



Office of the
Comptroller of the Currency
Washington, DC 20219

INTERMEDIATE SMALL BANK

PUBLIC DISCLOSURE

November 18, 2013

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mascoma Savings Bank
Charter Number 713316

67 North Park Street Lebanon, NH 03766-1317

Office of the Comptroller of the Currency

99 Summer Street Suite 1400, Boston, MA 02110

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

TABLE OF CONTENTS

INSTITUTION'S CRA RATING	2
SCOPE OF EXAMINATION.....	2
DESCRIPTION OF INSTITUTION	3
SELECTION OF AREAS FOR FULL-SCOPE REVIEW.....	4
RATINGS	4
LOAN-TO-DEPOSIT RATIO	5
FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW.....	5
STATE RATING	6
STATE OF NEW HAMPSHIRE	6
STATE OF VERMONT	16
APPENDIX A: SCOPE OF EXAMINATION.....	A1
APPENDIX B: SUMMARY OF MULTISTATE METROPOLITAN AREA AND STATE RATINGS	B1

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

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

The major factors supporting the institution's CRA ratings are:

- The Bank's level of lending, as reflected in its quarterly average net loan-to-deposit ratio, is more than reasonable given the assessment area's (AA) size and needs, and relevant competitive factors.
- The majority of originated and purchased loans are within the Bank's assessment area.
- The distribution of loans reflects excellent distribution among individuals of different income levels.
- The Bank's community development performance reflects excellent responsiveness to community development needs given the Bank's capacity and community development opportunities within the AAs.

Scope of Examination

Mascoma Savings Bank (MSB or Bank) was evaluated using Intermediate Small Bank (ISB) examination procedures, which include a lending test and a community development (CD) test. The Lending Test evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the Bank's responsiveness to the CD needs in its AAs through CD lending, qualified investments, and community development services.

The evaluation period for the Lending Test covers the Bank's performance from January 1, 2011 through June 30, 2013. For the period from January 1, 2011 through December 31, 2011, the Bank's performance was compared to the 2000 U.S. Census Data. For the period from January 1, 2012, through June 30, 2013, the Bank's performance was compared to the 2010 U.S. Census Data.

The evaluation period for the CD Test is from April 13, 2010, the date of the last CRA examination, through November 18, 2013. CD loans, investments, and services submitted by management were verified to ensure they met the regulatory definition for community development.

MSB's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans including home purchase, home refinance, and home improvement loans. As indicated by the September 30, 2013, Uniform Bank Performance Report, residential loans represent approximately 58% of the overall loan portfolio at the Bank.

MSB does not have a home office or branch located in a Metropolitan Statistical Area (MSA) and therefore is exempt from data reporting requirements of the Home Mortgage Disclosure Act (HMDA). The institution does, however, maintain HMDA information on its residential loans. We conducted a data integrity exam of the Bank's HMDA data for residential real estate loans originated/purchased, and found that the data was reliable. All residential real estate loans originated and purchased during the assessment period were included in our evaluation of the Bank's lending.

Description of Institution

MSB is an interstate federally chartered stock institution headquartered in Lebanon, New Hampshire (NH), with total assets of \$1.1 billion as of June 30, 2013. The Bank is wholly owned by a mutual holding company, Mascoma Mutual Financial Services. MSB has one affiliate, Mascoma Investment Services, which was not considered in evaluating the Bank's overall CRA performance.

The Bank operates 18 full-service branch offices serving west central New Hampshire and east central Vermont. The Bank operates nine full-service offices in the state of New Hampshire and majority of these branches are located in upper-income geographies with the exception of the branches located in Canaan and West Lebanon, New Hampshire, which are located in a middle-income geography. In addition, MSB also operates nine full-service branches in the state of Vermont. The branches located in Hartland, Norwich, and Woodstock, Vermont, are located in upper-income geographies while the remainder of the Vermont branches are located in middle-income geographies. Branch hours are typically 09:00am to 05:00pm Monday through Friday and 09:00am to 12:00pm on Saturdays. No branches were opened or closed during the evaluation period.

MSB is a full service, interstate institution, offering a standard array of traditional loan and deposit products for both personal and business customers. The Bank's website www.mascomabank.com provides a full listing and description of its deposit and loan services. The Bank also offers a variety of different account access alternatives including telephone banking, online banking with bill pay options, electronic statements, person-to-person payments, and a mobile banking application. In addition, to the above services for consumer accounts, the Bank also offers a wide variety of account access alternatives for their business customers. These include cash management services, remote deposit capture, merchant credit card processing, and lockbox services. MSB also operates full-service automated teller machines (ATMs) at all of its branches.

As of September 30, 2013, total assets, total deposits, and net Tier One Capital were \$1.1 billion, \$777 million, and \$109 million, respectively. The loan portfolio totaled \$856 million, or 77% of total assets, as of September 30, 2013. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product September 30, 2013	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	50%
Home Equity	4%
Commercial & Industrial	9%
Commercial Real Estate	31%
Construction and Development	5%
Consumer Loans	1%

Source: FDIC Call Report

The Bank has no financial or legal impediments to meeting the credit needs of the community. MSB was rated "Outstanding" using ISB procedures at the previous CRA examination dated April 13, 2010.

Selection of Areas for Full-Scope Review

MSB has branches in two states, New Hampshire and Vermont. The CRA requires a bank to define the AA in which it will be evaluated. We selected the Bank's entire AA and reviewed it as two AAs, which includes all branches and deposit taking ATMs, as well as, the contiguous towns/cities around these offices. The Bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income areas.

The New Hampshire AA was evaluated as one single AA. The AA includes portions of Grafton County, Merrimack County, and Sullivan County, which are not located in a MSA. The Vermont AA was also evaluated as one single AA. The Vermont AA includes portions of Orange County and Windsor County, which are not located in a MSA. A full-scope review was performed for each AA in New Hampshire and Vermont. Additional information about these AAs can be found in the Bank's public file.

Ratings

The Bank's overall rating is a blend of state ratings. For the lending test, the Bank's performance in the state of New Hampshire was more heavily weighted in arriving at overall conclusions as the substantial majority of the Bank's loans and deposits are located here. Approximately 64% of the Bank's overall deposits and 56% in loan originations during the evaluation period are attributed to operations in New Hampshire. Refer to the "Selection of Areas for Full-Scope Review" above and the "Scope" section under each State Area Rating section for information regarding how each AA was weighted in arriving at the respective ratings for each test.

Furthermore, the Bank's performance from January 1, 2012, through June 30, 2013, was more heavily weighted when arriving at overall conclusions for the Lending Test criteria. The Bank originated 1,292 loans during this period, which represents 67% of the total home loan originations during the evaluation period.

Conclusions with Respect to Performance Criteria

MSB's performance under the Lending Test is Outstanding. The Bank's loan-to-deposit ratio is more than reasonable and a substantial majority of the Bank's loans is originated inside the AA. Overall, the distribution of loans reflects excellent distribution among individuals of different income levels.

Loan-to-Deposit Ratio

The Bank's loan-to-deposit ratio is more than reasonable given the Bank's size, financial condition, and the AA's credit needs. The Bank's net loan-to-deposit ratio averaged 102% over the last fourteen quarters since the previous CRA examination. During this period, the loan-to-deposit ratio ranged from a quarterly low of 97% to a high of 106%. MSB's loan-to-deposit ratio is significantly higher than the national peer bank median quarterly average of 85% over the same period.

Lending in Assessment Area

MSB originates a substantial majority of their primary loan products within the Bank's assessment area and the Bank meets the standard for outstanding performance. MSB originated 93% by number and 94% by dollar amount of loans within the Bank's AAs. The following table details the Bank's lending within the AAs by number and dollar amount of loans.

Lending in MSB's AA (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Loans	1,943	93%	139	7%	2,082	365,209	94%	22,826	6%	\$388,025
Totals	1,943	93%	139	7%	2,082	365,209	94%	22,826	6%	\$388,025

Source: HMDA – reported data from 1/1/2010-12/31/2012

Fair Lending or Other Illegal Credit Practices Review

Pursuant to C.F.R. 195.28(c), in determining a Federal savings association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.

State Rating

State of New Hampshire

CRA Rating for New Hampshire: Outstanding.

The Lending Test is rated: Outstanding.

The Community Development Test is rated: Outstanding.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW HAMPSHIRE

The AA in New Hampshire was reviewed as one combined AA. The New Hampshire AA received a full-scope review and is not located within an MSA. MSB operates nine full service branches with deposit taking ATMs within the New Hampshire AA. The AA includes portions of Grafton County, Merrimack County, and Sullivan County. According to the 2000 U.S. Census, the New Hampshire AA is comprised of fifteen census tracts, which included twelve middle-income tracts (80%) and three upper-income tracts (20%). The 2000 U.S. Census Data indicates that 29% of families in the New Hampshire AA are considered low- or moderate-income and approximately 6% of the households are below the poverty line.

Demographic information for the New Hampshire AA based the 2000 U.S. Census is broken down below:

Demographic Information for Mascoma Savings Bank New Hampshire AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	15	0%	0%	80%	20%
Population by Geography	62,419	0%	0%	76%	24%
Owner Occupied Housing by Geography	17,675	0%	0%	82%	18%
Family Distribution by Income Level	16,159	12%	17%	25%	46%
2000 Census Median Family Income (MFI)		\$50,942	Median Housing Value*		\$250,642
HUD Updated MFI: 2011		\$69,400	Families Below the Poverty Level		6%
			Unemployment Rate **		4.4%

Source: 2000 U.S. Census data

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 06/30/2013. Rate is average of Grafton, Merrimack, and Sullivan Counties.

Based on the 2010 U.S. Census Data, the New Hampshire AA is still comprised of 15 census tracts and there are no low- or moderate-income tracts within the Bank's AA. The New Hampshire AA now includes eight middle-income tracts (53%) and seven upper-income tracts (47%). The percent of families considered low- or moderate-income remains 29% and approximately 8% of the households are below the poverty line.

Demographic information for New Hampshire AA based on the 2010 U.S. Census data is broken down below:

Demographic Information for Mascoma Savings Bank New Hampshire AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	15	0%	0%	53%	47%
Population by Geography	68,386	0%	0%	52%	48%
Owner Occupied Housing by Geography	19,478	0%	0%	54%	46%
Family Distribution by Income Level	17,251	14%	15%	19%	52%
2010 Census Median Family Income (MFI)		\$66,238	Median Housing Value*		\$250,642
HUD Updated MFI: 2012		\$70,300	Families Below the Poverty Level		8%
			Unemployment Rate **		4.4%

Source: 2010 U.S. Census data

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 06/30/2013. Rate is average of Grafton, Merrimack, and Sullivan Counties.

MSB operates in a highly competitive market with competition from large regional commercial banks, and local savings banks and credit unions. The Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2013, indicates that 23 financial institutions operate branches within the three counties that make up the Bank's New Hampshire AA. MSB ranks 5th with a deposit market share of approximately 7.5%. The Bank's local competitors include, but are not limited to: TD Bank, National Association; Bank of America, National Association; RBS Citizens, National Association; and Lake Sunapee Bank, FSB.

Based on the September 2013 Moody's Analytics, the economic recovery in New Hampshire has somewhat slowed down because of the lack of demand for high-tech services industry. The Moody's report also indicates that New Hampshire's recovery will accelerate in the coming quarters with increased anticipated demand for high-tech manufactured good and stimulated financial services. The long-term outlook for New Hampshire's recovery is positive given the low cost of doing business and a highly skilled workforce supportive of business investments. The unemployment rate within the Bank's AA remains low at 4.4% as of June 30, 2013, and compared favorably to the New Hampshire state average of 5.1% and national average of 7.6%.

Top employers in the New Hampshire AA include: Dartmouth-Hitchcock Medical Center, Dartmouth College, and Hypertherm. Additionally, top employers in the state include: DeMoulas Supermarkets Inc.; BAE Systems Electronic Solutions; Hannaford Brothers; Shaw's Supermarkets; Elliot Hospital; Wentworth-Douglass Hospital; and Southern New Hampshire Medical Center.

The median housing prices in the New Hampshire AA remains relatively high compared to the Housing and Urban Development (HUD) updated median family income despite the slowdown in economic recovery. The relatively expensive housing market limits the

availability of affordable housing for low- and moderate-income families within the Bank's New Hampshire AA, particularly low-income households. Based on data from Zillow.com, as of November 30, 2013, the average median cost of housing for the towns that comprise the New Hampshire AA is \$251 thousand. The median cost of housing within the Bank's AA remains higher than the state average of \$229 thousand.

SCOPE OF EVALUATION IN NEW HAMPSHIRE

Performance in the New Hampshire AA was given the most weight in the overall lending conclusions as the majority of the Bank's loans and deposits are located here. Approximately 64% of the Bank's overall deposits and 56% in loan originations during the evaluation period are attributed to operations in New Hampshire.

In assessing the Bank's performance, we contacted a local organization whose mission is to promote balanced communities that provide an adequate supply of housing for the workforce in New Hampshire and Vermont. The organization provides information to communities and neighborhoods regarding the need for housing and proposes strategies to increase the housing supply. The contact mentioned that the current economic condition of the region has been tough on the area's residents, especially those on the outskirts of the region the organization serves. They mentioned that although employment is relatively stable, there is still a need for jobs. Affordable housing development remains a high priority to ensure stock of housing is adequately serving the needs of the communities. Local banks, including MSB, were perceived positively for their involvement with the organization and in the community. The contact also indicated that there are several opportunities for participation by local financial institutions, which include assistance with affordable housing programs and social services targeted towards low- and moderate-income individuals.

We also contacted a regional non-profit organization whose mission is to promote economic development and provide social services targeted towards low- and moderate-income individuals. The organization serves sixty-nine towns in the Upper Connecticut River Valley region of Vermont and New Hampshire. The contact mentioned that affordable housing development remains a high priority in the area and manufactured housing loans (with lower interest rates) were an identified need within the community. The contact stated that three local banks have provided tremendous support to the organization and one of them was MSB. The contact mentioned that local banks have participated as directors on their board and as committee representatives. It was noted that these banks have been and continue to be genuinely interested in identifying and supporting community needs. The contact mentioned that there are several opportunities for participation by local institutions as the need for grants has increased in recent times.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW HAMPSHIRE

LENDING TEST

The Bank's performance under the Lending Test in New Hampshire is rated Outstanding.

The distribution of loans reflects excellent distribution among individuals of different income levels. Geographic distribution of home loans is not applicable as there are no low- or moderate-income tracts within the Bank's New Hampshire AA.

Lending to Borrowers of Different Incomes

The overall distribution of home loans within the Bank's New Hampshire AA reflects excellent distribution among individuals of different income levels.

Conclusion for full-scope New Hampshire AA

The distribution of home loans originated and/or purchased during 2011 reflects excellent distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2011. The percent of home refinance loans made to low-income borrowers significantly exceeds the peer aggregate lending data, which is the primary comparator for MSB. The percent of home refinance loans is lower than the percent of low-income families within the AA. The percent of home refinance loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data and exceeds the percent of moderate-income families within the AA.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of moderate-income families within the AA.

The Bank did not make any home improvement loans to low-income borrowers during 2011. The percent of home improvement loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data and the percent of moderate-income families within the AA. However, the bank only made six home improvement loans during 2011 and the peer aggregate lending data suggests limited lending opportunities for home improvement loans.

The following tables show the distribution of home loans products among borrowers of different income levels compared to the percent of families in each income category as well as the peer aggregate lending data for HMDA reported within the Bank's New Hampshire AA.

Table 2 – Aggregate Lending Data for Borrower Distribution in New Hampshire AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Aggregate Data	% of Number of Loans	% of Aggregate Data	% of Number of Loans	% of Aggregate Data	% of Number of Loans	% of Aggregate Data	% of Number of Loans
Home Purchase	3	7	19	23	23	26	55	44
Home Improvement	1	0	17	33	25	0	57	67
Home Refinance	2	7	10	19	23	25	65	49

Source: HMDA reported data from 1/1/2011 to 12/31/2011.

Table 2A - Borrower Distribution of Residential Real Estate Loans in New Hampshire AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	12	7	18	23	25	26	46	44
Home Improvement	12	0	18	33	25	0	46	67
Home Refinance	12	7	18	19	25	25	46	49

Source: HMDA reported data from 1/1/2011 to 12/31/2011.

The borrower distribution of home loans originated and/or purchased during 2012 and 2013 reflects excellent distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2012 and 2013. The percent of home refinance loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data for low-income borrowers. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. Furthermore, the percent of home refinance loans to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of moderate-income families within the Bank's AA.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data and is near to the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers is near to the percent of peer aggregate lending data and exceeds the percent of moderate-income families within the AA. MSB did not make any home improvement loans to low- or moderate-income borrowers during 2012 and

2013; however, it should be noted that the Bank only originated four home improvement loans during this period.

The Bank's performance is considered outstanding when compared to peer aggregate lending data and the significant market competition within the Bank's AA. The 2012 Peer Institution Market Share report indicates that MSB competes with 172 lenders within the New Hampshire AA for mortgage lending. The expensive housing within the AA also limits lending to low- and moderate-income borrowers. Based on the data collected from Zillow.com, the average median home price in the New Hampshire AA is \$251 thousand. The 2012 HUD updated median family income is \$70,300, which means that low-income borrower, would earn less than \$35,150, making it difficult to qualify for a home loan.

The following tables show the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category as well as the peer aggregate lending data for HMDA reporters within the Bank's New Hampshire AA.

Table 2A – Aggregate Lending Data for Borrower Distribution in New Hampshire AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	5	10	17	16	22	22	56	52
Home Improvement	8	0	13	0	15	75	64	25
Home Refinance	3	6	10	19	19	26	68	49

Source: HMDA reported data from 1/1/2012 to 06/30/2013

Table 2A - Borrower Distribution of Residential Real Estate Loans in New Hampshire AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	14	10	15	16	19	22	52	52
Home Improvement	14	0	15	0	19	75	52	25
Home Refinance	14	6	15	19	19	26	52	49

Source: HMDA reported data from 1/1/2012 to 06/30/2013.

Geographic Distribution of Loans

Geographic distribution of home loans is not applicable as the Bank does not have any low- or moderate-income census tracts within the New Hampshire AA.

Responses to Complaints

There were no CRA complaints received by the Bank or the agency during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the CD Test in New Hampshire is rated Outstanding. MSB's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through CD loans, investments, and services.

Number and Amount of Community Development Loans

MSB originated a high level of CD loans during this evaluation period. The Bank originated 13 loans totaling \$2.6 million during the evaluation period that qualified as community development loans and directly benefited the Bank's AA. The CD loans made by the Bank provided financing for organizations that provide affordable housing and provide services targeted towards low- and moderate-income individuals.

In addition, the Bank also originated two New Market Tax Credit (NMTC)/ Recovery Zone Bond loans totaling \$18 million. These NMTC loans were originated in conjunction with qualified Community Development Entities (CDE) in qualified low-income areas of New Hampshire. The purpose of these NMTC loans was to promote economic development within these distressed low-income communities in New Hampshire. The qualified CDE's serve the entire state of New Hampshire and the projects financed by the banks were part of the broader statewide or regional area, which includes the Bank's AA.

The highlights of the Bank's community development loans are as follows:

- A \$1 million line of credit to a local non-profit organization that provides specialized services towards low- and moderate-income individuals that are struggling with emotional, behavioral, or addictive disorders.
- A \$725 thousand loan to a local organization to refinance a loan for an organization that provides low-cost housing for elderly individuals that are capable of independent living.
- A \$245 thousand loan to a local non-profit organization that provides affordable housing targeted towards low- and moderate-income individuals. The project funded

by the loan received rental subsidies through the Section 8 housing assistance program.

- A \$200 thousand line of credit to a local non-profit organization that provides services for senior citizens with disabilities. The majority of the individuals served by the organization are considered low- or moderate-income.
- A \$150 thousand line of credit to a local non-profit organization that provides residential and outreach programs for pregnant and parenting teens. A majority of the clients served by the organization are considered low- income.
- A \$50 thousand line of credit to a local non-profit organization that provides social services targeted towards low- and moderate-income individuals.
- A \$35 thousand line of credit to a local non-profit organization that provides services to low- and moderate-income kids with developmental disabilities.
- A \$25 thousand line of credit to a local non-profit organization that provides education, training, and consultation to at risk adolescents. The majority of the individuals served by the organization are considered low- or moderate-income.
- A \$25 thousand line of credit to a local non-profit organization that provides social services including food bank and clothing shelf targeted towards low- and moderate-income individuals.
- A \$16 thousand loan to a local non-profit organization for the purchase of a passenger van. The organization provides daycare services targeted towards low- and moderate-income individuals.
- A \$10 thousand line of credit to a local non-profit organization that promotes workforce housing advocacy and education targeted towards low- and moderate-income individuals.

In addition, following are the highlights of the NMTC loans:

- A \$12.9 million NMTC/Recovery Zone Bond loan for the purpose of constructing a new office building in a qualified low-income zone in Concord, NH.
- A \$5.5 million NMTC/Recovery Zone Bone loan for the purpose of constructing a 70,000 square feet office space in a qualified low-income zone.

Number and Amount of Qualified Investments

The Bank's level of CD investments and donations within the New Hampshire AA is satisfactory considering the Bank's capacity, significant market competition, and the availability of community development opportunities. The Bank did not make any

qualified investments in the New Hampshire AA during the evaluation period and the Bank does not have any prior period investments. The Bank's donations through the MSB Foundation during the evaluation period totaled \$92 thousand. This is comprised of 22 grants/donations to 22 community development organizations within the Bank's AA. While the actual level of Bank donations made was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

The Bank's level of community development services in the New Hampshire AA is excellent. Accessibility to the Bank's delivery systems in the AA is good. MSB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The Bank has nine full-service branch locations within the New Hampshire AA. MSB does not have any branches located in low- or moderate-income geographies as there are no low- or moderate-income geographies within the Bank's New Hampshire AA.

In addition, Bank management and employees have worked with various community organizations to help plan, develop, and participate in community development programs. During the review period, Mascoma employees devoted numerous hours to these organizations serving the New Hampshire AA. Overall, the Bank has provided an excellent level of community development services within the New Hampshire AA. The following is a highlight of the significant community development services provided to these organizations:

- A senior vice president serves on the finance committee of an affordable housing organization that serves to ensure the affordable housing unit shortage in the community is being addressed and action plans are developed to create and advocate affordable workforce housing in the Upper Valley communities.
- A senior vice president serves on the finance committee of a community-based program that assists LMI individuals and families with crisis management, drug treatment, and residential services. Bank employees dedicated nearly 120 hours of specialized financial services to this non-profit organization.
- A vice president of the Bank provided financial services to a non-profit organization with a mission of providing affordable home ownership for deserving families in the community who could not otherwise afford a home.
- An assistant vice president of the Bank serves on the Board of Directors and others participated on various committees of an economic development corporation, a non-profit that focuses on economic development. The group works at local and regional levels to expand economic opportunity, especially for low-income and disadvantaged people by helping start-up businesses create job growth and opportunities.

- Bank employees provided approximately 60 hours of financial education through Junior Achievement and related school programs.

Responsiveness to Community Development Needs

Considering the Bank's capacity, the need, and the availability of CD opportunities, MSB's CD performance, through CD loans, investments/donations, and services demonstrates excellent responsiveness to the needs of the AA.

State Rating

State of Vermont

CRA Rating for Vermont: Outstanding.
The Lending Test is rated: Outstanding.
The Community Development Test is rated: Outstanding.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN VERMONT

The AA in Vermont was reviewed as one combined AA. The Vermont AA received a full-scope review and is not located within a MSA. MSB operates nine full-service branches with deposit taking ATMs within the Vermont AA. The AA includes portions of Orange County and Windsor County. According to the 2000 U.S. Census, the Vermont AA is comprised of eighteen census tracts, which included thirteen middle-income tracts (72%) and five upper-income tracts (28%). The 2000 U.S. Census Data indicates that 33% of families in the Vermont AA are considered low- or moderate-income and approximately 9% of the households are below the poverty line.

Demographic information for the Vermont AA based the 2000 U.S. Census is broken down below:

Demographic Information for Mascoma Savings Bank Vermont AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	18	0%	0%	72%	28%
Population by Geography	60,865	0%	0%	70%	30%
Owner Occupied Housing by Geography	18,191	0%	0%	69%	31%
Family Distribution by Income Level	16,575	15%	18%	25%	42%
2000 Census Median Family Income (MFI)		\$46,084	Median Housing Value*		\$288,433
HUD Updated MFI: 2011		\$62,900	Families Below the Poverty Level		9%
			Unemployment Rate **		4.3%

Source: 2000 U.S. Census data

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 06/30/2013. Rate is average of Orange and Windsor Counties

Based on the 2010 U.S. Census Data, the Vermont AA is now comprised of 20 census tracts and there are no moderate-income tracts within the Bank's AA. The Vermont AA now includes one low-income tract (5%), sixteen middle-income tracts (80%) and three upper-income tracts (15%). The percent of families considered low- or moderate-income is 34% and approximately 10% of the households are considered living below the poverty line.

Demographic information for the Vermont AA based on the 2010 U.S. Census data is broken down below:

Demographic Information for Mascoma Savings Bank New Hampshire AA					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	20	5%	0%	80%	15%
Population by Geography	60,634	1%	0%	83%	16%
Owner Occupied Housing by Geography	19,298	>1%	0%	83%	17%
Family Distribution by Income Level	16,698	16%	18%	22%	44%
2011 Census Median Family Income (MFI)		\$60,519	Median Housing Value*		\$250,642
HUD Updated MFI: 2012		\$63,800	Families Below the Poverty Level		10%
			Unemployment Rate **		4.4%

Source: 2010 U.S. Census data

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 06/30/2013. Rate is average of Orange and Windsor Counties

MSB operates in a highly competitive market with competition from large regional commercial banks, and local savings banks and credit unions; however, the Bank commands a good deposit market share within the Vermont AA. The Federal Deposit Insurance Corporation's Deposit Market Share Report, as of June 30, 2013, indicates that 13 financial institutions operate branches within the two counties that make up the Bank's Vermont AA. MSB ranks first with a deposit market share of approximately 19%. The Bank's local competitors include, but are not limited to: People's United Bank; Lake Sunapee Bank, FSB; Wells River Savings Bank; and Merchants Bank.

Based on the September 2013 Moody's Analytics, the Vermont economy is closing in on full recovery from the recession as payroll growth has kept pace with the national average. The report also indicates that Vermont's outlook is fairly upbeat, and it should be among the first New England states to enter a new expansion. Employment growth is expected to lag the national average as a result of slow population growth. The unemployment rate within the Bank's AA remains low at 4.4% as of June 30, 2013, and compared favorably to the national average of 7.6%.

Top employers in Vermont include: Fletcher Allen Healthcare, IBM Corp., University of Vermont, Middlebury College, Shaw's Supermarkets, Rutland Regional Medical Center, and Central Vermont Medical Center.

The median housing prices in the Vermont AA remains relatively high compared to the HUD updated median family income. The relatively expensive housing market limits the availability of affordable housing for low- and moderate-income families within the Bank's Vermont AA, particularly low-income households. Based on data from Zillow.com, as of November 30, 2013, the average median cost of housing for the towns

that comprise the Vermont AA is \$288 thousand. The median cost of housing within the Bank's AA remains higher than the state average of \$230 thousand.

SCOPE OF EVALUATION IN VERMONT

Performance in the Vermont AA was not as heavily weighted as the performance in the New Hampshire AA. MSB operates nine full-service branches within the Vermont AA; however, only 36% of the Bank's overall deposits and 44% in loan originations are attributed to operations in Vermont. Performance in the New Hampshire AA was most heavily weighted in arriving at overall lending conclusions as the majority of the loans and deposits are located in the New Hampshire AA.

In assessing the Bank's performance, we contacted a local organization whose mission is to promote balanced communities that provide an adequate supply of housing for the workforce in New Hampshire and Vermont. The organization provides information to communities and neighborhoods regarding the need for housing and proposes strategies to increase the housing supply. The contact mentioned that the current economic condition of the region has been tough on the area's residents, especially those on the outskirts of the region the organization serves. They mentioned that although employment is relatively stable, but there is still a need for jobs and affordable housing development remains a high priority to ensure stock of housing is adequately serving the needs of the communities. Local banks, including MSB, were perceived positively for their involvement with the organization and in the community. The contact also indicated that there are several opportunities for participation by local financial institutions, which include assistance with affordable housing programs and social services targeted towards low- and moderate-income individuals.

We also contacted a regional non-profit organization whose mission is to promote economic development and provide social services targeted towards low- and moderate-income individuals. The organization serves sixty-nine towns in the Upper Connecticut River Valley region of Vermont and New Hampshire. The contact mentioned that affordable housing development remains a high priority in the area and Manufactured housing loans (with lower interest rates) were an identified need within the community. The interviewee stated that three local banks have provided tremendous support to the organization and one of them was MSB. The interviewee mentioned that local banks have participated as directors on their board and as committee representatives. It was noted that these banks have been and continue to be genuinely interested in identifying and supporting community needs. The contact mentioned that there are several opportunities for participation by local institutions as the need for grants has increased in recent times.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN VERMONT

LENDING TEST

The Bank's performance under the Lending Test in Vermont is rated Outstanding. The distribution of home loans reflects excellent distribution among individuals of different income levels. The geographic distribution of home loans was not developed as the Bank did not have any low- or moderate-income tracts within their AA during 2011 and only had one low-income tract during 2012 and 2013. The reports suggest limited lending opportunities within the low-income tract as there was less than one percent in owner-occupied units within the low-income tract.

Lending to Borrowers of Different Incomes

The overall distribution of home loans within the Bank's Vermont AA reflects excellent distribution among individuals of different income levels.

Conclusion for full-scope Vermont AA

The distribution of home loans originated and/or purchased during 2011 reflects excellent distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2011. The percent of home refinance loans made to low-income borrowers significantly exceeds the peer aggregate lending data, which is the primary comparator for MSB. The percent of home refinance loans is lower than the percent of low-income families within the AA. The percent of home refinance loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data and the percent of moderate-income families within the AA.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of moderate-income families within the AA.

The Bank did not make any home improvement loans to low-income borrowers during 2011. The percent of home improvement loans made to moderate-income borrowers is lower than the percent of peer aggregate lending data and is near to the percent of moderate-income families within the AA. However, the bank only made six home improvement loans during 2011.

The Bank's performance is considered outstanding given the Bank's performance when compared to peer aggregate lending data and the significant market competition within the Bank's AA. The 2011 Peer Institution Market Share report indicates that MSB

competes with 108 lenders within the Vermont AA for mortgage lending and the top five institutions make up for approximately 35% of the overall market share. The expensive housing within the AA also limits lending to low- and moderate-income borrowers. Based on the data collected from Zillow.com, the average median home price in the Vermont AA is \$288 thousand. The 2011 HUD updated median family income is \$62,900, which means that a low-income borrower, would earn less than \$31,451, making it difficult to qualify for a home loan.

The following tables show the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category as well as the peer aggregate lending data for HMDA reported within the Bank's Vermont AA.

Table 2 – Aggregate Lending Data for Borrower Distribution in Vermont AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	6	9	20	25	24	20	50	46
Home Improvement	6	0	28	17	19	33	47	50
Home Refinance	5	7	14	21	24	25	57	47

Source: HMDA reported data from 1/1/2011 to 12/31/2011.

Table 2A - Borrower Distribution of Residential Real Estate Loans in Vermont AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15	9	18	25	25	20	42	46
Home Improvement	15	0	18	17	25	33	42	50
Home Refinance	15	7	18	21	25	25	42	47

Source: HMDA reported data from 1/1/2011 to 12/31/2011.

The borrower distribution of home loans originated and/or purchased during 2012 and 2013 reflects excellent distribution among borrowers of different income levels. Home refinance loans represent a significant portion of the overall originations made by the Bank during 2012 and 2013. The percent of home refinance loans made to low-income borrowers exceeds the percent of peer aggregate lending data for low-income

borrowers. The percent of home refinance loans to low-income borrowers is lower than the percent of low-income families in the AA. Furthermore, the percent of home refinance loans to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data as well as the percent of moderate-income families within the Bank's AA.

The percent of home purchase loans made to low-income borrowers significantly exceeds the percent of peer aggregate lending data. The percent of home purchase loans to low-income borrowers is lower than the percent of low-income families in the AA. The percent of home purchase loans made to moderate-income borrowers significantly exceeds the percent of peer aggregate lending data and the percent of moderate-income families within the AA. MSB did not make any home improvement loans to low- or moderate-income borrowers during 2012 and 2013; however, it should be noted that the Bank made no home improvement loans during this period.

The Bank's performance is considered outstanding given the Bank's performance when compared to peer aggregate lending data and the significant market competition within the Bank's AA. The 2012 Peer Institution Market Share report indicates that MSB competes with 121 lenders within the Vermont AA for mortgage lending and the top five institutions make up approximately 40% of the overall market share. As noted above, the expensive housing within the AA further limits lending to low- and moderate-income borrowers. Based on the data collected from Zillow.com, the average median home price in the Vermont AA is \$288 thousand. The 2012 HUD updated median family income is \$63,800, which means that a low-income borrower would earn less than \$31,900, making it difficult to qualify for a home loan.

The following tables show the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category, as well as the peer aggregate lending data for HMDA reporters within the Bank's Vermont AA.

Table 2A – Aggregate Lending Data for Borrower Distribution in Vermont AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	5	8	19	23	29	19	47	50
Home Improvement	6	0	21	0	22	0	51	0
Home Refinance	5	6	13	23	21	26	61	45

Source: HMDA reported data from 1/1/2012 to 06/30/2013

Table 2A - Borrower Distribution of Residential Real Estate Loans in Vermont AA								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	16	8	18	23	22	19	44	50
Home Improvement	16	0	18	0	22	0	44	0
Home Refinance	16	6	18	23	22	26	44	45

Source: HMDA reported data from 1/1/2012 to 06/30/2013.

Geographic Distribution of Loans

The geographic distribution of home loans was not developed as the Bank did not have any low- or moderate-income tracts within their AA during 2011 and only had one low-income tract during 2012 and 2013. Developing the geographic distribution for home loans would not provide meaningful results as the reports suggest limited lending opportunities within the low-income tract. Based on the demographic data there are less than one percent in owner-occupied units within the low-income tract of the Bank's AA.

Responses to Complaints

There were no CRA complaints received by the bank or the agency during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the CD Test in Vermont is rated Outstanding. MSB's community development performance demonstrates excellent responsiveness to community development needs in its assessment area through CD loans, investments, and services.

Number and Amount of Community Development Loans

MSB originated a high level of CD loans during this evaluation period. The Bank originated 24 loans totaling \$22.4 million during the evaluation period that qualified as community development loans and directly benefited the Bank's AA. The CD loans made by the Bank provided financing for organizations that provide affordable housing, provided services targeted towards low- and moderate-income individuals, and provided assistance to local municipalities with flood loans during hurricane Irene. The State of Vermont was declared as a Designated Disaster Area by Federal Emergency Management Agency (FEMA) and the funds from these loans were used to rebuild infrastructure while the local municipalities awaited FEMA funding.

In addition, the Bank also originated four NMTC/ Recovery Zone Bond loans totaling \$25 million. These NMTC loans were originated in conjunction with qualified Community Development Entities (CDE) in qualified low-income areas of Vermont. The purpose of these NMTC loans was to promote economic development within these distressed low-income communities in Vermont. The qualified CDE's serve the entire state of Vermont and the projects financed by the Banks were part of the broader statewide or regional area, which includes the Bank's AA.

The highlights of the Bank's community development loans are as follows:

- Three loans totaling \$6.9 million to the Town of Bethel at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- Three loans totaling \$2.5 million to the Town of Strafford at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$2.5 million loan to the Town of Braintree at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$2 million loan to the Town of Bridgewater at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$2 million loan to the Town of Windsor at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$1.8 million construction financing loan to a local organization for the purpose on constructing a new 14 unit affordable housing apartments for low- and moderate-income borrowers.
- A \$1.2 million loan to the Town of Barnard at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$1 million loan to the Town of Randolph at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- A \$1 million loan to the Town of Randolph at a reduced interest rate of 1% to fund the repairs from damage caused by hurricane Irene.
- Three loans totaling \$332 thousand to a local non-profit organization that provides services targeted towards low- and moderate-income women and children.
- A \$307 thousand loan to a local non-profit affordable housing developer to develop three affordable housing units within the Bank's AA.

- A \$276 thousand equity bridge loan to a local non-profit organization for the purpose of developing a 34 unit Section 8 senior rental property.
- A \$200 thousand loan to a local non-profit organization that provides services and temporary shelter for low- and moderate-income individuals.
- A \$125 thousand loan to a local non-profit organization that provides affordable and transitional housing for low- and moderate-income individuals.
- A \$75 thousand line of credit to a local non-profit organization that provides services targeted towards low- and moderate-income individuals.
- A \$20 thousand line of credit to a local non-profit organization that provides legal and supportive services for battered low-income women and their children.

In addition, the following are the highlights of the NMTC loans:

- An \$8.9 million NMTC/Recovery Zone Bond loan for the purpose of constructing a new hotel in a qualified low-income zone in Burlington, VT.
- A \$5.5 million NMTC/Recovery Zone Bond loan for the purpose of constructing facilities for the Vermont State college system in a qualified low-income zone.
- A \$5.5 million NMTC/Recovery Zone Bond loan for the purpose of constructing a new 80,000 square foot office in a qualified low-income zone in Rutland, VT.
- A \$5.1 million NMTC/Recovery Zone Bond loan for the purpose of constructing a new hotel in a qualified low-income zone in Burlington, VT.

Number and Amount of Qualified Investments

The Bank's level of CD investments and donations within the Vermont AA is outstanding considering the Bank's capacity, significant market competition, and the availability of community development opportunities. The Bank's investments and donations during the assessment period totaled approximately \$1.4 million. This is comprised of two CD investments in low-income housing tax credit projects (LIHTC) and 40 grants/donations to 34 community development organizations in the Vermont AA. In addition, the Bank has prior period investments, which are comprised of the remaining book value of \$2.3 million for seven LIHTC projects.

The Bank made two new investments totaling \$1.3 million in qualified LIHTC projects within the Bank's AA. Qualifying community development grants and donations totaled \$124 thousand and benefited 34 different community development organizations. The majority of the Bank's community development grants and donations were targeted towards organizations that provide affordable housing and provide community services for low- and moderate-income individuals, both an identified need within the AA. While

the actual level of Bank donations made was higher, these donations met the definition of community development.

Extent to Which the Bank Provides Community Development Services

The Bank's level of community development services in the Vermont AA is excellent. Accessibility to the Bank's delivery systems in the AA is good. MSB's delivery systems are accessible to geographies and individuals of different income levels throughout the AA. The Bank has nine full-service branch locations within the Vermont AA. MSB does not have any branches located in a low- or moderate-income geography.

Bank management and employees have worked with various community organizations to help plan, develop, and participate in community development programs. During the review period, Mascoma employees devoted numerous hours to these organizations serving their Vermont AA. Overall, the Bank has provided an excellent level of community development services within the Vermont AA. The following is a highlight of the significant community development services provided to these organizations:

- A senior vice president serves on the finance committee of an affordable housing organization that serves to ensure the affordable housing unit shortage in the community is being addressed and action plans are developed to create and advocate affordable workforce housing in the Upper Valley communities.
- A vice president of the Bank provided 33 hours of financial services to a non-profit with a mission of providing affordable home ownership for deserving families in the community who could not otherwise afford a home.
- A bank employee serves as Treasurer and others participate on various committees to a non-profit organization that provides childcare services primarily to LMI families. Bank employees provided approximately 100 hours of specialized financial services to this group.
- A senior vice president serves on various finance committees of a non-profit organization that serves to provide a combination of skills training and community service, leading to employment of low-income individuals.
- Bank employees provided approximately 60 hours of financial education through Junior Achievement and related school programs.

Responsiveness to Community Development Needs

Considering the Bank's capacity, the need, and the availability of CD Opportunities, MSB's CD performance, through CD loans, investments/donations, and services demonstrates excellent responsiveness to the needs of the AA.

Appendix A: Scope of Examination

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

Time Period Reviewed	Lending Test: 1/1/2011 to 06/30/2013 Community Development Test: 04/13/2010 to 11/18/2013	
Financial Institution	Products Reviewed	
Mascoma Savings Bank (MSB) 67 North Park Street Lebanon, NH 03766-1317	Residential real estate loans, community development loans, investments, and services.	
Affiliate(s)	Affiliate Relationship	Products Reviewed
None Reviewed.		
List of Assessment Areas and Type of Examination		
Assessment Area	Type of Exam	Other Information
State of New Hampshire: Portions of Grafton, Merrimack, and Sullivan Counties. (Non-MSA)	Full Scope	
State of Vermont: Portions of Orange and Windsor Counties. (Non-MSA)	Full Scope	

Appendix B: Summary of Multistate Metropolitan Area and State Ratings

Overall Bank:	Lending Test Rating	Community Development Test Rating	Overall Bank/State/Multistate Rating
Mascoma Savings Bank	Outstanding	Outstanding	Outstanding
New Hampshire	Outstanding	Outstanding	Outstanding
Vermont	Outstanding	Outstanding	Outstanding