
Comptroller of the Currency
Administrator of National Banks

Northeastern District
1114 Avenue of the Americas, Suite 3900
New York, New York 10036

PUBLIC DISCLOSURE

November 27, 1996

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Beverly National Bank
Charter Number 969
240 Cabot Street
Beverly, Massachusetts 01915**

**The Office of the Comptroller of the Currency
Boston Duty Station
150 Federal Street, Second Floor
Boston, Massachusetts 02110**

NOTE: 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.

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 **Beverly National Bank** prepared by The Office of the Comptroller of the Currency, the institution's supervisory agency, as of November 27, 1996. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

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

Beverly National Bank has satisfactory CRA performance as supported by:

- Reasonable average loan to deposit ratio of 63%.
- A substantial majority of lending within the assessment area at 88%.
- Lending performance reflects a reasonable distribution of credit to borrowers of different income levels in the assessment area.
- A high percentage of commercial lending is to small businesses as defined by the regulation.
- The geographic distribution of loan originations throughout the assessment area is reasonable.

The following table indicates the performance level of Beverly National Bank with respect to each of the five performance criteria.

SMALL INSTITUTION ASSESSMENT CRITERIA	<u>BEVERLY NATIONAL BANK</u> PERFORMANCE LEVELS		
	Exceeds Standards for Satisfactory Performance	Meets Standards for Satisfactory Performance	Does not meet Standards for Satisfactory Performance
Loan to Deposit Ratio		X	
Lending in Assessment Area	X		
Lending to Borrowers of Different Incomes and to businesses of Different sizes		X	
Geographic Distribution of Loans		X	
Response to Complaints	No complaints were received since the prior examination.		

DESCRIPTION OF INSTITUTION

Beverly National Bank (BNB) is a \$178 million bank located 30 miles northeast of Boston in the city of Beverly. It is wholly owned by Beverly National Corporation, a one bank holding company. BNB's main office, which is located in a moderate income census tract, and one branch are located within Beverly city limits. In addition,

there are two branches located in Hamilton and Topsfield, both within the assessment area. Each office has an automated teller machine (ATM) and drive-up facilities. In the assessment area there are also two off-premises ATM's, one located at Beverly Hospital and one at Crosby's Market in Manchester.

The percentage of total assets represented by net loans is 63%. The bank's loan portfolio is primarily real estate at 78%, which consists of 36% residential real estate and 42% commercial real estate. Commercial loans comprise 15% and consumer instalment loans comprise 7%. There are no legal impediments that would prevent BNB from helping to meet the credit needs of its community.

Competition is high. Small local bank primary competitors are the Warren Five Cents Savings Bank, Eastern Bank, Danvers Savings Bank, and Beverly Co-operative Bank. The larger banks BNB competes with are BayBank/Bank of Boston and Fleet Bank of Massachusetts NA. The area is heavily banked with 16 competing bank branches in Beverly, Hamilton, and Topsfield.

DESCRIPTION OF ASSESSMENT AREA

BNB's assessment area meets the criteria of the regulation and does not arbitrarily exclude low or moderate census tracts. The assessment area consists of 42 census tracts located within the Boston metropolitan statistical area (MSA). The area is comprised mainly of middle income tracts, 58%. One low income and six moderate income census tracts represent 16% of the total tracts. The remaining 23% are upper income.

The population of the assessment area is comprised of 227 thousand individuals. The Housing and Urban Development (HUD) MSA median family income is \$56,323. In the assessment area, low income families comprise 17% of the population, moderate income families 18%, middle income families 24%, and upper income families at 41%. The median housing value for the area is \$186 thousand and median age of the housing stock is 43 years. Owner occupied housing is 62% of the total. Rental occupied housing is 31% of the total. The remaining 5% consist of vacant housing units.

Diverse industries include hospitals, universities, machinery corporations, small manufacturing firms, technology companies, and marinas that serve the recreational interests of the community. The local economy remains stable. The Beverly unemployment rate as of August 1996 at 2.9% is lower than the state average of 4.0%.

Small business and housing related lending were described as the primary credit needs for the assessment area by both bank management and community contacts.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

Loan to Deposit Ratio

BNB's average loan to deposit ratio for the past eight quarters was 63.37%. The ratio as of June 30, 1996 was 71.09%. The bank is in the 53rd percentile in net loans to deposits when compared to nationwide peers but falls to 47th percentile when compared to local peers. Average loan to deposit ratios for banks less than \$250 million in Essex County range from 42% to 95%.

Lending in the Assessment Area

The major loan products are Home Mortgage Disclosure Act (HMDA) reportable real estate mortgages, home equity lines, instalment, and small business. An analysis of 1995 originations shows that a substantial majority of the lending is from within the assessment area when both the number and dollar amount of loans is considered. Bank prepared reports were used and the data was tested for accuracy. These values vary slightly by loan products as can be seen in the table below. An analysis of distribution for HMDA mortgage originations in 1996 (January through October) also reflects a substantial majority of the lending is within the assessment area with 88% number of loans and 87% dollar amount. Similar data for home equity lines, instalment, and small business in 1996 was not available.

TABLE 1
PERCENTAGE OF LENDING WITHIN ASSESSMENT AREA

1995		
LOAN PRODUCT	NUMBER OF LOANS	DOLLAR AMOUNT OF LOANS
<i>Real Estate Mortgages</i>	89%	93%
<i>Home Equity Lines</i>	86%	79%
<i>Instalment</i>	86%	85%
<i>Small Business</i>	89%	82%
TOTAL	88%	85%

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

The distribution of loans among borrowers of different income levels is reasonable, given the demographics of the assessment area. The table below reflects the breakdown of the 1995 and 1996 (January through October) HMDA reportable mortgage loans by dollar amount and number.

TABLE 2
LENDING TO BORROWERS OF DIFFERENT INCOMES

REAL ESTATE MORTGAGES	LOW		MODERATE		MIDDLE		UPPER	
	\$	#	\$	#	\$	#	\$	#
<i>1995</i>	1%	4%	4%	12%	13%	20%	76%	60%
<i>1996 (JAN - OCT)</i>	2%	4%	12%	20%	12%	20%	74%	56%

Small business lending adequately meets the needs of the assessment area's commercial base. A high percentage of the business loans qualify as "small business" loans (annual revenues less than \$1 million). In 1995, BNB made 210 business loans totaling \$19.7 million in their assessment area. In 1996 (January through October), BNB granted a total of 248 business loans for \$16.8 million. Our analysis of a sample (28% in number and 26% in dollar amount) of small business loans made in 1996 revealed that a substantial majority of these were within the assessment area.

Data from the June 30, 1996 Consolidated Reports of Condition and Income indicates that a high percentage (86%) of BNB's commercial loans outstanding were considered small business loans. These loans had original amounts of \$1,000,000 or less. The following table reflects the bank's lending to small businesses.

TABLE 3
PERCENTAGE OF SMALL BUSINESS LOANS BY SIZE OF LOAN
(As of June 30, 1996)

ORIGINAL AMOUNT	#	\$000	% OF TOTAL COMMERCIAL LOAN DOLLARS
\$100,000 OR LESS	389	12,626	20%
\$100,000 - \$250,000	114	19,348	30%
\$250,000 - \$1,000,000	50	22,623	36%

TOTAL	553	54,597	86%
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Geographic Distribution of Loans

Beverly National's assessment area is comprised of diverse census tract types with the majority being middle and upper income census tracts. An analysis of BNB's lending by number of originations for HMDA reportable real estate mortgages, home equity lines, instalment, and small business showed that there was a reasonable penetration within the tracts in their assessment area. Bank prepared reports were used and the data was tested for accuracy. The table below depicts the geographic disbursement within the assessment area. There have been no originations in the one low census tract. This is due to rental housing units at 81%, the highest in the assessment area and also is significantly above total rental occupied units of 31%.

TABLE 4
GEOGRAPHIC DISTRIBUTION OF LOANS

1995						
LOAN PRODUCT	MODERATE		MIDDLE		UPPER	
	\$	#	\$	#	\$	#
<i>Real Estate Mortgages</i>	6%	16%	42%	46%	52%	38%
<i>Home Equity Lines</i>	1%	2%	67%	72%	32%	26%
<i>Instalment</i>	34%	24%	47%	56%	19%	20%
<i>Small Business</i>	22%	20%	54%	53%	24%	27%

A fair lending examination was performed concurrently with this examination. BNB's performance under the Fair Lending laws is satisfactory. Practices and procedures used by lending staff in daily activity are adequate. We found no violations of the substantive provisions of the antidiscrimination laws and regulations.