

PUBLIC DISCLOSURE

July 6, 2020

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Woodsville Guaranty Savings Bank
Certificate Number: 18031

63 Central Street
Woodsville, New Hampshire 03785

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 **Satisfactory**. An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit ratio (LTD) is more than reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its loans inside the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration 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 rating.

The Community Development Test is rated Satisfactory.

- The institution's community development performance demonstrates 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.

DESCRIPTION OF INSTITUTION

Woodsville Guaranty Savings Bank (WGSB) is a state chartered savings institution, headquartered in Woodsville, New Hampshire (NH) and wholly owned by Guaranty Bancorp, Inc. The FDIC assigned WGSB a Satisfactory rating at its previous CRA Performance Evaluation, dated June 5, 2017 using Intermediate Small Institution Examination Procedures.

The institution operates nine full-service offices throughout Grafton and Coos Counties in NH. The institution's primary business focus is residential and commercial lending. Residential lending includes residential mortgages, home equity lines of credit, home equity loans, and residential construction loans. Commercial lending includes commercial mortgages, construction loans, agricultural loans, lines and letters of credit, and equipment loans. The bank also offers loan programs through the Small Business Administration (SBA), the United States (U.S) Department of Agriculture, Northern Community Investment Corporation, and New Hampshire Business Finance Authority. The bank also offers personal and business banking products. Personal banking products include checking and savings accounts, health savings accounts, certificates of deposit, and individual retirement accounts. Business banking products and services include checking and savings accounts, credit card processing, and cash management services. In addition, WGSB offers various alternative retail delivery services such as Automated Teller Machines (ATMs), on-line and mobile banking, bill pay, remote deposit capture, person-to-person payments, and mobile wallet.

The institution's assets totaled approximately \$504.4 million as of March 31, 2020, and included total loans of approximately \$391.4 million, and total deposits of approximately \$391.9 million. The following table illustrates the bank's loan portfolio.

| Loan Portfolio Distribution as of 03/31/2020 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 9,570 | 2.4 |
| Secured by Farmland | 3,662 | 0.9 |
| Secured by 1-4 Family Residential Properties | 240,026 | 61.3 |
| Secured by Multifamily (5 or more) Residential Properties | 22,991 | 5.9 |
| Secured by Nonfarm Nonresidential Properties | 57,405 | 14.7 |
| Total Real Estate Loans | 333,654 | 85.2 |
| Commercial and Industrial Loans | 39,263 | 10.0 |
| Agricultural Production and Other Loans to Farmers | 310 | 0.1 |
| Consumer Loans | 9,032 | 2.3 |
| Obligations of State and Political Subdivisions in the U.S. | 7,680 | 2.0 |
| Other Loans | 1,433 | 0.4 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 391,372 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |

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

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas in which to evaluate its CRA performance. WGSB designated a single assessment area located in Grafton and Coos Counties in NH and Orange and Caledonia Counties in Vermont (VT). The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

The assessment area consists of 28 census tracts including 9 tracts in Grafton County, which are new since the last evaluation. There are 22 census tracts in the NH Non Metropolitan Statistical Area (Non-MSA), which includes Grafton County and a portion of Coos County, and 6 census tracts in the VT Non-MSA, which includes portions of Caledonia and Orange Counties. The NH portion of the assessment area includes all 17 towns in Grafton County and Lancaster, Kilkenny, Carroll, Jefferson, Randolph, Whitefield, and Dalton in Coos County. The VT portion of the assessment area includes Ryegate, Groton, Peacham, Waterford, and Barnet in Caledonia County and Newbury, Topsham, Corinth, Fairlee, West Fairlee and Bradford in Orange County. The bank does not have any branches in VT; however, all nine full-service offices are easily accessible to VT residents. Although the bank's assessment area extends into VT, it does not extend substantially beyond the NH state boundary.

The 28 census tracts reflect the following income designations according to the 2015 American Community Survey (ACS) data.

- 0 low-income census tracts,
- 4 moderate-income census tracts,
- 20 middle-income census tracts, and
- 4 upper-income census tracts.

The moderate-income census tracts are in Littleton, Dalton, Whitefield, Haverhill, Benton, Woodstock, and Warren. There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the assessment area. There are four census tracts designated as opportunity zones in Plymouth, Lincoln, Thornton, Littleton, and Lancaster. These census tracts are state-designated and U.S. Department of Treasury-approved areas of economic need.

Per the 2010 U.S. Census, the assessment area previously included no low-income census tracts, 2 moderate-income census tracts, 22 middle-income census tracts, and 4 upper-income census tracts. The 2015 American Community Survey (ACS) data changed the census tract income designations, resulting in 2 fewer middle-income census tracts and 2 additional moderate-income census tracts.

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) | 28 | 0.0 | 14.3 | 71.4 | 14.3 | 0.0 |
| Population by Geography | 113,381 | 0.0 | 14.2 | 67.5 | 18.3 | 0.0 |
| Housing Units by Geography | 65,617 | 0.0 | 14.4 | 73.4 | 12.3 | 0.0 |
| Owner-Occupied Units by Geography | 31,751 | 0.0 | 13.6 | 72.2 | 14.2 | 0.0 |
| Occupied Rental Units by Geography | 13,545 | 0.0 | 18.1 | 64.5 | 17.4 | 0.0 |
| Vacant Units by Geography | 20,321 | 0.0 | 13.0 | 81.1 | 5.9 | 0.0 |
| Businesses by Geography | 9,318 | 0.0 | 16.6 | 63.6 | 19.8 | 0.0 |
| Farms by Geography | 455 | 0.0 | 11.2 | 77.6 | 11.2 | 0.0 |
| Family Distribution by Income Level | 28,328 | 20.1 | 19.4 | 21.2 | 39.2 | 0.0 |
| Household Distribution by Income Level | 45,296 | 23.7 | 17.7 | 18.4 | 40.2 | 0.0 |
| Median Family Income Non-MSAs - NH | | \$71,699 | Median Housing Value | | | \$214,058 |
| Median Family Income Non-MSAs - VT | | \$64,849 | Median Gross Rent | | | \$899 |
| | | | Families Below Poverty Level | | | 6.5% |

Source: 2015 ACS Census and 2019 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 2019 Federal Financial Institution’s Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the income categories.

| Median Family Income Ranges | | | | |
|--|-----------|-----------------------|-----------------------|-------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| NH Non-MSA Median Family Income (99999) | | | | |
| 2019 (\$81,600) | <\$40,800 | \$40,800 to <\$65,280 | \$65,280 to <\$97,920 | ≥\$97,920 |
| VT Non-MSA Median Family Income (99999) | | | | |
| 2019 (\$73,600) | <\$36,800 | \$36,800 to <\$58,880 | \$58,880 to <\$88,320 | ≥\$88,320 |

Source FFIEC

The small business loan analysis under the Borrower Profile criterion compares the distribution of businesses by Gross Annual Revenue (GAR) level. Within the assessment area, service industries represent the largest portion of businesses at 41.8 percent, followed by retail trade at 13.6 percent, non-classifiable at 10.5 percent, construction at 8.0 percent, and finance and insurance at 7.2 percent. The vast majority of businesses in the assessment area are very small. The fact that 77.0 percent of businesses have GARs of less than \$0.5 million, 66.2 percent of businesses have four or fewer employees, and 86.3 percent of businesses operate from a single location support this

conclusion. Major employers in the assessment area include Littleton Regional Healthcare, Littleton Coin Company, and local school districts.

Data obtained from the U. S. Bureau of Labor and Statistics indicates that the 2019 unemployment rate in Grafton County (2.2 percent) was comparable to the NH average (2.5 percent). However, the unemployment rate in Coos County (3.2 percent) was slightly above the state average. Additionally, the unemployment rate in Orange County (2.4 percent) was comparable to the VT average (2.4 percent), while the unemployment rate in Caledonia County (3.0 percent) was slightly above the state average.

Competition

The assessment area is moderately competitive in the market for financial services. As of June 30, 2019, FDIC Deposit Market Share data indicated that 16 financial institutions operated 64 full-service branches within the bank's assessment area. Of these institutions, WGSB ranked 2nd with a 14.1 percent deposit market share.

Although aggregate data does not serve as a direct point of comparison, examiners reviewed 2018 aggregate lending data, the most recent year of available data, to understand the competitive market for home mortgage and small business lending. The competition is unlikely to have changed dramatically between 2018 and 2019, the year of analysis.

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 2018, 222 lenders reported 2,335 originated or purchased home mortgage loans with five lenders originating approximately 30.1 percent of all home mortgage loans in the assessment area. The top five lenders include Quicken Loans Inc.; Citizens Bank, N.A.; Bank of New Hampshire; Wells Fargo Bank, N.A.; and HarborOne Mortgage, LLC.

There is a high level of competition for small business loans among several banks, and non-depository lenders in Grafton, Coos, Orange, and Caledonia Counties. In 2018, 71 lenders reported 3,279 small business loans. The top five small business lenders originated approximately 58.7 percent of all loans in these counties. The top five lenders include American Express National Bank; Chase Bank USA, N.A.; Citibank, N.A.; Capital One Bank, N.A.; and Synchrony Bank, all large financial institutions.

Community Contacts

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

Examiners contacted a nonprofit affordable housing organization serving the NH portion of the assessment area. The contact indicated that affordable housing represents the community's primary credit need and that local financial institutions are actively involved in providing financing for

affordable housing projects. However, development challenges, including the public's perception of affordable housing, hinder existing opportunity. The contact indicated that the economic conditions and community development needs are similar in Grafton and Coos Counties.

Credit Needs

Considering information from community contacts and demographic and economic data, examiners determined that the assessment area primarily needs home mortgage and small business lending focused on affordable housing and economic development.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated June 5, 2017, to the current evaluation dated July 6, 2020. Examiners used the Intermediate Small Institution Examination Procedures to evaluate the institution's performance. These procedures include two tests, the CRA Small Bank Lending Test and Community Development Test. Examiners conducted a full scope review of the bank's single assessment area.

Activities 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. Examiners weighted the bank's home mortgage originations more when determining overall conclusions due to the larger dollar volume and business focus when compared to small business loans. Bank records indicate that the lending focus and product mix remained consistent throughout the evaluation period. No other loan types (consumer and small farm loans) represent a major product line; therefore, they are not presented as they provide no material support for conclusions or ratings.

The bank is not required to collect and report home mortgage data pursuant to the Home Mortgage Disclosure Act. Accordingly, examiners selected a statistical sample of residential mortgage loans originated in 2019 and considered this sample representative of the bank's performance during the evaluation period. In 2019, the bank originated 242 residential mortgage loans totaling approximately \$43.0 million of which, 55 loans totaling approximately \$9.8 million are included in the sample. Examiners compared the bank's home mortgage lending performance under the Geographic Distribution and Borrower Profile criteria to the 2015 ACS demographic data.

As an intermediate small institution, the bank is not required to collect and report small business loan data and did not do so during the evaluation period. Accordingly, examiners selected a statistical sample of small business loans originated in 2019 and considered this sample representative of the bank's performance during the entire evaluation period. In 2019, the bank originated 281 small business loans totaling approximately \$18.3 million, of which, 55 totaling approximately \$4.2 million are included in the sample. Examiners compared the bank's small business lending performance under the Geographic Distribution and Borrower Profile criteria to

D&B demographic data.

Although the evaluation presents the number and dollar volume of each loan product, examiners emphasized the percentage by number of loans, as it is a better indicator of the number of individuals and businesses served.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

WGSB demonstrated reasonable performance under the Lending Test. The bank's performance under the Geographic Distribution and Borrower Profile criteria 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 101.3 percent over the past 12 calendar quarters from June 30, 2017 to March 31, 2020. The ratio ranged from a low of 97.0 percent as of December 31, 2017, to a high of 104.7 percent as of June 30, 2019. The ratio remained consistent throughout the evaluation period. The bank's average LTD ratio compares favorably to comparable institutions, as the following table reflects. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

| Loan-to-Deposit Ratio Comparison | | |
|---|---|--|
| Institution | Total Assets as of 03/31/2020 (\$000s) | Average Net LTD Ratio (%) |
| Woodville Guaranty Savings Bank | 504,399 | 101.3 |
| Claremont Savings Bank | 456,938 | 101.2 |
| Sugar River Bank | 309,752 | 88.9 |

Source: Reports of Condition and Income 06/30/2017 through 03/31/2020

Assessment Area Concentration

The bank originated a majority of home mortgage and small business loans, by number and dollar volume, in the assessment area. See the following table.

| 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 | | | | | | | | | | |
| 2019 | 48 | 87.3 | 7 | 12.7 | 55 | 7,067 | 72.0 | 2,753 | 28.0 | 9,820 |
| Small Business | | | | | | | | | | |
| 2019 | 50 | 90.9 | 5 | 9.1 | 55 | 3,753 | 88.9 | 470 | 11.1 | 4,223 |
| Total | 98 | 89.1 | 12 | 10.9 | 110 | 10,820 | 77.0 | 3,223 | 23.0 | 14,043 |

*Source: Evaluation Period: 1/1/2019 - 12/31/2019 Bank Data
Due to rounding, totals may not equal 100.0*

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of sampled home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows the bank’s lending in moderate-income census tracts exceeds the percent of owner-occupied housing units by 13.5 percentage points.

| Geographic Distribution of Home Mortgage Loans | | | | | |
|--|-----------------------------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | # | % | \$(000s) | % |
| Low | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 13.6 | 13 | 27.1 | 1,369 | 19.4 |
| Middle | 72.2 | 31 | 64.6 | 3,721 | 52.7 |
| Upper | 14.2 | 4 | 8.3 | 1,977 | 28.0 |
| Total | 100.0 | 48 | 100.0 | 7,067 | 100.0 |

*Source: 2015 ACS Census; 1/1/2019 - 12/31/2019 Bank Data.
Due to rounding, totals may not equal 100.0*

Small Business Loans

The geographic distribution of sampled small business loans reflects excellent dispersion throughout the assessment area. The bank’s performance exceeds the percentage of businesses by 11.4 percentage points in moderate-income census tracts.

| Geographic Distribution of Commercial Loans | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 16.6 | 14 | 28.0 | 1,051 | 28.0 |
| Middle | 63.6 | 35 | 70.0 | 2,692 | 71.7 |
| Upper | 19.8 | 1 | 2.0 | 10 | 0.3 |
| Total | 100.0 | 50 | 100.0 | 3,753 | 100.0 |
| <i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 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 size in 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 home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of sampled home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. Examiners focused on the comparison to the percentage of families. The following table shows the bank's lending performance to low-income borrowers was less than demographics; however, the demand and opportunity for lending to low-income families was relatively limited. A low-income family making less than \$40,800 would not likely qualify for a home mortgage loan, considering the median housing value of \$214,058. Furthermore, 6.5 percent of families are below the poverty level and cannot afford home ownership. In addition, the bank's lending performance to moderate-income borrowers significantly exceeded demographics by 7.7 percent.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | |
|--|----------------------|-----------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | # | % | \$(000s) | % |
| Low | 20.1 | 2 | 4.2 | 196 | 2.8 |
| Moderate | 19.4 | 13 | 27.1 | 1,495 | 21.2 |
| Middle | 21.2 | 17 | 35.4 | 1,473 | 20.8 |
| Upper | 39.2 | 16 | 33.3 | 3,903 | 55.2 |
| Income Not Available | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 48 | 100.0 | 7,067 | 100.0 |
| <i>Source: 2015 ACS Census ; 1/1/2019 - 12/31/2019 Bank Data Due to rounding, totals may not equal 100.0</i> | | | | | |

Small Business Loans

The distribution of sampled small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. As shown in the following table, the bank originated a majority of sampled loans to those businesses.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|---|------------------------|-----------|--------------|-----------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000s) | % |
| ≤ \$1,000,000 | 81.1 | 34 | 68.0 | 2,270 | 60.5 |
| > \$1,000,000 | 5.7 | 16 | 32.0 | 1,483 | 39.5 |
| Revenue Not Available | 13.2 | 0 | 0.0 | 0 | 0.0 |
| Total | 100.0 | 50 | 100.0 | 3,753 | 100.0 |
| <i>Source: 2019 D&B Data; 1/1/2019 - 12/31/2019 Bank Data 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 rating.

COMMUNITY DEVELOPMENT TEST

WGSB 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 Loans

WGSB originated six community development (CD) loans totaling approximately \$8.0 million during the evaluation period. CD lending increased from four loans for \$5.7 million during the prior evaluation. The current activity level represents 1.6 percent of average total assets and 2.1 percent of average total loans. The CD loans directly supported affordable housing and economic development. The following table illustrates the bank’s community development loans by purpose.

| Community Development Lending | | | | | | | | | | |
|--------------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2017 | 1 | 500 | 0 | 0 | 2 | 3,199 | 0 | 0 | 3 | 3,699 |
| 2018 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2019 | 2 | 2,761 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 2,761 |
| YTD 2020 | 1 | 1,525 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 1,525 |
| Total | 4 | 4,786 | 0 | 0 | 2 | 3,199 | 0 | 0 | 6 | 7,985 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

The following represents a sample of the community development loans originated during the evaluation period.

- In 2017, the bank originated a \$1.8 million loan to construct and purchase equipment for a brewery operating in a moderate-income census tract. This project qualified for an interest

rate subsidy through the Federal Home Loan Bank of Boston under the Jobs for New England program, as well as SBA 504 financing. Jobs for New England offers Federal Home Loan Bank of Boston members below market-rate financing for small business loans that create or preserve jobs.

- In 2020, the bank originated a \$750,000 loan to an affordable housing organization. The financing will create 28 townhouse units, 21 are for low-income residents. Additional funding includes affordable housing tax credits and an affordable housing grant.
- In 2019, the bank originated a \$2.4 million loan to purchase and renovate an apartment complex. The complex contains 50 units, of which 48 will be Section 8 subsidized low-income housing units.

Qualified Investments

WGSB made 77 qualified investments and donations totaling approximately \$6.3 million, including two prior period investments with a book value of approximately \$3.2 million. During the evaluation period, the bank made two new qualified investments totaling approximately \$2.8 million and 73 qualified donations totaling \$314,783. The \$6.0 million in bond investments equates to 1.2 percent of average total assets and 9.1 percent of average total securities. The total number of investments is comparable to the prior CRA evaluation. However, with the two new investments, the total dollar amount increased 35.7 percent. The bank made the majority of new donations, by number and dollar amount, to organizations that provide community services to low- and moderate-income individuals and support economic development in the assessment area. The following table illustrates the bank’s community development investments by purpose.

| Qualified Investments | | | | | | | | | | |
|------------------------------|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 0 | 0 | 2 | 3,192 | 0 | 0 | 0 | 0 | 2 | 3,192 |
| 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2018 | 0 | 0 | 0 | 0 | 2 | 2,795 | 0 | 0 | 2 | 2,795 |
| 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| YTD 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 2 | 3,192 | 2 | 2,795 | 0 | 0 | 4 | 5,987 |
| Qualified Grants & Donations | 7 | 105 | 51 | 121 | 14 | 88 | 1 | 1 | 73 | 315 |
| Total | 7 | 105 | 53 | 3,313 | 16 | 2,883 | 1 | 1 | 77 | 6,302 |

Source: Bank Data

The following illustrates examples of WGSB’s qualified investments and donations.

- ***Small Business Investment Company (SBIC) Bonds:*** The bank purchased two bonds in SBICs for approximately \$2.8 million. The SBA licenses the SBICs and the SBICs provide

equity and debt financing for startup and small businesses.

- ***Haverhill Cooperative School District (District) SAU 23:*** From August 2003 through November 2008, the bank invested \$3.2 million (\$1.7 million and \$1.5 million) in tax credit bonds issued by the District. The District is authorized to issue Qualified Zone Academy Bonds because the bonds provide community services for low- and moderate-income individuals by funding capital improvements in areas with scarce public resources. The current total book value of the bonds is approximately \$3.2 million.
- ***Affordable Housing, Education, and Development (AHEAD):*** AHEAD is a community-based housing development organization. It provides quality affordable rental housing, financial education, and homeownership opportunities primarily to low- and moderate-income individuals in northern NH. The organization serves the assessment area from its headquarters in a moderate-income census tract in Littleton, NH. AHEAD currently owns and operates multi-family affordable rental housing throughout NH.
- ***COOS Economic Development Corporation (COOSEDC):*** COOSEDC is a regional development corporation that promotes economic development by providing community development block grants, administrating the Coos County Economic Development Funds, and offering a revolving loan fund and technical assistance to small businesses.

Community Development Services

During the evaluation period, employees provided 52 instances (1,074 hours) of financial expertise or technical assistance to 22 different community development-related organizations in the assessment area. This performance declined from 77 instances (1,926 hours) during the last evaluation. The following table illustrates these qualified community development service hours by year and community development purpose.

| Community Development Services | | | | | |
|--------------------------------|--------------------|--------------------|----------------------|-------------------------|-----------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2017 | 4 | 4 | 4 | 0 | 12 |
| 2018 | 5 | 9 | 4 | 0 | 18 |
| 2019 | 3 | 5 | 5 | 0 | 13 |
| YTD 2020 | 4 | 4 | 1 | 0 | 9 |
| Total | 16 | 22 | 14 | 0 | 52 |
| <i>Source: Bank Data</i> | | | | | |

The following are examples of the organizations in which bank officers are involved.

- ***Littleton Industrial Development Corporation:*** During the evaluation period, a vice president served on the organization’s Board. This nonprofit organization assists in creating economic development opportunities in Littleton, a moderate-income tract, by revitalizing

the downtown area and fixing the roads, sewers, and water infrastructure. The organization established an industrial park, which houses businesses of various sizes resulting in increased employment opportunities in the town.

- ***Twin Pines Housing Trust:*** During the evaluation period, an executive vice president served on the organization's Board. This nonprofit organization is the leading developer and provider of affordable housing in the Upper Connecticut River Valley region for low- and moderate- individuals and families. The organization's service area overlaps with a portion of the bank's assessment area and includes northern Windsor and southeastern Orange Counties in VT and southern Grafton and northern Sullivan Counties in NH.
- ***Habitat for Humanity:*** During the evaluation period, a bank officer served on the Board of the Pemi-Valley (NH) chapter. The Pemi-Valley chapter provides affordable housing to low- and moderate-income in Plymouth and surrounding towns (including moderate-income communities of Campton and Rumney) that are part of the bank's assessment area.

Other Activities:

- ***Financial Counseling:*** WGSB collaborates with AHEAD and Green Path Financial Wellness, to provide free or low cost financial counseling to primarily low- and moderate-income residents. The organizations also provide education on mediums to ease financial stress, manage debt, save for the future, make smart financial decisions, and achieve financial goals.
- ***Federal Home Loan Bank of Boston Equity Builder Program:*** This program awards grants to low- and moderate-income households for down payments and closing costs. Borrowers must also complete a homebuyer workshop through AHEAD to be eligible. The bank provides an additional \$400 discount on closing costs when borrowers finance through the bank's First Time Homebuyer Loan Program. During the evaluation period, the bank closed 10 Equity Builder Program loans, awarding \$130,000 in grant funds to low- and moderate-income individuals.
- ***Habitat for Humanity:*** The bank collaborates with the Pemi-Valley and Ammonoosuc chapters of Habitat for Humanity. The bank provides zero interest loans and loan servicing for individuals in their homeownership program. WGSB currently services 32 loans. All loans are to low- or moderate-income individuals.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices inconsistent with helping meet community credits

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 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;
- 4) The geographic distribution of the bank's loans; 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 the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

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 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.