

PUBLIC DISCLOSURE

June 3, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**NorthEast Community Bank
29147**

**325 Hamilton Avenue
White Plains, New York 10601**

**Federal Deposit Insurance Corporation
350 Fifth Avenue – Suite 1200
New York, New York 10118**

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

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GENERAL INFORMATION

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the Community Reinvestment Act (CRA) performance of **NorthEast Community Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **June 3, 2014**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

NorthEast Community Bank's overall CRA performance is "Outstanding." An institution in this group has an excellent record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The following summarizes the bank's overall performance under the Lending and Community Development Tests.

Lending Test

- The average net loan-to-deposit (LTD) ratio is more than reasonable given the size, financial condition, and assessment area credit needs.
- A majority of loans were originated within the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the bank's lending strategy, reasonable penetration among businesses of different sizes.
- No CRA-related complaints were received since the prior performance evaluation.

Community Development Test

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

SCOPE OF EXAMINATION

NorthEast Community Bank's (NECB) CRA performance was evaluated in accordance with the Intermediate Small Bank (ISB) CRA examination procedures, which includes a Lending Test and a Community Development Test. The Lending Test evaluated NECB's performance pursuant to the following criteria: loan-to-deposit ratio, lending within the assessment area, geographic distribution of loans, lending to businesses of different sizes (borrower profile), and the record of taking action in response to CRA complaints. The Community Development Test reviewed NECB's community development loans, qualified investments, and community development services.

The bank's 2012 and 2013 lending data was evaluated for the Lending Test. A review of the bank's loan portfolio revealed that the bank is primarily a multifamily and commercial lender. NECB was not subject to the reporting requirements of the Home Mortgage Disclosure Act (HMDA) for 2012, and, due to its asset size, was not required to collect and report small business lending data for CRA purposes. However, the bank provided the data for small business loan originations for 2012 and 2013, and 1-4 family and multifamily loan originations for 2012. As a result, sampling was not required and full-year data was analyzed. In 2013, the bank became subject to HMDA reporting requirements. As a result, the bank's 2013 HMDA loan application register (LAR) was used. Since the bank was not subject to HMDA reporting requirements in 2012, aggregate lending data will not be presented in the evaluation. Aggregate lending data was not available for 2013. The multifamily lending review also included the bank's Modification, Extension, and Consolidation Agreements (MECAs), which represent non-HMDA reportable residential real estate transactions. These loans were combined with the bank's 2012 and 2013 multifamily lending. Small business loans included originations with an original amount of \$1 million or less that are categorized by the bank as either secured by non-farm or non-residential property or as commercial/industrial loans and lines of credit. As previously stated, since the bank is not a small business loan reporter, aggregate data will not be presented in the evaluation. Consumer loans were not reviewed, as this product line does not comprise a significant portion of the bank's loan portfolio. Also, the bank did not extend any small farm loans during the evaluation period.

All tables contained in the Geographic Distribution of Loans and Borrower Profile sections reference loans in terms of number. Loan data by dollar amount was comparable to the data by number of loans and was therefore excluded from these sections of the Performance Evaluation.

The CRA evaluation also reviewed community development loans, qualified investments, and community development services for the period of February 22, 2011, through June 3, 2014. All qualified investments purchased prior to this CRA evaluation period and remaining on NECB's balance sheet were also included.

The bank has two non-contiguous assessment areas, including one in New York and one in Massachusetts. Full-scope procedures were used to analyze the bank's CRA performance in both assessment areas. More weight was given to NECB's performance within the New York assessment area in assigning the overall performance rating, since this area represents a greater portion of the bank's loan originations and assessment area census tracts. Also, more weight was

given to multifamily and 1-4 family lending, since these loan products represent a significant portion of the bank's loan originations. While the bank does originate small business loans, these loans are not the main focus of the bank, thus, significantly less weight is placed on these loans. It is also important to note that the bank's strategy for 1-4 family lending includes only originating loans to limited liability companies and corporations. As a result, all of the properties are used as rental units and income is not reported on the HMDA LAR. In addition, borrower income information is not obtained or recorded for multifamily loans. Given the bank's lending strategy, the Geographic Distribution of Loans will be given significantly more weight than the Borrower Profile when determining the bank's overall Lending Test rating.

DESCRIPTION OF INSTITUTION

NECB is a state-chartered commercial bank headquartered in White Plains, New York. NECB is a wholly owned subsidiary of NorthEast Community Bancorp, Inc. (Bancorp), a publicly traded, mid-tier holding company. NorthEast Community Bancorp Mutual Holding Company, a mutual holding company, is the parent company of Bancorp.

Established in 1934, NECB is a full-service institution that maintains eight branch offices and ten Automated Teller Machines (ATMs) throughout New York and Massachusetts. In terms of census tract location, one branch is located in a low-income census tract, four branches are located in middle-income census tracts, and three branches are located in upper-income census tracts. Two of the branches in Massachusetts were opened during the evaluation period, including one in Middlesex County and one in Norfolk County, both in middle-income census tracts. The bank did not close any branch offices during the evaluation period. The bank also operates three loan production offices, including two in New York (Westchester County and Rockland County) and one in Massachusetts (Essex County).

The bank offers a variety of credit, deposit, and financial products and services. Examples of deposit account offerings include savings accounts, personal and business checking accounts, negotiable order of withdrawal (NOW) accounts, personal and business money market accounts, and certificates of deposit (CDs). Other services include online bill pay, remote deposit capture, direct deposit, and gift cards. Customers also have secure access to account information through online banking services, telephone banking services, and any one of the bank's ten ATMs. NECB also offers investment products. Available loan products include multifamily mortgages, commercial mortgages, commercial and industrial loans, 1-4 family loans (non-owner occupied), and small business loans.

As of March 31, 2014, the bank reported total assets of \$451.7 million, which included \$382.4 million (84.7 percent) in net loans and \$8.1 million (1.8 percent) in securities. The bank reported total deposits of \$336.0 million, with core deposits representing 93.6 percent of total deposits as of March 31, 2014. For the evaluation period, total assets decreased by \$112.7 million or 12.8 percent. However, total assets have increased each quarter since March 31, 2013. In addition, loans and deposits increased 11.2 percent and 6.7 percent, respectively, since March 31, 2013.

The following table details the composition of the loan portfolio as of March 31, 2014.

Table 1 - Loan Distribution as of March 31, 2014		
Loan Type	Dollar Amount (\$000s)	Percent of Total Loans (%)
Construction & Land Development	14,251	3.7
1-4 Family Residential	12,289	3.2
Multifamily (5 or more) Residential	248,820	64.4
Commercial Real Estate	80,355	20.8
Farmland	0	0.0
Total Real Estate Loans	355,715	92.1
Commercial and Industrial	30,697	7.9
Consumer	154	<0.1
Loans to Depository Institutions	0	0.0
Other	0	0.0
Less: Unearned Income	0	0.0
Total Loans	386,566	100.0

Source: Report of Condition March 31, 2014

There are no legal or financial impediments that would prevent the bank from meeting community credit needs. The bank received an "Outstanding" rating at the most recent CRA evaluation conducted on February 22, 2011 by the Office of Thrift Supervision. The bank's performance was evaluated using "Intermediate Small Savings Institution" procedures.

DESCRIPTION OF ASSESSMENT AREA

NECB's combined assessment area consists of two distinct, non-contiguous assessment areas. The assessment areas use whole geographies and do not arbitrarily exclude any low- or moderate-income census tracts. Overall, the assessment areas meet the technical requirements of the CRA regulation. The following is a description of the two separate assessment areas:

- 1) The New York assessment area includes seven whole counties: Bronx, Kings, New York, Queens, Richmond, Rockland, and Westchester, which are all part of the New York-Wayne-White Plains, NY-NJ Metropolitan Division (MD) #35644.
- 2) The Massachusetts assessment area includes four whole counties: Norfolk, Plymouth, and Suffolk, which are located within the Boston-Quincy, MA MD #14484, and Middlesex, which is located within the Cambridge-Newton-Framingham, MA MD #15764. All of the counties are located in the Boston-Cambridge-Quincy, MA-NH Metropolitan Statistical Area (MSA) #14460.

The bank's combined assessment area consists of 3,209 census tracts, of which 378 or 11.8 percent are low-income, 758 or 23.6 percent are moderate-income, 1,012 or 31.5 percent are middle-income, and 976 or 30.4 percent are upper-income. The combined assessment area also includes 85 census tracts, or 2.7 percent, in which no household income was reported.

The census tract income category is based on median family income (MFI) figures established by the United States Census Bureau. A low-income census tract is one in which the MFI is less than 50.0 percent of the MFI of the MSA or MD; a moderate-income census tract is one in which

the MFI is at least 50.0 percent but less than 80.0 percent of the MFI of the MSA or MD; a middle-income census tract is one in which the MFI is at least 80.0 percent but less than 120.0 percent of the MFI of the MSA or MD; and an upper-income census tract is one in which the MFI equals or exceeds 120.0 percent of the MFI of the MSA or MD.

Table 2 illustrates the characteristics of the housing stock in the bank's assessment area based on the 2010 U.S. Census.

Table 2 - Selected Housing Characteristics by Income Category of the Geography										
Geographic Income Category	Percentage							Median		
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Single Family (1-4 units)	5+ Unit Dwellings	Home Age*	Home Value*	Gross Rent**
Low	11.8	11.6	11.5	2.8	18.3	5.8	17.8	30	\$405,137	\$778
Moderate	23.6	23.9	24.0	13.9	31.7	20.8	27.5	35	\$409,545	\$1,025
Middle	31.5	31.1	30.8	36.7	26.7	37.6	23.2	40	\$413,538	\$1,178
Upper	30.4	33.4	33.7	46.6	23.3	35.8	31.5	42	\$579,437	\$1,542
N/A	2.7	0.0	0.0	0.0	0.0	0.0	0.0	0	\$0	\$939
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	100.0	40	\$494,822	\$1,142

Source: 2010 U.S. Census Data *Owner-occupied Units ** Renter-occupied

According to the 2010 U.S. Census, 51.9 percent of the available housing stock of the assessment area is comprised of rental units, while owner-occupied units account for 40.0 percent of the available stock. The low percentage of owner-occupied units may result in a limited demand to purchase, refinance, or make home improvements for these types of housing units. The majority (51.9 percent) of the area's housing stock is comprised of single family (1-4 units) properties; however, only 5.8 percent and 20.8 percent are located in low- and moderate-income census tracts, respectively, which may limit demand somewhat in these areas. Multifamily units comprise 47.8 percent of the assessment area's housing stock, with 17.8 and 27.5 percent located in low- and moderate-income census tracts, respectively. Given the high percentage of these units in the assessment area, there may be a greater demand for multifamily loans throughout the assessment area, including the low- and moderate-income areas.

The assessment area is characterized by high median home values. As shown in Table 2, the median home value for the combined assessment area is \$494,822, which is nearly eight times the assessment area's median household income of \$64,758. The disparity between the median home value and the median household income contributes to the low housing affordability for the area. The area's low housing affordability makes it difficult for low- and moderate-income borrowers to qualify for mortgage loans, which may limit demand from borrowers of these income groups.

Business Demographics

Table 3 provides business demographic data for the assessment area.

Table 3 – Business Demographic Characteristics of Assessment Area		
<u>Percentage of Businesses by Income Level of Geography:</u>	<u>2012</u>	<u>2013</u>
Low-Income	7.4	7.4
Moderate-Income	17.3	17.2
Middle-Income	27.5	27.3
Upper-Income	45.7	46.1
N/A	2.1	2.0
<u>Percentage of Businesses by Gross Annual Revenue Level:</u>	<u>2012</u>	<u>2013</u>
<= \$1 Million	71.3	72.2
> \$1 Million	5.0	5.4
Revenue Not Reported	23.7	22.4

Source: D & B (2012 and 2013)

Table 3 depicts the percentage of businesses that reported revenues of \$1 million or less. These businesses are considered “small businesses” for the purposes of this evaluation. According to the 2012 and 2013 D & B Demographic data, there were approximately 1.2 million and 1.1 million total non-farm businesses operating in the assessment area, respectively. A substantial majority of the businesses in the assessment area reported gross annual revenues of \$1 million or less. Moreover, the majority of the businesses operate in the middle- and upper-income census tracts, with just 24.6 percent located in the low- and moderate-income census tracts, which may limit the opportunity to extend small business loans in those areas.

Competition

There is a high level of competition to provide banking services within the bank’s assessment area. The bank faces intense competition in its assessment area from many large money-center institutions, national and regional banks, savings and loan associations, and mortgage brokers. The area is dominated, by both deposit market share and number of branches, by JP Morgan, Bank of America, Citibank, Capital One, and TD Bank.

According to the June 30, 2013 FDIC Summary of Deposits data, there were 222 financial institutions operating 3,382 branches throughout the assessment area. The top ten financial institutions captured 78.5 percent of the total deposit market share. NECB had 0.2 percent market share and ranked 119th by total dollar amount of deposits.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Loan-to-Deposit Ratio

The bank's average net loan-to-deposit (LTD) ratio of 106.2 percent is more than reasonable considering the bank's size, available lending opportunities, and assessment area credit needs. The average net LTD ratio, which was calculated using the 11 quarters of financial data between performance evaluations, has shown a steady increase over the previous nine quarters. Specifically, the net LTD ratio ranged from a low of 92.7 percent as of March 31, 2012 to a high of 113.8 percent as of March 31, 2014. The increase in the bank's LTD ratio is attributed to an overall increase in loan demand, especially in affordable housing units.

NECB's net LTD ratio of 113.8 percent as of March 31, 2014 compared more than favorably to the peer group's net LTD of 83.1 percent for the same time period. NECB's peer group consists of all insured savings banks having assets between \$300 million and \$1 billion. There were no similarly situated lenders that were comparable based on asset size, assessment area designation, lending focus, and branching network for comparison purposes.

Assessment Area Concentration

A majority of the bank's loans were originated inside the assessment areas. Refer to Table 4 for details concerning the distribution of loans inside and outside the assessment area.

Table 4 – Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Multi-Family										
2012	36	69.2	16	30.8	52	23,526	78.7	6,383	21.3	29,909
2013	46	65.7	24	34.3	70	29,694	68.1	13,917	31.9	43,611
Subtotal	82	67.2	40	32.8	122	53,220	72.4	20,300	27.6	73,520
1-4 Family										
2012	49	71.0	20	29.0	69	13,524	54.4	11,322	45.6	24,846
2013	25	56.8	19	43.2	44	10,640	71.6	4,226	28.4	14,866
Subtotal	74	65.5	39	34.5	113	24,164	60.8	15,548	39.2	39,712
Small Business										
2012	22	45.8	26	54.2	48	11,103	62.2	6,743	37.8	17,846
2013	27	67.5	13	32.5	40	10,729	74.0	3,763	26.0	14,492
Subtotal	49	55.7	39	44.3	88	21,832	67.5	10,506	32.5	32,338
Total	205	63.5	118	36.5	323	99,216	68.2	46,354	31.8	145,570

Source: Bank Records (2012 and 2013), HMDA LARs (2013), Bank MECA Data (2013)

As shown in Table 4, 63.5 percent of the number and 68.2 percent of the dollar volume of multifamily, 1-4 family, and small business loans were extended within the bank's assessment area during the period reviewed. This constitutes a majority by both number and dollar volume for the evaluation period.

Geographic Distribution

Overall, the geographic distribution of loans reflects an excellent dispersion throughout the assessment area.

Multifamily Lending

The geographic distribution of multifamily lending activity reflects an excellent dispersion throughout the assessment area. Table 5 provides data concerning the distribution of multifamily loans by the income category of the census tract. Multifamily units' demographic data is also shown for comparison purposes.

Table 5- Distribution of Multifamily Loans by Income Category of the Geography							
Geography Income Level	% Total Multi- Family Units	2012		2013		Total	
		#	%	#	%	#	%
Low	17.8	9	25.0	13	28.3	22	26.9
Moderate	27.5	8	22.2	19	41.3	27	32.9
Middle	23.2	9	25.0	3	6.5	12	14.6
Upper	31.5	10	27.8	11	23.9	21	25.6
N/A	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	36	100.0	46	100.0	82	100.0

Source: 2010 Census Data, Internal Bank Records (2012 and 2013), HMDA LAR (2013)

As Table 5 illustrates, the bank's multifamily lending activity within low-income census tracts during 2012 significantly exceeded the percent of total multifamily units, which reflects an excellent performance. The bank's multifamily lending activity during 2012 in moderate-income census tracts compares slightly less favorably to multifamily units. However, given the intense competition NECB faces within the assessment area, its lending performance in moderate-income census tracts is still considered reasonable.

As Table 5 illustrates, the bank's multifamily lending activity within low- and moderate-income census tracts during 2013 exceeded the percent of total multifamily units by a substantial margin. Notable is the significant increase in lending in the moderate-income census tracts from 2012 to 2013, which reflects excellent performance. Overall, nearly 60.0 percent of the bank's multifamily lending activity during 2012 and 2013, combined, was located within low- or moderate-income census tracts. Given that 45.3 percent of the multifamily units are located in low- and moderate-income census tracts, the bank's lending performance is excellent.

1-4 Family Unit Lending

The geographic distribution of 1-4 family residential lending reflects an excellent dispersion throughout the assessment area. Table 6 provides data concerning the distribution of 1-4 family loans by the income category of the census tract. Demographic data is also shown for comparison purposes.

Table 6 - Distribution of 1-4 Family Loans by Income Category of the Geography								
Geography Income Level	% Single Family (1-4 Units)	% Rental Units	2012		2013		Total	
			#	%	#	%	#	%
Low	5.7	18.3	18	36.8	8	32.0	26	35.1
Moderate	19.4	31.7	19	38.8	12	48.0	31	41.9
Middle	42.7	26.7	6	12.2	3	12.0	9	12.2
Upper	32.2	23.3	6	12.2	2	8.0	8	10.8
NA	0.0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	49	100.0	25	100.0	74	100.0

Source: 2010 Census, Internal Bank Records (2012), HMDA LAR (2013)

As illustrated in Table 6, the bank's lending performance in relation to the percentage of 1-4 family units is excellent. As previously stated, the bank's 1-4 family lending activity is comprised of loans to borrowers that were not natural persons (e.g., businesses and limited liability companies). As a result, these loans were used to finance non-owner occupied, rental properties. Given the bank's lending strategy, rental units were also used for comparative purposes. During 2012, the bank's 1-4 family lending activity within the low-income census tracts far exceeded both the percentage of rental units and 1-4 family units within those tracts. The bank's lending activity within the moderate-income census tracts also compared favorably to both the rental units and 1-4 family units. As a result, the bank's 2012 lending performance is considered excellent.

As illustrated in Table 6, the bank's 1-4 family lending activity decreased in 2013 within its assessment area. The decrease was attributed to the overall decline in the bank's 1-4 family lending in 2013 and to the hiring of a new loan officer that had relationships in an area just outside the bank's assessment area. However, when compared to the demographics, the bank's lending activity still exceeded the demographics. As illustrated in Table 6, the bank's lending activity in both the low- and moderate-income census tracts far exceeded the percentage of rental units and 1-4 family units in those tracts.

Overall, 77.0 percent of the bank's 1-4 family lending activity during 2012 and 2013, combined, was located within low- or moderate-income census tracts, which further represents excellent performance.

Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area. Table 7 provides data concerning the distribution of small business loans by the income category of the census tract. For comparison purposes, Table 7 also includes the percentage of total businesses within the census tracts as reported by D & B for 2012 and 2013. It should be noted that D & B data includes all businesses in a given area that voluntarily respond to a survey request, including a large number of very small businesses that have limited or no credit needs. As such, the D & B data is primarily considered an indicator of business demographics in the assessment area and is not considered an absolute distribution of credit needs or lending opportunities.

Table 7 - Distribution of Small Business Loans by Income Category of the Geography								
Geography Income Level	% of Total Businesses 2012	% of Total Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
Low	6.7	6.7	1	4.5	3	11.1	4	8.2
Moderate	16.6	16.4	4	18.2	5	18.5	9	18.4
Middle	34.7	34.6	9	40.9	9	33.3	18	36.7
Upper	40.6	41.0	8	36.4	10	37.1	18	36.7
NA	1.4	1.3	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	22	100.0	27	100.0	49	100.0

Source: Bank Small Business Loan Records (2012 and 2013), D & B (2012 and 2013)

As illustrated in Table 7, the bank originated just five small business loans in the low- and moderate-income census tracts during 2012, which makes a meaningful conclusion difficult. The bank originated one small business loan, or 4.5 percent of total loans, in a low-income census tract. While the bank's lending does not compare favorably to the percentage of businesses located in the low-income census tracts, it is nonetheless considered reasonable given the competition the bank faces from larger institutions. The bank originated four small business loans, or 18.2 percent of total loans, within the moderate-income census tracts, which compares favorably to the percentage of businesses in those census tracts and is considered reasonable.

During 2013, the bank originated eight small business loans in the low- and moderate-income census tracts, which is an increase in number of loans from the prior year. While this volume is still too low to draw a meaningful conclusion, the data nonetheless shows that the bank's small business lending activity within both the low- and moderate-income census tracts exceeded the percentage of total businesses in those census tracts. Given the bank's lending activity in low- and moderate-income census tracts exceeded the percentage of businesses in those areas, the overall lending performance is reasonable.

Borrower's Profile

The distribution of borrowers reflects, given the bank's lending strategy, reasonable penetration among businesses of different sizes. Since income was not reported for multifamily and 1-4 family lending activities, only data concerning the bank's small business lending activity is presented.

Multifamily and 1-4 Family Unit Lending

As previously stated, the bank's lending focus is on loans for multifamily and 1-4 family rental properties. Since these loan types are typically repaid through rental income, the income of the borrower is generally not recorded or reported. Consequently, the distribution of these loan types by borrower income cannot be analyzed. Nonetheless, many of the bank's multifamily loans and 1-4 family loans provided affordable housing for low- and moderate-income individuals and families, which was evident by the bank's community development loans. As a result, low- and moderate-income individuals and families received a benefit from these loans.

Small Business Lending

The distribution of loans reflects reasonable penetration among businesses of different sizes given the bank's lending strategy. Table 8 provides data concerning the distribution of small business loans by the gross annual revenue of the business. Business demographic data is also shown for comparison purposes.

Gross Annual Revenues (000s)	% of Businesses 2012	% of Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
< \$1,000	71.3	72.2	4	18.2	14	51.9	18	36.7
> \$1,000 or NA	28.7	27.8	18	81.8	13	48.1	31	63.3
Total	100.0	100.0	22	100.0	27	100.0	49	100.0

Source: Bank Small Business Loan Records (2012 and 2013), D & B (2012 and 2013)

As shown in Table 8, during 2012 a substantial majority of the bank's small business loans were to businesses with gross annual revenues greater than \$1 million. With just 18.2 percent of its small business loans extended to businesses with revenues less than or equal to \$1 million, the bank's lending activity compares unfavorably to the demographics.

During 2013, the bank's lending to businesses with gross annual revenues of \$1 million or less increased substantially. As shown in Table 8, the bank originated a majority of its loans to businesses with gross annual revenues of \$1 million or less. Despite the improvement, the percentage of loans to businesses with revenues of \$1 million or less remains below demographics.

While the bank's lending performance compares unfavorably to the business demographics, the performance is nonetheless reasonable given the improving trend, the competition in the area, and the bank's primary lending focus of originating loans for multifamily and 1-4 family non-owner occupied units. In addition, many of the small business loans were located in an Enterprise Zone, which helps retain businesses and employment opportunities in distressed areas. Specifically, 9.7 percent of the loans to businesses with gross annual revenue above \$1 million in 2012 and 2013 were to businesses located in an Enterprise Zone.

Response to Complaints

The bank has not received any CRA-related complaints since the prior evaluation. As a result, this performance criterion is not applicable.

COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates the institution's record of helping to meet the community development needs of its assessment area by considering an institution's community development loans, community development investments, and community development services. As an ISB, NECB has the flexibility to allocate resources among community development loans, qualified investments, and community development services that it reasonably determines are most responsive to community development needs and opportunities.

Community development activities considered for the Community Development Test include: (1) Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; (2) Community services targeted to low- or moderate-income individuals; (3) Activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues (GAR) of \$1 million or less; (4) Activities that revitalize or stabilize low- or moderate-income tracts, designated disaster areas, or distressed or underserved non-metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC, and Office of the Comptroller of the Currency; or (5) loans, investments, and services that support, enable or facilitate projects or activities that meet the "eligible uses" criteria described in Section 2301(c) of the Housing and Economic Recovery Act of 2008.

Based on a review of demographic and economic data, the activities of other financial institutions, and reviews of community development organization contacts, the assessment area has a moderate level of community development need. Overall, NECB's community development performance demonstrates an excellent responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, considering the institution's capacity, and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

During the evaluation period, the bank extended 101 community development loans totaling \$87.2 million, including 29 loans totaling \$33.7 million in 2011, 30 loans totaling \$25.9 million in 2012, 31 loans totaling \$22.8 million in 2013, and 11 loans totaling \$4.7 million for year-to-date 2014. Approximately 78.0 percent of the bank's community development loans were extending in the New York assessment area or broader state or regional area (BSRA). The community development loans represented 22.3 percent of total loans (\$382.4 million) and 19.3 percent of total assets (\$451.7 million), as of March 31, 2014.

Table 9 illustrates the number and dollar amount of community development loans by purpose.

Table 9 - Community Development Loans			
Category	Year	Number of Loans	Dollar Amount (000s)
Affordable Housing for Low- and Moderate-Income Individuals	2/22/2011 – 12/31/2011	14	19,461
	2012	18	9,523
	2013	13	10,533
	YTD 6/3/2014	7	3,714
Total Affordable Housing		52	43,231
Activities that Promote Economic Development	2/22/2011-12/31/2011	2	5,750
	2012	2	5,750
	2013	2	5,750
	YTD 6/3/2014	-	-
Total Economic Development		6	17,250
Community Services Targeted to Low- and Moderate-Income Individuals	2/22/2011	1	1,100
	2012	-	-
	2013	1	1,240
	YTD 6/3/2014	-	-
Total Community Services		2	2,340
Sub-Total of Loans within AA		60	62,821
Broader State/Region Wide (BSRA)			
Affordable Housing for Low- and Moderate-income individuals	2/22/2011-12/31/2011	11	5,210
	2012	10	10,674
	2013	15	5,296
	YTD 6/3/2014	4	1,040
Total Affordable Housing		40	22,220
Community Service Targeted to Low- and Moderate-Income Individuals	2/22/2011-12/31/2011	1	2,200
	2012	-	-
	2013	-	-
	YTD 6/3/2014	-	-
Total Community Services		1	2,200
Sub-Total of Loans Within BSRA		41	24,420
TOTAL		101	87,241

Community Development Investments

A qualified investment for the purposes of this evaluation is a lawful investment, deposit, donation, membership share, or grant that has community development as its primary purpose. During the evaluation period, the bank purchased or maintained community development investments and grants totaling \$4.1 million in the assessment area or BSRA. This represents 0.9 percent of total assets (\$451.7 million), 50.6 percent of total securities (\$8.1 million), and 4.7 percent of total equity capital (\$87.2 million), as of March 31, 2014.

Of the total \$4.1 million in community development investments, \$2.1 million (51.2 percent) represents new investments since the prior evaluation. The bank also disbursed \$49,687 in donations to community organizations that support community development initiatives throughout the assessment area. Prior period investments total nearly \$2 million and represent the outstanding principal balance for eight certificates of deposits in Community Development Financial Institutions (CDFI). Approximately 98.0 percent of the bank's community development investments were located in the New York assessment area or BSRA.

Table 10 illustrates the number and dollar amount of community development investments by purpose.

Table 10 - Community Development Investment			
Category	Year	#	Dollar Amount (000s)
Activities that Promote Economic Development	2/22/2011-12/31/2011		
	2012		
	2013	1	100
	YTD 6/3/2014		
Total Economic Development		1	100
Certificates of Deposit in CDFI	Prior Period	5	1,245
	Current Period 2/22/2011-6/3/2014	5	1,245
Total Certificates of Deposit		10	2,490
Sub-Total of Investments within AA		11	2,590
Broader State/Region Wide (BSRA)			
Certificates of Deposit in CDFI	Prior Period	3	747
	Current Period 2/22/2011-6/3/2014	3	747
Total Certificates of Deposit		6	1,494
Sub-Total of Investment Within BSRA		6	1,494
TOTAL		17	4,084

Community Development Services

A community development service is defined as a service that has a primary purpose of community development that is generally related to the provision of financial services. NECB's community development services consist primarily of bank officers and employees serving on the Board of Directors for community development organizations and teaching financial literacy classes, including the FDIC's Money Smart Program. These services are described in the New York and Massachusetts sections of this performance evaluation.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

NEW YORK

CRA RATING FOR NEW YORK: Outstanding.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

SCOPE OF EXAMINATION

The Lending Test included a review of the multifamily (including MECAs), 1-4 family, and small business loans originated by the bank in 2012 and 2013 within the New York assessment area. The Community Development Test considered the bank's community development loans, qualified investments, and community development services since the prior CRA evaluation dated February 22, 2011.

The majority of the bank's lending activity and assessment area census tracts are located in the New York assessment area. As a result, greater weight was placed on the performance in this assessment area when assigning the overall rating. In addition, greater weight was placed on the bank's multifamily lending when assigning the New York rating, as the volume of these loans significantly exceeded the bank's 1-4 family and small business lending activity.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN NEW YORK

NECB operates four full-service offices, or 50.0 percent of the bank's total branches, and four ATMs, or 40.0 percent of the bank's total ATMs, in this assessment area. In addition, NECB's administrative/loan production office and another loan production office are located in New York. The NECB's New York branches reported total deposits of approximately \$151.9 million as of March 31, 2014, or 55.6 percent of total deposits of \$273.0 million.

The bank's New York assessment area is entirely contained within the New York-Wayne-White Plains, NY-NJ (MD #35644). This assessment area includes the following counties: Bronx, Kings, New York, Queens, Richmond, Rockland, and Westchester. The 2012 and 2013 FFIEC-adjusted median family incomes for MD #35644 were \$68,300 and \$66,000, respectively.

The assessment area is substantially comprised of an urban and suburban population. It is located in and around the greater New York metropolitan area, which includes the five boroughs of New York City, Westchester, and the lower Hudson Valley. The New York City area represents one of the largest and most densely populated metropolitan areas in the U.S.

The New York assessment area includes 2,456 census tracts, which represents 76.5 percent of the 3,209 census tracts located in the bank's combined assessment area. Table 11 provides general demographic information regarding the assessment area based on the 2010 U.S. Census.

Table 11 - Selected Housing Characteristics by Income Category of the Geography										
Geographic Income Category	Percentage							Median		
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units	Single Family (1-4 Units)	5+ Unit Dwellings	Home Age*	Home Value*	Gross Rent**
Low	12.3	13.0	12.8	2.8	18.9	5.9	18.3	30	\$456,205	\$757
Moderate	24.6	25.4	25.3	13.9	32.2	21.7	28.2	34	\$493,806	\$999
Middle	29.3	26.4	26.2	29.8	24.4	32.8	20.9	38	\$481,277	\$1,158
Upper	31.0	35.2	35.7	53.5	24.5	39.6	32.6	42	\$584,454	\$1,526
N/A	2.8	0.0	0.0	0.0	0.0	0.0	0.0	0	\$0	\$1,003
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	100.0	40	\$544,180	\$1,131

Source: 2010 U.S. Census, *Owner-occupied Units, ** Renter-occupied

According to the 2010 U.S. Census, the assessment area contains approximately 2.2 million families. Of the total families, approximately 14.7 percent live below the poverty level. The assessment area also includes approximately 3.8 million housing units, 56.0 percent of which are multifamily properties and 43.8 percent of which are 1-4 family residential properties. The relatively high percentage of multifamily properties in low-and moderate-income census tracts at 18.3 percent and 28.2 percent, respectively, may present an opportunity to originate loans in those areas. Additionally, the assessment area is comprised of 57.9 percent renter-occupied housing units and 33.9 percent owner-occupied units. A high concentration of renter-occupied housing may further increase demand for rental units in the area, especially in low- and moderate-income census tracts where 18.9 percent and 32.2 percent of these units are located, respectively.

In addition to the limited owner-occupied housing-related opportunities, the assessment area is characterized by a high median home value of \$544,180. The high home values may impede low- and moderate-income borrowers from obtaining homeownership given that the average of the median household income in the assessment area is \$60,682.

Business Demographics

Table 12 provides business demographic data for the assessment area.

Table 12 - Business Demographic Characteristics of Assessment Area		
<u>Percentage of Businesses by Income Level of Geography:</u>	<u>2012</u>	<u>2013</u>
Low-Income	8.1	8.0
Moderate-Income	18.7	18.6
Middle-Income	22.3	21.9
Upper-Income	48.1	48.7
N/A	2.8	2.8
<u>Percentage of Businesses by Gross Annual Revenue Level:</u>	<u>2012</u>	<u>2013</u>
<= \$1 Million	71.3	72.5
> \$1 Million	4.9	5.3
Revenue Not Reported	23.8	22.2

Source: D & B (2012 and 2013)

As illustrated in Table 12, the majority of the businesses in the assessment area reported gross annual revenues of \$1 million or less, which shows that there may be an opportunity to lend to these businesses. Table 12 also shows that only 8.1 percent of the businesses are located in low-income census tracts and 18.7 percent are located in moderate-income census tracts. Given that the majority of the area's businesses are located in the middle- and upper-income census tracts, lending to businesses in the low- and moderate-income areas may be difficult, especially given the competition from larger institutions.

Economic Information

According to Moody's Analytics, New York City's economy has slowed since the beginning of the year, but still outperforms most other metropolitan areas in the country in terms of its recovery. The construction and leisure/hospitality industries continue to be the largest contributors to job growth in New York City, where post-Sandy rebuilding is propelling construction. In New York City, there was slower job growth in the financial services sector, which continues to lower wage growth. Industries paying below-average wages accounted for approximately 70.0 percent of the net job growth since 2010. However, these industries comprise nearly 40.0 percent of all jobs. The housing industry, both 1-4 family and multifamily, has recovered slightly and is continuing to improve. This is especially true of multifamily, where strong demand has resulted in a shortage of rental units.

Competition

There is a high level of competition to provide banking services within the bank's assessment area. According to June 30, 2013 FDIC Summary of Deposits data, there were 128 financial institutions operating 2,236 branches throughout the assessment area. The top ten financial institutions captured 84.0 percent of the total deposit market share. NECB captured 0.2 percent market share and ranked 87th by total dollar amount of deposits.

Community Contact

A community contact was conducted during the evaluation to help ascertain the assessment area's credit needs. The contact, an executive director of a nationally recognized affordable housing developer focused in Westchester County and Southeastern Queens County, indicated that there is a growing need for affordable housing, especially in the low-income areas of Westchester County. The contact also stated that affordable housing is still in need in areas that were affected by the damage caused by Hurricane Sandy. Moreover, the contact indicated that there are many other community development opportunities for local institutions, including financial literacy, first-time homebuyer assistance, and strategies for preventing foreclosures.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN NEW YORK

LENDING TEST

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

Multifamily Lending

The geographic distribution of multifamily lending reflects an excellent dispersion within the assessment area. Table 13 illustrates the geographic distribution of multifamily mortgage loans during 2012 and 2013.

Geography Income Level	% Total Multi-Family Units	2012		2013		Total	
		#	%	#	%	#	%
Low	18.3	4	15.4	12	30.8	16	24.6
Moderate	28.2	7	26.9	14	35.9	21	32.3
Middle	20.9	5	19.2	3	7.7	8	12.3
Upper	32.6	10	38.5	10	25.6	20	30.8
NA	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	26	100.0	39	100.0	65	100.0

Source: 2010 Census, Internal Bank Records (2012 and 2013), HMDA LAR (2013)

As illustrated in Table 13, during 2012 the bank's multifamily lending activity within low- and moderate-income census tracts was less than the percentage of total multifamily units in these areas. However, given the intense competition within the assessment area, especially from larger institutions, the bank's lending activity reflects a reasonable distribution.

As illustrated in Table 13, the bank's lending activity increased significantly in 2013, particularly in the low- and moderate-income areas. The bank's multifamily lending activity within the low- and moderate-income census tracts significantly exceeds the percent of total multifamily units in these areas. Given the need for multifamily housing in this assessment area and the fact that almost 57.0 percent of the bank's multifamily loans in 2012 and 2013 combined were to properties located in low- or moderate-income census tracts, the bank's lending activity is excellent.

1-4 Family Unit Lending

The geographic distribution of 1-4 family lending reflects an excellent dispersion within the assessment area. Table 14 illustrates the geographic distribution of 1-4 family mortgage loans during 2012 and 2013.

Table 14 – Distribution of Home Mortgage Loans by Income Category of the Geography

Geography Income Level	% Single Family (1-4 Units)	% Rental Units	2012		2013		Total	
			#	%	#	%	#	%
Low	5.9	18.9	1	20.0	4	30.8	5	27.8
Moderate	21.7	32.2	4	80.0	7	53.8	11	61.1
Middle	32.8	24.4	0	0.0	2	15.4	2	11.1
Upper	39.6	24.5	0	0.0	0	0.0	0	0.0
NA	0.0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	5	100.0	13	100.0	18	100.0

Source: 2010 Census, Internal Bank Records (2012), HMDA LAR (2013)

As illustrated in Table 14, the bank's 1-4 family lending activity during 2012 was limited; however, all of the bank's loans were extended within low- and moderate-income census tracts, which compares favorably to both the percentage of single family (1-4 units) and rental units. However, the low volume of loans in 2012 makes it difficult to draw a meaningful conclusion.

As illustrated in Table 14, the bank's lending activity increased in 2013 and significantly exceeded the percentage of single family (1-4 units) and rental units in both low- and moderate-income census tracts. Despite the substantial competition for loans in the low- and moderate-income census tracts, the bank significantly outperformed demographic factors. Overall, 88.9 percent of the bank's 1-4 family lending activity was located within low- and moderate-income census tracts in the assessment area, which represents excellent performance.

Small Business Lending

The geographic distribution of small business loans represents a reasonable dispersion within this assessment area. Table 15 details the distribution of small business loans by census tract income level. Business demographic data is also included for comparison purposes.

Table 15 - Distribution of Small Business Loans by Income Category of the Geography

Geography Income Level	% of Total Businesses 2012	% of Total Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
Low	6.8	6.8	0	0.0	2	11.1	2	6.9
Moderate	17.3	17.2	1	9.1	3	16.7	4	13.8
Middle	33.3	33.0	4	36.4	3	16.7	7	24.1
Upper	41.0	41.3	6	54.5	10	55.5	16	55.2
NA	1.6	1.7	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	11	100.0	18	100.0	29	100.0

Source: Bank Small Business Loan Records (2012 and 2013) D & B (2012 and 2013)

As illustrated in Table 15, during 2012 the bank's lending activity in low- and moderate-income census tracts compares unfavorably to the distribution of businesses in these areas. However, the low volume of loans in 2012 makes it difficult to draw a meaningful conclusion. As previously stated, the bank is primarily a multifamily and 1-4 family lender and faces intense competition

within the assessment area. These factors contributed to the bank's low volume of small business loans.

As illustrated in Table 15, the bank's lending activity increased in 2013. While the low volume of loans makes a meaningful conclusion difficult, the data nonetheless shows that the bank's lending activity in the low-income census tracts compares favorably to the distribution of businesses in these areas. The bank's lending activity in the area's moderate-income census tracts was generally consistent with the distribution of businesses in these areas.

Overall, the bank's lending performance was reasonable in the low- and moderate-income census tracts given the bank's lending focus, the intense competition within these areas, and the increasing volume of loans in 2013.

Borrower's Profile

The distribution of borrowers reflects, given the bank's lending strategy, reasonable penetration among businesses of different sizes. Since income was not reported for multifamily and 1-4 family lending activities, only data concerning the bank's small business lending activity will be presented. As previously stated, small business lending is not the bank's main lending focus and was given less weight in the overall rating.

Multifamily and 1-4 Family Unit Lending

As previously stated, the bank's lending focus is on loans for multifamily and 1-4 family rental properties. Since these loan types are typically repaid through rental income, the income of the borrower is generally not recorded or reported. Consequently, the distribution of these loan types by borrower income cannot be analyzed. Nonetheless, many of the bank's multifamily loans and 1-4 family loans provided affordable housing for low- and moderate-income individuals and families, which was evident by the bank's community development loans. As a result, low- and moderate-income individuals and families received a benefit from these loans.

Small Business Lending

The distribution of loans reflects reasonable penetration among businesses of different sizes given the bank's lending strategy. Table 16 provides data concerning the distribution of small business loans by the gross annual revenue of the business. Business demographic data is also shown for comparison purposes.

Table 16 - Distribution of Small Business Loans by Gross Annual Revenues of Businesses								
Gross Annual Revenues (000s)	% of Businesses 2012	% of Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
< \$1,000	71.3	72.5	0	0.0	9	50.0	9	31.0
> \$1,000 or NA	28.7	27.5	11	100.0	9	50.0	20	69.0
Total	100.0	100.0	11	100.0	18	100.0	29	100.0

Source: Bank Small Business Loan Records (2012 and 2013), D & B (2012 and 2013)

As illustrated in Table 16, the bank did not originate any loans to a business with gross annual revenues of \$1 million or less during 2012. However, the low volume of loans in 2012 makes a meaningful conclusion difficult. The low volume of loans is attributed to the bank's overall lending strategy, which is to originate multifamily and 1-4 family rental loans. In addition, the bank faces intense competition within the assessment area from larger institutions, which makes it difficult to originate loans to businesses with gross annual revenues of \$1 million or less.

As illustrated in Table 16, the bank's lending activity increased in 2013, with 50.0 percent of the bank's small business loans originated to business with gross annual revenues of \$1 million or less. While this performance is less than the percentage of businesses with gross annual revenues of \$1 million or less, the performance is reasonable given the intense competition within this assessment area and the bank's lending focus. In addition, many of the small business loans were originated in an Enterprise Zone, which helps retain businesses and employment opportunities in distressed areas. Specifically, 15.0 percent of the loans to businesses with gross annual revenue above \$1 million in 2012 and 2013 were to businesses located in an Enterprise Zone.

COMMUNITY DEVELOPMENT TEST

Based on a review of demographic and economic data, the activities of other financial institutions, and reviews of community development organization contacts, the assessment area has a moderate level of community development need. NECB's community development performance within its assessment area demonstrates excellent responsiveness to community development needs when considering available opportunities, the bank's capacity, and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

During the evaluation period, the bank originated 79 community development loans totaling \$72.0 million within this assessment area and the BSRA. This total represents approximately 78.0 percent of the bank's total community development lending. Of these loans, 41 loans for \$48.9 million were within the bank's assessment area, which represents 21.8 percent of the \$223.8 million in total loans originated in the assessment area as of March 31, 2014.

Table 17 illustrates the number and dollar amount of community development loans by purpose.

Table 17 - Community Development Loans			
Category	Year	Number of Loans	Dollar Amount (000s)
Affordable Housing for Low- and Moderate-Income Individuals	2/22/2011 – 12/31/2011	11	17,453
	2012	10	4,794
	2013	7	5,595
	YTD 6/3/2014	6	2,713
Total Affordable Housing		34	30,555
Activities that Promote Economic Development	2/22/2011- 12/31/2011	2	5,750
	2012	2	5,750
	2013	2	5,750
	YTD 6/3/2014	-	-
Total Economic Development		6	17,250
Community Services Targeted to Low- and Moderate-Income Individuals	2/22/2011- 12/31/2011	1	1,100
	2012	-	-
	2013	-	-
	YTD 6/3/2014	-	-
Total Community Services		1	1,100
Sub-Total of Loans within Assessment Area		41	48,905
Broader State/Region Wide (BSRA)			
Affordable Housing for Low- and Moderate-income individuals	2/22/2011- 12/31/2011	10	4,818
	2012	10	10,674
	2013	14	4,796
	YTD 6/3/2014	3	589
Total Affordable Housing		37	20,877
Community Services Targeted to Low- and Moderate-Income Individuals	2/22/2011- 12/31/2011	1	2,200
	2012	-	-
	2013	-	-
	YTD 6/3/2014	-	-
Total Community Services		1	2,200
Sub-Total of Loans Within BSRA		38	23,077
GRAND TOTAL		79	71,982

The following are examples of the more notable community development loans:

- During the evaluation period, NECB originated 71 loans for \$51.4 million to purchase or refinance multifamily dwellings in low- and moderate-income census tracts in its assessment area and the BSRA. All of these multifamily properties qualify as affordable housing based on the rents that are charged in each building. In addition, these loans are responsive to the area's affordable housing needs.

- In 2011, the bank originated a \$1.1 million loan to a 298-bed rehabilitation healthcare facility located in a moderate-income tract in Queens County. Approximately 83.0 percent of the patients are on Medicaid. The health care facility provides long- and short-term care for middle-aged and older adults who require assistance in a homelike setting including 24-hour skilled nursing care such as pulmonary rehabilitation, tracheotomy care, and intravenous therapy. In addition, the facility also provides out-patient hospice care and other medical services. The services provided by the facility are responsive to the area's healthcare needs.
- In 2011, the bank extended two separate lines of credit (LOCs) to a Small Business Lending Company (SBLC), one for \$2.0 million and the other for \$3.7 million. The purpose of the LOCs is to provide funding to businesses through the Small Business Administration (SBA) including SBA 504 loans, SBA 7A loans, and SBA Farm loans. All of the applicants must meet the SBA definition of "small business" to qualify for a loan. The LOCs were renewed in 2012 and 2013. The LOC's are responsive to the small business needs of the area and promote economic development by retaining small businesses in the area.

Community Development Investments

During the evaluation period, the bank extended or maintained community development investments and grants totaling \$4.0 million in the assessment area or BSRA. Of the total community development investments, approximately \$2.0 million (50.0 percent) represents new investments, which included \$29,850 in donations to community organizations that support community development initiatives throughout the assessment area.

Investments

Table 18 illustrates the number and dollar amount of qualified community development investments.

Table 18 - Community Development Investments			
Category	Year	#	Dollar Amount (000s)
Certificates of Deposit in CDFI	Prior Period	5	1,245
	Current Period 2/22/2011-6/3/2014	5	1,245
Total Certificates of Deposit		10	2,490
Sub-Total of Investments within AA		10	2,490
Broader State/Region Wide (BSRA)			
Certificates of Deposit in CDFI	Prior Period	3	747
	Current Period 2/22/2011-6/3/2014	3	747
Total Certificates of Deposit		6	1,494
Sub-Total of Investment Within BSRA		6	1,494
GRAND TOTAL		16	3,984

The community development investments made during the evaluation consisted of certificates of deposit (CDs) in Minority Depository Institutions (MDIs). NECB deposited nearly \$2.0 million in CDs at eight MDIs, five of which were located within the assessment area and three of which were located in the BSRA. The CDs were used for economic development, as these minority-owned banks use the funds for local lending in low- and moderate-income census tracts.

Donations

The bank contributed \$29,850 in qualified donations during the review period to community development organizations that provide essential services primarily to low- and moderate-income individuals or families. The following are a sample of NECB's larger donations.

- The bank donated \$20,750 to Neighborhood Housing Services, a nonprofit organization focused on neighborhood revitalization. The organization is committed to helping homeowners and strengthening neighborhoods, with an emphasis on low- and moderate-income individuals and areas.
- The bank donated \$4,100 to various soup kitchens in the local area that serve hot nutritious meals on a regular basis to low- and moderate-income individuals.

Community Development Services

The bank's community development services for the evaluation period are listed below.

- The chief lending officer serves on the Advisory Board of the Salvation Army Greater New York Division of Rockland, New York. The officer is involved in the organization's administration of a variety of activities, including reviewing contracts with government agencies such as the New York City Department of Homeless Services and the New York City Administration for Children's Services. The officer provides his financial expertise when reviewing the contracts.
- A branch manager serves on the New York City Salvation Army Advisory/Finance Board. The New York City Salvation Army administers a wide variety of social services to low- and moderate-income individuals in New York City. The manager provides her financial expertise by helping the organization with its budgeting.
- The bank offers a low-cost personal checking account with no opening fee, maintenance fee, or any other hidden fees. In addition, there is no minimum balance requirement. The only requirement is an opening deposit of \$5. The account features unlimited check writing and ATM card capabilities. The low-cost personal checking account is offered bank wide and benefits low- and moderate-income individuals.

MASSACHUSETTS

CRA RATING FOR MASSACHUSETTS: Outstanding.

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

SCOPE OF EXAMINATION

The Lending Test included a review of the bank's multifamily, 1-4 family, and small business loans originated during 2012 and 2013 within this assessment area. The Community Development Test considered the bank's community development loans, qualified investments, and community development services since the prior CRA evaluation dated February 22, 2011.

The Massachusetts assessment area accounts for a comparatively smaller portion of the bank's lending activities and the overall assessment area's census tracts. As a result, less weight was placed on the performance in this assessment area when assigning the overall rating. Furthermore, more weight was placed on the bank's 1-4 family lending activity in assigning the rating for Massachusetts due to the comparatively lower volume of multifamily and small business loans.

DESCRIPTION OF INSTITUTION'S OPERATIONS IN MASSACHUSETTS

NECB operates four full-service offices, or 50.0 percent of the bank's total branches, and six ATMs, or 60.0 percent of the bank's total ATMs, in this assessment area. In addition, NECB maintains a loan production office in Danvers, Massachusetts. The Massachusetts branches reported total deposits of approximately \$121.1 million as of March 31, 2014, which is 44.4 percent of the bank's total deposits.

The bank's Massachusetts assessment area is located in and around the greater Boston metropolitan area. The assessment area includes the following counties in their entirety: Middlesex, Norfolk, Plymouth, and Suffolk. Norfolk, Plymouth, and Suffolk County are located within the Boston-Quincy, MA MD #14484. Middlesex County is located in the Cambridge-Newton-Framingham, MA MD #15764. All of the counties are located in the Boston-Cambridge-Quincy, MA-NH MSA #14460. The 2012 FFIEC-adjusted median family incomes for MD #14484 and MD #15764 were \$88,800 and \$106,400, respectively. The 2013 FFIEC-adjusted median family incomes for MD #14484 and MD #15764 were \$88,000 and \$101,000, respectively.

Table 19 illustrates general demographic information about this assessment area based on 2010 U.S. Census data.

Table 19 - Selected Housing Characteristics by Income Category of the Geography										
Geographic Income Category	Percentage							Median		
	Census Tracts	Households	Housing Units	Owner-Occupied	Rental Units**	Single Family (1-4 Units)	5+ Unit Dwellings	Home Age*	Home Value*	Gross Rent**
Low	10.2	7.8	8.0	2.8	15.5	5.8	14.7	32	\$334,077	\$890
Moderate	20.3	19.9	20.2	14.0	29.4	19.2	23.4	36	\$326,121	\$1,146
Middle	38.9	43.7	43.5	48.0	36.8	45.2	37.4	41	\$373,176	\$1,235
Upper	28.6	28.6	28.3	35.2	18.3	29.8	24.5	43	\$570,861	\$1,427
N/A	2.0	0.0	0.0	0.0	0.0	0.0	0.0	0	\$0	\$0
Total or Median	100.0	100.0	100.0	100.0	100.0	100.0	100.0	41	\$442,095	\$1,191

Source: 2010 U.S. Census, *Owner-occupied Units, ** Renter-occupied

According to the 2010 U.S. Census, the assessment area has approximately 800,421 families. Of the total families, approximately 6.7 percent live below the poverty level. Of the approximately 1.4 million housing units in the assessment area, 1.0 million, or 74.4 percent, are 1-4 family housing units and only 345,754, or 25.0 percent, are multifamily. The relatively low level of multifamily properties may reduce demand for home mortgage-related financing to purchase, refinance, or make home improvements for these types of properties. Approximately 57.0 percent of the area's housing units are owner-occupied housing units, with 36.2 percent occupied rental units. The low concentration of renter-occupied housing may decrease the demand for the financing of rental units in the area, especially in low- and moderate-income census tracts where 15.5 percent and 29.4 percent of these units are located, respectively.

Business Demographics

Table 20 provides business demographic data for the assessment area.

Table 20 - Business Demographic Characteristics of Assessment Area		
<u>Percentage of Businesses by Income Level of Geography:</u>	<u>2012</u>	<u>2013</u>
Low-Income	5.7	5.7
Moderate-Income	14.0	13.8
Middle-Income	40.3	40.2
Upper-Income	39.7	40.0
N/A	0.3	0.3
<u>Percentage of Businesses by Gross Annual Revenue Level:</u>	<u>2012</u>	<u>2013</u>
<= \$1 Million	71.1	71.5
> \$1 Million	5.2	5.6
Revenue Not Reported	23.7	22.9

Source: D & B (2012 and 2013)

As shown in Table 20, the majority of the assessment area's businesses reported gross annual revenues of \$1 million or less, which shows there may be an opportunity to lend to these businesses. However, Table 20 also shows that in 2012 and 2013, only 5.7 percent of the businesses are located in low-income census tracts. In addition, only 14.0 percent and 13.8 percent of the businesses are located in moderate-income census tracts in 2012 and 2013,

respectively. Given that the majority of the area's businesses are located in the middle- and upper-income census tracts, lending to businesses in the low- and moderate-income areas may be difficult, especially given the level of competition in the area.

Economic Information

According to Moody's Analytics, Boston's recovery is strong. The area's employment growth is near the national average despite a slight recession, with the area's service industry leading the recovery. However, the area's financial industry is declining in light of the recent financial crisis and declining refinance market. In fact, Fidelity, one of the largest financial services companies in the area, has been steadily reducing its presence in recent years. Boston's per capita income is approximately 36.0 percent higher than the U.S. average. The Boston area retains a significant long-term advantage over the nation in terms of per capita income due to the prevalence of high-paying services such as financial, software publishing, and computer systems design.

Competition

There is a high level of competition to provide banking services within the bank's assessment area. According to the June 30, 2013 FDIC Summary of Deposits data, there were 113 financial institutions operating 1,146 branches throughout the assessment area. The top ten financial institutions captured 80.8 percent of the total deposit market share. NECB had a 0.4 percent market share and ranked 81th by total dollar amount of deposits.

Community Contact

A recent community contact was reviewed to help ascertain the assessment area's credit needs. The contact stated that the area needs more affordable housing. The contact stated that housing prices in the area are high and have continued to rise in recent years. The contact further stated that low- to moderate-income families and individuals relying on fixed incomes often have difficulty keeping up with the mortgage or rent payments. Finally, the contact suggested that there was a need for more financial literacy courses for low- and moderate-income individuals to promote financial independence.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN MASSACHUSETTS

LENDING TEST

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area.

Multifamily Lending

The geographic distribution of multifamily lending reflects an excellent dispersion within the assessment area. However, the low volume of loans makes a meaningful conclusion difficult. Table 21 details the geographic distribution of multifamily loans, along with demographic data for comparison purposes.

Table 21- Distribution of Multifamily Loans by Income Category of the Geography							
Geography Income Level	% Total Multi-Family Units	2012		2013		Total	
		#	%	#	%	#	%
Low	14.7	5	50.0	1	14.3	6	35.3
Moderate	23.4	1	10.0	5	71.4	6	35.3
Middle	37.4	4	40.0	0	0.0	4	23.5
Upper	24.5	0	0.0	1	14.3	1	5.9
NA	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	10	100.0	7	100.0	17	100.0

Source: 2010 Census, Internal Bank Records (2012 and 2013), and HMDA LAR (2013)

As illustrated in Table 21, a significant percentage of the bank's multifamily lending activity was extended within low- and moderate-income census tracts during 2012 and 2013, comparing favorably to the percentage of multifamily units in these areas. As previously stated, only 23.7 percent of the assessment area's housing units are multifamily, which limits the bank's ability to penetrate these areas. As a result, the bank's performance is considered excellent. However, the low volume of loans makes a meaningful conclusion difficult.

1-4 Family Unit Lending

The geographic distribution of 1-4 family loans reflects an excellent dispersion within the assessment area. Table 22 details the geographic distribution of 1-4 family loans, along with demographic data for comparison purposes.

Table 22 - Distribution of 1-4 Family Loans by Income Category of the Geography								
Geography Income Level	% Single Family (1-4 units)	% Rental Units	2012		2013		Total	
			#	%	#	%	#	%
Low	5.8	15.5	17	38.6	4	33.3	21	37.5
Moderate	19.3	29.4	15	34.2	5	41.7	20	35.7
Middle	45.1	36.8	6	13.6	1	8.3	7	12.5
Upper	29.8	18.3	6	13.6	2	16.7	8	14.3
NA	0.0	0.0	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	44	100.0	12	100.0	56	100.0

Source: 2010 Census, Internal Bank Records (2012), HMDA LAR (2013)

As illustrated in Table 22, the bank's level of 1-4 family lending activity during 2012 within low-income census tracts significantly exceeds both the percentage of 1-4 family units and rental units in these areas. Further, the bank's 1-4 family unit lending activity within moderate-income census tracts also exceeds the percentage of single family (1-4 units) and rental units in these areas. This performance is considered excellent.

The bank's lending activity decreased in 2013. However, the bank's 1-4 family lending within low- and moderate-income areas still outperformed both the percentage of 1-4 family units and rental units in these areas. While this performance is excellent, the low volume of loans makes a meaningful conclusion difficult.

In 2012 and 2013 combined, 73.0 percent of the bank's 1-4 family unit lending activity was located within low- and moderate-income census tracts. This performance is considered excellent.

Small Business Lending

The geographic distribution of small business loans reflects a reasonable dispersion within the assessment area. Table 23 details the geographic distribution of small business loans. Business demographic data is also included for comparison purposes.

Table 23 - Distribution of Small Business Loans by Income Category of the Geography								
Geography Income Level	% of Total Businesses 2012	% of Total Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
Low	6.5	6.5	1	9.1	1	11.1	2	10.0
Moderate	13.8	13.7	3	27.3	2	22.2	5	25.0
Middle	40.2	40.0	5	45.4	6	66.7	11	55.0
Upper	39.3	39.6	2	18.2	0	0.0	2	10.0
NA	0.2	0.2	0	0.0	0	0.0	0	0.0
Total	100.0	100.0	11	100.0	9	100.0	20	100.0

Source: Bank Small Business Loan Records (2012 and 2013) D & B (2012 and 2013)

As illustrated in Table 23, the bank's lending activity within low-income census tract during 2012 compares favorably to the percentage of businesses in these areas. In addition, the bank's lending activity in moderate-income census tracts compares more than favorably to the percentage of total businesses in these areas. As a result, the bank's performance is reasonable. However, the low volume of loans makes a meaningful conclusion difficult.

During 2013, the bank's level of lending activity within the low-income census tracts compares favorably to the percent of businesses in these areas. In addition, the bank's level of activity within the moderate-income census tracts compares favorably to the percent of businesses in these areas. While the bank's lending activity decreased slightly from 2012 to 2013, its performance is reasonable, as 35.0 percent of its total small business loans were originated in low- or moderate-income census tracts. However, the low volume of loans makes a meaningful conclusion difficult.

Borrower's Profile

The distribution of borrowers reflects, given the bank's lending strategy, reasonable penetration among businesses of different sizes. Since income was not reported for multifamily and 1-4 family lending activities, only data concerning the bank's small business lending activity will be presented. As previously stated, small business lending is not the bank's main lending focus and was given less weight in the overall rating.

Multifamily and 1-4 Family Unit Lending

As previously stated, the bank's lending focus is on loans for multifamily and 1-4 family rental properties. Since these loan types are typically repaid through rental income, the income of the borrower is generally not recorded or reported. Consequently, the distribution of these loan types by borrower income cannot be analyzed. Nonetheless, many of the bank's multifamily loans and 1-4 family loans provided affordable housing for low- and moderate-income individuals and families, which was evident by the bank's community development loans. As a result, low- and moderate-income individuals and families received a benefit from these loans.

Small Business Lending

The distribution of loans reflects reasonable penetration among businesses of different sizes given the bank's lending strategy. However, the low volume of loans makes a meaningful conclusion difficult. Table 24 details the distribution of small business loans by the gross annual revenue of the businesses. Business demographic data is also included for comparison purposes.

Gross Annual Revenues (000s)	% of Businesses 2012	% of Businesses 2013	2012		2013		Total	
			#	%	#	%	#	%
< \$1,000	71.1	71.5	4	36.4	5	55.6	9	45.0
> \$1,000 or NA	28.9	28.5	7	63.6	4	44.4	11	55.0
Total	100.0	100.0	11	100.0	9	100.0	20	100.0

Source: Bank Small Business Loan Records (2012 and 2013), D & B (2012 and 2013)

As illustrated in Table 24, in 2012 the bank's lending to businesses with gross annual revenues of \$1 million or less compared unfavorably to the percentage of businesses in the assessment area that reported gross annual revenues of \$1 million or less. While the bank is not a small business loan reporter, aggregate small business loan data, which provides a baseline for overall market loan demand within the assessment area, was reviewed. Although not used as a direct comparison to the bank's lending levels, the 2012 aggregate data shows that 42.9 percent of the small business loans extended by the reporters that comprise the aggregate data were to businesses with gross annual revenues of \$1 million or less. The bank's lending in 2012 was generally more consistent with the overall market loan demand as reflected in the aggregate data than with business demographics.

During 2013, the bank's small business lending activity to businesses with gross annual revenues of \$1 million or less increased as a percentage of total loans and represented 55.5 percent of the bank's small business loans. While the bank's performance compares unfavorably to the percentage of businesses with gross annual revenues of \$1 million or less in the assessment area, the bank's performance is reasonable given the competition in the assessment area and the fact that small business lending is not the bank's main lending focus.

Overall, the bank's small business lending performance was reasonable given the intense competition in the area, the bank's lending focus, and the overall market loan demand.

COMMUNITY DEVELOPMENT TEST

Based on a review of demographic and economic data, the activities of other financial institutions, and reviews of community development organization contacts, the assessment area has a moderate level of community development need. NECB's community development test performance within this assessment area demonstrates excellent responsiveness to community development needs when considering available opportunities, the bank's capacity, and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Lending

During the evaluation period, the bank originated 22 community development loans totaling \$15.2 million within this assessment area and the BSRA during the period reviewed. Of these loans, 19 loans for \$13.9 million are made directly within the Massachusetts assessment area, which represents 14.7 percent of the \$94.3 million in total loans in the assessment area as of March 31, 2014.

Table 25 illustrates the number and dollar amount of community development loans by purpose.

Table 25 - Community Development Loans			
Category	Year	Number of Loans	Dollar Amount (000s)
Affordable Housing for Low- and Moderate-Income Individuals	2/22/2011 – 12/31/2011	3	2,008
	2012	8	4,729
	2013	6	4,938
	YTD 6/3/2014	1	1,001
Total Affordable Housing		18	12,676
Community Services Targeted to Low- and Moderate-Income Individuals	2/22/2011	-	-
	2012	-	-
	2013	1	1,240
	YTD 6/3/2014	-	-
Total Community Services		1	1,240
Sub-Total of Loans within AA		19	13,916
Broader State/Region Wide (BSRA)			
Affordable Housing for Low- and Moderate-income individuals	2/22/2011- 12/31/2011	1	392
	2012	-	-
	2013	1	500
	YTD 6/3/2014	1	451
Total Affordable Housing		3	1,343
Total Community Services		-	-
Sub-Total of Loans Within BSRA		3	1,343
GRAND TOTAL		22	15,259

The following is a sample of the bank's community development loans.

- During the evaluation period, NECB originated 21 loans for \$14.0 million in its assessment area and the BSRA to purchase or refinance multifamily dwellings in low- and moderate-income census tracts. All of these multifamily properties qualify as affordable housing based on the rents that are charged in each building. In addition, these loans are responsive to the area's affordable housing needs.
- NECB originated a \$1.2 million loan to an entity that operates two early education day care centers, both located in a moderate-income census tract. The two facilities provide affordable daycare to the surrounding moderate-income working family communities and are considered responsive to the area's community service needs.

Community Development Investments

During the evaluation period, the bank extended one community development investment, and multiple grants totaling \$114,837 in the assessment area.

Investments

In 2013, the bank invested \$100,000 in a loan pool organized by a local business organization to finance businesses that meet the definition of a SBA "small business" for loans in amounts ranging from \$25,000 to \$200,000 at below market rates. The pool is targeted to businesses that cannot get a conventional business loan from a bank, such as new start-up business owner, or owners who cannot meet a bank's standard collateral requirements.

Donations

The following is a sample of NECB's larger donations.

- The bank donated \$10,000 to Neighborhood Housing Services, Southshore, a nonprofit organization focused on neighborhood revitalization. The organization is committed to helping homeowners by strengthening neighborhoods, with an emphasis on low- and moderate-income individuals and areas.
- The bank donated \$2,500 to Habitat for Humanity, a nonprofit affordable housing organization committed to helping families to break the cycle of poverty and build long-term financial security by providing affordable housing payments to free up money for other basic necessities.

Community Development Services

Bank employees and managers organize and participate in programs that provide financial education and community development services to the residents of the bank's assessment area, particularly the low- and moderate-income population. The bank's community development services for the evaluation period are listed below.

- The bank's chief retail banking officer is a member of the Dean's Advisor Board at Salem State University. One of the officer's responsibilities includes reviewing financial aid packages for low- and moderate-income students. In addition, the officer oversees one of the programs that the university offers. The program is a state funded program that includes student development counseling aimed at first-generation and low-income students. The program is designed to establish living/learning communities around the university to improve retention rates.
- One branch manager and one assistant branch manager offer financial literacy classes to the staff and residents of Danvers Council on Aging, and the Danvers Senior Center periodically since 2013. In addition, during visits to these organizations, the two managers also process

the banking needs of the residents and staff. The financial literacy classes are target to low- and moderate-income individuals.

- During the months of January through March 2013, one branch manager taught financial literacy to 30 eighth Grade students using the first four modules of FDIC's Money Smart for Young Adults Program. The majority of the students were low- and moderate-income.

APPENDIX A

SCOPE OF EXAMINATION TABLE	
SCOPE OF EXAMINATION	The scope of the evaluation included a review of the institution's lending, community development loans, qualified investments, and community development services activities.
TIME PERIOD REVIEWED	Lending Test: 2012 and 2013. Community Development Test: February 22, 2011 – June 3, 2014
PRODUCTS REVIEWED	Lending Test: Multifamily, 1-4 family, and small business loans. Community Development Test: Community development loans, qualified investments, and community development service activities

APPENDIX B

SUMMARY OF STATE RATINGS			
STATE	LENDING TEST RATING:	COMMUNITY DEVELOPMENT TEST RATING:	OVERALL STATE/MSA RATING:
New York	Satisfactory	Outstanding	Outstanding
Massachusetts	Satisfactory	Outstanding	Outstanding