

PUBLIC DISCLOSURE

October 1, 2018

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Adams Community Bank
Certificate Number: 90140

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Adams, Massachusetts 01220

Division of Banks
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Federal Deposit Insurance Corporation
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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 Division of Banks or the Federal Deposit Insurance Corporation 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.

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

The Lending Test is rated Outstanding.

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

The Community Development Test is rated Satisfactory.

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

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the Federal Deposit Insurance Corporation (FDIC) and the Commonwealth of Massachusetts Division of Banks (Division), covers the period from the prior evaluation dated April 13, 2015, to the current evaluation dated October 1, 2018. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate Adams Community Bank's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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

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

The Community Development Test considered the following factors:

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

Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Loan Products Reviewed

The Lending Test considered the bank's home mortgage and small business lending based on the institution's business strategy and the number and dollar volume of loans originated. Bank records indicate that the lending and product mix remained consistent throughout the evaluation period. The bank's record of originating home mortgage loans during the evaluation period contributed more weight to overall conclusions due to the larger loan volume when compared to small business lending.

As of June 30, 2018, residential real estate loans, including multi-family residential properties, accounted for 86.6 percent of the loan portfolio. Commercial lending, consisting of commercial real estate and commercial and industrial loans, represented 9.1 percent of the loan portfolio. Small farm loans and consumer loans represent a nominal portion of the loan portfolio; therefore, they provided no material support for conclusions or ratings and are not considered in this analysis.

The evaluation considered all home mortgage loans reported on the bank's Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs) from January 1, 2016, through December 31, 2017. In 2016, the bank reported 362 home mortgage loans totaling \$56.3 million. In 2017, the bank reported 478 home mortgage loans totaling \$77.6 million. This evaluation compares the bank's performance against aggregate and demographic data for both 2016 and 2017. For 2016, lending was compared to 2010 United States (U.S.) Census demographic data, and for 2017, lending was compared to demographic data from the 2015 American Community Survey (ACS).

Examiners also evaluated small business lending. The CRA defines small business loans as commercial real estate loans and commercial and industrial loans with original balances of \$1.0 million or less. The bank is not required to report small business loans and has not elected to do so. Therefore, examiners selected a sample of small business loans originated from January 1, 2017 through December 31, 2017. Examiners reviewed 34 small business loans totaling \$2.4 million, from a total universe of 67 small business loans. The evaluation compared the bank's small business lending activity to 2017 D&B business demographic data. The sample represents the bank's performance during the evaluation period.

Although the Lending Test tables reflect the number and dollar volume of loans, examiners emphasized performance by number of loans because this serves as a better indicator of the number of individuals and businesses served.

For the Community Development Test, bank management provided data on community development loans, qualified investments, and community development services since the prior CRA evaluation dated April 13, 2015 through the current CRA evaluation date of October 1, 2018.

DESCRIPTION OF INSTITUTION

Background

Adams Community Bank (ACB) is a state-chartered savings bank established in 1869. The bank serves all of Berkshire County. ACB received a Satisfactory rating at the previous joint Division and FDIC CRA Performance Evaluation dated April 13, 2015. The rating was based on Interagency Intermediate Small Institution CRA Examination Procedures.

Operations

ACB operates eight banking locations including a main office in Adams. The other seven locations are located in Adams, Cheshire, Lanesboro, Lee, Lenox, North Adams, and Williamstown. The Lenox branch is new since the previous evaluation. The branch was acquired as part of ACB's acquisition of Lenox National Bank in October of 2015.

The bank offers loan products including home mortgage, commercial, Small Business Administration (SBA) loans, and consumer loans. It also provides a variety of deposit services including checking, savings, money market deposit accounts, individual retirement accounts and certificates of deposit. The bank also offers investment advisory and insurance services. Alternative services include telephone, internet, and mobile banking services.

Ability and Capacity

As of June 30, 2018, Adams Community Bank had approximately \$548.7 million in total assets, which includes \$462.4 million in total loans, or 84.3 percent of total assets. Total deposits were \$444.6 million. The bank is primarily a residential lender with 86.6 percent of the loan portfolio secured by residential real estate, followed by 7.3 percent secured by commercial real estate. Since the previous CRA performance evaluation, the bank's assets have increased by 28.0 percent from \$394.8 million to \$548.7 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 6/30/18		
Loan Category	\$(000s)	%
Construction and Land Development	10,905	2.4
Secured by Farmland	49	Minimal
Secured by 1-4 Family Residential Properties	392,543	84.9
Secured by Multifamily (5 or more) Residential Properties	7,807	1.7
Secured by Nonfarm Nonresidential Properties	33,517	7.3
Total Real Estate Loans	444,821	96.3
Commercial and Industrial Loans	8,670	1.9
Agricultural Loans	0	0.0
Consumer Loans	8,798	1.8
Other Loans	131	Minimal
Less: Unearned Income	0	0.0
Total Loans	462,420	100.0

Source: Reports of Condition and Income

There are no apparent financial or legal impediments limiting the bank's ability to help meet the credit needs of its assessment area.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define an assessment area within which its CRA performance is evaluated. ACB's assessment area, as currently defined, meets the technical requirements of the CRA regulation.

Economic and Demographic Data

ACB's designated assessment area has changed since the previous examination. As of May 2018, the assessment area encompasses all of Berkshire County, which contains 39 census tracts. During the previous evaluation, the assessment area was composed of mostly northern and central Berkshire County with 31 census tracts.

Additionally, census-tract income designations within Berkshire County have changed from 2016 to 2017 due to the 2015 ACS. For 2016, the census tracts represented the following income designations according to the 2010 U.S. Census:

- 1 low-income census tract
- 4 moderate-income census tracts
- 26 middle-income census tracts
- 8 upper-income census tracts

For 2017, the census tracts represent the following income designations according to the 2015 ACS:

- 3 low-income census tracts
- 4 moderate-income census tracts
- 20 middle-income census tracts
- 12 upper-income census tracts

Specifically, there are two more low-income census tracts, six less middle-income census tracts, and four more upper-income census tracts in 2017 compared to 2016. The number of moderate-income census tracts did not change from 2016 to 2017. Finally, the bank has added one branch office since the prior evaluation because of the acquisition of Lenox National Bank in October 2015. The branch is located in Lenox, MA and is in an upper-income census tract. There are no underserved or distressed nonmetropolitan middle-income geographies within the bank's assessment area, nor is there a designated disaster area.

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

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	39	7.7	10.3	51.3	30.8	0.0
Population by Geography	129,288	8.4	11.4	50.5	29.7	0.0
Housing Units by Geography	68,385	9.0	10.7	50.5	29.8	0.0
Owner-Occupied Units by Geography	37,899	3.1	10.2	55.5	31.2	0.0
Occupied Rental Units by Geography	17,341	23.9	15.9	40.3	19.9	0.0
Vacant Units by Geography	13,145	6.1	5.5	49.8	38.6	0.0
Businesses by Geography	9,477	12.5	6.9	43.1	37.4	0.0
Farms by Geography	357	2.2	4.5	49.0	44.3	0.0
Family Distribution by Income Level	33,021	21.3	17.6	20.5	40.6	0.0
Household Distribution by Income Level	55,240	25.2	15.3	17.3	42.2	0.0
Median Family Income MSA - 38340 Pittsfield, MA MSA		\$66,604	Median Housing Value			\$227,590
			Median Gross Rent			\$771
			Families Below Poverty Level			9.7%
<i>Source: 2010 U.S. Census & 2015 ACS Census and 2017 D&B Data Due to rounding, totals may not equal 100.0.</i>						

Housing units within the assessment area totaled 68,385, of which 55.4 percent are owner-occupied, 25.4 percent are occupied rental units, and 19.2 percent are vacant. The assessment area's median housing value is \$227,590 and the median family income (MFI) for 2017 is \$69,000, which makes housing affordability a challenge in the assessment area for low- and moderate-income borrowers. Additionally, the small percentage of owner-occupied units in low-income census tracts means high competition among lenders for a small market.

Examiners used the 2016 and 2017 Federal Financial Institutions Examination Council's (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Pittsfield, MA Metropolitan Statistical Area (MSA).

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Pittsfield, MA MSA Median Family Income (38340)				
2016 (\$68,400)	<\$34,200	\$34,200 to <\$54,720	\$54,720 to <\$82,080	≥\$82,080
2017 (\$69,000)	<\$34,500	\$34,500 to <\$55,200	\$55,200 to <\$82,800	≥\$82,800
<i>Source: FFIEC</i>				

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by gross annual revenue (GAR) level. Of the 9,477 businesses in the assessment area, 81.5 percent have GARs of \$1 million or less, 6.3 percent have GARs of more than \$1 million, and 12.2 percent did not report revenue data.

According to Moody's Analytics, the largest employers in Berkshire County are Berkshire Health Systems; General Dynamics Advanced Info Systems; B. Mango and Bird Shops; Berkshire Bank; Canyon Ranch; and Jiminy Peak Mountain Resort. Combined, these employers employ more than 9,000 individuals. Education and health service industries represent the largest portion of businesses at 26.0 percent; followed by government at 13.7 percent; retail trade at 13.5 percent; and leisure and hospitality services at 13.5 percent.

As the following table illustrates, unemployment rates in Berkshire County during the evaluation period were above Massachusetts unemployment rates but below national averages.

Unemployment Rates				
Area	2015	2016	2017	August 2018
	%	%	%	%
Berkshire County	5.1	4.3	3.8	3.7
Massachusetts	4.8	3.9	3.7	3.6
National Average	5.3	4.9	4.4	3.9

Source: Bureau of Labor Statistics

Competition

The assessment area is moderately competitive in the market for financial services. According to FDIC Deposit Market Share Data as of June 30, 2017, 10 depository institutions operated 60 offices within the bank's assessment area. ACB ranked second with a deposit market share of 10.0 percent. Berkshire Bank was the top depository institution in the area with a deposit market share of 52.6 percent. TD Bank, NA was ranked third with a 9.5 percent deposit market share.

The bank faces a high level of competition for home mortgage lending among credit unions, mortgage companies, and large banks in the assessment area. In 2016, home mortgage lending data reflects 182 lenders originated 3,168 loans within the assessment area. Adams Community Bank ranked second, originating 362 loans. This represents a market share of 11.4 percent. The top mortgage lender in the assessment area was Greylock Federal Credit Union (Greylock), which originated 584 loans for a market share of 18.4 percent. Lee Bank ranked third, with 301 loans originated and a market share of 9.5 percent.

In 2017, 182 lenders originated 3,157 home mortgage loans. Adams Community Bank again ranked second to Greylock. The bank originated 478 home mortgage loans for a 15.1 percent market share. Greylock originated 627 home mortgage loans for a 19.9 percent market share. Academy Mortgage Corporation was ranked third with a 6.6 percent market share.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to help assess credit and community development needs. This information helps to 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 made with a non-profit organization whose mission is to improve the quality of life for people in Northern Berkshire County by supporting and empowering the community. The organization works to achieve its mission by connecting and providing prevention strategies to reduce substance abuse, helping with neighborhood revitalization, and by providing youth and family development services.

The contact expressed concern about the lack of public transportation for seniors and low- and moderate-income (LMI) individuals, the area's high rates of substance abuse, a lack of affordable housing and wait times, an aging population, a need for workforce development, and a large socioeconomic divide.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, bank management, and demographic and economic data, examiners determined that affordable housing and economic development represent significant community development needs. In addition, there is an increased need for community and housing-related services for LMI individuals and the elderly. Opportunities exist for banks to address the area's credit and community development needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Adams Community Bank demonstrated excellent performance under the Lending Test. Excellent Geographic Distribution and Borrower Profile performance support this conclusion. Specifically, the bank is a leader in providing home purchase loans in low- and moderate-income census tracts and to low- and moderate-income borrowers.

Loan-to-Deposit Ratio

Adams Community Bank's loan-to-deposit (LTD) ratio is reasonable given the bank's size, financial condition, and assessment area credit needs. Examiners analyzed the bank's LTD ratio for the past 13 quarters from June 30, 2015 to June 30, 2018.

The bank's average net quarterly net LTD ratio was 99.7 percent during the period. The quarterly ratios ranged from a low of 94.0 percent as of March 31, 2016 to a high of 104.9 percent as of September 30, 2015. Examiners compared the bank's LTD ratio to that of four similarly situated banks that operate in the same geographic area (Western and Central Massachusetts) and are predominantly residential mortgage lenders. Adams Community Bank maintained a ratio in the middle of those comparable institutions.

The following table illustrates the bank's ratio compared to the other institutions.

Loan-to-Deposit Ratio Comparison		
Bank Name	Total Assets as of 6/30/18 \$(000s)	Average Net LTD 6/30/15 - 6/30/18 (%)
Savers Co-operative Bank	551,038	110.1
Bay State Savings Bank	415,071	110.0
Adams Community Bank	548,661	99.7
Athol Savings Bank	427,361	79.6
Greenfield Co-operative Bank	615,909	75.3

Source: Consolidated Reports of Condition and Income

Assessment Area Concentration

The bank made a substantial majority of home mortgage and small business loans, by number and dollar volume, within its assessment area. The following table illustrates the bank's home mortgage and small business lending activity inside and outside of the assessment area.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2016	362	93.3	26	6.7	388	56,278	93.4	3,989	6.6	60,267
2017	478	93.7	32	6.3	510	77,628	93.8	5,089	6.2	82,717
Subtotal	840	93.5	58	6.5	898	133,906	93.7	9,078	6.3	142,984
Small Business										
2017	33	97.1	1	2.9	34	2,277	96.8	75	3.2	2,352
Total	873	93.7	59	6.3	932	136,183	93.7	9,153	6.3	145,336
<i>Source: Evaluation Period: 1/1/2016 - 12/31/2017 Bank Data Due to rounding, totals may not equal 100.0.</i>										

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects excellent dispersion throughout the assessment area. Examiners emphasized the percentage by number of home mortgage and small business loans in moderate-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. As illustrated in the following table, the bank's lending in moderate-income census tracts exceeded both aggregate lending performance and the demographic comparator.

Geographic Distribution of Home Mortgage Loans							
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	Market Share % of #	#	%	\$(000s)	%
Low							
2016	0.6	0.5	17.6	3	0.8	771	1.4
2017	3.1	4.1	9.2	12	2.5	1,462	1.9
Moderate							
2016	6.9	6.7	16.0	34	9.4	3,797	6.7
2017	10.2	8.0	21.7	55	11.5	5,702	7.3
Middle							
2016	69.5	69.3	11.6	255	70.4	36,171	64.3
2017	55.5	54.7	16.3	281	58.8	38,336	49.4
Upper							
2016	22.9	23.5	9.4	70	19.3	15,539	27.6
2017	31.2	33.1	12.4	130	27.2	32,128	41.4
Not Available							
2016	0.0	0.0	0.0	0	0.0	0	0.0
2017	0.0	0.0	0.0	0	0.0	0	0.0
Totals							
2016	100.0	100.0	11.4	362	100.0	56,278	100.0
2017	100.0	100.0	15.1	478	100.0	77,628	100.0

*Source: 2010 U.S. Census & 2015 ACS Census; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data.
Due to rounding, totals may not equal 100.0.*

In 2016, the bank originated three, or 0.8 percent, of its home mortgage loans in the low-income census tract, slightly exceeding the aggregate at 0.5 percent and the demographic at 0.6 percent. In the moderate-income census tracts, the bank originated 34 home mortgage loans, or 9.4 percent, which also exceeded both aggregate performance of 6.7 percent and the demographic of 6.9 percent.

Market share data compiled in 2016 reflects positively on the bank's performance. ACB ranked first in low-income census tracts with a 17.6 percent market share. In the moderate-income census tracts, ACB ranked second with a 16.0 percent market share.

While the bank's originations in the low-income census tract increased to 2.5 percent in 2017, the aggregate also increased to 4.1 percent. In the moderate-income census tracts, the bank's originations also increased to 11.5 percent, which exceeded both the aggregate at 8.0 percent and the percentage of owner-occupied units at 10.2 percent. Market share data compiled in 2017 again reflects positively on the bank's performance. The bank ranked second in low-income census tracts with a 9.2 percent market share. In moderate-income census tracts, ACB ranked first with a 21.7 percent market share.

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. While the bank originated only 3.1 percent of its small business loans in 2017 in the low-income census tracts, below the percentage of business at 12.5 percent, the bank originated 21.2 percent of its small business loans in moderate-income census tracts, which far exceeded the percentage of businesses at 6.9 percent. The following table illustrates the bank's dispersion of small business loans.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2017	12.5	1	3.1	70	3.1
Moderate					
2017	6.9	7	21.2	517	22.7
Middle					
2017	43.2	18	54.5	1,203	52.8
Upper					
2017	37.4	7	21.2	487	21.4
Totals					
2017	100.0	33	100.0	2,277	100.0

Source: 2017 D&B Data and bank records

Borrower Profile

The distribution of borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance of home mortgage lending primarily supports this conclusion. Examiners emphasized the percentage by number of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to borrowers of different income levels, including low- and moderate-income, is excellent.

Distribution of Home Mortgage Loans by Borrower Income Level							
Borrower Income Level	% of Families	Aggregate Performance % of #	Market Share % of #	#	%	\$(000s)	%
Low							
2016	21.8	8.0	24.6	62	17.1	4,980	8.8
2017	21.3	7.7	28.4	69	14.4	6,144	7.9
Moderate							
2016	17.0	16.7	12.5	66	18.2	7,344	13.1
2017	17.6	18.1	16.3	93	19.5	10,424	13.4
Middle							
2016	22.6	18.8	13.5	80	22.1	11,185	19.9
2017	20.5	22.0	16.6	115	24.1	17,491	22.5
Upper							
2016	38.6	42.2	10.2	136	37.6	28,411	50.5
2017	40.6	39.1	14.7	182	38.1	39,821	51.3
Not Available							
2016	0.0	14.3	4.0	18	5.0	4,358	7.7
2017	0.0	13.2	4.6	19	4.0	3,748	4.8
Totals							
2016	100.0	100.0	11.4	362	100.0	56,278	100.0
2017	100.0	100.0	15.1	478	100.0	77,628	100.0

Source: 2010 U.S. Census & 2015 ACS Census ; 1/1/2016 - 12/31/2017 Bank Data, 2016 & 2017 HMDA Aggregate Data. Due to rounding, totals may not equal 100.0

In 2016, the bank originated 17.1 percent of home mortgage loans to low-income borrowers, which significantly exceeded the aggregate percentage of 8.0 percent. While the percentage in 2017 decreased to 14.4 percent, the percentage significantly exceeded the aggregate at 7.7 percent. Additionally, the bank's performance is excellent considering 9.7 percent of all families in the assessment area have incomes below the poverty level. A low-income family in the assessment area, with an income of \$34,200 or less in 2016 and \$32,500 or less in 2017, would likely experience difficulty in qualifying for a mortgage under conventional underwriting standards, especially considering the median housing values in the assessment area of \$227,590. Therefore, the demand and opportunity for lending to low-income families is limited.

Market share data further supports the bank's excellent performance. In 2016, the bank ranked first in lending to low-income borrowers with a market share of 24.6 percent, which significantly exceeded the institution's overall market share. In 2017, the bank retained the first place ranking with a market share of 28.4 percent.

In 2016, the bank originated 18.2 percent of home mortgage loans to moderate-income borrowers, exceeding the aggregate performance of 16.7 percent. The bank's lending to these borrowers increased in 2017 to 19.5 percent. Market share data reflects the bank ranked third

with a 12.5 percent market share in 2016, and in 2017 the bank ranked second with a 16.3 market share.

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1 million or less. The following table illustrates that the percentage of loans to businesses with GARs of \$1 million or less was slightly less than the percentage of businesses in the category.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
≤ \$1,000,000					
2017	81.5	26	78.8	1,711	75.1
> \$1,000,000					
2017	6.3	7	21.2	566	24.9
Revenue Not Available					
2017	12.2	0	0.0	0	0.0
Total					
2017	100.0	33	100.0	2,277	100.0

Source: 2017 D&B Data and bank records

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Adams Community Bank demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Adams Community Bank originated six community development loans totaling approximately \$1.5 million during the evaluation period. This level of activity represents 0.3 percent of average total assets and 0.4 percent of average total loans since the prior CRA evaluation.

The following table illustrates the bank's community development lending activity by year and purpose. All of the loans were used to promote economic development in the form of job creation and retention, equipment upgrades, and working capital to businesses. Additionally, three of the six loans were to businesses located in Opportunity Zones. The U.S. Department of Treasury has designated two census tracts within the bank's assessment area as Opportunity Zones. An Opportunity Zone designation is an economic development tool designed to spur economic development and job creation in distressed communities.

Community Development Lending												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2015	0	0	0	0	1	32	0	0	0	0	1	32
2016	0	0	0	0	1	196	0	0	0	0	1	196
2017	0	0	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	4	1,321	0	0	0	0	4	1,321
Total	0	0	0	0	6	1,549	0	0	0	0	6	1,549

Source: Bank Records

Below are notable examples of the bank's community development loans.

- In 2018, the bank originated two SBA 504 loans totaling approximately \$1.2 million to businesses that operate in the assessment area. The SBA 504 loan program is an economic development program that offers small businesses an alternative method of financing that supports business and job growth
- During the evaluation period, the bank originated three SBA 7A loans totaling \$117,000 to businesses for the purpose of purchasing equipment and upgrades. The businesses operate in LMI areas or are located in opportunity zones within the assessment area. The SBA 7A program offers smaller down payments and flexible terms and guarantees that assist small businesses in opening and expanding their businesses
- In 2016, the bank originated a commercial real estate loan totaling \$196,000. The purpose of the loan was to purchase the property of an existing restaurant. The business is located in the assessment area and an opportunity zone. The loan promotes economic development as it retains jobs and provides new job opportunities.

Qualified Investments

Adams Community Bank made 27 qualified investments totaling \$269,455 during the evaluation period. The dollar amount of qualified investments equates to 0.05 percent of the bank's average total assets and 0.02 percent of average securities since the last evaluation. All investments are in the form of donations and benefit low- and moderate-income borrowers and geographies. The trend in qualified donation activity has increased since the last examination, where \$3,500 qualified. Between 2015 and 2018, donation activity by dollar amount increased each year. Additionally, the bank designates 10.0 percent of pre-tax net operating income to charitable contributions. Donation totals for 2018 represent partial year data. The bank expects to meet prior year data at the end of 2018.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$	#	\$	#	\$	#	\$	#	\$	#	\$
Prior Period	0	0	0	0	0	0	0	0	0	0	0	0
2015	1	5,000	5	45,937	0	0	0	0	0	0	6	50,937
2016	0	0	8	62,018	0	0	1	5,000	0	0	8	62,018
2017	0	0	9	93,000	0	0	1	5,000	0	0	9	93,000
2018	0	0	4	63,500	0	0	0	0	0	0	4	63,500
Total	1	5,000	24	254,455	0	0	2	10,000	0	0	27	269,455

Source: Bank Records

Below are notable examples of the bank's qualified donations.

- *Child Care of the Berkshires* – The organization supports affordable childcare for working families in Berkshire County. The bank's donation supports the Promises to Keep Campaign, which is a campaign to support upgrades needed for the Haskins Community Center, a childcare center in North Adams, MA. The Center is located in a moderate-income area and serves 81 children ranging in age from infant to school age. Ninety-five percent of the children served are from low-income families. The bank's financial contribution promotes a community development service to low- and moderate-income individuals.
- *Louison House* – This is a non-profit organization established to address homelessness. The housing program accepts families and individuals who meet the federal standard for homelessness. The organization provides case management, budget/financial counseling, education/career planning, job/housing search assistance, and life skills training. The bank's financial contribution promotes a community development service.

- *Higher Ground/Highland Woods* – Higher Ground is a non-profit community service organization that led the development of Highland Woods, an affordable housing facility for seniors in Williamstown, MA. The bank’s financial contribution in 2015 assisted with construction and development expenses.

Community Development Services

During the evaluation period, 13 bank representatives provided financial expertise or technical assistance to 14 community development organizations within the assessment area. ACB provides community development services through officer and employee involvement as committee members, board members, officers, and volunteers in local community development and non-profit organizations.

Community Development Services						
Activity	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
Total	3	11	0	0	0	14
<i>Source: Bank Records</i>						

Below are notable examples of the services provided by bank representatives.

- *Elder Services of Berkshire County* – Elder Services is a non-profit organization providing a wide variety of services to the elders of Berkshire County and their families. Programs include Meals on Wheels, Senior Employment Services, Money Management, and Transportation and Housing Program. A senior vice president of the bank serves on the Board and other committees of Elder Services.
- *Gladys Allen Brigham Community Center* – The Brigham Center is a multi-service organization working to empower children and youth, with a special emphasis on girls. The Brigham Center is in a low-income area of Pittsfield and invests in specific community needs such as promoting financial stability and assisting with food, shelter and healthcare. A senior vice president of the bank serves on the Board of the Brigham Center.
- *Lenox Affordable Housing Trust & Committee* – The Affordable Housing Trust & Committee is committed to developing affordable housing for individuals and families of all ages and incomes. A senior vice president of the bank serves on the Board.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

APPENDIX A – MASSACHUSETTS DIVISION OF BANKS

Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank's public comment file indicated that the bank received no complaints pertaining to the institution's CRA performance since the previous examination. The fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2016 and 2017 were reviewed to determine if the application flow from the different racial groups within the bank's assessment area was reflective of the assessment area's demographics.

According to the 2015 American Consumer Survey, in 2017 the bank's assessment area contained a total population of 129,288 individuals of which 10.3 percent are minorities. The assessment area's minority and ethnic population is 2.7 percent Black/African American, 1.5 percent Asian, 0.2 percent American Indian, 0.0 percent Hawaiian/Pacific Islander, 3.9 percent Hispanic or Latino and 2.0 percent other.

In 2016, the bank received 508 HMDA reportable loan applications from within its assessment area. Of these applications, 13 or 2.6 percent were received from minority applicants, of which 9 or 69.2 percent resulted in originations. The aggregate received 4,463 HMDA reportable loan applications of which 177 or 4.0 percent were received from minority applicants and 94 or 53.1 percent were originated. For the same time period, the bank also received 15 or 3.0 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 9 or 60.0 percent were originated versus the aggregate that received 126 applications or 2.8 percent of which 75 or 59.5 percent were originated.

In 2017, the bank received 641 HMDA reportable loan applications from within its assessment area. Of these applications, 22 or 3.4 percent were received from minority applicants, of which 16 or 72.7 percent resulted in originations. The aggregate received 3,970 HMDA reportable loan applications of which 154 or 3.9 percent were received from minority applicants and 96 or 62.3 percent were originated. For the same time period, the bank also received 23 or 3.6 percent of applications from ethnic groups of Hispanic origin within its assessment area of which 11 or 47.8 percent were originated versus the aggregate that received 139 applications or 3.5 percent of which 74 or 53.2 percent were originated.

The bank's level of lending was compared with that of the aggregate's lending performance level for 2016 and 2017. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority residential loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

MINORITY APPLICATION FLOW						
RACE	Bank 2016		2016 Aggregate Data	Bank 2017		2017 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	2	0.4	0.3	3	0.5	0.2
Asian	2	0.4	0.9	4	0.6	0.9
Black/ African American	4	0.8	1.4	6	0.9	1.4
Hawaiian/Pacific Islander	0	0.0	0.1	1	0.2	0.1
2 or more Minority	0	0.0	0.0	0	0.0	0.0
Joint Race (White/Minority)	5	1.0	1.3	8	1.3	1.2
Total Minority	13	2.6	4.0	22	3.4	3.9
White	456	89.8	79.1	569	88.8	75.8
Race Not Available	39	7.7	17.0	50	7.8	20.3
Total	508	100.0	100.0	641	100.0	100.0
ETHNICITY						
Hispanic or Latino	13	2.6	1.7	10	1.6	2.3
Not Hispanic or Latino	452	89.0	80.0	568	88.6	76.2
Joint (Hisp/Lat /Not Hisp/Lat)	2	0.4	1.1	13	2.0	1.2
Ethnicity Not Available	41	8.1	17.2	50	7.8	20.3
Total	508	100.0	100.0	641	100.0	100.0

Source: US Census 2010, HMDA Aggregate Data 2016, HMDA LAR Data 2016 and 2017

Considering the demographic composition of the assessment area and comparisons to aggregate data in 2016, the bank's minority application flow is reasonable.

GLOSSARY

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

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

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

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

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

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

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms;
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies; or
- (5) Enable or facilitate projects or activities that address needs regarding foreclosed or abandoned residential properties in designated target areas.

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

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

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

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

Community Development Loan: A loan that

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

Community Development Service: A service that

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Federal Deposit Insurance Corporation, at (Address at main office)."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.