

PUBLIC DISCLOSURE

February 5, 2024

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Passumpsic Savings Bank
Certificate Number: 14134

497 Railroad Street
Saint Johnsbury, Vermont 05819

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

350 Fifth Avenue, Suite 1200
New York, NY 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the federal financial supervisory agency concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

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

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

The Lending Test is rated Satisfactory.

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

The Community Development Test is rated Outstanding.

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

DESCRIPTION OF INSTITUTION

Passumpsic Savings Bank (PSB), established in 1853, is a stock savings bank and a wholly owned subsidiary of Passumpsic Bancorp, a mutual holding company. PSB is headquartered in Saint Johnsbury, Vermont (VT). The bank has a wholly owned subsidiary, Northeast Home Loan, LLC (NEHL), which underwrites and originates home mortgages for PSB and independent brokers. Unlike the bank, NEHL reports loans pursuant to the Home Mortgage Disclosure Act (HMDA) and the bank elected to have NEHL's mortgage loan originations considered when evaluating the bank's Lending Test performance.

PSB received an Outstanding rating at its previous FDIC CRA evaluation, dated February 8, 2021, based on Interagency Intermediate Small Institution (ISI) Examination Procedures.

PSB operates 11 full-service branches; 7 in VT and 4 in New Hampshire (NH). All branches offer drive-up service and 24-hour automated teller machines (ATMs), except for the Island Pond, VT branch. The bank also operates five stand-alone ATMs in East Burke, Island Pond, Lyndonville, and Saint Johnsbury (2), VT. Three ATMs are full-service and two are cash-only machines. Since the last evaluation, PSB opened a loan production office in Williston, VT, in a middle-income census tract. The bank has not opened or closed any branch locations, and no merger or acquisition activity has occurred since the last evaluation.

The bank offers commercial and consumer loans, with a primary focus on commercial lending. Commercial loans include loans for the purchase of commercial real estate and equipment and working capital loans and lines of credit. PSB also offers various Small Business Administration (SBA) loan programs. Consumer loans include home equity loans and lines of credit and personal loans. NEHL offers fixed and variable rate mortgages, first-time homebuyer loans, and residential construction loans. PSB also offers deposit products to consumer and commercial customers. Consumer and business deposit products include savings and checking accounts, certificates of deposit, individual retirement accounts, and money market accounts.

Alternative banking products and services include ATMs and the online banking platform which offers customers bill pay, mobile banking, and electronic statements (e-statements). PSB also offers safe deposit boxes, direct deposit, wire transfers, and night deposit drop boxes. The bank offers investment services through Passumpsic Financial Advisors, a division of PSB.

Assets totaled approximately \$855 million as of December 31, 2023, including total loans of approximately \$641 million and total securities of \$84 million. Deposits totaled approximately \$682 million as of the same date.

The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2023		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	2,232	0.4
Secured by Farmland	792	0.1
Secured by 1-4 Family Residential Properties	461,063	71.9
Secured by Multifamily (5 or more) Residential Properties	2,888	0.5
Secured by Nonfarm Nonresidential Properties	99,045	15.5
Total Real Estate Loans	566,020	88.4
Commercial and Industrial Loans	25,773	4.0
Agricultural Production and Other Loans to Farmers	184	0.0
Consumer Loans	27,211	4.3
Obligations of State and Political Subdivisions in the U.S.	21,698	3.4
Other Loans	32	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	640,918	100.0
<i>Source: Reports of Condition and Income</i>		
<i>Due to rounding, totals may not equal 100.0%</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the institution's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. PSB designated two contiguous assessment areas consisting of 50 census tracts. The following table describes these two assessment areas (also referred to as areas).

Description of Assessment Areas			
Assessment Area	Counties in Assessment Area	# of CTs	# of Branches
VT	Caledonia, Essex, Orleans, and Washington	35	7
NH	Grafton and Coos	15	4
<i>Source: Bank Data</i>			

The bank's assessment areas represent two separately rated areas: VT (35 census tracts) and NH (15 census tracts). Both rated areas are encompassed within each state's respective non-Metropolitan Statistical Areas (non-MSAs). Since the last evaluation, the bank added the seven remaining census tracts in Coos County, NH to its NH assessment area. Of these seven new census tracts, one is low-income, four are moderate-income, and two are middle-income. Additionally, the income designations of some census tracts within each assessment area changed. Please refer to the VT and NH rated areas section of this evaluation for more details, including demographic and economic data.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated February 8, 2021, to the current evaluation dated February 5, 2024. Examiners used the ISI Examination Procedures to evaluate PSB's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test. Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Examiners conducted full-scope reviews of the bank's performance in both assessment areas. Examiners placed more weight on the bank's performance in the VT assessment area in arriving at overall conclusions and ratings, as a majority of bank branches, deposits, and loans are in VT.

At the bank's request, examiners considered the mortgage company subsidiary NEHL's activity when evaluating PSB's home mortgage lending performance. The Conclusions on Performance Criteria sections that follow describe the Lending Test results.

Activities Reviewed

Examiners determined the bank's major product lines is small business loans, and NEHL's major product line is home mortgage loans. This conclusion considered the bank's and NEHL's business strategy and the number and dollar volume of originations during the evaluation period. The bank originated a minimal number of small farm loans during the evaluation period that would not yield a meaningful analysis. Therefore, although presented in the Assessment Area Concentration table, examiners did not analyze this loan type further, as it provided no material support for conclusions or ratings. Consumer loans do not represent a major product line; therefore, examiners did not analyze or present consumer loans.

Examiners analyzed NEHL's 2020, 2021, 2022, and 2023 HMDA lending data. In 2020, NEHL originated 2,118 home mortgage loans totaling \$623.0 million; in 2021, NEHL originated 1,382 home mortgage loans totaling \$454.0 million; in 2022, NEHL originated 592 home mortgage loans totaling \$195.7 million; and in 2023, NEHL originated 602 home mortgage loans totaling approximately \$218.1 million. Examiners analyzed all years of HMDA data, but only presented 2022 and 2023 lending data under the Geographic Distribution and Borrower Profile criteria, as performance was consistent across the years analyzed. Examiners compared NEHL's 2022 home mortgage lending to aggregate lending performance and demographic data from the 2020 United States (U.S.) Census. Examiners compared NEHL's 2023 home mortgage lending to demographic data as aggregate data is not available as of the evaluation date. Per the CRA regulations, examiners did not consider NEHL's residential mortgage lending activity when assessing the bank's performance under the Assessment Area Concentration criterion.

As an ISI, the bank is not required to collect and report small business lending. Nonetheless, the bank collected and provided data for 2020, 2021, 2022, and 2023 small business loan originations. In 2020, the bank originated 235 small business loans totaling \$34.9 million; in 2021, the bank originated 280 small business loans totaling approximately \$34.1 million; in 2022, the bank

originated 293 small business loans totaling approximately \$44.3 million; and in 2023, the bank originated 216 small business loans totaling approximately \$25.5 million. Examiners analyzed all years of small business lending, but only presented 2022 and 2023 lending data under the Geographic Distribution and Borrower Profile criteria since performance was consistent across the years analyzed. Since the bank is not required to collect small business loan data, examiners did not use aggregate performance as a standard for comparison. Examiners compared the bank's 2022 and 2023 small business lending activity to D&B demographic data.

Examiners reviewed the number and dollar volume of home mortgage and small business loans, but emphasized performance by number of loans, which better represents the number of individuals and businesses served by the bank.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation date to the current evaluation date.

Examiners obtained demographic and economic information referenced in the evaluation from the 2020 U.S. Census Bureau, D&B, Moody's Analytics, the U.S. Bureau of Labor Statistics, and FDIC data. Examiners also obtained information from the December 31, 2023 Report of Condition and Income (Call Report).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The Lending Test is rated Satisfactory. The institution's reasonable performance in the Geographic Distribution and Borrower Profile criterion primarily support this conclusion. The bank's overall performance is consistent with the conclusions in the VT and NH rated areas.

Loan-to-Deposit Ratio

The LTD ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institution's size, financial condition, and assessment area credit needs. The institution's LTD ratio averaged 85.4 percent over the past 12 calendar quarters from March 31, 2021, to December 31, 2023. The ratio ranged from a low of 79.7 percent as of September 30, 2021, to a high of 95.4 percent as of September 30, 2023. PSB maintained an average ratio higher than comparable institutions, as shown in the table below. Examiners selected these institutions based on asset size, geographic location, and lending focus.

Loan-to-Deposit Ratio Comparison		
Bank	Total Assets as of 12/31/2023 (\$000s)	Average Net LTD Ratio (%)
Passumpsic Savings Bank	854,734	85.4
Woodsville Guaranty Savings Bank	684,381	79.8
Union Bank	1,468,468	78.0
<i>Source: Reports of Condition and Income March 31, 2021 – December 31, 2023</i>		

Assessment Area Concentration

PSB originated a substantial majority of its small business and small farm loans by number and dollar amount in the assessment area. The following table depicts the bank’s lending inside and outside the assessment area by number and dollar amount of loans.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Small Business										
2020	214	91.1	21	8.9	235	28,186	80.7	6,723	19.3	34,909
2021	266	95	14	5	280	30,523	89.5	3,593	10.5	34,116
2022	271	92.5	22	7.5	293	38,818	87.7	5,459	12.3	44,277
2023	200	92.6	16	7.4	216	22,871	89.5	2,672	10.5	25,543
Subtotal	951	92.9	73	7.1	1,024	120,398	86.7	18,447	13.3	138,845
Small Farm										
2020	4	100	0	0	4	275	100	0	0	275
2021	0	0	1	100	1	0	0	56	100	56
2022	5	100	0	0	5	392	100	0	0	392
2023	2	100	0	0	2	85	100	0	0	85
Subtotal	11	91.7	1	8.3	12	752	93.1	56	6.9	808
Total	962	92.9	74	7.1	1,036	121,150	86.8	18,503	13.2	139,653
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion. The bank’s performance was consistent throughout the VT and NH rated areas. Please refer to the VT and NH rated area sections for more detail.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's performance was consistent throughout the VT and NH rated areas. Please refer to the VT and NH rated area sections for more detail.

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

The Community Development Test is rated Outstanding. PSB demonstrated excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. The bank's overall performance is consistent with its performance in each rated area. Examiners considered the institution's capacity, and the need and availability of such opportunities in each rated area. The bank showed leadership and innovativeness through community development loans (CDL), qualified investments, and community service activity. Qualified investments were particularly innovative in the VT rated area. Please refer to the VT and NH rated area sections for more detail.

Community Development Loans

The bank originated 98 CDLs totaling approximately \$9.4 million in its assessment areas during the evaluation period. This total includes 33 CDLs for approximately \$7.4 million and 65 SBA Paycheck Protection Program (PPP) loans for approximately \$2.0 million that qualified as CDLs.

Total community development lending reflects a decrease from the prior evaluation period, at which time the bank originated 235 CDLs for \$26.1 million. The decrease is primarily attributed to the discontinuance of the SBA's PPP loan program in May 2021, as the bank originated 217 PPP loans totaling \$21.6 million during the prior evaluation period. Despite this decrease, CDLs (excluding PPP loans) increased by 83.3 percent by number and 64.4 percent by dollar since the last evaluation. This illustrates the bank's continued leadership in originating CDLs despite the discontinuance of the SBA's PPP loan program. This level of community development lending reflects the bank's excellent responsiveness to community development needs in its assessment areas.

PPP loans were essential in helping many area businesses remain open and employ local residents, many of whom were low- or moderate-income. Based on bank application data, PPP loans originated in 2021 to businesses located in moderate- and underserved nonmetropolitan middle-income areas in VT and NH helped retain approximately 257 jobs in those areas.

As of December 31, 2023, the total CDL activity represents 1.1 percent of average total assets and 1.5 percent of average total loans since the last evaluation. The bank's performance was comparable to another similarly situated institution whose CDL activity represents 1.1 percent of average total assets and 1.7 percent of average total loans.

The following table reflects the bank’s CDLs in both assessment areas by year and community development purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	0	0	68	2,277	68	2,277
2022	2	2,786	7	2,005	1	275	5	769	15	5,835
2023	1	20	3	389	0	0	11	871	15	1,280
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	3	2,806	10	2,394	1	275	84	3,917	98	9,392
<i>Source: Bank Data</i>										

Please refer to the VT and NH rated area sections for more detail on community development lending.

Qualified Investments

PSB made 111 qualified investments and donations totaling approximately \$4.7 million in its assessment areas. This includes 17 qualified investments totaling approximately \$4.6 million and 94 qualified donations totaling approximately \$152,000. The bank’s qualified investments declined slightly by number but increased 47.8 percent by dollar since the last evaluation, at which time the bank made 181 qualified investments for approximately \$3.2 million. Approximately 57.4 percent of PSB’s current qualified investments by dollar had the primary purpose of affordable housing, which was identified as a key community development need by community contacts in both assessment areas. This illustrates the bank’s responsiveness in providing qualified investments that support community development needs in the assessment areas.

As of December 31, 2023, the dollar amount of equity investments and donations represents 0.6 percent of average total assets and 5.4 percent of average total securities since the last CRA evaluation. The bank outperformed a similarly situated institution whose qualified investments represent 0.2 percent of average total assets and 1.1 percent of average total securities.

The following table shows all qualified investments and donations made during the evaluation period by year and community development purpose.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	277	0	0	2	750	0	0	4	1,027
2021 (Partial)	0	0	0	0	0	0	2	157	2	157
2022	1	3	0	0	1	750	2	200	4	953
2023	4	2,217	0	0	0	0	1	25	5	2,242
YTD 2024	2	197	0	0	0	0	0	0	2	197
Subtotal	9	2,694	0	0	3	1,500	5	382	17	4,576
Qualified Grants & Donations	5	17	83	127	4	6	2	2	94	152
Total	14	2,711	83	127	7	1,506	7	384	111	4,728
<i>Source: Bank Data</i>										

The following are prior period investments that benefitted the broader regional area.

- In 2020, the bank invested in Champlain Capital III, a Small Business Investment Company (SBIC) that provides financing and management expertise to small businesses. This investment benefits the broader regional and national area that includes the VT and NH assessment areas. This investment has a current book value of \$250,000. Additionally, the bank maintains another investment made in a prior period in Champlain Capital II that has a current book value of \$500,000.

The following is the qualified investment made during the evaluation period that benefitted the broader regional area.

- In 2022, the bank invested \$750,000 in RFE IX, a SBIC that provides financing and management expertise to small businesses. This investment benefits the broader regional and national area that includes the VT and NH assessment areas.

Please refer to the VT and NH rated area sections for more detail on qualified investments.

Community Development Services

Bank employees and Trustees provided 2,099 hours of financial expertise or technical assistance to 11 different community development-related organizations. Of the 2,099 hours provided during the current evaluation period, 1,019 hours directly benefitted the VT assessment area and 680 hours benefitted the NH assessment area, and 400 hours benefitted a broader regional area that includes the assessment areas. Approximately 86.7 percent of community development service hours benefitted economic development-related organizations, an identified community development need in the assessment areas. This illustrates PSB responsiveness to the community development needs in the assessment areas. The bank outperformed a similarly situated institution that provided 328 hours of community development service.

The following table illustrates the bank’s community development services by purpose and year.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	6	90	715	0	811
2022	6	90	715	0	811
2023	12	75	390	0	477
YTD 2024	0	0	0	0	0
Total	24	255	1,820	0	2,099
<i>Source: Bank Data</i>					

The following is the qualified community development service that benefitted the broader regional area.

- *Northern Community Investment Corporation (NCIC)*: NCIC is a Certified Development Financial Institution dedicated to strengthening businesses, communities, and employment opportunities across the Northeast Kingdom in VT and northern NH. A bank Trustee and an executive officer are board members. This entity serves a broader regional area including the VT and NH assessment areas.

The bank operates five branches and eight ATMs in moderate-income census tracts. These locations assist low- and moderate-income individuals’ access to retail banking services.

Please refer to the VT and NH rated area sections for more detail on community development services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

VERMONT – Full-Scope Review

CRA RATING FOR VERMONT: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION’S OPERATIONS IN VERMONT

PSB operates 7 (63.6 percent) of its 11 branches in the VT assessment area. The VT assessment area encompasses 35 census tracts located in Caledonia (10), Essex (3), Orleans (10), and Washington (12) Counties. The assessment area includes all of the municipalities in Caledonia, Essex, and Orleans Counties. Additionally, the assessment area includes the following municipalities in Washington County: Cabot, Marshfield, Plainfield, Calais, Woodbury, Berlin, Montpelier, East Montpelier, Barre City, and Barre Town.

Economic and Demographic Data

According to 2020 U.S. Census data, the 35 census tracts within the VT assessment area reflect the following income designations:

- 10 moderate-income census tracts,
- 21 middle-income census tracts, and
- 4 upper-income census tracts.

There are no low-income census tracts in the VT assessment area. Of the 10 moderate-income census tracts, 7 are located in the towns of Lyndon, Saint Johnsbury (2), Barton, Brighton, Barre, and Newport. The remaining three moderate-income census tracts encompass the towns of Coventry, Brownington, Westmore, East Haven, Granby, Guildhall, Victory, Lunenburg, Concord, Norton, Averill, Canaan, Lemington, Bloomfield, Brunswick, Maidstone, Ferdinand, Lewis, Avery’s Gore, Warren’s Gore, and Warner’s Grant. Community development activities directed to these areas likely benefit low- and moderate-income individuals and receive CRA credit.

There are seven census tracts that are classified as underserved nonmetropolitan middle-income census tracts¹ in Orleans County.

In 2022, the Federal Financial Institutions Examination Council (FFIEC) released updates to Metropolitan Statistical Areas (MSAs) and Metropolitan Divisions, states, counties, census tracts, and income level indicators based on information collected during the 2020 U.S. Census. These updates included changes to the income designations of some existing census tracts in the assessment area.

¹ A non-metropolitan middle-income census tract is designated as underserved if it meets criteria for population size, density, and dispersion that indicate the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs. Lending and community development activities in these tracts receive CRA credit if the activities meet certain community development criteria. Additional information about eligible non-metropolitan census tracts is available on the FFIEC Council Web site (<http://www.ffiec.gov>).

These reclassifications resulted in two additional moderate-income census tracts, four fewer middle-income census tracts, and two additional upper-income census tracts.

The following table illustrates select demographic characteristics of the VT assessment area.

Demographic Information of the Assessment Area						
Vermont Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	35	0.0	28.6	60.0	11.4	0.0
Population by Geography	100,332	0.0	28.2	62.4	9.4	0.0
Housing Units by Geography	57,627	0.0	29.2	62.4	8.4	0.0
Owner-Occupied Units by Geography	31,906	0.0	25.5	66.7	7.8	0.0
Occupied Rental Units by Geography	11,691	0.0	35.0	49.9	15.1	0.0
Vacant Units by Geography	14,030	0.0	32.8	62.9	4.3	0.0
Businesses by Geography	13,758	0.0	27.1	57.7	15.2	0.0
Farms by Geography	982	0.0	19.5	71.4	9.2	0.0
Family Distribution by Income Level	26,605	23.8	19.9	21.8	34.5	0.0
Household Distribution by Income Level	43,597	25.9	17.2	19.2	37.7	0.0
Median Family Income Non-MSAs - VT		\$77,189	Median Housing Value			\$181,866
			Median Gross Rent			\$862
			Families Below Poverty Level			8.1%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

Examiners used the 2022 and 2023 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
VT NA Median Family Income (99999)				
2022 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
2023 (\$85,700)	<\$42,850	\$42,850 to <\$68,560	\$68,560 to <\$102,840	≥\$102,840
<i>Source: FFIEC</i>				

The area’s demographics suggest that there are challenges for lenders to extend home loans to low-income borrowers. According to 2020 U.S. Census data, 23.8 percent of families are low-income, including 8.1 percent below the poverty level. A low-income family, with an income of \$42,850 or

less, particularly those with incomes below the poverty threshold, would likely have difficulty qualifying for a home mortgage loan using traditional underwriting standards considering the median housing value of \$181,866. Additionally, the lower percentage of owner-occupied housing units in the moderate-income census tracts likely limits the opportunity for lenders to originate home mortgage loans in these areas.

According to 2023 D&B data, there were 13,758 non-farm businesses operating in the VT assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 87.2 percent have \$1.0 million or less,
- 3.5 percent have more than \$1.0 million, and
- 9.3 percent have unknown revenues.

Of all businesses in the assessment area, 65.1 percent have four or fewer employees, 91.0 percent operate from a single location, and 85.4 percent have revenues less than \$0.5 million. These factors indicate that the majority of the area's businesses are very small businesses. Service industries represent the largest portion of businesses at 35.2 percent; followed by non-classifiable establishments (19.4 percent); retail trade (9.9 percent); finance, insurance and real estate (8.3 percent); and construction (7.3 percent).

According to the Bureau of Labor Statistics, as of December 2023, the VT unemployment rate was 2.2 percent, which was significantly lower than the national rate of 3.7 percent. The unemployment rate was elevated in 2020 due to the COVID-19 pandemic, but steadily declined in 2021 and 2022.

Competition

The bank operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 15 financial institutions operated 42 offices in this assessment area. Of these institutions, PSB ranked 5th with an 8.9 percent deposit market share. The top four banks were TD Bank, N.A; Manufacturers and Traders Trust Company; Vermont State Employees Credit Union; and Community National Bank. Collectively, these four institutions held 69.2 percent of the deposit market share.

There is a competitive market for home mortgage loans in the VT assessment area. Competitors include national banks, regional banks, and credit unions. According to 2022 peer mortgage data, 138 lenders reported 2,789 home mortgage loans originated or purchased in the assessment area. NEHL ranked 8th originating 85 mortgage loans for a 3.1 percent market share. Lenders ranked ahead of NEHL included two national lenders, three credit unions, and two regional lenders (Union Bank and Northfield Savings Bank) with a combined market share of 59.1 percent.

PSB is not required to collect or report its small business lending data; therefore, aggregate lending data does not include the bank's lending data. Despite this, examiners reviewed the most recently available aggregate data to understand the level of competition and demand for small business loans within the full counties of the assessment area. According to the 2022 peer small business data, 68 lenders originated 2,642 small business loans in Caledonia, Essex, Orleans, and Washington Counties. The top three lenders included American Express; JPMorgan Chase Bank, N.A.; and

Capital One Bank (USA), N.A. These three institutions accounted for a 47.2 percent market share by number of loans. This indicates that competition for small business loans among smaller financial institutions and community banks is high.

Community Contact

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

Examiners contacted an affordable housing organization active in the VT assessment area. The organization manages 700 permanent affordable housing units and maintains a pipeline of approximately 24 projects. The organization primarily serves the most vulnerable population, such as people experiencing homelessness and the elderly. The contact mentioned that affordable housing is in short supply and the demand is growing. Further, the contact mentioned that local community banks have financed or sponsored their organization's affordable housing development projects.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable home mortgage loans are a primary credit need of the assessment area. Additionally, affordable housing is a primary community development need and opportunity in the VT assessment area.

SCOPE OF EVALUATION – VERMONT

Examiners used full-scope examination procedures to review the bank's operations in the VT assessment area. Examiners assessed the same products and evaluation period described previously under the Scope of Evaluation section. The bank's record of originating home mortgage loans contributed more weight to the overall conclusions in the VT assessment area due to the larger loan volume when compared to small business loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT

LENDING TEST

PSB demonstrated satisfactory performance under the Lending Test within the VT assessment area. Reasonable Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the VT assessment area. The bank's reasonable performance of home mortgage lending primarily supports this conclusion.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2022, NEHL's lending performance in moderate-income tracts was 16.2 percentage points higher than aggregate performance and 18.0 percentage points higher than demographics. In 2023, NEHL's mortgage lending in moderate-income tracts declined 62.2 percent by number, and its performance trailed demographics by 4.0 percentage points. These comparisons and trends support reasonable performance.

Geographic Distribution of Home Mortgage Loans						
Vermont Assessment Area						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Moderate						
2022	25.5	27.3	37	43.5	5,911	33.5
2023	25.5	--	14	21.5	2,576	14.9
Middle						
2022	66.7	64.7	40	47.1	8,731	49.5
2023	66.7	--	41	63.1	11,486	66.6
Upper						
2022	7.8	8.0	8	9.4	3,000	17.0
2023	7.8	--	10	15.4	3,180	18.4
Totals						
2022	100.0	100.0	85	100.0	17,642	100.0
2023	100.0	--	65	100.0	17,242	100.0

*Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available.
Due to rounding, totals may not equal 100.0%*

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. In 2022, PSB exceeded demographics in moderate-income census tracts by 22.5 percentage points, and despite a decline in total originations in 2023, PSB exceeded demographics by 15.0 percentage points.

Geographic Distribution of Small Business Loans					
Vermont Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Moderate					
2022	27.2	96	49.7	15,304	57.4
2023	27.1	56	42.1	6,867	47.8
Middle					
2022	56.8	88	45.6	9,682	36.3
2023	57.7	67	50.4	5,527	38.5
Upper					
2022	16.0	9	4.7	1,690	6.3
2023	15.2	10	7.5	1,959	13.6
Totals					
2022	100.0	193	100.0	26,676	100.0
2023	100.0	133	100.0	14,352	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

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

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable. In 2022, NEHL's lending activity to low-income borrowers trailed aggregate performance by 2.8 percentage points and demographics by 16.7 percentage points. In 2023, NEHL's lending activity to low-income borrowers declined 50.0 percent by number. Although NEHL's lending compares unfavorably to the demographic data, a low-income family in this assessment area may have difficulty qualifying for a home mortgage loan due to the disparity between their income level and the median housing value of \$181,866. This limits the opportunity that lenders have to make loans to low-income individuals. This helps explain the difference between the percentage of low-income families and aggregate and NEHL performance.

In 2022, NEHL's lending to moderate-income borrowers exceeded aggregate performance by 1.7 percentage points and exceeded demographics by 3.6 percentage points. In 2023, lending to moderate-income borrowers declined and trailed demographics by 4.5 percentage points. Overall, these trends and comparisons reflect reasonable penetration.

Distribution of Home Mortgage Loans by Borrower Income Level						
Vermont Assessment Area						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2022	23.8	9.9	6	7.1	908	5.1
2023	23.8	--	3	4.6	470	2.7
Moderate						
2022	19.9	21.8	20	23.5	3,034	17.2
2023	19.9	--	10	15.4	1,877	10.9
Middle						
2022	21.8	25.1	20	23.5	3,282	18.6
2023	21.8	--	26	40.0	5,763	33.4
Upper						
2022	34.5	33.4	39	45.9	10,418	59.1
2023	34.5	--	26	40.0	9,132	53.0
Not Available						
2022	0.0	9.8	0	0.0	0	0.0
2023	0.0	--	0	0.0	0	0.0
Totals						
2022	100.0	100.0	85	100.0	17,642	100.0
2023	100.0	--	65	100.0	17,242	100.0
<i>Source: 2020 U.S. Census; Bank Data, 2022 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. Despite trailing demographics in 2022 and 2023, PSB originated a significant majority of small business loans to businesses with GARs of \$1.0 million or less. These comparisons reflect reasonable performance.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Vermont Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	85.9	147	76.2	12,336	46.2
2023	87.2	90	67.7	8,234	57.4
>\$1,000,000					
2022	4.0	46	23.8	14,340	53.8
2023	3.5	43	32.3	6,119	42.6
Revenue Not Available					
2022	10.1	0	0.0	0	0.0
2023	9.3	0	0.0	0	0.0
Totals					
2022	100.0	193	100.0	26,676	100.0
2023	100.0	133	100.0	14,352	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

PSB demonstrated excellent responsiveness to the community development needs of the VT assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

PSB originated 87 CDLs totaling approximately \$5.7 million in the VT assessment area. This total includes 30 CDLs totaling approximately \$3.9 million and 57 SBA PPP loans that qualified as CDLs totaling approximately \$1.8 million. The bank’s total CDL activity in this assessment area declined from the previous evaluation when the bank made 134 CDLs totaling approximately \$10.9 million, of which 119 for \$8.2 million were PPP loans. This decline in CDL originations is primarily due to the discontinuance of the SBA PPP loan program, which was a limited time program offered in response to the COVID-19 pandemic. Despite this decline, CDLs (excluding PPP loans) increased 100.0 percent by number and 44.4 percent by dollar since the last evaluation. This level of lending demonstrates PSB’s continued excellent responsiveness to the community development needs of its assessment area. The following table illustrates the bank’s community development lending activity by year and purpose.

Community Development Lending Vermont Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	0	0	60	2,080	60	2,080
2022	0	0	6	1,255	1	275	5	769	12	2,299
2023	1	20	3	389	0	0	11	871	15	1,280
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	1	20	9	1,644	1	275	76	3,720	87	5,659
<i>Source: Bank Data</i>										

The following are examples of community development loans in the VT assessment area.

- In 2022, the bank originated a \$300,000 loan to an organization that provides support services to women experiencing domestic or sexual violence, and job training for women living in unsafe or unstable living conditions that need marketable skills. A majority of those served by this organization are of low- or moderate-income levels.
- In 2023, the bank originated a \$105,000 loan to an organization that provides access to housing and employment support services for youth who are homeless or are at risk of being homeless.

Qualified Investments

PSB made 84 qualified investments totaling approximately \$3.2 million in the VT assessment area. This includes 13 equity investments for approximately \$3.1 million and 71 donations for approximately \$122,000. Of the total dollar amount of qualified investments, 85.4 percent supported affordable housing-related organizations, which is a primary community development need in the assessment area as identified by the community contact. The prior evaluation noted 99 qualified investments totaling \$2.8 million. Despite the slight decline by number, the 15.3 percent increase by dollar illustrates the bank’s continued excellent responsiveness to the community development needs of its assessment area. Further, as noted below, PSB showed their leadership in making qualified investments through the formation of a limited partnership to rehabilitate 26 units of affordable housing in the assessment area. The following table illustrates the bank’s qualified investment activity by year and purpose.

Qualified Investments Vermont Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	277	0	0	0	0	0	0	2	277
2021 (Partial)	0	0	0	0	0	0	2	157	2	157
2022	1	3	0	0	0	0	2	200	3	203
2023	4	2,217	0	0	0	0	0	0	4	2,217
YTD 2024	2	197	0	0	0	0	0	0	2	197
Subtotal	9	2,694	0	0	0	0	4	357	13	3,051
Qualified Grants & Donations	4	16	62	98	3	6	2	2	71	122
Total	13	2,710	62	98	3	6	6	359	84	3,173
<i>Source: Bank Data</i>										

The following are examples of qualified investments in the VT assessment area.

- In 2021, PSB and Brattleboro Savings & Loan formed a limited partnership with the BACLT Housing Corporation as the general partner. PSB’s capital contributions in 2022, 2023, and 2024 totaling approximately \$2.0 million, helped to acquire and rehabilitate 26 units of affordable housing in three towns in the VT assessment area.
- In 2022, the bank purchased a Downtown and Village Center tax credit for \$85,875. This tax credit program, operated by the Vermont Division of Community Planning & Revitalization, helps revitalize downtowns by encouraging private investment, with the goal attracting new businesses and creating jobs.

Community Development Services

PSB employees provided 1,019 hours of financial expertise or technical assistance to 7 different community development-related organizations in this assessment area during the evaluation period. The majority of the community development-related services benefitted organizations involved in economic development. The number of organizations benefitted increased by three since the last evaluation.

The following table illustrates the bank’s community development services by purpose and year.

Community Development Services Vermont Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	0	78	250	0	328
2022	0	78	250	0	328
2023	0	63	300	0	363
YTD 2024	0	0	0	0	0
Total	0	219	800	0	1,019
<i>Source: Bank Data</i>					

The following are examples of community development services in the VT assessment area.

- *Northeastern Vermont Development Association (NVDA)*: NVDA serves as both a Regional Development Corporation (RDC) and a Regional Planning Commission. As a RDC, NVDA helps existing small businesses grow by administering a revolving loan fund and providing consulting services to help prepare funding requests. An executive vice president serves as a committee member.
- *Saint Johnsbury Development Fund, Inc.*: This organization encourages industrial, recreational, agricultural, and other enterprises to locate or remain in St. Johnsbury and neighboring towns by providing financial aid or assistance. An executive vice president serves as President of the organization.

During the evaluation period, the bank provided the following additional services.

- *Interest on Lawyers Trust Accounts (IOLTA)*: The bank participates in the IOLTA program, which uses interest generated from attorney trust accounts to fund legal services for low-income clients. The bank held 21 accounts as of the evaluation date and paid \$394,394.80 in interest during the evaluation period.
- *Interest on Real Estate Trust Accounts (IORTA)*: The bank remits interest generated from real estate trust accounts to the Vermont Housing Finance Agency (VHFA) for mortgage down payment or closing cost assistance. As of the date of the evaluation, the bank had 12 IORTAs, and paid approximately \$825.78 in interest to the VHFA during the evaluation period.

In addition, the bank operates three branches, four deposit-taking ATMs and two cash-only ATMs in moderate-income census tracts, which help meet the service needs of the assessment area's low- and moderate-income individuals.

NEW HAMPSHIRE – Full-Scope Review

CRA RATING FOR NEW HAMPSHIRE: Satisfactory

The Lending Test is rated: Satisfactory

The Community Development Test is rated: Outstanding

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAMPSHIRE

PSB operates 4 (36.4 percent) of its 11 branches in the NH assessment area. The NH assessment area encompasses 15 census tracts located in Coos (11) and Grafton Counties (4). The assessment area includes all of the municipalities in Coos County and the following municipalities in Grafton County: Littleton, Bethlehem, Sugar Hill, Franconia, Monroe, Lyman, Lisbon, Bath, Landaff, and Easton.

Economic and Demographic Data

According to the 2020 U.S. Census data, the 15 census tracts within the NH assessment area reflect the following income designations:

- 1 low-income census tract,
- 7 moderate-income census tracts, and
- 7 middle-income census tracts.

The one low-income census tract is located in Berlin, and the seven moderate-income census tracts encompass the following towns: Littleton, Dalton, Whitefield, Success, Milan, Cambridge, Drummer, Stark, Northumberland, Stratford, Odell, Millsfield, Errol, Wentworth, Ervins, Columbia, Colebrook, Dixville, Clarksville, and Stewartstown. Community development activities directed to these areas likely benefit low- and moderate-income individuals and receive CRA credit.

In 2022, the FFIEC released updates to MSA and Metropolitan Divisions, states, counties, census tracts, and income level indicators based on information collected during the 2020 U.S. Census. These updates included changes to the income designations of some existing census tracts in the assessment area. These updates resulted in one additional low-income census tract, four additional moderate-income census tracts, and three additional middle-income census tracts.

The following table illustrates select demographic characteristics of the NH assessment area.

Demographic Information of the Assessment Area						
New Hampshire Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	15	6.7	46.7	46.7	0.0	0.0
Population by Geography	46,372	4.7	41.8	53.5	0.0	0.0
Housing Units by Geography	30,660	4.8	46.5	48.7	0.0	0.0
Owner-Occupied Units by Geography	14,871	4.5	43.2	52.2	0.0	0.0
Occupied Rental Units by Geography	5,727	9.4	38.0	52.6	0.0	0.0
Vacant Units by Geography	10,062	2.5	56.2	41.3	0.0	0.0
Businesses by Geography	5,928	4.5	34.8	60.7	0.0	0.0
Farms by Geography	233	0.4	40.3	59.2	0.0	0.0
Family Distribution by Income Level	12,505	29.1	21.3	22.2	27.3	0.0
Household Distribution by Income Level	20,598	31.7	21.1	18.3	28.9	0.0
Median Family Income Non-MSAs - NH		\$85,473	Median Housing Value			\$160,330
			Median Gross Rent			\$726
			Families Below Poverty Level			6.9%
<i>Source: 2020 U.S. Census and 2023 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2023 D&B data, 5,928 non-farm businesses operate in the NH assessment area. The following reflect the (GARs) for these businesses.

- 86.6 percent have \$1.0 million or less,
- 3.4 percent have more than \$1.0 million, and
- 10.0 percent have unknown revenues.

Of all businesses in the assessment area, 64.9 percent have four or fewer employees, 84.5 percent have revenues less than \$0.5 million, and 89.8 percent operate from a single location. These factors indicate that the majority of the area’s businesses are very small. Service industries represent the largest portion of businesses at 35.6 percent; followed by non-classifiable establishments (18.6 percent); retail trade (12.3 percent); finance, insurance, and real estate (8.8 percent); and construction (7.1 percent).

According to the Bureau of Labor Statistics, as of December 2023, the NH unemployment rate was 2.5 percent, which was lower than the national rate of 3.7 percent. The unemployment rate was elevated in 2020 due to the COVID-19 pandemic, but steadily declined in 2021 and 2022.

Examiners used the 2022 FFIEC-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table shows the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NH NA Median Family Income (99999)				
2022 (\$94,500)	<\$47,250	\$47,250 to <\$75,600	\$75,600 to <\$113,400	≥\$113,400
2023 (\$94,500)	<\$47,250	\$47,250 to <\$75,600	\$75,600 to <\$113,400	≥\$113,400
<i>Source: FFIEC</i>				

The area’s demographics suggest that there are challenges for lenders to extend home loans to low-income borrowers. According to 2020 U.S. Census data, 29.1 percent of families are low-income, including 6.9 percent below the poverty level. A low-income family, with an income of \$47,250 or less, particularly those with incomes below the poverty threshold, would likely have difficulty qualifying for a home mortgage loan using traditional underwriting standards considering the median housing value of \$160,330. Additionally, the lower percentage of owner-occupied housing units in the low-income census tract likely limits the opportunity for lenders to originate home mortgage loans in this tract.

Competition

The bank operates in a competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2023, 8 financial institutions operated 21 offices in the assessment area. Of these institutions, PSB ranked 3rd with a 16.3 percent deposit market share. The top two banks were Woodsville Guaranty Savings Bank and Northway Bank. Collectively, these two institutions held 38.4 percent of the deposit market share.

Home mortgage lending is competitive in the NH assessment area. Competitors include national banks, regional banks, credit unions, and mortgage companies. According to 2022 peer mortgage data, 159 lenders reported 1,227 home mortgage loans originated or purchased in the NH assessment area. NEHL ranked 45th originating 5 mortgage loans for a 0.4 percent market share. The top three lenders included Rocket Mortgage with a 9.3 percent market share, Northway Bank with an 8.1 percent market share, and Mascoma Bank with a 6.9 percent market share.

As previously mentioned, PSB is not required to collect and report small business loan data, and has not elected to do so; therefore, aggregate lending data does not include the bank’s lending data. Despite this, examiners reviewed the most recently available aggregate data to understand the level of competition and demand for small business loans in the assessment area. There is a high level of competition for small business loans among banks, credit unions, and credit card companies in the assessment area. According to the 2022 peer small business data, 73 lenders originated 3,020 small business loans in Coos and Grafton Counties. The top three lenders included American Express; JPMorgan Chase Bank, N.A.; and Capital One Bank (USA), N.A. These three institutions accounted for 44.2 percent of the market share by number of loans. This indicates that competition for small business loans among smaller financial institutions and community banks is high.

Community Contact

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

Examiners reviewed a recent contact with an affordable housing organization active in the NH assessment area. The organization manages 565 affordable housing units with 100 under construction and several hundred in the planning and permitting phase. Long waiting lists for affordable housing exist due to low average wages and a high demand for affordable housing. The contact mentioned that high construction costs and construction loan interest drive the need for alternative funding sources such as tax credits. Low-income housing tax credits account for a majority of funding for affordable housing development in this assessment area.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable home mortgage loans are a primary credit need of the assessment area. Additionally, affordable housing is a primary community development need and opportunity in the NH assessment area.

SCOPE OF EVALUATION – NEW HAMPSHIRE

Examiners used full-scope examination procedures to review the bank's operations in the NH assessment area. Examiners assessed the same products and evaluation period described previously under the Scope of Evaluation section of this evaluation. The bank's record of originating small business loans contributed more weight to the overall conclusions in the NH assessment area due to the larger loan volume when compared to home mortgage loans.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE

LENDING TEST

PSB demonstrated satisfactory performance under the Lending Test within the NH assessment area. Reasonable Geographic Distribution and Borrower Profile performance primarily support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the NH assessment area. The bank's reasonable performance of small business lending primarily supports this conclusion.

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Despite the low level of lending in the low-income tract, PSB bank originated two small business loans in the sole low-income tract, which was slightly below demographics. PSB’s level of lending in moderate-income tracts compares reasonably with demographics in 2022 and 2023. Despite a decline in overall small business lending in 2023, the percentage of loans in moderate-income tracts increased as a percentage of overall lending.

Geographic Distribution of Small Business Loans					
New Hampshire Assessment Area					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2022	4.7	2	2.6	188	1.5
2023	4.5	0	0.0	0	0.0
Moderate					
2022	34.6	21	26.9	2,798	23.0
2023	34.8	20	29.9	3,105	36.4
Middle					
2022	60.7	55	70.5	9,156	75.4
2023	60.7	47	70.1	5,414	63.6
Upper					
2022	0.0	0	0.0	0	0.0
2023	0.0	0	0.0	0	0.0
Totals					
2022	100.0	78	100.0	12,143	100.0
2023	100.0	67	100.0	8,519	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

NEHL made five home mortgage loans in the assessment area in 2022 and five in 2023. NEHL did not originate any loans in the low-income census tract in 2022 or 2023. Within moderate-income tracts, NEHL originated three loans in 2022 and one loan in 2023. Although the percentage of loans made in moderate-income census tracts exceeded aggregate performance in 2022, the volume of loans in this assessment area does not support a meaningful analysis. Examiners placed little weight on conclusions in this area.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among businesses of different sizes and individuals of different income levels in the assessment area. The bank’s reasonable performance of small business lending primarily supports this conclusion.

Small Business Loans

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. Despite trailing demographics in 2022 and 2023, PSB originated a majority of small business loans in the NH assessment area to businesses with GARs of \$1.0 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
New Hampshire Assessment Area					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2022	84.7	55	70.5	5,245	43.2
2023	86.6	38	56.7	3,626	42.6
>\$1,000,000					
2022	4.0	23	29.5	6,898	56.8
2023	3.4	26	38.8	4,708	55.3
Revenue Not Available					
2022	11.3	0	0.0	0	0.0
2023	10.0	3	4.5	185	2.2
Totals					
2022	100.0	78	100.0	12,143	100.0
2023	100.0	67	100.0	8,519	100.0
<i>Source: 2022 & 2023 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Home Mortgage Loans

NEHL made three loans to low-income borrowers in 2022 and one loan to a low-income borrower in 2023. In lending to moderate-income borrowers, NEHL did not originate any home mortgage loans in 2022 and originated one loan to a moderate-income borrower in 2023. As mentioned above, the volume of home mortgage loans in this assessment area is minimal and does not support a meaningful analysis. Examiners placed little weight on conclusions in this area.

COMMUNITY DEVELOPMENT TEST

PSB demonstrated excellent responsiveness to the community development needs of the NH assessment area through CDLs, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities.

Community Development Loans

PSB originated 11 CDLs totaling approximately \$3.7 million in the NH assessment area. This total includes three CDLs for approximately \$3.5 million and eight SBA PPP loans totaling approximately \$196,655. The bank’s community development lending activity declined from the previous evaluation when the bank made 101 CDLs totaling approximately \$15.2 million, of which

98 for \$13.0 million were SBA PPP loans. This decline in CDL originations is primarily due to the discontinuance of the SBA PPP loan program, which was a limited time program offered in response to the COVID-19 pandemic. Despite this decline, the number of CDLs (excluding SBA PPP loans) remained consistent and increased 75.0 percent by dollar since the last evaluation. This illustrates the bank continued excellent responsiveness to the community development needs in its assessment area. The following table shows the bank’s community development lending activity by year and purpose.

Community Development Lending New Hampshire Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (Partial)	0	0	0	0	0	0	8	197	8	197
2022	2	2,786	1	750	0	0	0	0	3	3,536
2023	0	0	0	0	0	0	0	0	0	0
YTD 2024	0	0	0	0	0	0	0	0	0	0
Total	2	2,786	1	750	0	0	8	197	11	3,733

Source: Bank Data

The following are examples of community development loans in the NH assessment area.

- In 2022, the bank originated a \$750,000 loan to a federally qualified health center that offers affordable health services, such as primary care. The organization uses a sliding fee scale based on income and family size, ensuring that uninsured or underinsured patients receive care regardless of their ability to pay. The majority of patients served are low- or moderate-income.
- In 2022, the bank originated a \$2.0 million loan to an affordable housing organization that manages over 300 senior citizen and affordable housing units. The organization develops and manages affordable housing for low- and moderate-income residents in northern NH.

Qualified Investments

PSB made 24 qualified investments totaling approximately \$55,000 in the NH assessment area. This includes 1 investment for \$25,000 and 23 grants and donations for approximately \$30,000 during the evaluation period. The bank’s total qualified investments in the NH assessment area declined since the previous evaluation when the bank made 60 qualified investments for approximately \$362,000. The decline is due to the maturity of several prior period investments. The vast majority of grants and donations supported community services benefitting low- and moderate-income individuals. The following table illustrates the bank’s qualified investment activity by year and purpose.

Qualified Investments New Hampshire Assessment Area										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2021 (Partial)	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	1	25	1	25
YTD 2024	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	1	25	1	25
Qualified Grants & Donations	1	1	21	28	1	1	0	0	23	30
Total	1	1	21	28	1	1	1	25	24	55
<i>Source: Bank Data</i>										

The following are examples of qualified investments in the NH assessment area.

- In 2023, the bank purchased a \$25,000 tax credit through the Community Development Finance Authority that helped create a 29-unit affordable housing development in the assessment area.
- In 2021, the bank donated \$6,250 to a non-profit organization that provides support services such as an emergency shelter, food assistance, and energy assistance to individuals of low- or moderate-income levels.

Community Development Services

PSB employees provided 680 hours of financial expertise or technical assistance to 3 different community development-related organizations. The majority of the community development-related services had the primary purpose of economic development. PSB provided 36 instances of financial expertise or technical assistance to 3 different community development-related organizations at the previous evaluation. The following table illustrates the bank’s community development services by year and purpose.

Community Development Services New Hampshire Assessment Area					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (Partial)	6	12	300	0	318
2022	6	12	300	0	318
2023	12	12	20	0	44
YTD 2024	0	0	0	0	0
Total	24	36	620	0	680
<i>Source: Bank Data</i>					

The following are examples of community development services in the NH assessment area.

- *Littleton Industrial Development Corporation (LIDC)*: The LIDC manages the Littleton Industrial Park, housing 18 businesses and employing 1,200 people. The LIDC is expanding the park to include 42 acres of land giving small businesses opportunity to develop or expand and create jobs in the area, including low- and moderate-income jobs. A Trustee is the President of the LIDC.
- *Lancaster City Housing Authority (LCHA)*: The LCHA owns and operates 564 affordable housing units throughout the city. Additionally, the LCHA administers Section 8 Housing Choice Vouchers by matching eligible applicants and property owners. A Trustee serves as Chairman of the Board.

During the evaluation period, the bank provided the following additional service.

- *IOLTA*: The bank participates in the IOLTA program, which uses interest generated from attorney trust accounts to fund legal services for low-income clients. The bank held three accounts as of the evaluation date and paid \$20,121.19 in interest during the evaluation period.

In addition, the bank operates two branches with deposit-taking ATMs in moderate-income census tracts, which helps meet the service needs of low- and moderate-income individuals in the NH assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

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

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

Community Development Test

The Community Development Test considers the following criteria:

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

SUMMARY OF RATINGS FOR RATED AREAS

Rated Area	Lending Test	Community Development Test	Rating
VERMONT	Satisfactory	Outstanding	Satisfactory
NEW HAMPSHIRE	Satisfactory	Outstanding	Satisfactory

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

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

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

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

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

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

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

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

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

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

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

Community Development Loan: A loan that:

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

Community Development Service: A service that:

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

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

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

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

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

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

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

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

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited-scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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