



# INTERMEDIATE SMALL BANK

---

Comptroller of the Currency  
Administrator of National Banks

---

Washington, DC 20219

## PUBLIC DISCLOSURE

June 2, 2008

### COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Ipswich  
Charter Number 4774

31 Market Street  
Ipswich, MA 01938-0000

Office of the Comptroller of the Currency

New England Field Office  
20 Winthrop Square, Suite 200  
Boston, MA 02110

**NOTE:** 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.

## TABLE OF CONTENTS

<b>INSTITUTION'S CRA RATING .....</b>	<b>2</b>
<b>SCOPE OF EXAMINATION.....</b>	<b>2</b>
<b>DESCRIPTION OF INSTITUTION .....</b>	<b>3</b>
<b>SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....</b>	<b>5</b>
<b>RATINGS .....</b>	<b>5</b>
<b>FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....</b>	<b>6</b>
<b>MULTISTATE METROPOLITAN AREA RATING .....</b>	<b>7</b>
<b>BOSTON-CAMBRIDGE-QUINCY, MA-NH MULTISTATE METROPOLITAN AREA .....</b>	<b>7</b>
<b>STATE RATING.....</b>	<b>22</b>
<b>STATE OF MASSACHUSETTS .....</b>	<b>22</b>
<b>STATE OF NEW HAMPSHIRE .....</b>	<b>22</b>
<b>APPENDIX A: SCOPE OF EXAMINATION.....</b>	<b>A-1</b>
<b>APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS .....</b>	<b>B-1</b>

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

**The Lending Test is rated: Satisfactory**

**The Community Development Test is rated: Satisfactory**

Factors supporting the bank's rating are briefly summarized below:

- The bank's level of lending, as reflected in its loan to deposit ratio, is reasonable.
- The majority of lending is inside the assessment areas (AA).
- The geographic dispersion of loans is reasonable. Weight is given to the bank's primary assessment area of Essex County.
- The penetration of loans to businesses of different sizes is reasonable given performance context factors. The penetration of loans to moderate-income borrowers is excellent and to low-income borrowers is reasonable. Less weight was given to the mortgage loans, as a significant volume was not originated.
- The bank has no history of consumer complaints.
- Responsiveness of community development (CD) needs of the assessment areas is adequate in light of the bank's capacity and financial condition. Significant weight is given to the bank's CD activities in Essex County, in which a majority of branches are located, substantial majority of deposits are based, and its presence has been the longest.

## **Scope of Examination**

The evaluation period for the Lending Test covers January 1, 2006 through March 31, 2008. The evaluation period for the Community Development Test (loans, investments, and services) is February 11, 2004, the date of the last CRA evaluation, through June 2, 2008. This bank is considered an intermediate small bank (ISB) per the Community Reinvestment Act (CRA). The bank is evaluated using ISB examination procedures for the first time and was evaluated using small bank procedures at the last evaluation.

Based on loan originations and purchases during the evaluation period, the bank's primary product is commercial loans, including commercial and industrial loans and commercial real estate loans. Commercial loans represent 75% and 60% of the bank's loan originations by number and dollar amount, respectively. According to management, residential mortgages are not sold on the secondary market or heavily marketed. Residential mortgages represent less than 25% of originations while consumer loans are limited to less than 1% of all dollar originations.

Since the bank is a Home Mortgage Disclosure Act (HMDA) reporter, we conducted an analysis of reported data. Reliability of this data has been tested by the bank's audit function and deemed reliable. The majority of HMDA loans were originated in the Essex County market (51 in total). A meaningful analysis of HMDA loans for Suffolk and Rockingham counties could not be conducted with only 10 loans originated in Rockingham County and one loan in Suffolk County. We sampled commercial loan originations for calendar years 2006, 2007, and through first quarter 2008 in the assessment area. The sample yielded results representative of the bank's commercial lending.

The CRA requires a bank to define the assessment area in which it will be evaluated. First National Bank of Ipswich's (FNBI) branch network results in three distinct assessment areas in two states. The AAs incorporate the current branches and ATMs, as well as, the contiguous towns/cities around these offices. FNBI has delineated three whole counties as assessment areas as follows:

- AA # 1 - Essex County, MA, or Metropolitan Division (MD) #37764
- AA # 2 - Suffolk County, MA, or MD # 14484
- AA # 3 - Rockingham County, NH, or MD # 40484

## **Description of Institution**

FNBI is a \$286 million financial institution, wholly-owned by First Ipswich Bancorp. The bank is headquartered in Ipswich, Massachusetts (MA). It operates its main office in Ipswich and has six branches located in Massachusetts and one branch in New Hampshire (NH). The branches are located in the following cities/towns: Beverly, Boston, Essex, Gloucester, Ipswich, Newburyport, and Rowley in MA and Portsmouth in NH. The bank operates automated teller machines (ATMs) at seven of its branches and has drive-up teller windows at four branches. Remote ATMs are located in Gloucester, Essex, and Ipswich. Branch hours are typically 8:30AM to 5:00PM with extended hours on Thursday to Saturday.

FNBI offers a wide variety of deposit products to meet consumer and commercial banking needs. The bank's Internet website, [www.fnbi.com](http://www.fnbi.com), provides detailed information on products and services for both consumers and businesses. Banking services are standard with the addition of 24 Hour Banking by Telephone, on-line banking with bill payment options, and trust services and investment advisory programs. The bank's wholly-owned subsidiary, The de Burlo Group, provides investment advisory services.

As of March 31, 2008, total deposits are \$214.6 million and tier one capital is \$27.3 million. The loan portfolio totals \$204.2 million, or 71.3% of total assets. Historically, FNBI has positioned itself as a commercial lender in the marketplace. The bank's loan mix as of March 31, 2008 is: 67.5% commercial, construction, and commercial real estate loans; 31.7% residential real estate; and less than 1% consumer loans. The following table provides a summary of the loan mix for the past year-ends:

**Table 1: Loan Mix**

	2004		2005		2006		2007	
<b>Total Assets (000s)</b>	386,580		393,820		331,931		282,597	
<i>Loan Mix</i>	\$	% of Mix						
<b>Residential Mortgages</b>	55,728	33%	53,664	23%	54,781	23%	55,619	28%
<b>Home Equity Loans</b>	9,465	6%	10,243	4%	9,520	4%	8,761	4%
<b>Commercial &amp; Industrial</b>	19,338	11%	43,406	18%	44,447	19%	31,530	16%
<b>Commercial Real Estate</b>	60,884	36%	108,314	46%	106,927	45%	89,371	44%
<b>Construction/Development</b>	23,016	14%	18,918	8%	19,414	8%	13,951	7%
<b>Consumer - All Other</b>	1,792	1%	1,770	1%	1,599	1%	1,721	1%
<b>Total</b>	<b>170,223</b>	<b>100%</b>	<b>236,315</b>	<b>100%</b>	<b>236,688</b>	<b>100%</b>	<b>200,953</b>	<b>100%</b>

Source: FDIC call reports

The bank is operating under a formal enforcement action signed by the Board of Directors as of June 28, 2006. The Formal Agreement requires earnings and liquidity improvement in order to protect capital. Operating under this Formal Agreement has been a significant legal and financial impediment to the bank meeting the credit needs of its assessment areas. The Board has been focused on compliance with the requirements of the Formal Agreement in order to stabilize the financial condition of the bank. In order to prevent further financial deterioration, the Board initiated asset and branch sales, reducing the size and lending capacity of the bank. Significant consideration was given to this operating context when evaluating the bank's lending and community development (CD) activities.

The bank has undergone significant changes in size and branch network since the last evaluation. The Board's strategic focus was on expansion into new markets that offered growth potential. As a result, FNBI purchased two branches, one in Cambridge in 2004 and one in downtown Boston in 2005, from another financial institution to expand south of its core market. The addition of these two branches resulted in additional AAs which included Middlesex and Suffolk counties. Another branch was added in Beverly, MA in 2004. To expand to the north, FNBI added a branch in Portsmouth, NH in 2006. While the bank's lending strategy has not changed, the overall markets have.

However, given financial weaknesses, FNBI has closed six branches since the last evaluation. Four NH branches in Manchester, Salem, Newington, and Londonderry and two MA branches in Cambridge and Rowley were closed. None of the branch closings were in low or moderate-income tracts. The bank's branch changes are illustrated in the table below.

**Table 2: Branch Changes**

<b>Branch Locations</b>	<b>Opened</b>	<b>Closed</b>	<b>Census Tract</b>	<b>County</b>
Beverly, MA	2004	N/A	2172.01	Essex
Boston, MA	2005	N/A	303.00	Suffolk
Portsmouth, NH	2006	N/A	691.00	Rockingham
Cambridge, MA *	2004	3/30/2007	3547.00	Middlesex
Rowley, MA	Pre -2004	12/29/2006	2701.00	Essex
Londonderry, NH	2001	4/11/2007	37.00	Rockingham
Manchester, NH	2001	12/31/2005	26.00	Hillsborough
Newington, NH	2001	3/24/2006	685.00	Rockingham
Salem, NH	2001	12/31/2005	1002.00	Rockingham

\* The Cambridge branch located at 2067 Massachusetts Avenue was sold.

In addition, four remote ATMs have been closed in Essex County as of December 2006. The ATMs were located in Ipswich, Rowley, and the Topsfield Fairground.

As of the last CRA evaluation, dated February 11, 2004, the bank received a Satisfactory rating and was evaluated as a small bank.

## **Selection of Areas for Full-Scope Review**

In each state and multistate metropolitan area where the bank has an office, a sample of assessment areas (AAs) within that state/multistate metropolitan area was selected for full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were selected.

## **Ratings**

The bank's overall rating is a blend of the multistate metropolitan area rating and state ratings.

The institution's CRA rating takes into account the ratings in different states/multistate metropolitan areas by considering:

- The significance of the bank's activities in each state/multistate metropolitan area compared with the bank's overall activities.
- The lending opportunities in each state/multistate metropolitan area.
- The importance of the bank in providing loans to each state/multistate metropolitan area, particularly in light of the number of other institutions and the extent of their activities in each state/multistate metropolitan area.
- Demographic and economic conditions in each state/multistate metropolitan area.

The multistate metropolitan area rating(s) and state rating(s) are based primarily on those areas that received full-scope reviews. Refer to the "Scope" section under each State and Multistate Metropolitan Area Rating section for details regarding how the areas were weighted in arriving at the respective ratings.

Significant weight was given to AA 1 - Essex County in arriving at the overall conclusions because of the bank's long history in this market, 75% of the bank's branches located there, 89% of total deposits, and consideration of it as the bank's core market. The bank's physical presence and history in Suffolk and Rockingham Counties are limited.

## Conclusions with Respect to Performance Criteria

### Loan-to-Deposit Ratio

The bank's lending levels meet standards for satisfactory performance. FNBI's quarterly loan-to-deposit ratio is reasonable given the bank's size, financial condition, and the AAs' credit needs. The bank's quarterly loan-to-deposit ratio averaged 83.45% over the last 17 quarters since the last CRA examination. This quarterly ratio ranged from a low of 63.92% to a high of 94.41%.

FNBI's net loan-to-deposit ratio compares favorably with similarly situated institutions, or those financial institutions of similar size, location, and product offerings. The average quarterly ratio for eight local peer banks over the same 17 quarters was 89.91%. The peer group ratio ranged from a quarterly low of 80.79% to a high of 95.28% during the time period.

### Lending in Assessment Area

FNBI's lending inside its assessment areas meets the standard for satisfactory performance. A majority of the bank's primary loan products were made within its assessment areas. As shown in Table 3 below, 80% of the number of loans and 60% of the dollar of those loans were originated to borrowers inside the AA.

**Table 3 – Lending Inside the Assessment Area**

Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
<b>Residential Mortgages</b>	62	84.9%	11	15.1%	73	16,242	74.7%	5,514	25.3%	21,756
<b>Commercial Loans</b>	175	79.2%	46	20.8%	221	40,690	54.5%	33,933	45.5%	74,623
<b>Totals</b>	237	80.6%	57	19.4%	294	56,932	59.1%	39,447	40.9%	96,379

*Source: data reported under HMDA and internally generated list of commercial loans.*

## Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

## **Multistate Metropolitan Area Rating**

### **Boston-Cambridge-Quincy, MA-NH MSA #14460**

**CRA Rating for the Boston-Cambridge-Quincy, MA-NH MSA #14460<sup>1</sup>: Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community Development test is rated: Satisfactory**

Factors supporting the bank's rating are briefly summarized below:

- Distribution of loans among geographies of different income levels is reasonable.
- Distribution of loans to business of different sizes and to borrowers of different income levels is reasonable given performance context factors.
- The bank's CD activities, by dollar amount, are highly responsive to area CD needs. For this evaluation period, the bank originated \$1.2 million in loans to nonprofit entities with a CD mission and invested \$500 thousand in targeted CRA qualified funds.

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN Boston-Cambridge-Quincy, MA-NH MSA #14460**

FNBI's entire operations are conducted in the Boston-Cambridge-Quincy, MA-NH MSA #14460. This is a multi-state MSA with four Metropolitan Divisions (MDs). FNBI has three assessment areas consisting of the following MD within this MSA:

- AA 1 is Essex County (MA), which is also MD #37764 – Peabody, MA. The bank includes all 156 census tracts in the county. It is where the main office and five branches are located.
- AA 2 is Suffolk County (MA), which is also MD #14484 - Boston-Quincy. The bank includes all 176 census tracts in this county. It has one branch in downtown Boston.
- AA 3 is Rockingham County (NH), which is part of the MD #40484 - Rockingham/Strafford. The bank includes all 100 census tracts in Rockingham County. It has one branch in Portsmouth, NH. Branches located in Strafford County (Manchester, Newington, and Salem) were closed in 2006 and Rockingham County (Londonderry) in 2007.

---

<sup>1</sup>This rating reflects performance within the multistate metropolitan area. The statewide evaluations do not reflect performance in the parts of those states contained within the multistate metropolitan area.

The AAs are delineated consistent with the regulation. They are each comprised of a MD, whole census tracts, contiguous towns, and include geographies where the main office, branches, and deposit-taking ATMs are located. The AAs do not reflect any illegal discrimination, and they do not arbitrarily exclude certain low- to moderate-income tracts.

An analysis was separately performed for each AA. Conclusions were based on the combination of all three AAs in this multistate MSA, with weight given to AA 1. State ratings used similar analysis to conclude on a state rating for MA and NH.

The following tables provide demographic information per AA.

**Table 4: FNBI AA 1 - ESSEX COUNTY, MA**

<b>Demographic Information for Full Scope Area: FNBI AA 1 - Essex County, MA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
<b>Geographies (Census Tracts/BNAs)</b>	156	9.62	21.15	47.44	21.79	0.00
<b>Population by Geography</b>	723,419	6.49	18.99	49.28	25.25	0.00
<b>Owner-Occupied Housing by Geography</b>	175,022	1.66	11.05	55.92	31.37	0.00
<b>Business by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Farms by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Family Distribution by Income Level</b>	186,043	20.76	17.43	21.99	39.82	0.00
<b>Distribution of Low and Moderate-income Families throughout AA Geographies</b>	71,044	11.66	28.19	46.77	13.38	0.00
Median Family Income		63,556	Median Housing Value		207,469	
2007 HUD Adjusted Median Family Income		78,200	Unemployment Rate		2.33%	
Households Below Poverty Level		9%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

AA 1 is comprised of all cities and towns located in Essex County, a MD of the greater Boston MSA. Essex County consists of 156 census tracts and borders the state of New Hampshire to the north and the seacoast to the east. It meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography.

Of the total census tracts, 9.6% are low-income tracts, 21.2% are moderate-income tracts, 47.4% are middle-income tracts, and 21.8% are upper-income tracts. The AA includes the following towns: Amesbury, Andover, Beverly, Boxford, Byfield, Danvers, Essex, Georgetown, Gloucester, Groveland, Hamilton, Haverhill, Ipswich, Lawrence, Lynn, Lynnfield, Manchester-by-the-Sea, Marblehead, Merrimac, Methuen, Middleton, Nahant, Newbury, Newburyport, North Andover, Peabody, Rockport, Rowley, Salem, Salisbury, Saugus, Swampscott, Topsfield, Wenham, and West Newbury.

The north shore communities have some of the state's oldest ports and serve as a center for tourism and fishing industries. Major industries include computer/high tech, telecommunication, and industrial manufacturing for the employment base. Northeastern Massachusetts is home to many manufacturers, high tech R&D firms, colleges, and medical institutions. Larger companies in the region include Wyeth, Phillips Medical, Analogic, and Raytheon. Proximity to Greater Boston and New Hampshire gives industries in this region the advantage of being close to extensive markets, suppliers, and research facilities.

Based on 2000 census data, the population of the assessment area is 723,419 and is comprised of 186,043 families and 275,410 households. Of the total households, there are a significant number under the poverty line (9%) and in retirement (17.83%). The weighted average median family income for the MSA is \$78,200. Almost half of the population resides in the middle-income tracts.

The median housing value in AA 1 is \$207,469 and the average year built is 1953. Total housing units are 287,144 with a rate of owner occupied units at 60.95% and 34.96% rental. Most of the owner occupied units are in the middle-income tracts at 55.92% of the total. In the low-income tracts, over 77% of housing units are rental properties and 5% vacant. Moderate-income tracts have a high percentage of rental units as well at 60.6%. Renters in the low-income tracts bear a greater burden than those in other areas of the AA. Over 35% of the renters in the low-income tracts must pay rent at greater than 30% of income. With such high costs and housing values, the opportunities for home ownership are limited in the low-income tracts. Per census data, the home ownership rates are significantly low in areas of Gloucester, Lawrence, Salem, and Lowell.

Low-income tracts are centered in the towns of Lynn and Lawrence. The estimated median household income for 2005 for Lynn is \$35,454 with 21% of the residents estimated to be living in poverty. The town of Lynn is an old industrial community burdened with numerous contaminated sites. The city has lost manufacturing jobs as a result.

FNBI operates in a competitive environment with multinational commercial banks, savings banks, and credit unions operating in its market. Institutions that are viewed as local competitors include Danvers Bank, Provident Bank, Enterprise Bank, Beverly National Bank, Grand Bank of Marblehead, Rockport National Bank, Benjamin Franklin Bancorp, and The Institution for Savings. Larger regional banks are also present and mortgage companies provide a secondary source of competition for residential mortgage products. The latest deposit market share report indicates that over 40 financial institutions operate branches within FNBI's AA 1 - Essex County. FNBI ranks 17th against the total group of banks for deposit market share with 1.35%. The deposit share leaders in AA 1 - Essex County are TD BankNorth, Sovereign Bank, Salem Five Cents State Bank, Eastern Bank, and Bank of America. The leaders are significantly larger in asset size and have more branches located in the AA.

A community contact at a local Chamber of Commerce discussed the various industry sectors. According to the contact, the recessionary impact has not been felt by the chamber members yet. Small business financing remains a credit need with all varieties of lending needed. Unemployment is low at 2.33% compared to the state and national averages. Per public information on [www.dataplace.org](http://www.dataplace.org), the unemployment rates are high in Gloucester, Essex, Wenham, Manchester, and Lawrence. Average borrower income for home purchase of owner occupied residential units was highest in Essex, Manchester, Boxford, Middleton, Andover and lowest in Lawrence.

**Table 5: FNBI AA 2 - Suffolk County, MA**

Demographic Information for Full Scope Area: FNBI AA 3 - Suffolk County MA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
<b>Geographies (Census Tracts/BNAs)</b>	176	20.45	42.61	26.70	9.66	0.57
<b>Population by Geography</b>	689,807	17.32	49.30	24.19	9.09	0.09
<b>Owner-Occupied Housing by Geography</b>	94,552	7.34	42.12	35.71	14.83	0.00
<b>Business by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Farms by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Family Distribution by Income Level</b>	140,802	36.05	19.65	19.53	24.77	0.00
<b>Distribution of Low and Moderate-income Families throughout AA Geographies</b>	78,423	25.01	54.47	17.55	2.98	0.00
Median Family Income		62,948	Median Housing Value		223,316	
HUD Adjusted Median Family Income for 2007		77,700	Unemployment Rate (2000 US Census)		3.63%	
Households Below Poverty Level		18%				

(\*) The NA category consists of geographies that have not been assigned an income classification.

Source: 2000 US Census and 2007 HUD updated MFI

AA 2 consists of all the cities and towns located in Suffolk County, a MD of the greater Boston Metropolitan Statistical Areas (MSA). Suffolk County is comprised of 176 census tracts. It meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography. Of the total census tracts, 20% are low-income tracts, 43% are moderate-income tracts, 27% are middle-income tracts, and 10% are upper-income tracts. This AA includes the cities of Boston, Winthrop, Revere, and Chelsea.

Suffolk County is located in the northeastern part of Massachusetts. Boston is the largest community in the county and is also the capital of the state. It is the largest city in the Commonwealth of Massachusetts. Boston's colleges and universities have a major impact on the city and region's economy as do high-tech industries, biotech companies, healthcare, and financial services. Boston is also the home for the regional headquarters of major banks such as Bank of America, Sovereign Bank, and State

Street Corporation. Major companies located in Boston include: Liberty Mutual, Gillete, Teradyne, and New Balance.

AA 2 total population is 689,807 with 140,802 families and 278,776 households. Of those households, 18% live below the poverty line. The county has the highest poverty and unemployment rates in the state, and the lowest home ownership rates. Of the total families in AA 2, over 55% are considered low- or moderate-income making less than 80% of the median family income. The median housing value is \$223,316. Total housing units in Boston are 292,520. The volume of owner occupied units is low at 32.32% while rental housing units represent 62.96% of the total.

Competition from other financial institutions is high. In AA 2, the primary market players are large financial institutions such as Bank of America, Sovereign Bank, TD BankNorth, and Citizens Bank, N.A.

The current local economy is characterized as stable. Economic activity in the areas is relatively diverse, with services, retail trade, and finance/investments/real estate companies being the primary economic activities. Services include education, tourism, and medicine. Wages in the Boston area tend to be high, as are taxes and office lease rates.

**Table 6: FNBI AA 3 - ROCKINGHAM COUNTY, NH**

<b>Demographic Information for Full Scope Area: FNBI AA 2 – Rockingham County, NH</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
<b>Geographies (Census Tracts/BNAs)</b>	55	0.00	9.09	70.91	20.00	0.00
<b>Population by Geography</b>	277,359	0.00	9.36	68.22	22.42	0.00
<b>Owner Occupied Housing by Geography</b>	78,999	0.00	7.27	68.22	24.51	0.00
<b>Business by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Farms by Geography</b>	0	0.00	0.00	0.00	0.00	0.00
<b>Family Distribution by Income Level</b>	74,836	14.57	18.06	26.24	41.13	0.00
<b>Distribution of Low and Moderate-income Families throughout AA Geographies</b>	24,421	0.00	14.93	68.77	16.30	0.00
Median Family Income		62,430	Median Housing Value	164,297		
2007 HUD Adjusted Median Family Income		77,000	Unemployment Rate	1.51%		
Households Below Poverty Level		5%	(2000 US Census)			

(\*) The NA category consists of geographies that have not been assigned an income classification.  
Source: 2000 US Census and 2007 HUD updated MFI

AA 3 is comprised of all cities and towns located in Rockingham County, NH, a MD of the greater Boston MSA. Rockingham County, NH, is located in the Southeastern portion of the state and runs along the Massachusetts border from the coast to the center of New Hampshire. AA 3 meets the legal requirements of the regulation and does not arbitrarily exclude any low- or moderate-income geography. Of the total

census tracts, none are low-income tracts, 9% are moderate-income tracts, 71% are middle-income tracts, and 20% are upper-income tracts. AA 3 includes the towns of: Atkinson, Auburn, Brentwood, Candia, Chester, Danville, Deerfield, Derry, East Derry, East Kingston, Epping, Exeter, Fremont, Greenland, Hampstead, Hampton, Hampton Falls, Kensington, Kingston, Londonderry, New Castle, Newfields, Newington, Newmarket, Newton, North Hampton, Northwood, Nottingham, Plaistow, Portsmouth, Raymond, Rye, Salem, Sandown, Seabrook, South Hampton, Stratham, and Windham. Rockingham County is also home to New Hampshire's entire seacoast and features several popular resort towns.

Portsmouth, NH remains the only community on New Hampshire's seacoast to be designated a city. Portsmouth is becoming a major player in the world of international trade. The former Pease Air Force Base is attracting many national and international businesses along with agencies of the US Government. In addition to the state's business friendly climate, Portsmouth offers a deep-water port, rail, air, and access to I-95.

As a new player to the Rockingham County banking market, FNBI operates in a competitive environment with regional commercial banks, savings banks, and credit unions. Institutions that are viewed as local competitors include Community Bank & Trust, Salem Co-op Bank, Provident Bank, Piscataqua Savings, and Pentucket Bank. Larger regional banks are also present. The latest deposit market share report indicates that over 18 financial institutions operate branches within this AA. FNBI ranks 16th against the total group of banks for deposit market share of .33%.

As of the 2000 census, there were 277,359 people, 104,529 households, and 74,320 families residing in the county. The median income for a household in the county was \$58,150, and the median income for a family was \$66,345. The per capita income for the county was \$26,656. About 4.84% of households were below the poverty line, in addition to a significant number of households, 15.64%, in retirement.

The Rockingham County MD includes five moderate-income tracts in Portsmouth, Derry, Raymond, and Seabrook. Owner occupied homes represent 47.89% of residences in the middle-income tracts, leaving 43.44% of homes occupied by renters. The weighted average of median housing in the county was \$164,297 per 2000 census data.

In 2007, the area experienced low unemployment figures, slightly increased employment, improved commercial and industrial vacancy rates and significant private and public investment. The major industries in Rockingham County include construction, retail trade, services, and manufacturing. Most businesses in the AA are small and have small staffs. The majority of businesses in the assessment area (59%) have an employee size of only 1-4 people.

## **SCOPE OF EVALUATION IN Boston-Cambridge-Quincy, MA-NH MSA #14460**

Full scope reviews were performed on AA 1 - Essex County and AA 3 – Rockingham County, while a limited scope review was performed on AA 2 – Suffolk County. Each AA represents a unique and distinct market area for the bank. However, analysis for AA 1 - Essex County is heavily weighted given the majority of deposits, branches, and long-term presence there. FNBI has a single branch in AA 3 – Rockingham County which has been opened for two years and a single branch in AA 2 - Suffolk County opened less than three years.

Critical credit and community development needs for the AAs include affordable housing, financial literacy, and micro-lending to small businesses. Contact information for the region indicates that credit needs include small business financing to start-ups and micro-loans. A second community contact was performed with an area organization that focuses on affordable housing, economic development, and mortgage lending in low- and moderate-income neighborhoods mainly in Suffolk County. The organization partners with financial institutions to provide retail banking services and literacy programs to individuals. The contact stated that greater Boston area has been impacted by the recent foreclosure crisis and that affordability still remains a significant concern as many first time homebuyers are still priced out of the market. Affordable housing development continues although the volume of interested first time buyers has declined. In addition, higher prices for gas, food, and home heating costs have made it much more difficult for low- and moderate-income families to meet basic day to day living expenses.

## **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN Boston-Cambridge-Quincy, MA-NH MSA #14460**

### **LENDING TEST**

The bank's performance under the lending test Boston-Cambridge-Quincy, MA-NH MSA #14460 is rated "Satisfactory."

### **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

#### *Conclusions for full-scope AA 1 – Essex County:*

The distribution of residential mortgage loans reflects reasonable penetration among borrowers of different income levels as shown in Table 7 below. The total originations in this period consisted of 12 home purchase, 25 refinance mortgages, and 14 home improvement loans. FNBI's distribution of mortgage loans to moderate-income borrowers reflects excellent penetration for home improvement and refinance loans. A poor distribution of mortgage loans is noted to low-income borrowers, but consideration was given to the high cost of housing in the region. The bank originated 12% of its refinance mortgage loans to low-income borrowers, which is below the percentage of AA families considered low-income. No home purchase or home improvement loans

were made to low-income borrowers. Given the high median housing value, barriers to home ownership exist for low-income families. Additionally, the bank is not an active market player of mortgage loans given significant competition and does not offer flexible underwriting programs.

**Table 7 - Borrower Distribution of Residential Real Estate Loans**

Borrower Income Level	Low		Moderate		Middle		Upper	
	% of AA Families	% of Number of Loans	% AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	20.76	0	17.43	0	21.99	8.33	39.82	91.67
Home Improvement		0		21.43		14.29		64.29
Home Refinance		12.00		24.00		20.00		44.00

The bank’s lending to businesses of different sizes is reasonable. In the sample of commercial loans, 51% were made to small businesses. Demographic data indicates that 67% of AA businesses are small businesses with gross annual revenues of \$1 million or less. The penetration of loans is considered adequate given significant competition in the AA from larger financial institutions and the financial capacity of the bank.

**Table 8 - Distribution of Commercial Loans by Size of Business**

Business Revenues	< \$1,000,000	≥\$1,000,000	Unavailable/Unknown	Total
% of AA Businesses	66.58	5.79	27.63	100.00%
% of Bank Loans in AA by #	51.72	48.28	0.00	100.00%
% of Bank Loans in AA by \$	33.82	66.18	0.00	100.00%

Conclusions for full-scope AA 3 – Rockingham County:

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes as reflected in Table 9 below. Of FNBI’s commercial loans originated, 64% were made to small businesses which closely reflect the AA business demographics. This reflects an adequate response to an AA credit need for small business financing. FNBI is a newer financial institution in this county, competing against larger institutions for commercial loans.

**Table 9 - Distribution of Commercial Loans by Size of Business**

<b>Business Revenues</b>	<b>&lt; \$1,000,000</b>	<b>≥\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	65.08%	6.02%	28.90%	100.00%
<b>% of Bank Loans in AA by #</b>	64.00%	36.00	0	100.00%
<b>% of Bank Loans in AA by \$</b>	65.64%	34.36	0	100.00%

Conclusion for limited-scope AA 2 – Suffolk County:

FNBI's lending to businesses reflects poor distribution among businesses of different sizes. Of the sample, 45% of the commercial loans originated were made to small businesses as compared to 66% of the AA businesses considered small business. Furthermore, by the dollar amount of loans, the majority of FNBI's funding went to larger businesses. The bank has one branch in this AA which was purchased from another financial institution in 2005. At that time, many commercial relationships were retained. In addition, FNBI originated 20% of the number of loans during this evaluation period to a single business with over \$1 million on revenues.

**Table 10 - Distribution of Commercial Loans by Size of Business**

<b>Business Revenues/Sales</b>	<b>&lt; \$1,000,000</b>	<b>≥\$1,000,000</b>	<b>Unavailable/ Unknown</b>	<b>Total</b>
<b>% of AA Businesses</b>	65.54	7.68	26.78	100.00%
<b>% of Bank Loans in AA by #</b>	45.00	45.00	10.00	100.00%
<b>% of Bank Loans in AA by \$</b>	27.97	43.35	28.68	100.00%

**Geographic Distribution of Loans**

Conclusion for full-scope AA 1 – Essex County:

FNBI's residential mortgage lending activity reflects reasonable performance in originating loans through out its AA. See Table 11 below for details. The total mortgage loan originations for this period consisted of 12 home purchase, 25 refinance mortgages, and 14 home improvement loans. The percentage of FNBI home improvement loans originated in moderate-income census tracts exceeded the percentage of owner occupied units in that area. In addition, the percentage of home purchase and refinancing loans in moderate-income census tracts compared reasonably to the percentage of owner occupied housing in these tracts in Essex County.

Essex County's seven moderate-income tracts are mostly located in Gloucester, MA. The Gloucester banking market is competitive and includes local institutions that are

headquartered there. FNBI's overall performance in moderate-income tracts reflects a reasonable performance despite heavy competition for these loans.

FNBI demonstrated a poor penetration in low-income tracts. None of FNBI's loans were located in the low-income tracts. However, consideration is given to the bank's branch locations in relation to low-income tracts, the low volume of owner occupied housing units, and significant competition. All of the six AA 1 branches are in the eastern half of Essex County, while a majority of low-income tracts are in the city of Lawrence in the western part of the county. Bank branches are not readily accessible to the borrowers in these tracts. In addition, only 1.66% of all AA owner occupied housing units are in the 15 low-income census tracts, making it difficult to originate mortgage loans in these areas.

The table below shows that of all mortgage loans, 9.8% were made in moderate-income tracts and none were made in low-income tracts which is below the percentage of owner occupied housing units each. However, FNBI's distribution of mortgage loans appears better by loan product in the moderate-income tracts.

**Table 11 - Geographic Distribution of Residential Real Estate Loans**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase		0%		8.3%		41.7%		50.0%
Home Improvement	1.7%	0%	11.0%	14.3%	55.9%	57.1%	31.4%	28.6%
Refinancing		0%		8.0%		44.0%		48.0%
<b>Total</b>		<b>0%</b>		<b>9.8%</b>		<b>47.1%</b>		<b>43.1%</b>

The geographic distribution of commercial loans is reasonable given performance context factors. See Table 12 below for details. The bank's geographic distribution of commercial loans in AA 1 is reasonable. FNBI has an excellent penetration in moderate-income census tracts, but shows poor penetration in low-income census tracts. While 6.04% of AA businesses are in low-income tracts, FNBI did not make any loans in these census tracts. FNBI made 20% of its commercial loans to businesses in moderate-income tracts, while only 15.22% of AA businesses are in these tracts. The majority of FNBI's business loans in Essex County are in middle-income census tracts, making up 56.67% of its commercial loans.

The lack of loans in the low-income tracts is explained by the lack of branches in close proximity to those tracts. FNBI's branches in AA 1 are located towards the eastern portion of the county, while the majority of the low-income tracts are located in the western half in Lawrence but also Lynn. In addition, significant competition exists in Lawrence with larger, regional banks operating there.

**Table 12 – Geographic Distribution of Commercial Loans**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Business	6.04	0.00	15.22	20.0	49.65	56.67	28.69	23.33

Conclusion for full-scope AA 3 - ROCKINGHAM COUNTY:

The bank’s geographic distribution of commercial loans is poor in AA 3. None of FNBI’s commercial loans were made in the moderate-income census tracts as compared to 9.04% of AA businesses that are located in these tracts. The majority of FNBI’s business loans in Rockingham County are in middle-income census tracts, making up 87.50% of the total. Consideration was given to the branch location and proximity to businesses in the moderate-income tracts. FNBI has a single branch location in the county in Portsmouth, whereas the moderate-income tracts are in Derry, Raymond, Seabrook and one in Portsmouth.

**Table 13 – Geographic Distribution of Commercial Loans**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Business	N/A	N/A	9.04	00.00	71.54	87.50	19.42	12.50

Conclusion for limited-scope AA 2 - Suffolk County:

FNBI’s geographic distribution of commercial loans in Suffolk County is reasonable. Approximately 15% of FNBI’s commercial loans were to borrowers in low-income tracts as compared to 23.84% of AA businesses located in low-income tracts. This demonstrates a poor penetration among low-income tracts. FNBI’s penetration in moderate-income tracts is reasonable, as 25% of its commercial loans were originated in these tracts, which is reflective of AA demographic data. The majority of FNBI’s commercial loans are in middle-income census tracts, making up 55% of business loans. Consideration was given to the bank’s single branch location for the entire county.

**Table 13 – Geographic Distribution of Commercial Loans**

Census Tract Income Level	Low		Moderate		Middle		Upper	
	% of AA Businesses	% of Number of Loans						
Business	23.84	15.00	28.65	25.00	21.28	55.00	26.21	5.00

## Responses to Complaints

No complaints received in this evaluation period.

## COMMUNITY DEVELOPMENT TEST

The bank's performance under the community development test in Boston-Cambridge-Quincy, MA-NH MSA #14460 is rated "Satisfactory".

FNBI demonstrates an adequate response to CD needs of its AA with significant weight given to activities in AA 1 - Essex County. FNBI had a good response in AA 1 - Essex County, but very poor responsiveness in AA 2 - Suffolk County and AA 3 – Rockingham County. Bank management plans to identify community development needs based on each assessment area going forward.

### Number and Amount of Community Development Loans

#### Conclusion for full-scope AAs:

For AA 1 - Essex County, the bank's level of overall CD lending is excellent given its financial capacity and available resources. During this evaluation period, the bank made five CD loans for \$1.261 million. The funds were used to finance two nonprofit entities that have a primary purpose of serving low-income individuals and families in the assessment area. In addition, the specific use of the funds addressed a significant concern in the area – affordable housing and services to low-income individuals. The following summarizes the bank's CD loans in AA 1.

- Four loans for \$1.074 million financed activities of Action Inc, a nonprofit organization based in Gloucester, MA that serves low-income families. The organization services include: advocacy/housing, elder-care, energy affordability programs, and homeless shelters. FNBI funds were used for the acquisition of a real estate for a homeless shelter/affordable housing unit and for commercial real estate for its main office. This represents an excellent responsiveness to CD needs in AA 1 - Essex County because it serves low-income families in a moderate-income geography.
- One loan for \$187.7 thousand financed purchase of real estate by Mary's Trust for use as a homeless and battered women's shelter.

For AA 3 – Rockingham County, the bank's CD lending is inadequate. No CD loans were made in this AA during this evaluation period. Information obtained on the area indicates that CD lending opportunities are available. Consideration was given to the bank's lending under the SBA 504 program, in partnership with Granite State Development Corporation. These loans meet the size eligibility and purpose test of the CD definitions, mainly due to the job creation requirement. However, FNBI's SBA 504 loans were under \$1 million and therefore considered in the lending test as a small business.

Conclusion for limited-scope AA:

For AA 2 - Suffolk County, the bank's responsiveness is inadequate. No CD loans were made in AA 2 during this evaluation period. Information obtained on AA 2 indicates significant opportunities are for CD lending exists.

**Number and Amount of Qualified Investments**

Conclusion for full-scope AA(s):

For AA 1 - Essex County, FNBI invested in one qualified investment for \$500 thousand and had donations/grants to various area nonprofit entities with a CD purpose totaling \$15 thousand. FNBI's invested in the CRA Qualified Investment Fund. Specifically, the bank's investment is mortgage-backed security which is secured by 60 mortgage loans. FNBI's investment is allocated to a specific multifamily property in its AA. The mortgage is for affordable rental housing with 67% of the total 146 units set aside for Section 8 assistance in Lawrence. Based on AA demographic data, this addresses an identified need in the community. Affordable housing is an acute need in Lawrence where the majority of low and moderate-income tracts in AA 1 are located.

No qualified investments were noted for AA 3 - Rockingham County and a nominal amount of grants/donations totaling \$3 thousand was made to area nonprofit organizations with a CD purpose.

Conclusion for limited-scope AA:

No qualified investments or donations were noted for AA 2 - Suffolk County.

**Extent to Which the Bank Provides Community Development Services**

Conclusion for full-scope AAs

FNBI's delivery systems are generally accessible to geographies and individuals of different income levels throughout its AA.

There have been no branch closings in low- or moderate-income geographies. FNBI's services and hours are convenient to all geographies and individuals. FNBI has one branch located in a moderate-income census tract, which represents 16.67% of branch network in AA 1 - Essex County. FNBI has maintained its branch in Gloucester which is a full-service branch that offers all of the bank's products and services. With this branch, FNBI is making retail banking services available and readily accessible to low- and moderate-income individuals in the AA.

FNBI offers a standard variety of loan and deposit products throughout its branch network, including free checking accounts. Management is currently working with a

non-profit partner to offer Individual Development Accounts (IDAs) that are geared toward low-income individuals in Essex County as a matched-savings program. No activity for IDAs has occurred during this evaluation.

FNBI has provided financial literacy programs (the FDIC Money Smart program) through AA schools and the court system. The financial literacy seminars have been geared towards low- and moderate-income individuals. Management members have been involved with area community organizations, lending financial expertise to the organizations as follows:

- A branch employee serves as Treasurer of the Cape Ann Food Pantry, non-profit charitable organization committed to feeding the hungry of Cape Ann.
- A vice president serves on the board of Oak Hill, Inc, a nonprofit organization with the mission of providing housing to qualified low-income elderly located in Ipswich.

CD services for AA 3 - Rockingham County are limited to the free checking provided to all customers. Once the IDA program is established in Essex County, management plans to begin a similar process for offering IDAs in Rockingham County. The bank operates a single branch in this AA in a middle-income tract and no other qualified CD services are noted.

Conclusion for limited-scope AA:

CD services for AA 2 – Suffolk County are limited to the free checking provided to all customers. Once the IDA program is established in Essex County, management plans to begin a similar process for offering IDAs in Suffolk County. The bank operates a single branch in this AA in an upper-income tract and no other retail banking services qualify as meeting a CD purpose. However, management members have been involved with area community organizations, lending financial expertise to these organizations as follows:

- A management member serves as the Treasurer for the Ellis Memorial and Eldridge House, a nonprofit organization in Boston. The organization has been established since 1885 to provide programs and services to the elderly and children. Over 85% of the families served are low-income.
- A management member serves on the Finance Committee for YouthBuild, USA which has a mission of assisting low-income youth rebuild their communities and lives. The organization helps young people in low-income communities rebuild their neighborhoods by mobilizing groups, acting as a resource, and providing leadership roles.

## **Responsiveness to Community Development Needs**

- FNBI's responsiveness to community development needs is excellent in AA 1 as the CD loans financed nonprofits with a CD purpose as well as addressing the affordable housing issues in the area.
- FNBI's responsiveness to community development needs is very poor in AA 2 and needs to improve.
- FNBI's responsiveness to community development needs is very poor in AA 3 and needs to improve.

## **State Rating**

### **State of Massachusetts (MA)**

**CRA Rating for Massachusetts:<sup>2</sup> Satisfactory**

**The Lending test is rated: Satisfactory**

**The Community Development test is rated: Satisfactory**

### **DESCRIPTION OF INSTITUTION'S OPERATIONS IN MA**

FNBI's operations in the state of MA consist of two assessment areas. Specifically, the bank operates six branches in AA 1 - Essex County and one branch in AA 2 - Suffolk County. A detailed description of the demographic profile of each community has been provided earlier in this report.

### **SCOPE OF EVALUATION IN MA**

The scope of the evaluation for the state of MA is based on a full-scope review of AA 1 - Essex County and limited scope review of AA 2 - Suffolk County. Weight is given to the performance in AA 1 based on the number of branches, deposits, and presence there. Of the total \$203 million deposits in MA, 93% are derived from AA 1 - Essex County. This is reasonable considering the bank's main office and five additional branches are located in AA 1. FNBI opened a branch in AA 2 in 2005. The branch located in downtown Boston competes heavily with significantly larger financial institutions. For AA 1, mortgage loans and commercial loans are reviewed with the weight given to commercial loans. For AA 2, commercial loans were reviewed as a meaningful volume of mortgage and consumer loans was not identified.

### **CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MA**

#### **LENDING TEST**

The bank's performance under the lending test in MA is rated "Satisfactory".

Conclusions are significantly weighted to the full-scope review of AA 1.

---

<sup>2</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

### Conclusion for full-scope AA 1:

The lending to borrowers of different income levels is reasonable. See Table 7.

The lending to businesses of different sizes is reasonable given performance context factors. Consideration was given to the bank's financial condition, capacity, and legal restrictions. See Table 8.

### Conclusion for limited-scope AA(s)

The lending to businesses of different sizes is poor. See Table 10.

## **Geographic Distribution of Loans**

### Conclusion for full-scope AA

The geographic distribution of home mortgage loans is reasonable. See Table 11.

### Conclusion for limited-scope AA(s)

The geographic distribution of commercial loans is reasonable. See Table 14.

## **Responses to Complaints**

No consumer complaints have been received.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in MA is rated "Satisfactory". The number, amount, and responsiveness of CD activities are adequate relative to the AAs' CD needs. The CD activities in AA 2 are very poor. Significant weight is given to AA 1 performance under a full-scope review.

Detailed information is provided under the **Community Development Test** section of the multistate MSA rating for Boston-Cambridge-Quincy, MA-NH MSA #14460 of this report.

### **Number and Amount of Community Development Loans**

- The number and dollar amount of CD loans in AA 1 is excellent.
- The number and dollar amount of CD loans in AA 2 is very poor.

### **Number and Amount of Qualified Investments**

- The number and dollar amount of CD loans in AA 1 is excellent.
- The number and dollar amount of CD loans in AA 2 is very poor.

### **Extent to Which the Bank Provides Community Development Services**

- The extent of CD services in AA 1 is adequate.
- The extent of CD services in AA 2 is poor.

# State Rating

## State of New Hampshire (NH)

**CRA Rating for New Hampshire:<sup>3</sup> Needs to Improve**

**The Lending test is rated: Satisfactory**

**The Community development test is rated: Needs to Improve**

Factors supporting the bank's rating are summarized below:

- Geographic distribution of loans is poor.
- Distribution of loans to businesses by size is reasonable.
- The level of CD activities is very poor. The bank has no CD loans, investments, or significant services for this AA.

## DESCRIPTION OF INSTITUTION'S OPERATIONS IN NH

FNBI's operations in the state of NH consist of one AA that comprises the entire Rockingham County and part of the Boston-Quincy-Cambridge MSA. FNBI operates one branch in Portsmouth, NH located on the eastern coast of the state and approximately fifty miles from the bank's main office. The branch deposits total \$8.7 million as of year-end 2007, representing 4.1% of total bank deposits.

## SCOPE OF EVALUATION IN NH

A full scope review was performed for AA 3. FNBI's performance in the state of NH is entirely based on AA 3 – Rockingham County. The scope only includes commercial loan originations as the volume of mortgage and consumer loans in this assessment area is not significant. Weight was also given to the borrower distribution test.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NH

### LENDING TEST

The bank's performance under the lending test in NH is rated "Satisfactory".

---

<sup>3</sup> For institutions with branches in two or more states in a multistate metropolitan area, this statewide evaluation does not reflect performance in the parts of this state contained within the multistate metropolitan area. Refer to the multistate metropolitan area rating and discussion for the rating and evaluation of the institution's performance in that area.

## **Lending to Borrowers of Different Incomes and to Businesses of Different Sizes**

The bank's lending to businesses of different sizes is reasonable. See Table 9.

## **Geographic Distribution of Loans**

The bank's geographic distribution of business loans is poor. See Table 13.

## **Responses to Complaints**

No consumer complaints have been received.

## **COMMUNITY DEVELOPMENT TEST**

The bank's performance under the community development test in NH is rated "Needs to Improve". Our assessment is based on the lack of loans, investments, and services that meet the community development purpose. FNBI demonstrates a very poor response to CD needs in AA 3.

Detailed information is provided under the ***Community Development Test*** section of the multistate MSA rating for Boston-Cambridge-Quincy, MA-NH MSA #14460 of this report.

### **Number and Amount of Community Development Loans**

None

### **Number and Amount of Qualified Investments**

FNBI had just \$3 thousand in grants/donations to area CD organizations.

### **Extent to Which the Bank Provides Community Development Services**

CD type services are limited. The bank does offer free checking to all of its customers.

## Appendix A: Scope of Examination

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term “full-scope”) and those that received a less comprehensive review (designated by the term “limited-scope”).

<b>Time Period Reviewed</b>	Lending Test: (1/1/2006 to 3/31/08) Community Development Test: (2/11/2004 to 6/2/2008)	
<b>Financial Institution</b>		<b>Products Reviewed</b>
The First National Bank of Ipswich (FNBI) Ipswich, MA		Commercial, commercial real estate, construction/development and residential mortgage loans.
<b>Affiliate(s)</b>	<b>Affiliate Relationship</b>	<b>Products Reviewed</b>
N/A		
<b>List of Assessment Areas and Type of Examination</b>		
<b>Assessment Area</b>	<b>Type of Exam</b>	<b>Other Information</b>
Boston-Quincy-Cambridge MSA Massachusetts New Hampshire  Essex County, MA #37764 Suffolk County, MA #14484 Rockingham County, NH #40484	Full Scope Full scope Full Scope  Full scope Limited scope Full scope	

## Appendix B: Summary of Multistate Metropolitan Area and State Ratings

---

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
FNBI	Satisfactory	Satisfactory	Satisfactory
Boston-Quincy-Cambridge MA-NH	Satisfactory	Satisfactory	Satisfactory
MA	Satisfactory	Satisfactory	Satisfactory
NH	Satisfactory	Needs to Improve	Needs to Improve