31.1	8,460	22.2
Not Available	0.0	13.4	28	37.8	24,590	64.6
Totals	100.0	100.0	74	100.0	38,055	100.0
<i>Source 2015 ACS; Bank Data, 2021 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. Despite the fact that the bank’s performance trailed demographics, the bank made a majority of small business loans to business with GARs of \$1.0 million or less during the evaluation period. Additionally, despite a slight decline in total lending in 2021, the banks performance by percentage increased by both number and dollar.

Distribution of Small Business Loans by Gross Annual Revenue Category CSA Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	87.7	70	52.6	2,494	17.8
2021	88.5	51	63.0	2,265	26.8
>\$1,000,000					
2020	4.6	48	36.1	8,831	63.0
2021	4.1	26	32.1	4,563	54.1
Revenue Not Available					
2020	7.7	15	11.3	2,703	19.3
2021	7.4	4	4.9	1,612	19.1
Totals					
2020	100.0	133	100.0	14,028	100.1
2021	100.0	81	100.0	8,440	100.0
<i>Source 2020 & 2021 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

NB demonstrated excellent responsiveness to the community development needs of the CSA AA through community development loans, qualified investments, and community development services. The bank's substantial increase in community development loans (by number and dollar amount) and donations (by dollar amount), particularly those made for affordable housing purposes, supports this conclusion.

Community Development Loans

NB originated 38 community development loans for \$55.0 million in the CSA AA. This is a substantial increase from the prior evaluation, when the bank originated three community development loans for \$6.7 million. Of the total, 36 were for affordable housing, while the remaining two loans were for revitalization or stabilization purposes. The following table reflects the community development loan activity by year and purpose:

Community Development Lending CSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	0	0	1	7,200	1	7,200
2020	8	9,135	0	0	0	0	1	1,385	9	10,520
2021	17	22,245	0	0	0	0	0	0	17	22,245
Year-to-Date (YTD) 2022	11	15,063	0	0	0	0	0	0	11	15,063
Total	36	46,443	0	0	0	0	2	8,585	38	55,028

Source Bank Records

Below are notable examples of community development loans in the CSA AA:

- In 2020, the bank originated a \$2.8 million loan to purchase a 28-unit housing complex in Derry, NH. The complex is located in a moderate-income census tract and a substantial majority of its 28 units had rents below the HUD fair market rents for that area. As such, these units are affordable for low- and moderate-income individuals.
- In 2022, the bank originated a \$6.2 million loan to purchase and make improvements upon an affordable housing property in Portsmouth, NH. The complex has 39 units, with 36 having rents below the HUD fair market rents for that area. As such, these units are affordable for low- and moderate-income individuals.

Qualified Investments

During the evaluation period, NB made 23 qualified grants or donations in the CSA AA, totaling approximately \$99,000. This is a substantial increase in the dollar volume of donations compared to the prior evaluation, when the bank made 28 donations totaling approximately \$42,000. The following table reflects the donation activity by year and purpose:

Qualified Investments CSA Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	0	0	1	1	0	0	1	1
2020	5	6	1	2	1	8	0	0	7	16
2021	5	34	2	0	0	0	0	0	7	34
Year-to-Date (YTD) 2022	3	8	2	0	3	40	0	0	8	48
Total	13	48	5	2	5	49	0	0	23	99

Source Bank Records

The following are examples of grants and donations made in the CSA AA:

- From 2020 to 2022, NB made 5 donations totaling \$14,665 to NeighborWorks Southern NH, an affordable housing organization that, in addition to affordable housing, also provides financial wellness education and various community services targeted to low- and moderate-income individuals.
- From 2021 to 2022, NB made three donations totaling \$27,418 to the Portsmouth Housing Authority, which develops and manages quality affordable housing for low- and moderate-income individuals and families.

Community Development Services

During the evaluation period, bank employees provided 126 hours of financial expertise or technical assistance to six different community development-related organizations in the CSA AA. This level of activity represents an increase from the prior evaluation, when bank employees provided 114 hours of community development service. The following table illustrates qualified service hours by year and purpose:

Community Development Services CSA Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	8	24	0	32
2020	0	2	0	0	2
2021	0	3	0	0	3
YTD 2022	12	54	23	0	89
Total	12	67	47	0	126
<i>Source Bank Records</i>					

Below are notable examples of NB’s community development services in the CSA AA:

- In 2019, an employee served as a member of the Board of Directors for the Community Action Partnership of Strafford County, a non-profit organization established under the Equal Opportunity Act of 1964 that provides food, education, childcare, housing, and other essential services primarily to low- and moderate-income individuals.
- In 2022, an employee served as a Board member and Treasurer of Education Comes First, a non-profit 501(c)3 that supports youth-serving organizations that work to improve education for low- and moderate-income youth of Manchester, NH.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution's retail banking services under § 345.24(d).

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

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

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

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

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

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 (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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 (e.g, 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.

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 (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

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

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

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

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

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

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

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

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

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

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