

PUBLIC DISCLOSURE

June 5, 2017

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.

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated February 24, 2014, to the current evaluation dated June 5, 2017. Examiners used the Interagency Intermediate Small Institution (ISI) Examination Procedures to evaluate Woodsville Guaranty Savings Bank's (WGSB's) performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors.

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Loan Products Reviewed

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

The bank's record of originating residential loans contributed more weight to the overall conclusions due to the larger loan volume when compared to commercial lending during the most recent calendar year. No other loan types, such as small farm loans or consumer loans, represented a major product line. Therefore, they are not presented in this evaluation as they provide no material support for conclusions or ratings. The bank is not a Home Mortgage Disclosure Act (HMDA) reporter; therefore, examiners analyzed a random statistical sample of 40 residential loans originated in 2016 totaling \$7.2 million. The residential universe was 308 loans totaling \$51.4 million. This sample represents the bank's performance during the entire evaluation period.

WGSB is not required to report small business lending and does not collect small business loan data; therefore, examiners based the analysis on a random statistical sample of 43 commercial loans totaling \$9.9 million originated in 2016. The 2016 commercial universe was 870 loans totaling \$80.1 million, which represented the bank's performance during the entire evaluation

period. The commercial loan universe included 624 individual loans for vehicles that serve as inventory for five vehicle dealers. As a separate note secured each vehicle, examiners determined that the commercial data universe was skewed as five lending relationships represent these loans. In response, examiners adjusted the sampled universe to ensure that the dealership relationships were appropriately represented without skewing the data. This adjustment revealed a greater number of residential loan borrowers than commercial loan borrowers. This contributed to the decision to give residential loans greater weight in the analysis.

For the Lending Test, examiners reviewed the number and dollar volume of residential and commercial loans. Examiners emphasized performance by number of loans because it is not influenced by factors such as applicant income, housing values, or business size, and provides a better overall indicator of the number of individuals and businesses served by the bank.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated February 24, 2014.

DESCRIPTION OF INSTITUTION

Background

WGSB is a state-chartered savings institution, headquartered in Woodsville, New Hampshire (NH), wholly-owned by Guaranty Bancorp, Incorporated. The bank operates in Grafton and Coos Counties in NH. WGSB has no subsidiaries and is affiliated with Community Financial Services Group, LLC (CFSG) through ownership at the holding company level. WGSB received a Satisfactory rating at its previous FDIC Performance Evaluation, dated February 24, 2014, based on Interagency Intermediate Small Institution Examination Procedures.

Operations

WGSB operates nine full-service branches in the northwestern part of NH. Two branches are in each Littleton and Woodsville, and one each in Franconia, Lancaster, Lisbon, Piermont, and Plymouth. All branch offices have Automatic Teller Machines (ATMs) and night depository. Most have drive-up facilities. The main office in Woodsville and the Franconia branch office each have two ATMs (a walk-up and a drive-up). In addition, the bank operates one remote ATM located in the Aldrich General Store in Haverhill, NH. The Lancaster (within Shaw's Grocery), Lisbon, and Woodsville (within Walmart) branch offices do not have drive-up facilities. The bank has not closed or opened any retail branches and no merger or acquisition activities occurred since the previous evaluation.

The bank offers standard loan and deposit products for individuals and businesses. Loan products include home mortgage, home equity loans, consumer loans, and automobile loans as well as loans for businesses including commercial real estate, construction loans, lines of credit, agricultural loans, and Small Business Administration guaranteed loans. Deposit services include checking, savings, and money-market deposit accounts, individual retirement accounts, certificate of deposit, and health savings accounts. Alternative banking services include online and mobile banking, remote deposit, and electronic bill pay. Investment products and services are available through CFSG.

Ability and Capacity

Assets totaled approximately \$466.5 million as of March 31, 2017, and included total loans of \$359.9 million and securities of \$67.8 million. Total loans represent 77.2 percent of assets. The following table illustrates the bank's loan portfolio.

Loan Portfolio Distribution as of 03/31/17		
Loan Category	\$(000s)	%
Construction and Land Development	12,025	3.3
Secured by Farmland	4,344	1.2
1-4 Family Residential	200,172	55.6
Multi-family (5 or more) Residential	15,383	4.3
Commercial Real Estate	68,912	19.2
Total Real Estate Loans	300,836	83.6
Commercial and Industrial	42,986	11.9
Agricultural	354	0.1
Consumer	6,403	1.8
Other	9,289	2.6
Less: Unearned Income	0	0.0
Total Loans	359,868	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. WGSB delineated one contiguous assessment area within the Non-Metropolitan Statistical Areas (Non-MSAs) of NH and Vermont (VT). The bank's assessment area changed since the prior evaluation. The bank added six middle-income census tracts, four within the Non-MSA of NH and two within the Non-MSA of VT. The following sections discuss demographic and economic information for the assessment area.

Economic and Demographic Data

WGSB's assessment area includes 19 census tracts. There are 13 census tracts in the Non-MSA of NH which include portions of Coos and Grafton Counties and 6 census tracts in the Non-MSA of VT which include portions of Caledonia and Orange Counties. The VT portion of the bank's assessment area includes 11 towns. However, the bank does not have any branches in VT. Six of the bank's nine branches are in towns along the Connecticut River that forms the border between NH and VT. The VT portion of the assessment area consists of bordering towns on the VT side of the river whose residents can easily access the NH branches. The 19 census tracts reflect the following income designations according to the 2010 United States (U.S.) Census:

- 2 moderate-income census tracts and
- 17 middle-income census tracts

The two moderate-income census tracts are located within Grafton County, NH and the 17 middle-income census tracts are located in Coos County, NH (3), Grafton County, NH (8), Caledonia County, VT (2), and Orange County, VT (4). The assessment area does not have any census tracts that are designated as underserved or distressed. 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)	19	0.0	10.5	89.5	0.0	0.0
Population by Geography	69,555	0.0	15.6	84.4	0.0	0.0
Housing Units by Geography	43,184	0.0	14.5	85.5	0.0	0.0
Owner-Occupied Units by Geography	21,574	0.0	15.2	84.8	0.0	0.0
Occupied Rental Units by Geography	6,450	0.0	19.1	80.9	0.0	0.0
Vacant Units by Geography	15,160	0.0	11.5	88.5	0.0	0.0
Businesses by Geography	5,190	0.0	20.4	79.6	0.0	0.0
Farms by Geography	298	0.0	10.4	89.6	0.0	0.0
Family Distribution by Income Level	18,262	21.4	21.0	24.5	33.0	0.0
Household Distribution by Income Level	28,024	25.0	18.8	20.1	36.0	0.0
Median Family Income Non-MSAs - NH (2016)		\$71,400	Median Housing Value			\$187,126
Median Family Income Non-MSAs - VT (2016)		\$64,400	Median Gross Rent			\$725
			Families Below Poverty Level			6.3%
<i>Source: 2010 U.S. Census; 2016 D&B Data; 2016 FFIEC-Estimated Median Family Income Data Due to rounding, totals may not equal 100.0 (* The NA category consists of geographies that have not been assigned an income classification.</i>						

Housing Data

According to the 2010 U.S. Census data, there are 43,184 housing units, of which 49.9 percent are owner-occupied, 14.9 percent are occupied rental units, and 35.1 percent are vacant. The Geographic Distribution criterion compares residential loans to the distribution of owner-occupied housing units.

Business Data

According to the 2016 D&B data, there were 5,190 businesses within the assessment area. Illustrated below are the gross annual revenues (GARs) for these businesses.

- 81.0 percent have \$1 million or less
- 5.3 percent have more than \$1 million
- 13.7 percent have unknown revenues

The analysis of commercial loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Service industries represent the largest portion of businesses at 44.0 percent; followed by retail trade (14.3 percent); construction (9.2 percent); finance, insurance and real estate (6.4 percent); and agriculture, forestry and fishing (5.4 percent). In addition, 73.6

percent of the area businesses have four or fewer employees, and 86.4 percent operate from a single location.

Examiners used the 2016 FFIEC-updated median family income level to analyze residential loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
99999 Non-MSA NH - Median Family Income				
2016 (\$71,400)	<\$35,700	\$35,700 to <\$57,120	\$57,120 to <\$85,680	≥\$85,680
99999 Non-MSA VT - Median Family Income				
2016 (\$64,400)	<\$32,200	\$32,200 to <\$51,520	\$51,520 to <\$77,280	≥\$77,280
<i>Source: 2016 FFIEC-Estimated Median Family Income Data</i>				

Employment Data

Data obtained from the U.S. Bureau of Labor Statistics indicates that as of March 2017, the unemployment rate was 2.8 percent statewide for NH and 3.1 percent for VT. The unemployment rate was 4.6 percent in Coos County, NH; 2.7 percent in Grafton County, NH; 4.9 percent in Caledonia County, VT; and 3.9 percent in Orange County, VT. The unemployment rates in NH gradually decreased throughout the evaluation period while VT’s unemployment rates increased slightly. Major employers in the assessment area include Plymouth State University in Plymouth, NH; Littleton Regional Hospital in Littleton, NH; and New England Wire Technologies Corporation in Lisbon, NH.

Competition

The bank operates in a moderately competitive market for credit and financial services. The FDIC Deposit Market Share data as of June 30, 2016 reveals that 12 financial institutions operate 38 branch offices throughout the assessment area and hold \$1.2 billion in deposits. WGSB ranks 1st with a deposit market share of 26.6 percent.

Examiners reviewed and analyzed the data of institutions that originated home mortgage loans in WGSB’s assessment area to determine competition. The analysis indicates there was strong lending activity during 2015. In 2015, 164 lenders subject to HMDA reporting originated 1,141 home mortgage loans within the bank’s assessment area. The top five lenders included large national banks, regional banks and mortgage companies, such as Citizens Bank, N.A., Bank of New Hampshire, Union Bank, Quicken Loans, and Northeast Home Loan, LLC.

Community Contact

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

Examiners contacted an affordable housing organization representative within the bank's assessment area. The contact stated that affordable housing is a primary need within the area. However, with the uncertainty of corporate tax reform and the affect it would have on the Low Income Housing Tax Credit (LIHTC) program, many affordable housing projects have experienced delays. Consequently, funding is more difficult to obtain. In addition, the contact stated the political climate for affordable housing projects in rural areas is prohibiting development. The contact noted that these factors directly impact the number of affordable housing project opportunities. The contact indicated that local institutions actively pursue opportunities to invest in affordable housing projects. Further, when available, many community banks offer financial support. The contact also noted that the local economy would benefit from continued focus on economic development and job creation. Overall, the contact indicated that financial institutions have been responsive to the credit and community development needs. Additionally, the contact noted that WGSB has been active in assisting the organization in various capacities.

Credit and Community Development Needs and Opportunities

Based upon information from bank management and the community contact and reviewing demographics and economic data, examiners concluded that affordable housing and economic development are the primary credit needs in the assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

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

Loan-to-Deposit Ratio

The loan-to-deposit (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 101.1 percent over the past 13 calendar quarters from March 31, 2014, to March 31, 2017. The ratio ranged from a low of 96.1 percent as of December 31, 2014, to a high of 104.9 percent as of September 30, 2016. The ratio remained generally stable during the evaluation period. WGSB maintained a ratio higher than comparable institutions, as shown in the following table. Examiners selected comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 03/31/2017 \$(000s)	Average Net LTD Ratio (%)
Woodville Guaranty Savings Bank	466,556	101.1
Passumpsic Savings Bank	634,347	89.6
Union Bank	675,564	91.0
<i>Source: Reports of Condition and Income 03/31/14 through 03/31/17</i>		

Assessment Area Concentration

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

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage	21	52.5	19	47.5	40	2,680	37.2	4,519	62.8	7,199
Subtotal	21	52.5	19	47.5	40	2,680	37.2	4,519	62.8	7,199
Commercial	33	76.7	10	23.3	43	6,018	60.7	3,898	39.3	9,916
Subtotal	33	76.7	10	23.3	43	6,018	60.7	3,898	39.3	9,916
Total	54	65.1	29	34.9	83	8,698	50.8	8,417	49.2	17,115

Source: 2016 Bank Data

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of home mortgage and commercial lending supports this conclusion. Examiners focused on the percentage by number of loans in moderate-income census tracts, since the bank's assessment area does not contain any low-income census tracts.

Residential Loans

The geographic distribution of sampled home mortgages reflects reasonable dispersion throughout the assessment area. There are two moderate-income census tracts. As the following table shows, the bank's 2016 performance in moderate-income census tracts at 9.5 percent compares reasonably to the percentage of owner-occupied housing units 15.2 percent. Although the performance in the moderate-income tracts is below the housing statistics, the disparity is less than the difference of two loans. Further, there is also significant competition in both census tracts. Lastly, performance in this area is in-line with the prior evaluation which considered lending in 2012 and 2013, which indicates a consistent performance in this area.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Moderate	15.2	2	9.5	284	10.6
Middle	84.8	19	90.5	2,396	89.4
Total	100.0	21	100.0	2,680	100.0

Source: 2016 U.S. Census, Bank Records

Commercial Loans

The geographic distribution of sampled commercial loans reflects reasonable dispersion. The following table shows the bank's performance in moderate-income census tracts at 12.1 percent. Although the bank's performance is below business demographics, the bank's lending activity is reasonable. One moderate-income census tract consisting of Campton, Ellsworth, and Rumney, NH is extremely rural with the majority of land owned by the National Forest Service; therefore, there are limited commercial lending opportunities. Further, in the other moderate-income tract, where opportunities are greater, there is significant competition.

Geographic Distribution of Commercial Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate	20.4	4	12.1	486	8.1
Middle	79.6	29	87.9	5,531	91.9
Total	100.0	33	100.0	6,017	100.0
<i>Source: 2016 D&B Data, Bank Records</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the assessment area. The bank's reasonable performance of home mortgage and commercial lending supports this conclusion. Examiners focused on the percentage by number of residential loans to low- and moderate-income borrowers. They also focused on the percentage of commercial loans to businesses with GARs of \$1 million or less.

Residential Loans

The distribution of home mortgages to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. The bank originated 14.5 percent of sampled home mortgages to low-income borrowers in 2016. The bank's performance was below the percentage of low-income families in the assessment area; however, the percentage of families with incomes below the poverty level (6.3 percent), which is a subset of the low-income category, partially explains this disparity. Low-income families, particularly those with incomes below the poverty level, would have difficulty obtaining home mortgage financing, even under flexible underwriting guidelines. Considering the percentage of low-income families below the poverty level, the bank's performance in this area is reasonable.

The bank originated 9.5 percent of sampled loans to moderate-income borrowers in 2016. The bank's performance was below the 21.0 percent of moderate-income families in the assessment area. Given the significant competition that includes larger mortgage companies that the bank faces in this area, lending reflects reasonable performance.

Considering the level of competition for both low- and moderate-income borrowers as well as WGSB's level of lending to low-income borrowers, the overall performance in this category is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low	21.4	3	14.3	286	10.7
Moderate	21.0	2	9.5	220	8.2
Middle	24.5	7	33.3	756	28.2
Upper	33.0	9	42.9	1,418	52.9
Total	100.0	21	100.0	2,680	100.0

Source: 2010 U.S. Census, Bank Records

Commercial Loans

The distribution of commercial loans reflects reasonable penetration of loans to businesses with GARs of \$1 million or less. The following table shows that the bank originated 45.5 percent of sampled loans to businesses in this revenue category. This data also illustrates the effect of the bank's continued lending relationships with larger borrowers.

Distribution of Commercial Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000	81.0	15	45.5	1,145	19.0
> \$1,000,000	5.3	18	54.5	4,873	81.0
Revenue Not Available	13.7	0	0.0	0	0.0
Total	100.0	33	100.0	6,018	100.0
<i>Source: 2016 D&B Data, Bank Records</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

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 4 community development loans (CDLs) totaling \$5.7 million during the evaluation period. This activity level represents 1.3 percent of average total assets and 1.7 percent of average total loans. Of the 4 CDLs, 1 loan totaling \$2.7 million was for community revitalization and stabilization and 2 loans totaling \$745,000, helped community service organizations that directly serve the most vulnerable portions of the assessment area's population. In addition, the bank originated 1 CDL totaling \$2.3 million outside the assessment area for revitalization and stabilization by creating jobs for low- and moderate-income individuals in northern VT.

Community development lending declined from the 11 qualified community development loans totaling \$14.0 million at the prior evaluation. However, current performance remains in line with the assessment area's current credit needs and the limited availability of affordable housing lending opportunities.

The following are the community development loans originated during the evaluation period.

- In 2014, the bank originated a \$370,000 loan to an organization that operates the only food pantry in Franconia, NH. Consequently, this food pantry provides a vital community service within the assessment area. The organization used the funds to renovate the existing facility to improve accessibility.
- In 2014, the bank funded \$375,000 of a \$750,000 participation loan to a nonprofit organization that provides facility based treatment services for at-risk youth and their families. The funds were used to purchase and renovate a building in the assessment area to serve as a residential facility. The facility provides mental health services to individuals under 21 who suffer from childhood developmental delays, disabilities, and various forms of trauma. The majority of individuals benefiting from these services are state funded (VT) low- and moderate-income individuals tied to Medicaid
- In 2015, the bank originated a \$2.7 million loan to a for profit business in Bradford, VT. In an effort to revitalize and stabilize an environmentally hazardous property, the organization used the funds in combination with a Brownfield Program grant to clean-up and redevelop the property. The Brownfield Program is a government revitalization program run by the Environmental Protection Agency whose purpose is to return underutilized and contaminated sites back to productive use. Loan proceeds contributed to purchasing, demolishing, and cleaning-up an adjacent contaminated property and then renovating and expanding the business' existing structure using the cleaned up property.

Expansion resulted in additional retail jobs for low- and moderate-income individuals in the assessment area.

- In 2017, the bank funded \$2.3 million of a \$3.9 million participation loan to purchase and renovate an “under-utilized” property, in Franklin County, VT. The property is the site of a former manufacturing facility that closed in 2012 and resulted in the loss of 165 jobs in the town of St. Albans and Franklin County. Both the town and county contain a substantial number of moderate-income individuals and census tracts. The businesses used the proceeds to renovate the vacant manufacturing plant into a distribution center and created 350 jobs within the town of St. Albans. As a result, the employer became one of the largest employers in the county. The loan served to revitalize and stabilize moderate-income census tracts in St. Albans and Franklin County by providing warehouse related jobs for low- and moderate-income residents.

Qualified Investments

WGSB made 78 qualified investments totaling approximately \$4.1 million. The 4 equity investments are from the prior period for \$3.7 million and the qualified donations for the evaluation period totaled \$335,904. The \$3.7 million in equity investments equates to 0.9 percent of average total assets and 6.2 percent of average total securities. Prior period investments were responsive to affordable housing needs identified by the community contact. Donations provided for affordable housing and revitalization and stabilization within the bank’s assessment area.

Although the bank’s equity investment performance in terms of invested dollars is approximately the same as the prior evaluation, the bank’s qualified grants and donations increased from \$184,645 to \$335,904 during the current evaluation. The total level of qualified investments, grants, and donations demonstrates the bank’s commitment to the assessment area’s community development needs. 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		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	23	3	3,692	0	0	0	0	0	0	4	3,715
2014	0	0	0	0	0	0	0	0	0	0	0	0
2015	0	0	0	0	0	0	0	0	0	0	0	0
2016	0	0	0	0	0	0	0	0	0	0	0	0
YTD 2017	0	0	0	0	0	0	0	0	0	0	0	0
Subtotal	1	23	3	3,692	0	0	0	0	0	0	4	3,715
Qualified Grants & Donations	1	1	62	182	8	28	3	125	0	0	74	336
Total	2	24	65	3,874	8	28	3	125	0	0	78	4,051

Source: Bank Records

The following are the existing qualified equity investments originated prior to the current evaluation.

- ***Waits River Housing Limited Partnership:*** In September 2006, the bank committed \$717,674, representing approximately a 15.0 percent interest, to acquire and develop affordable housing units in Bradford, VT. The development contains 29 residential units for low- and moderate-income residents in the assessment area. The current book value is \$23,138 as of May 31, 2017.
- ***Haverhill Cooperative School District (District) SAU 23:*** From August 2003 through November 2008, the bank invested \$3.7 million (\$500,000; \$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 (QZABs) within the meaning of the Internal Revenue Code and the American Recovery and Reconstruction Act tax credit program. Districts such as Haverhill are designated as eligible to issue QZABs because they provide community services for low- and moderate-income individuals by providing for necessary capital improvements in districts with scarce public resources. The current book value remains at \$3.7 million with maturity dates of August 2018, July 2021, and November 2022, respectively. This investment serves a critical need for the community and provides community services for low- and moderate-income children and families in the area.

Donations and Grants

WGSB made 145 donations totaling \$395,424 since the prior evaluation. Of these, 74 totaling \$335,904 were qualified community development contributions, an increase of approximately 81.9 percent since the prior evaluation. Of the qualified donations, 80.4 percent benefitted the Community Development Finance Authority's (CDFA) community development projects which support community services for low- and moderate-income communities and individuals and the revitalization and stabilization of moderate-income census tracts. Various grants and donations supported economic development initiatives responding to the assessment area's needs and opportunities.

The following are notable examples of the bank's qualified donations.

- ***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 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 399 units of multi-family affordable rental housing in 9 northern NH communities.

- ***Copper Cannon Camp***: The organization’s mission is to enrich the lives of under-served youth from low- and moderate-income families in NH by providing a quality, tuition-free traditional summer camp experience. The camp is located within the bank’s assessment area in Bethlehem, NH, and is open to children in need from within the assessment area as well as the broader state of NH.
- ***Grafton County Senior Citizens Council***: The Grafton County Senior Citizens Council’s mission is to develop, strengthen, and provide programs and services that support the health, dignity, and independence of older adults and adults with disabilities. The majority of individuals benefiting from their services are low- and moderate-income individuals. The bank made donations to support Horsemeadow (North Haverhill, NH); Littleton, NH; and Plymouth, NH centers, all within the bank’s assessment area.
- ***Littleton Reconnect Project***: This CDEFA project is to construct a river walk along the Ammonoosuc River in downtown Littleton, NH. The project’s goal is to promote community and economic growth in downtown Littleton to revitalize and stabilize this moderate-income census tract.
- ***Northeast Kingdom Youth Services (NEKYS)***: NEKYS was developed to help homeless youth find supportive and safe places. NEKYS offers a strong continuum of care to help individuals, youth, and families reach their highest potential. NEKYS is located in Caledonia County, VT and serves the portion of the bank’s assessment area within that county as well as the rest of the Caledonia County and southern Essex County, VT.

Community Development Services

During the evaluation period, bank employees provided 3,196 hours of service, of which 1,926 hours qualified as community development service. The qualified hours equated to 77 instances of financial expertise or technical assistance to 17 different community development-related organizations that serve low- and moderate-income individuals and small businesses within the assessment area. Community development services included Board involvement with local organizations, financial education, and technical assistance provided directly to individuals. This level of service activity demonstrates the bank’s responsiveness to the community development needs in the assessment area. The following table summarizes the bank’s qualified community development services by year and purpose.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2014	5	10	2	1	0	18
2015	5	10	2	1	0	18
2016	5	12	4	1	0	22
YTD 2017	5	10	3	1	0	19
Total	20	42	11	4	0	77

Source: Bank Records

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

- ***Littleton Industrial Development Corporation:*** Littleton, NH is a moderate-income community within WGSB’s assessment area. This nonprofit organization assists in creating economic development opportunities in Littleton by revitalizing the downtown area and fixing the roads, sewers, and water infrastructure. The organization established an industrial park, which now houses various businesses that have increased employment opportunities in the town. During the evaluation period, a vice president served on the organization’s Board.
- ***Twin Pines Housing Trust:*** This nonprofit 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. During the evaluation period, a senior vice president served on the organization’s Board.
- ***Habitat for Humanity:*** Habitat for Humanity is a global nonprofit housing organization working in nearly 1,400 communities across the United States and in approximately 70 countries around the world. Habitat’s vision is where everyone has a decent place to live. Habitat works toward their vision by building strength, stability, and self-reliance in partnership with people and families in need of a decent and affordable home. During the evaluation period, two bank officers served on the Board of the Pemi-Valley (NH) chapter. The Pemi-Valley chapter provides affordable housing options in Plymouth and surrounding towns (including moderate-income communities of Campton and Rumney) that are part of the bank’s assessment area.

Other Activities

- ***First Time Homebuyer Seminars:*** In participation with AHEAD, the bank sponsors two seminars annually to help first time homebuyers. A certified homeownership counselor conducts the seminars and a bank residential loan officer discusses the mortgage application, pre-qualification, and closing process.

- ***Financial Counseling:*** WGSB partners 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 (FHLBB) Equity Builder Program:*** This program awards grants used to provide low- and moderate-income households with down payments, closing-costs, homebuyer counseling, and rehabilitation assistance. During the evaluation period, the bank closed 10 Equity Builder Program loans, awarding \$134,000 in grant funds to low- and moderate-income individuals.
- ***Habitat for Humanity:*** The bank partners with Pemi-Valley and Ammonoosuc chapters of Habitat for Humanity. The bank provides zero interest loans and loan servicing for individuals in their homeownership program. The service provides the chapters with a long-term solution that addresses payment and collection needs and provides homeowners with a high level of service. WGSB currently services 32 loans. All loans are to low- or moderate-income individuals.
- ***Main Street Downtown Revitalization Initiatives:*** The bank supports downtown revitalization efforts in several towns within the assessment area, through annual pledges and sponsorship of special promotional events organized by the Main Street Programs that include moderate-income communities.
- ***Interest on Lawyers' Trust Accounts:*** This program requires lawyers and law firms to establish interest-bearing accounts for client deposits. The program uses earned interest to help fund improvements in the administration of justice and delivery of legal services to low-income clients. As of May 31, 2017, the bank maintained 17 accounts with a balance of \$419,649.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

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

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Upper-Income: Individual income that is 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.