

PUBLIC DISCLOSURE

September 29, 2014

COMMUNITY REINVESTMENT ACT (CRA) PERFORMANCE EVALUATION

Southbridge Savings Bank
RSSD # 627407

253 Main Street
Southbridge, MA 01550

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

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.

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INSTITUTION RATING

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

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Satisfactory.

Southbridge Savings Bank (Southbridge or the bank) demonstrates reasonable responsiveness to the credit needs of its assessment area based on the following findings:

Lending Test

- The bank's average loan-to-deposit ratio of 103.2 percent is considered more than reasonable, given the institution's size, financial condition, and assessment area credit needs.
- A majority (77.1 percent) of the bank's residential real estate and small business loans (82.0 percent) are inside the assessment area.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects reasonable dispersion throughout the bank's assessment area.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.

Community Development Test

- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services.

SCOPE OF EXAMINATION

Southbridge's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council's (FFIEC) Examination Procedures for Intermediate Small Institutions. Intermediate small institutions are those whose asset size is \$300 million or greater as of December 31 of both of the prior two calendar years, and less than \$1.202 billion as of December 31 of either of the prior two calendar years. These procedures evaluate banks under two tests: the lending test and the community development test. The data used for the evaluation and the applicable timeframes are discussed below.

The lending test evaluates the bank's efforts in meeting the credit needs of its assessment area under the following five-part performance criteria: loan-to-deposit ratio, lending inside and outside the assessment area, lending to borrowers of different income levels and businesses of different sizes, geographic distribution of loans, and record of taking action in response to consumer complaints.

The evaluation of the bank's lending performance was based on residential and small business loans originated between January 1, 2012 and December 31, 2013. Additionally, the 2011 residential loan data and the 2014 residential and small business loan data for the period of January 1, 2014 to June 30, 2014 were reviewed for trend analysis. Greater weight was given to the two most recent full years, 2012 and 2013, and information for these years is included in tables unless otherwise noted. The loan products selected for review as reported on the Loan Application Registers (LAR) include all home purchase and home improvement loans, including refinance loans on one-to-four family and multifamily (five or more units) properties. Small business loans, for the purpose of this evaluation, include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. Market information for 2012 and 2013 aggregate data for residential lending was obtained from the FFIEC's Home Mortgage Disclosure Act (HMDA) data and was the most recent data available as of the examination date.

Demographic information referenced throughout the evaluation was obtained from the 2010 United States (U.S.) Census Bureau's American Community Survey (ACS) data, unless otherwise noted. A third-party community organization was contacted to provide additional insight into the credit needs of the assessment area.

The Community Development Test included a review of community development loans, investments, and services for the period of June 21, 2011 through August 31, 2014. The Community Development Test is evaluated in the context of the community needs and the capacity of the bank.

Southbridge was last examined by the Federal Deposit Insurance Corporation (FDIC) and the Massachusetts Division of Banks for compliance with the CRA on June 20, 2011 in

accordance with the intermediate small institution performance standards. The examination resulted in a “Satisfactory” rating.

DESCRIPTION OF INSTITUTION

Southbridge is a Massachusetts-chartered stock savings bank established in 1848. In 2008, when the institution was reorganized into a mutual bank holding company structure, Southbridge became the sole subsidiary of Green Valley Bancorp, Inc. (Bancorp), also of Southbridge, Massachusetts, a mid-tier stock bank holding company that is wholly owned by Green Valley Bancorp, MHC, Southbridge, Massachusetts (MHC), and the top-tier mutual bank holding company. MHC and Bancorp are shell entities. The bank has one subsidiary, SSB Securities Corp., a Massachusetts securities corporation. The bank became a state member bank on January 29, 2014. In addition to the bank’s main office located at 253 Main Street, Southbridge, the bank maintains eight full service branches distributed in cities/towns as follows: Southbridge, Charlton, Holden, North Oxford, Spencer, Sturbridge, Webster and Worcester. Two of the bank’s branches are located in Big Y supermarkets. The distribution of the bank’s locations include four in middle-income census tracts, two in a moderate-income tracts, and three in upper-income tracts. ATM services are offered at all locations.

As of June 30, 2014, the bank’s assets totaled \$441.6 million, with total net loans and leases of \$367.1 million, or 83 percent, and total deposits of \$352.5 million, or 80 percent.

The bank is primarily a portfolio residential lender, but also sells some residential loans to the secondary market. Being a portfolio lender allows the bank to lend to borrowers on properties whose qualifications may not conform to general underwriting standards, and also allows the bank to use more flexible mortgage underwriting criteria, benefiting low- and moderate-income borrowers within the assessment area. Selling to the secondary market also provides borrowers with more financing options and competitively priced rates. Though the bank is primarily a residential lender, it also offers consumer and commercial loans to meet the credit needs of the local community.

The following table illustrates the breakdown of the bank’s loan portfolio as of June 30, 2014. Residential real estate represented 64.0 percent of the dollar volume of the loan portfolio, followed by commercial lending at 30.0 percent.

Refer to the following table for further detail.

Table 1		
Loan Distribution as of June 30, 2014		
Loan Type	Dollar Amount (000's)	Percent of Total Loans
Construction & Land Development	6,970	2.0
1-4 Residential – Revolving	16,487	4.0
1-4 Residential – Closed-End	206,133	56.0
Multi-Family	16,236	4.0
Nonfarm Nonresidential	75,421	21.0
Commercial & Industry	31,380	9.0
Consumer Loans	14,450	4.0
Other loans	0	.00
Total Loans	367,077	100.0

Consolidated Report of Condition and Income as of 06/30/2014.

The bank operates in a competitive market in Worcester County where many local and regional banks maintain a presence. According to the FDIC's Summary of Deposits of June 30, 2013, Southbridge ranked 8th in deposit market share among 23 institutions in the assessment area. Southbridge's primary competitors include Commerce Bank & Trust Company, Country Bank for Savings, Webster Five Cents Savings Bank, People's United Bank, and Spencer Savings Bank, as well as other national institutions including Bank of America, N.A., TD Bank, N.A. and Santander Bank, N.A.

The bank has the ability to meet the credit needs of its assessment area taking into consideration its financial capacity, local economic conditions, demographics and the competitive market in which it operates. Furthermore, there are no legal or financial impediments that would impact the bank's ability to meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

Southbridge has defined its assessment area as the cities and towns of Thompson and Woodstock in Connecticut; and West Brookfield, North Brookfield, Spencer, Paxton, Holden, Worcester, Oxford, Webster, Dudley, Charlton, Southbridge, Sturbridge, East Brookfield, Brookfield, Warren, Palmer, Monson, Holland, Brimfield, Ware, Auburn, and Leicester, all located in Massachusetts. The assessment area expands across Worcester County, Hampshire County, and Hampden County in Massachusetts; as well as Windham County in Connecticut, located respectively in Worcester, MA Metropolitan Statistical Area (MSA), Springfield, MA MSA, and in a CT non-MSA. While the assessment area is comprised of sections of two MSAs, and one non-MSA, it is contiguous and is not considered to extend substantially beyond the state boundary. For the purposes of this CRA evaluation, the entire assessment area is included in the overall analysis. Nevertheless, the bank's lending activity within each MSA and non-MSA will be reviewed

separately by the following counties: Worcester County, Hampshire County, and Hampden County; as well as Windham County, Connecticut.

The assessment area is comprised of 92 census tracts¹. Thirteen of these tracts are classified as low-income, 22 are classified as moderate-income, 43 tracts are classified as middle-income, 12 are classified as upper-income, and 2 are classified as unknown.

Population

Southbridge's assessment area has a population of 397,888 residents. Of this total, 11.25 percent reside in low-income tracts, 19.71 percent reside in moderate-income tracts, 53.01 percent reside in middle-income tracts, and 16.03 percent reside in upper-income tracts. The population is comprised of 154,806 households. The households are distributed as follows: 12.69 percent located in low-income tracts, 21.96 percent located in moderate-income tracts, 50.88 percent in middle-income tracts, 14.46 percent in upper-income tracts, and .01 percent in unknown census tracts.

Households considered low-income comprise 29.3 percent of the total households in the assessment area, moderate-income households comprise 16.0 percent, middle-income households comprise 18.9 percent, and upper-income households comprise 35.7 percent.

Housing

The bank's assessment area contains 170,645 housing units, of which 56.4 percent are owner-occupied, 34.3 percent are rental units, and 9.3 percent are vacant. Within the low-income tracts, the level of owner-occupancy is 16.1 percent, while rental units are relatively high at 66.7 percent. Vacant units in the low-income census tracts are relatively low, and account for 17.2 percent of total housing units. Within the moderate-income tracts, the level of owner-occupancy is 37.3 percent, while rental units are relatively high at 50.3 percent. Vacant units in the moderate-income census tracts are relatively low, and account for 12.4 percent of total housing units. The percentage of owner-occupied housing units contained within designated geographies is used as a proxy to estimate demand for residential mortgage lending within such geographies. An analysis of owner-occupied housing units, compared to the number of total available housing units for each geographic designation, shows that the majority of owner-occupied housing units, at 81.0 percent, are located in middle- and upper-income geographies.

The housing stock in the assessment area consists predominately of 1-4 family housing units, mobile homes, and other units (82.1 percent). In addition, multi-family units account for 17.9 percent of the housing stock. The median housing value in the assessment area is \$249,503, compared to the state median value of \$352,300. The housing value in the assessment area has increased significantly since the last CRA examination in 2011,

1. According to ACS Boundaries.

where the median housing value in the assessment area was \$120,809, and the state median value was \$182,800. This increase in housing costs may adversely affect the number of families able to qualify for mortgages.

Business Characteristics

According to 2013 Dun & Bradstreet (D&B) data, there are 18,215 businesses within the assessment area. Small business organizations prevail, as 89.4 percent recorded gross annual revenues of less than or equal to \$1 million. This percentage indicates a potential demand for small business loans. Major employers in the assessment area include local universities, insurance companies, and retail trade.

Employment Statistics

According to the August 2014 release by the U.S. Bureau of Labor Statistics, the national unemployment rate was 6.1 percent, while the unemployment rate for the Commonwealth of Massachusetts was 5.8 percent and for the state of Connecticut was 6.6 percent. The average unemployment rate in the assessment area is 6.3 percent, which is in line with the Massachusetts, Connecticut, and national rates. Some of the individual towns in the Worcester, MA MSA and Springfield, MA MSA have unemployment rates that are higher than the Massachusetts and national rates, which might affect lending in these areas.

The table below details the unemployment rates by community, as of August, 2014.

Town/City	Rate	Town/City	rate
Southbridge, MA	8.2	East Brookfield, MA	5.6
West Brookfield, MA	6.0	Brookfield, MA	6.6
North Brookfield, MA	6.4	Warren, MA	6.8
Spencer, MA	6.3	Palmer, MA	7.3
Paxton, MA	4.7	Monson, MA	6.5
Holden, MA	5.5	Holland, MA	5.6
Worcester, MA	7.7	Brimfield, MA	5.9
Oxford, MA	7.2	Ware, MA	6.8
Webster, MA	7.3	Auburn, MA	6.3
Dudley, MA	6.5	Leicester, MA	6.5
Charlton, MA	6.0	Thompson, CT	5.5
Sturbridge, MA	5.7	Woodstock, CT	4.8
Massachusetts	5.8	Connecticut	6.6

Based on the August, 2014 information according to the Labor Force and Unemployment Data

Income

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. The following table displays estimates of the MFI for the assessment area.

Table 3 Median Family Income Comparison					
Year	MSA/MD	MFI	Year	MSA	MFI
2012	44140 – Springfield, MA (MSA)	70,200	2013	44140 – Springfield, MA (MSA)	66,100
2012	49340 – Worcester, MA (MSA)	83,600	2013	49340 – Worcester, MA (MSA)	81,300
2012	Connecticut (Non MSA/MD)	83,200	2013	Connecticut (Non MSA/MD)	82,600
2012	Massachusetts (Non MSA/MD)	89,500	2013	Massachusetts (Non MSA/MD)	52,400

Based on these estimates, households living below the poverty level in the assessment area comprise 13.0 percent, which is above the 11.1 percent for Massachusetts, and 9.2 percent for Connecticut. Families living below the poverty level comprise 9.3 percent, as compared to 7.5 percent for Massachusetts and 6.5 percent for Connecticut.

The following table provides demographic information on the bank's assessment area.

Table 4 Combined Demographics Report								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	13	14.1	11,100	11.3	3,579	32.2	25,288	25.6
Moderate-income	22	23.9	19,435	19.7	2,688	13.8	18,221	18.5
Middle-income	43	46.7	52,283	53.0	2,415	4.6	21,808	22.1
Upper-income	12	13.0	15,811	16.0	527	3.3	33,312	33.8
Unknown-income	2	2.2	0	0.0	0	0.0	0	0.0
Total Assessment Area	92	100.0	98,629	100.0	9,209	9.3	98,629	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	23,725	3,816	4.0	16.1	15,823	66.7	4,086	17.2
Moderate-income	38,813	14,473	15.0	37.3	19,527	50.3	4,813	12.4
Middle-income	84,017	59,070	61.4	70.3	19,701	23.4	5,246	6.2
Upper-income	24,081	18,881	19.6	78.4	3,506	14.6	1,694	7.0
Unknown-income	9	9	0.0	100.0	0	0.0	0	0.0
Total Assessment Area	170,645	96,249	100.0	56.4	58,557	34.3	15,839	9.3
	Total Businesses		Businesses by Tract & Revenue Size					
	Tract		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
	#	%	#	%	#	%	#	%
Low-income	2,867	15.7	2,404	14.8	300	23.4	163	25.2
Moderate-income	3,356	18.4	2,939	18.0	289	22.5	128	19.8
Middle-income	9,078	49.8	8,240	50.6	571	44.5	267	41.3
Upper-income	2,905	15.9	2,696	16.6	122	9.5	87	13.4
Unknown-income	9	0.0	5	0.0	2	0.2	2	0.3
Total Assessment Area	18,215	100.0	16,284	100.0	1,284	100.0	647	100.0
	Percentage of Total			89.4		7.0		3.6

2013 D&B information according to 2010 ACS Boundaries.

Community Contact

As part of the evaluation process, third parties active in the assessment area are contacted to assist in assessing the credit and community development needs of the community. The information obtained helps to determine whether local financial institutions are responsive to the credit and community development needs of the communities, and what credit and community development opportunities, if any, are available.

A community contact was established with an individual representing an organization that provides affordable housing and housing rehabilitation services in the city of Worcester. The contact, who has more than 20 years working in this industry in Worcester, stated that the community needs credit for home improvement and repairs as the city's housing stock ages, and for homeowners that are struggling with their mortgages. The contact envisions the best method to disburse this credit would be through the creation of a community loan fund, which would mitigate the risk to the banks.

The contact would also like to see financial institutions partner with MassHousing to offer programs such as Get the Lead Out, which offers programs based on borrower income an affordable way to remove hazardous lead paint from homes, to help qualified homeowners. Overall, the contact was pleased with local financial institutions' involvement in the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

LENDING TEST

Southbridge's level of lending is considered reasonable and meets the standards for satisfactory performance.

The following details the bank's efforts with regard to each performance criterion. While both the number and dollar volume of loans were reviewed, the number of loans captures the number of borrowers to whom the bank granted loans. Therefore, the analysis of the bank's performance is weighted more heavily on the number of loans unless otherwise noted.

Loan-to-Deposit Ratio

This criterion evaluates the bank's reinvestment of deposits in the form of loans. The bank's average net loan-to-deposit (LTD) ratio of 103.2 percent is more than reasonable based on the bank's asset size, financial condition, and the credit needs of its assessment area. The average LTD ratio incorporated thirteen quarters, representing the period of the quarter ending June 30, 2011 through the quarter ending June 30, 2014, as reflected in the bank's quarterly FFIEC Consolidated Reports of Condition and Income (Call Reports). The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

The bank's net LTD ratio has remained relatively stable since June 30, 2011. The LTD was at the lowest in the second quarter of 2013, with a ratio of 99.7 percent, and has increased slightly to its current ratio of 103.2 percent as of the end of the second quarter of 2014.

The average LTD ratios of other competitors in the bank's assessment area were also considered over the same time period. As shown below in Table 5, the bank's average net LTD ratio is considered high compared to its competitors. Historically, the bank has sold loans to the Federal Home Loan Bank (FHLB), MassHousing, Northeast Bank, and the Federal Home Loan Mortgage Corporation; however, since the fall of 2013 the bank has kept all loans in the portfolio which explains a higher LTD ratio. The bank's current business strategy is to grow its deposit base and expand its auto and home equity lending. Additionally, the bank has developed the Mortgage Loan Office Sales Group to increase residential lending. The bank has recently begun to focus its marketing efforts on its lending and deposit products, convenient services, and business accounts.

Table 5 Loan-to-Deposit Ratio Comparison			
<i>Institution</i>	<i>Total Assets* (000's)</i>	<i>Average LTD Ratio (%)**</i>	<i>Net Loan-To-Deposit Ratio (%)* (6/30/14)</i>
Athol Savings Bank	335.6	63.9	67.4
Bay State Savings Bank	315.9	94.9	96.4
Clinton Savings Bank	483.6	88.5	90.5
Savers Co-Operative Bank	458.1	94.7	101.9
Spencer Savings Bank	432.5	97.7	106.0
Southbridge Savings Bank	441.6	103.2	103.2

*As of 06/30/2014

**Call Reports 09/30/2011 to current 06/30/2014.

Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank in its assessment area. Southbridge originated a majority of residential and commercial loans by number, at 79.0 percent, and by dollar amount, at 67.0 percent, inside the assessment area.

Southbridge is ranked 13th among its peers for lending in its assessment area, and those institutions that ranked higher tended to be larger national institutions. This degree of lending is reasonable, given the competition among financial institutions in the area and is indicative of a satisfactory level of responsiveness to the credit needs of borrowers inside the assessment area.

The table below illustrates the bank's level of HMDA and small business lending both inside and outside its assessment area for 2012 and 2013. While both the number and dollar volume of the bank's loans were reviewed, the number of originations is weighed more heavily than the dollar volume, as the number of loans has a more direct correlation to the number of borrowers served. The table also provides a breakout by loan type.

Table 6										
Lending Inside and Outside the Assessment Area										
	Inside				Outside				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
CV - Home Purchase – Conventional	118	72.4	20,729	56.1	45	27.6	16,238	43.9	163	36,967
FH - Home Purchase – FHA	3	100.0	551	100.0	0	0.0	0	0.0	3	551
HI - Home Improvement	72	94.7	8,151	92.1	4	5.3	703	7.9	76	8,854
MF - Multi-Family Housing	4	100.0	1,172	100.0	0	0.0	0	0.0	4	1,172
RF – Refinancing	224	74.7	38,272	64.3	76	25.3	21,220	35.7	300	59,492
Total Residential	421	77.1	68,875	64.3	125	22.9	38,161	35.7	546	107,036
Small Business 2012	111	82.0	16,497	69.4	25	18.0	7,287	30.6	136	23,784
Small Business 2013	106	82.0	18,038	73.0	23	18.0	6,531	27.0	129	24,569
Small Business Total	217	82.0	34,535	71.0	48	18.0	13,818	29.0	265	48,353
Grand Total	638	79.0	103,410	67.0	173	21.0	51,979	33.0	811	155,389

HMDA data 1/1/2012-12/31/2013 and CRA data 1/1/2012-12/31/13

Examiners also reviewed the HMDA loans originated by the bank within the assessment area in 2011. While this is not detailed in the table above, 87.8 percent of residential loans were originated inside the assessment area.

In addition, examiners reviewed the first two quarters of HMDA and small business loans originated by the bank within the assessment area in 2014. While this is not detailed in the table above, 99 residential loans and 74 small business loans were originated in the assessment area, representing 78 percent, and 85.0 percent of total loans, respectively.

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

This performance criterion analyzes lending to borrowers of different income levels and to businesses of different revenues. When compared to area demographics and aggregate performance, Southbridge’s lending distribution is considered reasonable.

Residential Lending

During 2012 and 2013, the bank originated 421 loans, of which 29.5 percent were to low- and moderate-income individuals. This figure is below the percentage of low- and moderate-income families by family income in the assessment area, which is 44.1 percent.

However, these figures include individuals whose income may actually not be credit eligible. Loans to low-income borrowers decreased slightly from 7.7 percent in 2012, to 5.5 percent in 2013. Loans to moderate-income borrowers increased slightly from 21.4 percent in 2012, to 24.4 percent in 2013.

The bank's lending to low- and moderate-income borrowers described above was also compared to the 2012 and 2013 aggregate data, which is more representative of lending opportunities. This comparison shows that Southbridge's penetration of low- and moderate-income individuals was aligned with the aggregate in both years. In fact, the aggregate loan originations to low- and moderate-income borrowers were 9.3 percent and 21.3 percent, respectively, in 2012, compared to the bank's originations, at 7.7 percent and 21.4 percent, respectively. The 2013 aggregate lending to low- and moderate-income borrowers was 8.5 percent and 23.2 percent, respectively, as compared to the bank's lending, at 5.5 percent and 24.4 percent, respectively. While 9.3 percent of families in the assessment area live below the poverty level, which generally precludes them from qualifying for mortgage loans, the bank's lending record is considered generally responsive to the credit needs of low- and moderate-income borrowers. Additionally, the bank participates in lending programs targeted to low- and moderate-income individuals offering MassHousing mortgages with and without mortgage insurance, "Get the Lead Out" loans, and USDA housing loan assistance. Since the previous examination, the bank has originated 60 loans within these programs, totaling \$10,204,792.

Table 7 also shows the majority of loans were for refinance purposes, followed by home purchase, and home improvement. The low interest rate environment helped to contribute to the higher activity in refinance lending.

The following table provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and peer data. The table further outlines the bank's performance by loan type in comparison to the aggregate group.

Table #7 Borrower Distribution of HMDA Loans														
PRODUCT TYPE	Borrower Income Levels	Demographics Families by Family Income %	Bank & Aggregate Lending Comparison											
			2012						2013					
			Count			Dollar			Count		Dollar			
			Bank	Agg	%	Bank	Agg	%	Bank	Agg	Bank	Agg	%	
#	%	%	\$ (000s)	\$ %	\$ %	#	%	%	\$ (000s)	\$ %	\$ %			
HOME PURCHASE	Low	25.6%	5	7.7%	15.1%	\$374	3.6%	10.2%	3	5.4%	10.4%	\$286	2.6%	6.9%
	Moderate	18.5%	17	26.2%	30.4%	\$2,308	22.0%	27.8%	18	32.1%	30.6%	\$2,796	25.9%	27.0%
	Middle	22.1%	21	32.3%	21.3%	\$3,978	38.0%	23.1%	16	28.6%	22.5%	\$2,661	24.6%	23.4%
	Upper	33.8%	13	20.0%	18.9%	\$2,790	26.6%	24.5%	15	26.8%	22.6%	\$4,517	41.8%	28.8%
	Unknown	0.0%	9	13.8%	14.3%	\$1,023	9.8%	14.4%	4	7.1%	13.9%	\$547	5.1%	13.9%
	Total	100.0%	65	100.0%	100.0%	\$10,473	100.0%	100.0%	56	100.0%	100.0%	\$10,807	100.0%	100.0%
REFINANCE	Low	25.6%	8	7.3%	6.8%	\$664	3.6%	4.5%	6	5.3%	7.1%	\$1,558	7.8%	3.7%
	Moderate	18.5%	21	19.1%	17.4%	\$2,424	13.3%	14.1%	24	21.1%	19.2%	\$3,460	17.2%	13.1%
	Middle	22.1%	26	23.6%	25.3%	\$4,233	23.2%	24.2%	28	24.6%	25.3%	\$4,235	21.1%	19.6%
	Upper	33.8%	51	46.4%	33.1%	\$9,530	52.3%	38.1%	51	44.7%	33.3%	\$10,214	50.9%	30.4%
	Unknown	0.0%	4	3.6%	17.3%	\$1,360	7.5%	19.1%	5	4.4%	15.1%	\$594	3.0%	33.3%
	Total	100.0%	110	100.0%	100.0%	\$18,211	100.0%	100.0%	114	100.0%	100.0%	\$20,061	100.0%	100.0%
HOME IMPROVEMENT	Low	25.6%	4	9.1%	10.6%	\$254	4.7%	5.1%	2	7.1%	10.1%	\$33	1.2%	6.4%
	Moderate	18.5%	9	20.5%	24.0%	\$901	16.8%	19.6%	7	25.0%	19.9%	\$534	19.1%	13.5%
	Middle	22.1%	14	31.8%	28.0%	\$1,849	34.5%	23.5%	4	14.3%	26.4%	\$168	6.0%	24.4%
	Upper	33.8%	17	38.6%	33.1%	\$2,353	43.9%	42.0%	15	53.6%	38.8%	\$2,059	73.7%	46.4%
	Unknown	0.0%	0	0.0%	4.4%	\$0	0.0%	9.8%	0	0.0%	4.7%	\$0	0.0%	9.3%
	Total	100.0%	44	100.0%	100.0%	\$5,357	100.0%	100.0%	28	100.0%	100.0%	\$2,794	100.0%	100.0%
MULTIFAMILY	Low	25.6%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Moderate	18.5%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Middle	22.1%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Upper	33.8%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Unknown	0.0%	1	100.0%	100.0%	\$284	100.0%	100.0%	3	100.0%	100.0%	\$888	100.0%	100.0%
	Total	100.0%	1	100.0%	100.0%	\$284	100.0%	100.0%	3	100.0%	100.0%	\$888	100.0%	100.0%
HMDA TOTALS	Low	25.6%	17	7.7%	9.3%	\$1,292	3.8%	5.8%	11	5.5%	8.5%	\$1,877	5.4%	4.8%
	Moderate	18.5%	47	21.4%	21.3%	\$5,633	16.4%	17.3%	49	24.4%	23.2%	\$6,790	19.7%	17.4%
	Middle	22.1%	61	27.7%	24.3%	\$10,060	29.3%	22.9%	48	23.9%	24.2%	\$7,064	20.4%	20.5%
	Upper	33.8%	81	36.8%	29.1%	\$14,673	42.7%	33.1%	81	40.3%	29.8%	\$16,790	48.6%	29.6%
	Unknown	0.0%	14	6.4%	16.1%	\$2,667	7.8%	20.9%	12	6.0%	14.3%	\$2,029	5.9%	27.8%
	Total	100.0%	220	100.0%	100.0%	\$34,325	100.0%	100.0%	201	100.0%	100.0%	\$34,550	100.0%	100.0%

2010 ACS data, 2012 and 2013 Aggregate HMDA Data, 2012 and 2013 HMDA LARs.
Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The analysis of the 2014 residential loans indicates that 5.0 percent and 26.3 percent of the residential loans were made to low- and moderate-income individuals respectively. Comparing the loans made to low- and moderate-income individuals from the 2013 data (5.5 percent, 24.4 percent), the bank's 2014 performance appears to be trending upward.

Small Business Lending

Southbridge's total small business loans originated within the assessment area indicate that the majority of small business loans, at 55.0 percent, were granted to businesses with revenues less than \$1 million. While the 2013 percentage of small businesses in the assessment area is 89.4 percent, and would indicate a need for higher loan demand, the recovery from the economic crisis continues to stall growth. Additionally, performance in this category may be affected by the competition the bank faces from large commercial banks within its assessment area. Considering the effects of the economic slowdown and strong competition, the bank's overall performance in this area is considered satisfactory.

Table 8														
Distribution of Small Business Loans By Gross Revenue of Business														
Gross Annual Revenues	2012 Businesses with revenues ≤ \$1MM	2012				2013 Businesses with revenues ≤ \$1MM	2013				Bank Total			
		%	#	%	\$		%	#	%	\$	%	#	%	\$
≤ \$1MM	89.7	64	58.0	7,120	43.0	89.4	56	53.0	6,917	38.0	120	55.0	14,037	41.0
> \$1MM	6.6	47	42.0	9,377	57.0	7.0	48	45.0	10,426	58.0	95	44.0	19,803	57.0
N/A	3.6	0	0.0	0	0.0	3.6	2	2.0	695	4.0	2	1.0	695	2.0
Total	100	111	100.0	16,497	100.0	100.0	106	100.0	18,038	100.0	217	100.0	34,535	100.0

2012 and 2013 Small Business Loan Registers

The analysis of the 2014 small business loans indicates that 55.4 percent of the loans were made to businesses with revenues under or equal to \$1 million as compared to the percentage in 2013, at 53.0 percent. The bank's lending to small businesses appears to be trending upward for 2014.

Small Business Lending by Loan Amount

An analysis was also conducted based on loan amount. Loans originated with smaller dollar amounts are typically considered to be made to smaller businesses and startups, indicating a willingness to engage in small business lending. In 2012 and 2013, the bank's origination of loans with amounts less than or equal to \$100,000 represents 52.0 percent and 52.8 percent, respectively, of total small business loans extended. The bank has achieved a reasonable penetration among businesses of different sizes based on the demographics and a review of the distribution of loans by loan amount.

The following table displays the bank's small business lending based on loan size.

Table 9													
Distribution of Small Business Loans by Loan Size													
Loan Size	2012				2013				Bank Total				
	#	%	\$	%	#	%	\$	%	#	%	\$	%	
≤ \$100	58	52.0	2,591	16.0	56	52.8	2,576	14.0	114	52.0	5,167	15.0	
> \$100 - ≤ \$250	30	27.0	5,534	33.0	26	24.5	4,733	26.0	56	26.0	10,267	30.0	
> \$250 - ≤ \$1MM	23	21.0	8,372	51.0	24	22.7	10,729	60.0	47	22.0	19,101	55.0	
Total	111	100.0	16,497	100.0	106	100.0	18,038	100.0	217	100.0	34,535	100.0	

Bank's 2012 and 2013 Small Business data

Geographic Distribution of Loans

This performance criterion focuses on the bank's lending penetration in the census tracts that constitute the assessment area. The bank's assessment area contains 13 low-income census tracts and 22 moderate-income census tracts, and the CRA expects that the credit needs of these areas will also be met. A review of loan distribution indicates a reasonable penetration of all census tracts throughout the assessment area.

Residential Lending

Table 10 details the number and percentage of residential mortgage loans extended according to the income level of the census tract in which they are located. It also compares the loans to the percentage of owner-occupied housing units within each income tract. The majority of the bank's lending is within the middle-income census tracts at 70.9 percent in 2012 and 58.7 percent in 2013, which is not unreasonable given that the majority of owner-occupied housing units are within those census tracts at 61.4 percent.

Residential lending in the assessment area's combined low- and moderate-income tracts represents 10.4 percent, and 14.4 percent, in 2012 and 2013, respectively. When compared to 19.0 percent of owner-occupied units, the bank's performance is low. However, the analysis of the 2014 residential loans through June 30 indicates an upward trend, at 19.4 percent, of the residential loans made within low- and moderate-income tracts, thus exceeding the owner-occupied percentage.

Further, comparison of the bank's geographic lending to the aggregate within combined low- and moderate-income tracts reveals the aggregate outperforming the bank, at 16.4 percent, and 18.6 percent, respectively in 2012, and 2013. Nonetheless, the bank's 2014 lending is considered reasonable, demonstrates a positive trend at 19.4 percent, and is both reflective of the demographics and the bank's willingness to lend across census tracts in the assessment area.

The following table provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 10														
Geographic Distribution of HMDA Loans														
PRODUCT TYPE	Tract Income Levels	Demographic		Bank & Aggregate Lending Comparison										
		Owner Occupied %	2012			2013			2012			2013		
			Count		Agg %	Dollar		Agg %	Count		Agg %	Dollar		Agg %
			Bank #	%		\$ (000s)	\$ %		Bank #	%		\$ (000s)	\$ %	
HOME PURCHASE	Low	4.0%	1	1.5%	4.6%	\$107	1.0%	3.3%	3	5.4%	4.3%	\$451	4.2%	3.5%
	Moderate	15.0%	11	16.9%	16.2%	\$1,445	13.8%	13.8%	8	14.3%	15.8%	\$1,508	14.0%	13.0%
	Middle	61.4%	44	67.7%	59.6%	\$7,087	67.7%	59.2%	29	51.8%	58.9%	\$4,657	43.1%	58.9%
	Upper	19.6%	9	13.8%	19.6%	\$1,834	17.5%	23.6%	16	28.6%	21.0%	\$4,191	38.8%	24.6%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	65	100.0%	100.0%	\$10,473	100.0%	100.0%	56	100.0%	100.0%	\$10,807	100.0%	100.0%
REFINANCE	Low	4.0%	1	0.9%	2.4%	\$745	4.1%	2.1%	0	0.0%	3.2%	\$0	0.0%	2.1%
	Moderate	15.0%	8	7.3%	11.7%	\$898	4.9%	9.9%	13	11.4%	14.0%	\$1,615	8.1%	10.9%
	Middle	61.4%	78	70.9%	61.3%	\$12,251	67.3%	60.4%	70	61.4%	61.0%	\$11,698	58.3%	55.6%
	Upper	19.6%	23	20.9%	24.5%	\$4,317	23.7%	27.5%	31	27.2%	21.9%	\$6,748	33.6%	31.4%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	110	100.0%	100.0%	\$18,211	100.0%	100.0%	114	100.0%	100.0%	\$20,061	100.0%	100.0%
HOME IMPROVEMENT	Low	4.0%	0	0.0%	2.7%	\$0	0.0%	4.8%	0	0.0%	3.8%	\$0	0.0%	2.8%
	Moderate	15.0%	1	2.3%	14.0%	\$27	0.5%	11.5%	2	7.1%	15.1%	\$270	9.7%	10.9%
	Middle	61.4%	34	77.3%	59.2%	\$4,122	76.9%	55.6%	19	67.9%	60.7%	\$1,619	57.9%	61.6%
	Upper	19.6%	9	20.5%	24.0%	\$1,208	22.5%	28.1%	7	25.0%	20.4%	\$905	32.4%	24.6%
	Unknown	0.0%	0	0.0%	0.1%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	44	100.0%	100.0%	\$5,357	100.0%	100.0%	28	100.0%	100.0%	\$2,794	100.0%	100.0%
MULTI FAMILY	Low	30.1%	0	0.0%	32.9%	\$0	0.0%	14.7%	2	66.7%	31.3%	\$642	72.3%	47.4%
	Moderate	33.2%	1	100.0%	34.2%	\$284	100.0%	34.3%	1	33.3%	33.7%	\$246	27.7%	27.2%
	Middle	30.2%	0	0.0%	25.0%	\$0	0.0%	47.8%	0	0.0%	30.1%	\$0	0.0%	15.4%
	Upper	6.5%	0	0.0%	7.9%	\$0	0.0%	3.2%	0	0.0%	4.8%	\$0	0.0%	10.0%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	1	100.0%	100.0%	\$284	100.0%	100.0%	3	100.0%	100.0%	\$888	100.0%	100.0%
HMDA TOTALS	Low	4.0%	2	0.9%	3.2%	\$852	2.5%	3.0%	5	2.5%	3.8%	\$1,093	3.2%	3.7%
	Moderate	15.0%	21	9.5%	13.2%	\$2,654	7.7%	12.0%	24	11.9%	14.8%	\$3,639	10.5%	12.0%
	Middle	61.4%	156	70.9%	60.5%	\$23,460	68.3%	59.4%	118	58.7%	60.0%	\$17,974	52.0%	55.9%
	Upper	19.6%	41	18.6%	23.1%	\$7,359	21.4%	25.5%	54	26.9%	21.4%	\$11,844	34.3%	28.4%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	220	100.0%	100.0%	\$34,325	100.0%	100.0%	201	100.0%	100.0%	\$34,550	100.0%	100.0%

2010 U.S. ACS data, 2012 and 2013 Aggregate HMDA Data, 2012 and 2013 HMDA LARs.

Note: Total percentages shown may vary by 0.1 percent due to automated rounding differences.

Small Business Lending

The bank demonstrated a reasonable penetration of lending throughout the assessment area, particularly in low- and moderate-income census tracts. The bank's performance also reflects the distribution of small businesses by income tract. As displayed below in Table 11, the bank originated 31 small business loans, or 27.9 percent, in low- and moderate-income census tracts, in 2012, and 27 small business loans, or 25.5 percent, in 2013.

The table below represents the distribution of small business loans by census tract income level.

Tract Income Levels	Table 11										
	Small Business Lending by Census Tract										
	Demographic	2012				Demographic		2013			
	2012 Total Business by Tract	Count		Dollar		2013 Total Business by Tract	Count		Dollar		
		Bank	Bank	Bank	Bank		Bank	Bank			
%	#	%	\$ 000s	\$ %	%	#	%	\$ 000s	\$ %		
Low	15.3%	11	9.9	1,290	7.8	15.7%	10	9.5	2,167	12.0	
Moderate	18.1%	20	18.0	3,697	22.4	18.4%	17	16.0	3,052	16.9	
Middle	50.5%	54	48.7	8,407	51.0	49.8%	53	50.0	7,894	43.8	
Upper	16.1%	26	23.4	3,103	18.8	15.9%	26	24.5	4,925	27.3	
Unknown	0.0%	0	0.0	0	0.0	0.0%	0	0.0	0	0.0	
<i>Total</i>	<i>100.0%</i>	<i>111</i>	<i>100.0</i>	<i>16,497</i>	<i>100.0</i>	<i>100.0%</i>	<i>106</i>	<i>100.0</i>	<i>\$18,038</i>	<i>100.0</i>	

Dun & Bradstreet 2012 and 2013 Aggregate CRA Data, 2012 and 2013 Small Business Loan Registers

The analysis of the 2014 small business loans indicates that 10.8 percent and 14.9 percent of the small business loans were made within low- and moderate-income tracts, respectively. Comparing the small business lending in low- and moderate-income tracts from the 2013 data, at 9.5 percent, and 16.0 percent, respectfully, the bank’s 2014 performance appears to be in alignment.

Response to Complaints

The bank has not received any CRA-related complaints since the previous examination; therefore, this criterion was not assessed.

CONCLUSIONS: LENDING TEST

The bank’s performance in meeting credit needs in the assessment area is demonstrated by its record of extending residential and commercial loans to businesses and borrowers of different incomes, especially low- and moderate-income borrowers and small businesses. The bank has also met the credit needs in its assessment area by making the majority of its loans within its assessment area. The bank exhibited a reasonable distribution of loans across census tract income levels and has maintained a more than reasonable LTD ratio. Given economic, demographic, and competitive conditions in the assessment area, the bank’s lending levels reflect a reasonable level of responsiveness overall; therefore, the bank is rated “Satisfactory” for the Lending Test.

COMMUNITY DEVELOPMENT TEST

The community development test measures an institution's assessment of the needs of its community, its engagement in different types of community development² activities based on those needs and the institution's capacities, and the reasonable steps it has taken to apply its community development resources strategically to meet those needs. As part of the analysis, the bank's efforts to identify community development opportunities given the composition of the census tracts in its assessment area are considered.

Southbridge's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area through the number and amount of community development loans, the number and amount of qualified investments, and the extent to which the bank provides community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

As defined in the CRA regulation, a community development loan has as its primary purpose community development and has not been reported as a home mortgage loan or small business loan, unless the loan is for a multi-family dwelling (five or more units), and benefits the bank's assessment area or a broader statewide area that includes the assessment area.

For the period under review, the bank extended two community development loans totaling \$641,250. The loans were to purchase multi-family homes that will provide housing to Section 8 housing assistant recipients.

² Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize-

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on-
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

Community Development Investments

The bank's record of meeting the credit needs of its assessment area through its use of qualified investments³ that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The following criteria were evaluated: (1) the dollar amount of qualified investments; (2) the responsiveness of qualified investments to credit and community development needs; and (3) the degree to which the qualified investments are not routinely provided by private investors.

Investments

The bank made two investments, totaling \$1,665,900, with a small business investment company, in 2012 and 2014. In addition, the bank is holding one mortgaged-backed security investment purchased in 2005, with a current book value of \$170,265, though it is not weighted as heavily as the two investments made during the examination period.

Grants and Donations

The bank plays an active role in supporting numerous economic, educational, civic, and social organizations in its assessment area. It has been a consistent source of funding for many of the recipient organizations in this category for many years. The bank made a significant amount of charitable donations to numerous community organizations through direct contributions and sponsorships. During the period under review, the bank made a total of \$443,948.50 in grants and donations; \$236,802.00, or 53.3 percent were considered to be primarily community development in nature.

The bank's donations provided needed services primarily to low- and moderate-income individuals. The following are examples of recipients who provide services to the community and the economically disadvantaged:

Youth Opportunities Upheld, Inc (YOU, Inc)– YOU, Inc is a non-profit child welfare and behavioral health and education organization serving troubled and at-risk children, adolescents and families in the Worcester County area. The organization provides a comprehensive array of educational, vocational, therapeutic, and residential programs that serve more than 13,000 young people and their families each year. The overall mission of the organization is to provide youth and families with opportunities to fulfill their potential and build a brighter future. Many of these youths come from low-income families.

Oak Hill Community Development Corporation (Oak Hill) – This is a non-profit community revitalization entity serving the lower Grafton Hill area of the City of Worcester.

³ A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

The company provides affordable housing within all inner-city neighborhoods characterized by high levels of poverty, unemployment, real estate disinvestment, crime and low levels of education attainment. Oak Hill was founded to address the shortage of safe, affordable housing.

Kids Café of Worcester – This program is designed to ensure that children do not go hungry by providing nourishing evening meals to low income inner-city at risk children in a safe, accessible environment. The goal of Kids Café is to help alleviate childhood hunger and to educate children about nutrition and healthy eating habits.

Boys and Girls Club of Worcester - As a non-profit organization, the club is committed to affording opportunities for enrichment activities to children they would not otherwise have. The overall mission of the national organization is to ensure that at-risk youth develop the necessary skills to succeed in schools, their communities, at home, and in their adult lives. The majority of these youths come from low-income families.⁴

Rainbow Child Development Center- Rainbow Child Development Center is a licensed, non-profit early education and care agency working collaboratively within the community. The mission is to provide high quality early education and care to “at risk” children during their early years of development. Rainbow child care was founded to serve the low-income families in the Worcester area. The program facilitates children’s school readiness and provides a foundation for their future achievements.

United Way of Central Massachusetts – This is a non-profit organization that has made the commitment to improve the lives of people in the community. Its mission is to connect people with resources to improve the community. As community leaders, the organization gathers local resources including donors, volunteers, partners, and agencies to address the needs within the community.

Worcester County Food Bank - The goal of this organization is to gather and distribute free food and other necessities for home consumption to eligible residents based on economic need and availability.

Tradewinds Clubhouse – Tradewinds Clubhouse offers services to adults with mental illness to prepare for, find, and retain employment. Most of the adults served are low- to moderate-income individuals. Members and staff work together to operate the club and to ensure the opportunity to contribute to the community through meaningful work. Tradewinds Clubhouse has been serving Southern Worcester County since 1989.

⁴ 65% of Club members qualify for free or reduced price school lunches.

Community Development Services

The bank's record of helping to meet the credit needs of its assessment area by analyzing both the availability and effectiveness of its systems for delivering retail banking services and the extent of its community development services was evaluated.

Employee Services

Many bank personnel are involved in a leadership capacity with organizations that promote one of the four community development criteria. Bank representatives have led efforts for local economic development groups and expended several hours providing financial, technical, or leadership advice for several organizations that foster economic development, affordable housing, or social services to low- or moderate-income persons. Examples of notable community development services follow:

Compass Working Capital - Compass is a non-profit financial services organization that provides incentive-based savings and financial coaching programs that empower working, low-income families to build assets, achieve their financial goals, and become financially secure. An employee of Southbridge started a committee at Compass Working Capital to discuss issues affecting low- income families and how Compass Working Capital can help low-income families build wealth, fix their credit, and improve their overall finances.

Worcester East Side Community Development Corporation (CDC) - Worcester East Side CDC's mission is to stabilize and revitalize the East Side neighborhoods of Worcester in order to improve the quality of life for all those who reside and work there. An employee from the mortgage department held a class for low- and moderate-income individuals on credit, including what makes up a credit score, how to fix their credit, and how to build credit.

ASPIRA of Massachusetts - ASPIRA raises awareness about, advocates for, and pursues effective strategies to improve academic achievement for low- and moderate-income students, particularly of Hispanic descent. An employee is on a sub-committee of the board of ASPIRA to help raise funding for ASPIRA.

Residential Energy Assistance for Seniors (REAS) - REAS provides emergency energy assistance to seniors in need in the town of Charlton. The REAS Foundation is committed to doing everything possible to assist qualifying seniors with their energy costs via grants paid directly to their utility providers, heating and cooling contractors and vendors, and other direct providers of heating and cooling products and services. A bank employee serves as a board member.

United Way of Central Massachusetts – This is a non-profit organization that has made the commitment to improve the lives of people in the community. Its mission is to connect people with resources to improve the community. As community leaders, the organization

gathers local resources including donors, volunteers, partners, and agencies to address the needs within the community. A bank employee serves as a board member and treasurer.

Loan modifications

The Bank offers a hardship modification loan program that helps current borrowers to avoid foreclosure. For the period under review the bank provided nine hardship modifications totaling \$1,433,642 within the bank's assessment area that were to low-income or moderate-income borrowers.

CONCLUSION: COMMUNITY DEVELOPMENT TEST

Given the community development opportunities and level of competition in the assessment area, as well as the level of community involvement displayed by the bank, Southbridge demonstrates an adequate responsiveness to the community development needs of its assessment area. This performance is evidenced through community development loans and loan programs, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area. The bank should continue to seek out opportunities for community development. As such, an overall "Satisfactory" rating is assigned.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Concurrent with this CRA evaluation, a review of the bank's compliance with consumer protection laws and regulations was conducted, and no substantive violations of the provisions of antidiscrimination, fair lending, or other illegal credit practice rules, laws or regulations inconsistent with helping to meet community needs were identified.

MSA Discussions

As discussed, the bank's assessment area includes the Worcester, MA MSA, the Springfield, MA MSA, and the non-MSA in Windham County, CT. The bank's activity in each MSA and non-MSA is discussed separately here.

Worcester, MA MSA

According to the 2010 ACS data, the Worcester, MA MSA is comprised of 80 census tracts. There are 13 low-income census tracts and 21 moderate-income census tracts. Furthermore, 36 of the census tracts are middle-income, 8 are upper-income, and 2 are unknown-income. For both 2012 and 2013, the bank originated a total of 7 loans in low-income census tracts, which represents 1.8 percent. The bank originated 45 loans in moderate-income census tracts, which represents 11.3 percent. The bank originated 27 loans to low-income borrowers, which represents 6.8 percent. The bank originated 90 loans to moderate-income borrowers, which represents 22.7 percent.

In this portion of the assessment area, 27.3 percent of families are low-income and 9.9 percent of the families in the assessment area have incomes below the poverty level; 18.7 percent are moderate-income; 22.2 percent are middle-income; and 31.8 percent are upper-income. There are a total of 78,533 owner-occupied units; 4.9 percent are located in low-income census tracts, 17.5 percent are located in moderate-income census tracts, 60.4 percent are located in middle-income census tract, and 17.2 percent are located in upper-income census tracts.

Businesses located in this portion of the assessment area total 15,397. Of these, 18.6 percent are located in low-income census tracts, 20.7 percent are located in moderate-income census tracts, 47.2 percent are located in middle-income census tracts, 13.5 percent are located in upper-income census tracts, and 0.1 percent is located in unknown income census tracts.

Businesses located in this portion of the assessment area with total revenue less than or equal to \$1 million total 13,684, which represents 88.9 percent of businesses in the area. Of these, 17.6 percent are located in low-income census tracts, 20.3 percent are located in moderate-income census tracts, 48.1 percent are located in middle-income census tracts, and 13.9 percent are located in upper-income tracts.

Springfield, MA MSA

According to the 2010 ACS data, the Springfield, MA MSA is comprised of 9 census tracts. There are no low-income census tracts and 1 moderate-income census tract. Furthermore, 4 of the census tracts are middle-income, and 4 are upper-income. For both 2012 and 2013, the bank originated a total of 17 loans within this portion of the assessment area. The bank did not originate any loans in a low- or moderate income-census tract. The bank originated 4 loans in middle-income census tracts, which represents 23.5 percent and 13 loans in upper-income census tracts, which represents 76.5 percent. The bank originated one loan to a low-income borrower, which represents 5.9 percent. The bank originated 3 loans to moderate-income borrowers, which represents 17.6 percent.

In this portion of the assessment area, 17.0 percent of families are low-income and 7.1 percent of the families in the assessment area have incomes below the poverty level; 16.9 percent are moderate-income; 20.0 percent are middle-income; and 46.1 percent are upper-income. There are a total of 12,130 owner-occupied units; none are located in low-income census tracts, 5.9 percent are located in moderate-income census tracts, 49.7 percent are located in middle-income census tracts, and 44.4 percent are located in upper-income census tracts.

Businesses located in this portion of the assessment area total 1,924. Of these, none are located in low-income census tracts, 9.1 percent are located in moderate-income census tracts, 47.7 percent are located in middle-income census tracts, and 43.2 percent are located in upper-income census tracts.

Businesses located in this portion of the assessment area with total revenue less than or equal to \$1 million total 1,769, which represents 91.9 percent of businesses in the area. Of these, none are located in low-income census tracts, 8.8 percent are located in moderate-income census tracts, 46.5 percent are located in middle-income census tracts, and 44.7 percent are located in upper-income tracts.

Windham County, CT (Non-MSA)

According to the 2010 ACS data, the towns in the bank's assessment area located within the non-MSA in Windham County comprise three census tracts, all of which are middle-income. Based on 2010 ACS data, 15.8 percent of families are low-income within the non-MSA, of which 3.9 percent have incomes below the poverty level. The bank did not originate any loans in a low- or moderate- income census tract. The bank originated 7 loans in middle-income census tracts, which represents 100 percent of the total loans originated within this portion of the assessment area. The bank originated 3 loans to moderate-income borrowers, which represents 42.9 percent.

Businesses located in this portion of the assessment area total 894 and are all located in a middle-income census tract. Businesses located in this portion of the assessment area with total revenue less than or equal to \$1 million total 831, which represents 93.0 percent of businesses in the area.

Conclusions

The bank's activities within the two MSAs and the one non-MSA were reviewed and the bank's performance in each category was found to be generally consistent with its overall performance, as well as with the bank's overall analysis.