



SMALL BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

PUBLIC DISCLOSURE

January 03, 2011

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

The First National Bank of Ipswich
Charter Number 4774

31 Market Street
Ipswich, MA 01938-0000

Office of the Comptroller of the Currency

NEW ENGLAND (BOSTON) Field Office
99 Summer St Suite 1400
Boston, MA. 02110

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

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

Summarize the major factors supporting the institution's rating.

- The bank's level of lending, as reflected in its loan-to-deposit ratio, is more than reasonable.
- The majority of lending is within the assessment area (AA).
- The distribution of loans reflects a reasonable penetration among individuals of different income levels and businesses of different sizes.
- The geographic distribution of loans reflects excellent dispersion in the moderate-income census tracts.

SCOPE OF EXAMINATION

The First National Bank of Ipswich (FNBI) was evaluated using the Small Bank Community Reinvestment (CRA) examination procedures. Our review covered the bank's performance from June 1, 2008 through December 31, 2010, as this was representative of its lending strategy since the last CRA evaluation.

FNBI's primary loan products, based on loan originations during the evaluation period, are residential mortgage loans and commercial loans, including commercial and industrial loans and commercial real estate loans. FNBI's strategic focus is commercial lending. Commercial loans were given more weight than residential mortgages during the examination as residential mortgages represent 20% and commercial loans comprise 80% of the bank's loan originations by number.

The bank reports data under the requirements of the Home Mortgage Disclosure Act (HMDA). Reliability of this data has been tested by the bank's audit function and deemed reliable. We also used bank data to select a random sample of 120 commercial loans originated in the AA's during the evaluation period to evaluate the bank's lending to businesses.

A full scope review was performed on AA 1 – Essex County, while a limited scope review was performed on AA – 2 Suffolk County. Analysis for AA 1 – Essex County is heavily weighted given the majority of deposits, branches, and long-term presence in this market.

DESCRIPTION OF INSTITUTION

FNBI is a \$265 million financial institution, wholly owned by First Ipswich Bancorp. On October 27, 2010, Brookline Bancorp Inc. and First Ipswich Bancorp announced an acquisition agreement in which Brookline Bancorp would acquire First Ipswich Bancorp. However, since the anticipated completion date of the acquisition is scheduled for

sometime during the first quarter of 2011, it was not considered during our evaluation.

FNBI is headquartered in Ipswich, Massachusetts (MA). It operates its main office in Ipswich and has six branches located in Massachusetts. The branches are located in the following cities/towns: Boston, Essex, Gloucester, Ipswich, Newburyport, and Rowley. The bank operates automated teller machines (ATMs) at all six of its branches.

Remote ATM's are also located in Ipswich, Essex, and Gloucester. Branch hours are typically 8:30AM to 5:00PM with extended hours on Thursday to Saturday. Two branches were closed during the evaluation period. A branch located in Beverly, MA was closed September 30, 2008, and a second branch located in Portsmouth, New Hampshire was closed November 9, 2009. The two closed branches were not located in a low- or moderate-income tract. No branches were opened during the evaluation period.

FNBI is a full service, intrastate institution, offering a standard array of traditional loan and deposit products. The bank's website, www.fnbi.com, provides a listing and description of its deposit and loan services, as well as on-line banking services. Twenty-four hour telephone banking and investment advisory programs are also offered.

Bank management has identified first-time homebuyer and small business lending as the primary credit needs in the AA. The bank is engaged in lending in various Small Business Administration (SBA) programs. This provides small businesses the ability to retain and create jobs. Bank employees also teach financial literacy programs and conduct first-time homebuyer seminars to educate consumers on home ownership and their borrowing power.

As of September 30, 2010, the loan portfolio totaled \$204 million, or 77% of total assets. Total deposits were \$217 million, and net tier one capital was \$23 million as of that same date. The following table provides a summary of the loan mix.

Loan Portfolio Summary by Loan Product September 30, 2010	
Loan Category	% of Gross Loans and Leases
Commercial Real Estate	45.1%
1-4 Family Residential Mortgage	28.2%
Commercial & Industrial	16.1%
Home Equity	5.2%
Construction and Development	3.5%
Consumer	0.4%
Other	1.5%

Source: FDIC Call Reports

The bank has no financial or legal impediments to meeting the credit needs of the community. The bank was rated "Satisfactory," using intermediate small bank procedures at the last examination dated June 2, 2008.

DESCRIPTION OF ASSESSMENT AREA(S)

The CRA requires a bank to define the assessment area (AA) in which it will be evaluated. FNBI has two AAs within the Boston-Cambridge-Quincy MA-NH MSA 14460.

AA 1 is Essex County and is part of the Peabody, MA Metropolitan Division. It is where the main office and four branches are located. The AA includes the town/cities of Amesbury, Essex, Georgetown, Gloucester, Hamilton, Ipswich, Manchester, Middleton, Newbury, Newburyport, Rockport, Rowley, Salisbury, and Topsfield. The AA is comprised of 31 census tracts. There are no low-income geographies, four moderate-income geographies, 18 middle-income geographies, and nine upper-income geographies.

AA 2 is Suffolk County and is part of the Boston-Quincy Metropolitan Division. It has one branch in downtown Boston. A majority of the towns/cities of Suffolk County are included in the AA. The AA is comprised of 124 census tracts. There are 30 low-income geographies, 48 moderate-income geographies, 31 middle-income geographies, and 15 upper-income geographies.

The bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts. AA 1 – Essex County was given significant weight when arriving at the overall conclusions due to the bank's long history in this market and 93% of total deposits and 83% of the bank's branches are located there.

The bank's physical presence in AA 2 – Suffolk County is limited. FNBI only has one branch in the entire county which serves the large metropolitan area. Only 7% of the bank's total deposits are located there. There is significant competition in the area for deposits from large commercial and savings banks. According to the Federal Deposit Insurance Corporation's Institutions Market Share Report as of June 30, 2010, 39 institutions operate branches within AA 2 – Suffolk County. FNBI ranks 34th with deposit market share of 0.02%. There is also a strong level of competition for mortgage lending and small business lending which is dominated by large national and regional banks. The 2009 peer mortgage data for Suffolk County indicates that large institutions dominate the market with the top 15 lenders having 65% market share for mortgage loans. In addition, according to the 2009 peer small business data for Suffolk County, large nationwide lenders dominate the market with the top 10 institutions having 92% market share for small business loans.

Demographic information of FNBI's AA 1 – Essex County is broken out in the table below.

Demographic Information for Ipswich AA 1 – Essex County					
Income Level	Total #	% Low	% Moderate	% Middle	% Upper
Geographies (Census Tracts)	31	0%	13%	58%	29%
Population by Geography	142,782	0%	9%	56%	35%
Owner Occupied Housing by Geography	39,169	0%	6%	57%	37%
Family Distribution by Income Level	37,445	15%	17%	23%	45%
2000 Census Median Family Income (MFI)		\$63,556	2010 Median Housing Value*		\$376,321
			Median Age of Housing		56 Years
HUD Updated MFI: 2010		\$83,900	Families Below the Poverty Level		6.52%
			Unemployment Rate **		8.6%

Source: 2000 US Census data

*Data from Zillow.com

**Data from US Bureau of Labor Statistics as of 11/10. Rate is for Essex County.

FNBI operates in a highly competitive environment with competition from regional commercial banks, savings banks, and mortgage companies. The Federal Deposit Insurance Corporation's Institutions Deposit Market Share Report, for June 30, 2010, indicates that 42 institutions operate branches within FNBI's AA 1 – Essex County. FNBI ranks 20th with deposit market share of 1.21%. Competitors include The Institution for Savings, Danvers Bank, Eastern Bank, Northshore Bank, and Salem Five Cents State Bank. Larger regional banks that provide further competition and are the deposit share leaders include: TD Bank, National Association; Bank of America, National Association; and Sovereign Bank.

According to Moody's Economy.com, the state of Massachusetts economy is expanding. The economy is benefiting from strong demand for technology goods, steady hiring in education/health services, and turnaround in financial related employment. As of November 2010, data from the US Bureau of Labor Statistics indicates the unemployment rate for the state of Massachusetts (not seasonally adjusted) was 8.1%, compared to the national rate of 9.3%. The unemployment rate of 8.6% for Essex County was slightly unfavorable to the state rate, but was favorable to the national rate. The local economy in Essex County is driven by the manufacturing industry, high technology firms, and healthcare. Major employers in the area include Alcatel-Lucent, North Shore Children's Hospital, NSMC-Salem Hospital, Anna Jaques Hospital, and GE Aviation.

The state housing market remains slow with few signs of improvement. Based on Moody's Economy.com, sales of existing single-family homes were down 18% in one year. House sales prices have increased and started to recover from their low in 2009. However, prices may decline again in the near term as foreclosures increase, but the worst of the house price declines appear to be over. The availability of affordable housing in AA 1 – Essex County for low- and moderate-income families is still limited. Based on data from Zillow.com, as of October 2010, the average median cost of housing for the towns/cities comprising the Essex County AA is \$376 thousand. This is higher than the median housing cost in the state of Massachusetts of \$290 thousand.

We reviewed a community contact of a local organization focused on serving the business development needs throughout the towns of Rockport and Gloucester (included in AA 1- Essex County). The contact indicated that the primary need of the area is affordable housing. The contact stated that local banks have been actively involved in affordable housing initiatives. The contact also stated local banks have been active in promoting small business lending to help expand opportunities for the community.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

FNBI's performance under the lending test is satisfactory. The loan-to-deposit ratio is more than reasonable. A majority of loans were originated within the bank's assessment area. The distribution of loans reflects reasonable penetration among borrowers of different incomes and businesses of different sizes. The geographic distribution of loans reflects excellent dispersion in the moderate-income census tracts.

Loan-to-Deposit Ratio

First National Bank of Ipswich's loan-to-deposit ratio is more than reasonable given the bank's size, financial condition, and AA credit needs. The net loan-to-deposit ratio averaged 95% over the last 10 quarters since the previous CRA examination dated June 2, 2008. During the period since the last examination, the loan-to-deposit ratio ranged from a quarterly low of 91% to a high of 99%. The bank's loan-to-deposit ratio is higher than national peer bank's average of 83% over the same time period. The peer ratio ranged from a low of 78% to a quarterly high of 87% during the time period.

Lending in Assessment Area

FNBI's lending inside its assessment area meets the standard for satisfactory performance. The majority of the bank's primary loan products were originated within its assessment areas, with 65% of the number and 56% of the dollar amount in the AA. The following table details the bank's lending within the AA by number and dollar amount of loans.

Table 1 - Lending in FNBI's AAs (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Residential Mortgages	54	68%	25	32%	79	10,558	58%	7,645	42%	18,203
Commercial Loans	10	50%	10	50%	20	2,905	49%	3,074	51%	5,979
Totals	64	65%	35	35%	99	13,463	56%	10,719	44%	24,182

Source: HMDA-reported data and a sample of commercial loans from 6/1/2008 to 12/31/2010

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

The distribution of loans originated in the bank's AAs reflects a reasonable penetration

among individuals of different income levels and businesses of different sizes. We placed more weight on business lending as 80% of originations during the evaluation period were commercial loans. In addition, more weight was given to AA 1 – Essex County due to the bank's larger presence in this assessment area.

Conclusion for full-scope AA 1 – Essex County

Home Loans

The distribution of home loans reflects reasonable penetration among borrowers of different income levels. The percent of home purchase and home refinance loans is significantly lower than the percent of low-income families in the AA. The percent of home improvement loans to low-income families is lower than the percent of low-income families in the AA.

The percent of home purchase loans exceeds the percent of moderate-income families in AA. The percent of home refinance and home improvement loans is lower than the percent of moderate-income families in the AA.

The median cost of housing in the AA ranges from \$258 thousand to \$633 thousand. The HUD updated median family income for 2010 is \$84 thousand, which means the maximum income a low-income borrower earned was \$42 thousand and the maximum income a moderate-income borrower earned was \$67 thousand. This lack of affordability and availability limits the opportunities for home mortgage lending to low- and moderate-income individuals.

In addition, residential mortgages are not sold on the secondary market and the bank is not an active market player of mortgage loans given significant competition. The majority of mortgage lending was dominated by large national and regional banks. The 2009 peer mortgage data for Essex County indicates that the top 15 lenders dominated with 55% of the market share for mortgage loans. FNBI ranked 69th out of the 70 top lenders. The bank's performance is considered satisfactory given the lack of affordable housing, the high level of competition, and limited lending opportunities.

The following table shows the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans	% of AA Families	% of Number of Loans
Home Purchase	15%	0%	17%	27%	23%	0%	45%	73%
Home Refinance	15%	4%	17%	8%	23%	20%	45%	68%
Home Improvement	15%	13%	17%	7%	23%	47%	45%	33%

Source: HMDA-reported data from 6/1/2008-12/31/2010; 2000 US Census

Business Loans

The distribution of loans to businesses reflects reasonable penetration among businesses of different sizes. The bank originated 62% of business loans to businesses with gross annual revenues of \$1 million or less. The penetration of loans is considered satisfactory given significant competition in the AA from larger financial institutions. The 2009 peer small business market share data indicates that the top three lenders in Essex County dominated with approximately 60% of the market share for small business loans. In addition, the weak economic market in the past few years has also limited the bank's lending opportunities. Management indicated that the local economy is just beginning to stabilize as more businesses have started expanding and hiring again.

The following table shows the distribution of commercial loans among businesses of different sizes in the AA.

Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	81%	5%	14%	100%
% of Bank Loans in AA by #	62%	38%	0%	100%
% of Bank Loans in AA by \$	36%	64%	0%	100%

Source: Sample of commercial loans from 6/1/2008-12/31/2010; 2000 US Census

Conclusion for limited-scope AA 2 – Suffolk County

Home Loans

HMDA data for Suffolk County was not analyzed as there was not a meaningful volume of activity in this assessment area. The bank only had two HMDA loans for AA 2 during the evaluation period.

Business Loans

The distribution of loans to businesses reflects excellent penetration among businesses of different sizes. The bank originated 79% of business loans to businesses with gross annual revenues of \$1 million or less. This is considered excellent as 69% of the area's businesses are considered small businesses.

The following table shows the distribution of commercial loans among businesses of different sizes in AA 2 – Suffolk County.

Table 2B - Borrower Distribution of Loans to Businesses in AA 2- Suffolk County				
Business Revenues (or Sales)	≤\$1,000,000	>\$1,000,000	Unavailable/ Unknown	Total
% of AA Businesses	69%	6%	25%	100%
% of Bank Loans in AA by #	79%	21%	0%	100%
% of Bank Loans in AA by \$	88%	12%	0%	100%

Source: Sample of commercial loans from 6/1/2008-12/31/2010; 2000 US Census

Geographic Distribution of Loans

The geographic distribution of loans reflects excellent dispersion in the moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the bank's lending patterns.

Conclusion for full-scope AA 1 – Essex County

Home Loans

There are no low-income tracts in AA 1 – Essex County. The bank's geographic distribution of home loans in the AA reflects excellent dispersion in moderate-income census tracts. The percent of FNBI's lending for home purchase and home improvement loans exceeds the percent of owner occupied housing in the tract. No home refinance loans were made in the moderate-income geography, however, the percent of owner occupied housing in the moderate-income tracts is low at 5%, limiting home ownership opportunities.

Following is a table that details the bank's performance as compared to the percentage of owner-occupied housing units in each census tract income level.

Table 3 - Geographic Distribution of Residential Real Estate Loans in AA 1- Essex County

Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	NA	NA	5%	9%	58%	46%	37%	45%
Home Refinance	NA	NA	5%	0%	58%	56%	37%	44%
Home Improvement	NA	NA	5%	7%	58%	60%	37%	33%

Source: HMDA-reported data from 6/1/2008-12/31/2010; 2000 US Census.

Business Loans

The bank's geographic distribution of business loans reflects excellent dispersion in the moderate income-census tracts. FNBI's lending to smaller businesses in the moderate-income geography exceeds the level of total businesses with revenues less than \$1 million located there.

Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Table 3A - Geographic Distribution of Loans to Businesses in AA 1- Essex County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	NA	NA	7%	10%	59%	69%	34%	21%

Source: Sample of commercial loans from 6/1/2008-12/31/2010; 2000 US Census

Conclusion for limited-scope AA 2 – Suffolk County

Home Loans

HMDA data for Suffolk County was not analyzed as there was not a meaningful volume of activity in this assessment area.

Business Loans

The bank's geographic distribution of business loans reflects excellent dispersion. The distribution of loans to borrowers in low-income geographies is lower than the percentage of businesses with revenues less than \$1 million located there. FNBI's lending to smaller businesses in the moderate-income geography exceeds the level of total businesses with revenues less than \$1 million located there. The dispersion of loans is considered excellent given significant competition in the AA from larger financial institutions and the bank's physical presence in the area is limited as there is only one branch that serves the entire county.

Following is a table that details the bank's performance as compared to the percentage of businesses in each census tract income level.

Table 3B - Geographic Distribution of Loans to Businesses in AA 2- Suffolk County								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans	% of AA Businesses	% of Number of Loans
	24%	17%	23%	46%	21%	16%	32%	21%

Source: Sample of commercial loans from 6/1/2008-12/31/2010; 2000 US Census

Responses to Complaints

FNBI did not receive any CRA related complaints during this evaluation period.

Fair Lending or Other Illegal Credit Practices Review

We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.