

# **PUBLIC DISCLOSURE**

September 9, 2013

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

The Marblehead Bank  
RSSD # 513920

709 West Main Street  
Marblehead, Ohio 43440

Federal Reserve Bank of Cleveland

P.O. Box 6387  
Cleveland, OH 44101-1387

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

## TABLE OF CONTENTS

Institution’s CRA Rating .....	1
Scope of Examination .....	2
Description of Institution .....	3
Description of Assessment Area.....	5
Conclusions with Respect to Performance Criteria .....	11
Appendix A: Assessment Area Map.....	16
Appendix B: Lending Tables .....	17
Appendix C: Glossary of Terms .....	20

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

The major factors and criteria contributing to this rating include:

- The loan-to-deposit ratio is reasonable (considering seasonal variations in lending-related activities) given the institution's size, financial condition, and assessment area credit needs;
- A majority of loans and other lending-related activities in the assessment area;
- The distribution of loans to borrowers reflects a reasonable penetration among individuals of different income (including low- and moderate-income);
- The distribution of loans to businesses reflects an excellent penetration among businesses of different revenue sizes given the demographics of the assessment areas; and,
- There were no CRA-related complaints filed against the bank since the previous CRA examination.

The previous examination conducted August 17, 2009 resulted in a "Satisfactory" performance rating.

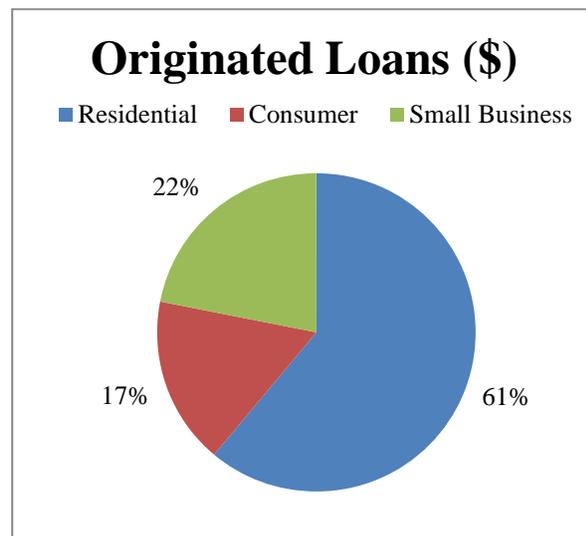
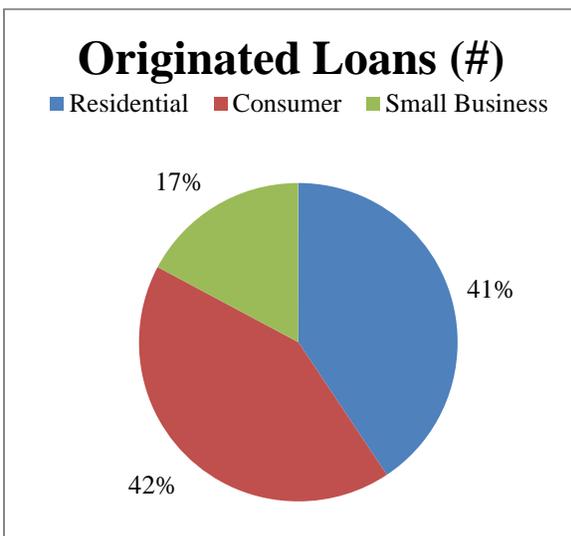
### SCOPE OF EXAMINATION

The Marblehead Bank’s (Marblehead) Community Reinvestment Act (CRA) performance was evaluated using the interagency small bank examination procedures under Regulation BB.

Marblehead’s CRA performance was evaluated based on lending data for the period of January 1, 2009 to December 31, 2012. The products evaluated included consumer, residential and small business loans. Consumer loans are comprised of motor vehicle, other secured and unsecured loans, and home equity loan products.

The following table and charts illustrate the volume and distribution of loans originated within Marblehead’s assessment area during the evaluation period.

Loan Type	Number of Loans	Dollar Amount of Loans (000s)
Residential	52	\$5,054
Consumer	54	\$1,409
Small Business	22	\$1,812
<b>Total</b>	<b>128</b>	<b>\$8,275</b>



Typically, geographic and borrower distributions are each evaluated in order to determine a bank’s overall CRA performance. In this analysis, only Marblehead’s borrower distribution was evaluated, since the bank’s assessment area only consists of two middle-income census tracts. It is noted that Marblehead originated loans in each of its middle-income census tracts.

Based on total loan volume by number and dollar amount, residential lending received the most weight, followed by consumer and small business lending.

### DESCRIPTION OF INSTITUTION

Marblehead Bank is the banking subsidiary of Marblehead Bancorp. Both the bank and the holding company are located in Marblehead, Ohio

As of June 30, 2013, Marblehead had assets totaling \$40.4 million. Total assets increased by 26.9% since the previous CRA evaluation.

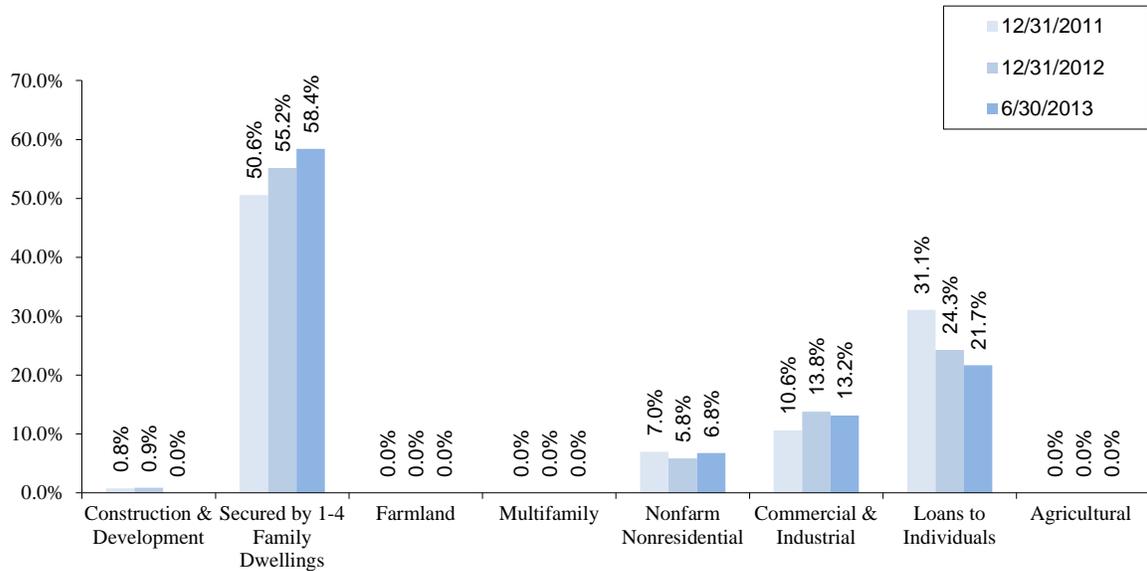
Marblehead has three offices in northwestern Ohio, a main office, one full-service branch office, and a limited-service branch office that only opens deposit accounts and accepts deposits. Both the main office and full-service branch have a full-service ATM and offer deposit accounts, residential mortgage, consumer, commercial and small business loans. The limited-service branch is located within Otterbein North Shore Retirement Community and operates during limited-service hours. No branches were opened or closed since the previous examination.

As of June 30, 2013, net loans and leases represented 27.2% of total assets. The following charts display the loan portfolio composition and trend as of June 30, 2013.

COMPOSITION OF LOAN PORTFOLIO						
Loan Type	6/30/2013		12/31/2012		12/31/2011	
	\$ (000s)	Percent	\$ (000s)	Percent	\$ (000s)	Percent
Construction and Development	0 <sup>1</sup>	0.0%	94 <sup>1</sup>	0.9%	65 <sup>1</sup>	0.8%
Secured by One- to Four- Family Dwellings	6,508 <sup>1</sup>	58.4%	5,945 <sup>1</sup>	55.2%	4,260 <sup>1</sup>	50.6%
Other Real Estate: Farmland	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%
Other Real Estate: Multifamily	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%
Other Real Estate: Nonfarm nonresidential	756 <sup>1</sup>	6.8%	630 <sup>1</sup>	5.8%	589 <sup>1</sup>	7.0%
Commercial and Industrial	1,466 <sup>1</sup>	13.2%	1,487 <sup>1</sup>	13.8%	891 <sup>1</sup>	10.6%
Loans to Individuals	2,413 <sup>1</sup>	21.7%	2,617 <sup>1</sup>	24.3%	2,615 <sup>1</sup>	31.1%
Agricultural Loans	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%	0 <sup>1</sup>	0.0%
<b>Total</b>	<b>\$11,143<sup>1</sup></b>	<b>100.00%</b>	<b>\$10,773<sup>1</sup></b>	<b>100.00%</b>	<b>\$8,420<sup>1</sup></b>	<b>100.00%</b>

\* This table does not include the entire loan portfolio. Specifically, it excludes loans to depository institutions, bankers acceptances, lease financing receivables, obligations of state and political subdivisions, and other loans that do not meet any other category. Contra assets are also not included in this table.

## Loan Portfolio Trend



Marblehead's investment portfolio as of June 30, 2013 was \$27.7 million, which represented 68.5% of total assets. Investments in U.S. Treasuries and Agencies account for 80.2% of investments, while municipal securities and interest bearing bank balances represent 19.6% and 0.2% respectively.

There are no legal or financial constraints preventing Marblehead from meeting the credit needs of its assessment area consistent with its asset size, business strategy, resources, and local economy.

## DESCRIPTION OF ASSESSMENT AREA IN TOLEDO MSA 45780

Marblehead has one delineated CRA assessment area within Ohio, consisting of a portion of Ottawa County, which is part of the Toledo Metropolitan Statistical Area (MSA) 45780. The assessment area consists mainly of Danbury Township. Based on 2000 U.S. Census data, the assessment area consisted of one middle-income census tract. According to 2010 U.S. Census data, the assessment area is now comprised of two middle-income census tracts. Danbury Township is comprised of the Village of Marblehead and the Lakeside community and is located on the shore of Lake Erie.

Danbury Township encompasses approximately 18 square miles along Lake Erie, Sandusky Bay and Harbor shoreline. Seasonal homes, condominiums, marinas, campgrounds, cottages and recreational vehicle parks are home to several thousand seasonal-only residents.<sup>1</sup>

Marblehead encompasses two and one-half square miles within Danbury Township. It should be noted that a majority of the midsection of the township is home to LaFarge Quarry and is mostly uninhabitable due to it being comprised of solid limestone. Marblehead's economy is greatly dependent on seasonal tourism from spring until fall with tourists who fish, boat, and enjoy leisure time activities. Marblehead also provides a ferry service to Kelley's Island and is located across the lake from Cedar Point Amusement Park.<sup>2</sup>

Lakeside is a community of approximately 1,000 residents; however, during the months of June, July, and August, the population increases to approximately 5,000 due to it being a seasonal tourism destination.

According to the FDIC Deposit Market Share Report as of June 30, 2013,<sup>3</sup> Marblehead ranked seventh out of 13 institutions in Ottawa County with three branch offices and a market share of 4.6%. The following top three largest institutions by deposit share are larger national and regional financial institutions: The Huntington National Bank (24.7%) with four branch offices, National Bank of Ohio (22.6%) with three branch offices, and The Genoa Banking Company (16.2%) with two branch offices. The following table illustrates deposit market share by financial institutions in the assessment area:

#	Financial Institution	Deposit Market Share
1	The Huntington National Bank	24.7%
2	National Bank of Ohio	22.6%
3	The Genoa Banking Company	16.2%
4	U.S. Bank National Association	8.1%
5	KeyBank National Association	5.5%
6	The First National Bank of Bellevue	5.3%
7	The Marblehead Bank	4.6%
8	First Federal Bank of the Midwest	4.6%
9	First Federal Savings and Loan Association of Lorain	3.5%
10	PNC Bank, National Association	3.0%

<sup>1</sup> <http://Danburytownship.com>

<sup>2</sup> <http://marbleheadvillageohio.com>

<sup>3</sup> FDIC Summary of Deposits: [www.fdic.gov](http://www.fdic.gov)

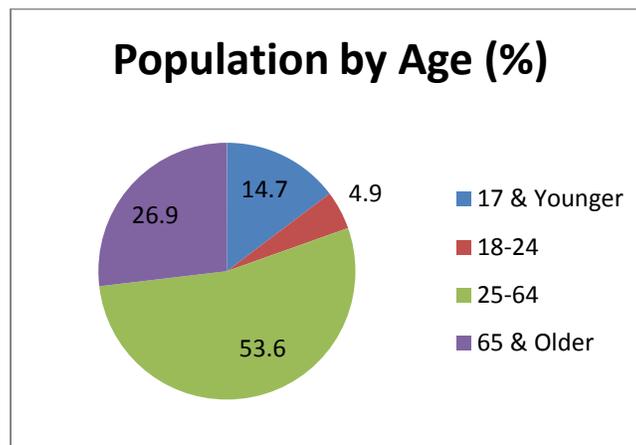
One community contact interview was conducted to provide additional information regarding credit needs of the local community and context to the demographic and economic characteristics discussed below. The contact was made with a local, full-service real estate agency. According to the contact, economic conditions in this area have improved as home sales have increased over the past few years, including mobile home and manufactured home sales. The contact emphasized that the community is very seasonal, as only about 40% of the community is comprised of permanent residents. As a result, most clients are buying second homes in this area and rely on their primary bank to obtain financing. Lastly, the contact stated that there is not much home improvement lending, because area homes are usually re-sold within seven to ten years.

### **Population**

According to the 2010 U.S. Census, the total population in the assessment area is 5,168, which represents only about 12.5% of Ottawa County’s total population (41,428). According to the Ohio Development Services Agency, the estimated population in Ottawa County as of July 1, 2012 was 41,339, a decrease of 2.1% since 2010.<sup>4</sup> The following table shows projected population trends in the county over the next 30 years.<sup>5</sup>

<b>Year</b>	<b>Projected Population</b>
2020	40,100
2030	38,720
2040	36,880

The following chart depicts the percentage of population by age for the assessment area.



Individuals ages 25-64 represented 53.6% of the population. Individuals age 17 and younger comprised 14.7% of the population, while individuals age 65 and over and 18 to 24 accounted for 26.9% and 4.9%, respectively. This indicates that 85.3% of the population was 18 years of age or older, the legal age to enter into a contract. There is a concentration of the 65 and older population, which bank management states are savers rather than borrowers.

<sup>4</sup> American Fact Finder: <http://factfinder2.census.gov>

<sup>5</sup> <http://development.ohio.gov/files/research/C1063.pdf>

**Income Characteristics**

According to 2010 U.S. U.S. Census data, the median family income for the assessment area was \$60,499, which is higher than the Ohio median family income of \$59,680. Based on 2012 HUD data, the median family income increased in 2012 to \$62,600 from \$61,700 in 2011.<sup>6</sup>

**Borrower Income Levels  
Toledo, Ohio - MSA**

HUD Estimated Median Family Income		Low 0 - 49.99%	Moderate 50% - 79.99%	Middle 80% - 119.99%	Upper 120% - & above
<b>2011</b>	<b>\$61,700</b>	0 - \$30,849	\$30,850 - \$49,359	\$49,360 - \$74,039	\$74,040 - & above
<b>2012</b>	<b>\$62,600</b>	0 - \$31,299	\$31,300 - \$50,079	\$50,080 - \$75,119	\$75,120 - & above

The assessment area contained 2,493 households, of which 1,598 (64%) were designated as families. Low- and moderate-income families represented 12.1% and 24.5% of all the families in this assessment area, respectively. Also, 2.5% of the families were below the poverty level, compared to Ohio’s rate of 10.3%. According to the 2011 data from the Economic Research Service of the United States Department of Agriculture (USDA),<sup>7</sup> 10.9% of Ottawa County’s population was below the poverty rate, which is substantially higher than the poverty rate of only 5.9% in 1999.

**Labor, Employment and Economics**

According to the Ohio Office of Policy, Research and Strategic Planning, the largest industries by average employment for Ottawa County are private sector; trade, transportation and utilities; and leisure and hospitality.<sup>8</sup> The highest weekly wages by industry are manufacturing (\$1,019), state government (\$1,009) and federal government (\$994). The following table identifies major employers in Ottawa County:

County	Primary Employment Sectors	Major Employers
Ottawa	Manufacturing; State Government; Federal Government	Benton-Carroll Salem Local Schools; Brush Wellman Inc; First Energy Corp/Davis Besse; Luther Home of Mercy; Magruder Hospital ;Ottawa County Government; Port Clinton City Schools; USG Corp/US Gypsum Co; Wal-Mart Stores Inc.

The following table shows the 2011 and 2012 average annual unemployment rate for Ottawa County, the Toledo MSA, and Ohio. The unemployment rate for the county was higher than both the MSA and Ohio for both years. Ohio, the Toledo MSA, and Ottawa County all experienced declines in the rate between the two years, but the county’s decrease was slightly higher than the overall state rate.

<sup>6</sup> Dept of Housing and Urban Development: [www.huduser.org/portal/datasets](http://www.huduser.org/portal/datasets)

<sup>7</sup> <http://www.ers.usda.gov/>

<sup>8</sup> Ohio county profiles, Ohio Office of Policy, Research & Strategic Planning: [http://development.ohio.gov/reports/reports\\_countytrends\\_map.html](http://development.ohio.gov/reports/reports_countytrends_map.html)

**Unemployment Rates**  
**Assessment Area: The Marblehead Bank**

Area	Years - Annualized	
	2011	2012
Ottawa Co.	11.9 (E)	9.8 (E)
Toledo, OH MSA	9.5 (E)	7.9 (E)
<b>Ohio</b>	<b>8.6 (D)</b>	<b>7.2 (D)</b>

Not Seasonally Adjusted

E : Reflects revised inputs, reestimation, and adjustment to new state control totals.

D : Reflects revised population controls and model reestimation.

**Housing Characteristics**

There were 6,181 housing units in the assessment area based on the 2010 U.S. Census. Within the assessment area, 34.1% of the units were owner-occupied, 6.2% were rental units, 25.4% were mobile homes, and 59.7% were vacant. The high vacancy rate is a result of these homes being seasonal.

The median age of the housing stock in the assessment area was 34 years. The age of the housing stock was slightly younger than Ottawa County and the statewide median age of 39 and 44 years, respectively. The community contact stated that there is not much home improvement lending in this area because homes are usually re-sold within seven to ten years.

The median housing value in the assessment area is \$170,238, with an affordability ratio of 28.8%. The higher the affordability ratio, the more affordable a home is considered. The housing affordability ratio is calculated by dividing median household income by median housing value. The housing stock in the assessment area was slightly more affordable than in Ohio (34.7%). Furthermore, based on the 2012 median family income for the Toledo MSA (\$62,600), approximately 43.5% of the homes valued up to \$108,104 in the assessment area would be considered affordable for low-income individuals and 73.6% of the homes valued up to \$172,967 would be considered affordable for moderate-income individuals. These percentages were calculated assuming a housing expense ratio equal to 28.0% of gross income for a 4.5% fixed, 30 year loan.

According to RealtyTrac, one in every 2,202 properties in Ottawa County was in foreclosure in June 2013. This was lower than Ohio's ratio of one in every 639 properties.<sup>9</sup>

According to Sperling's Best Places, the median home cost in Marblehead in 2012 is \$130,400, which represents a decline of 0.7% since the prior year. Compared to the rest of the county, Marblehead's cost of living is 4.2% lower than the U.S. average.<sup>10</sup>

9 Realty Trac: <http://www.realtytrac.com>

10 Sperling's Best Places: <http://bestplaces.net>

The median gross rent in the assessment area was \$719, with 6.0% of the rents under \$500 a month according to the 2010 Census. The median gross rent in the county was slightly higher than Ohio at \$678.

The following charts illustrate the demographics of the assessment area.

### Combined Demographics Report

Assessment Area(s): Marblehead 2012

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	193	12.1
Moderate-income	0	0.0	0	0.0	0	0.0	391	24.5
Middle-income	2	100.0	1,598	100.0	40	2.5	396	24.8
Upper-income	0	0.0	0	0.0	0	0.0	618	38.7
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>2</b>	<b>100.0</b>	<b>1,598</b>	<b>100.0</b>	<b>40</b>	<b>2.5</b>	<b>1,598</b>	<b>100.0</b>
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0
Middle-income	6,181	2,108	100.0	34.1	385	6.2	3,688	59.7
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>6,181</b>	<b>2,108</b>	<b>100.0</b>	<b>34.1</b>	<b>385</b>	<b>6.2</b>	<b>3,688</b>	<b>59.7</b>
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	433	100.0	398	100.0	15	100.0	20	100.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>433</b>	<b>100.0</b>	<b>398</b>	<b>100.0</b>	<b>15</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>
<b>Percentage of Total Businesses:</b>			<b>91.9</b>		<b>3.5</b>		<b>4.6</b>	
	Total Farms by Tract	Farms by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0
Middle-income	14	100.0	14	100.0	0	0.0	0	0.0
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
<b>Total Assessment Area</b>	<b>14</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>0</b>	<b>.0</b>	<b>0</b>	<b>.0</b>
<b>Percentage of Total Farms:</b>			<b>100.0</b>		<b>.0</b>		<b>.0</b>	

Based on 2012 D&B information according to 2010 ACS Boundaries.

### Combined Demographics Report

Assessment Area(s): Marblehead 2011

Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	0	0.0	0	0.0	0	0.0	188	13.7	
Moderate-income	0	0.0	0	0.0	0	0.0	306	22.3	
Middle-income	1	100.0	1,375	100.0	21	1.5	328	23.9	
Upper-income	0	0.0	0	0.0	0	0.0	553	40.2	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>1</b>	<b>100.0</b>	<b>1,375</b>	<b>100.0</b>	<b>21</b>	<b>1.5</b>	<b>1,375</b>	<b>100.0</b>	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	0	0	0.0	0.0	0	0.0	0	0.0	
Moderate-income	0	0	0.0	0.0	0	0.0	0	0.0	
Middle-income	5,703	1,730	100.0	30.3	348	6.1	3,625	63.6	
Upper-income	0	0	0.0	0.0	0	0.0	0	0.0	
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>5,703</b>	<b>1,730</b>	<b>100.0</b>	<b>30.3</b>	<b>348</b>	<b>6.1</b>	<b>3,625</b>	<b>63.6</b>	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	448	100.0	414	100.0	14	100.0	20	100.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>448</b>	<b>100.0</b>	<b>414</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>20</b>	<b>100.0</b>	
<b>Percentage of Total Businesses:</b>				<b>92.4</b>		<b>3.1</b>		<b>4.5</b>	
	Total Farms by Tract	Farms by Tract & Revenue Size							
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported			
		#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	0	0.0	
Moderate-income	0	0.0	0	0.0	0	0.0	0	0.0	
Middle-income	14	100.0	14	100.0	0	0.0	0	0.0	
Upper-income	0	0.0	0	0.0	0	0.0	0	0.0	
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0	
<b>Total Assessment Area</b>	<b>14</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>0</b>	<b>.0</b>	<b>0</b>	<b>.0</b>	
<b>Percentage of Total Farms:</b>				<b>100.0</b>		<b>.0</b>		<b>.0</b>	

Based on 2011 D&B information according to 2000 Census Boundaries.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Lending Test

Marblehead's performance under the lending test is considered reasonable. The loan-to-deposit ratio is reasonable, and a majority of loans were made inside the assessment area. Typically, both the geographic and borrower distributions are assessed in evaluating a bank's overall CRA performance; however, only Marblehead's borrower distribution was evaluated, since the bank's assessment area only consists of two middle-income census tracts. As stated earlier, the bank made loans in both census tracts. Borrower distribution is considered reasonable.

### *Loan-to-Deposit Ratio*

A financial institution's loan-to-deposit ratio compares the institution's aggregate loan balances outstanding to its total deposits outstanding. The ratio is a measure of an institution's lending volume relative to its capacity to lend and is derived by adding the quarterly loan-to-deposit ratios and dividing the total by the number of quarters. The following table shows Marblehead's quarterly loan-to-deposit (LTD) ratios for the past fifteen quarters since the previous evaluation, along with the average for the same period.

<b>Loan-to-Deposit Ratios</b>				
<b>MARBLEHEAD BANK</b>				
<b>As of Date</b>	<b>Net Loans \$(000s)</b>	<b>Total Deposits \$(000s)</b>	<b>Bank Ratio</b>	<b>Aggregate Ratio</b>
March 31, 2013	10,759	34,191	31.47	60.05
December 31, 2012	10,619	34,987	30.35	62.26
September 30, 2012	10,449	34,461	30.32	62.56
June 30, 2012	9,695	32,275	30.04	61.71
March 31, 2012	9,118	29,782	30.62	61.66
December 31, 2011	8,284	30,609	27.06	64.30
September 30, 2011	7,945	30,342	26.18	64.29
June 30, 2011	8,543	29,257	29.20	63.01
March 31, 2011	8,378	28,787	29.10	62.29
December 31, 2010	8,879	29,350	30.25	65.25
September 30, 2010	8,976	29,212	30.73	66.81
June 30, 2010	10,295	28,078	36.67	68.08
March 31, 2010	10,728	27,060	39.65	68.02
December 31, 2009	11,153	27,631	40.36	68.59
September 30, 2009	11,798	28,713	41.09	70.52
<b>Quarterly Loan-to-Deposit Ratio Average Since the Previous Evaluation</b>			<b>32.21</b>	<b>64.63</b>

Marblehead's LTD ratio averaged 32.2% over the past 15 quarters of operation and is below the aggregate average ratio of 64.6 %. Marblehead's LTD ratio decreased from a high of 41.1% in September 2009 to a low of 26.2% in September 30, 2011. Bank management attributed the relatively low ratio to the following factors: 1) the assessment area is a seasonal market vacation location; therefore, consumers utilize their primary bank for their deposit and credit needs; 2) a relatively large portion of the bank's population is over 55 years old and bank management indicated that lending to these consumers is extremely limited, as they are not significant users of credit; and 3) the bank also serves as an intermediary with local mortgage companies to facilitate residential loans the bank is unable to provide.

Considering the bank's lending related activity, size, financial condition, and assessment area credit needs, Marblehead's LTD ratio is considered reasonable.

### ***Lending in the Assessment Area***

The bank's mortgage, consumer, and small business loans were analyzed to determine the volume of lending inside and outside the bank's assessment area. Of the total loans, 86.7% by volume and 85.1% by dollar amount were made inside the assessment area.

The following table shows the distribution of loans made inside and outside the bank's assessment area.

### **Lending Inside and Outside the Assessment Area**

Exam: The Marblehead Bank

Loan Type - Description	Inside				Outside				Total			
	#	%	\$(000s)	%	#	%	\$(000s)	%	#	%	\$(000s)	%
RL - Residential Loans	43	82.7	4,048	80.1	9	17.3	1,006	19.9	52	100.0	5,054	100.0
XX - Consumer Loans	49	90.7	1,334	94.6	5	9.3	75	5.4	54	100.0	1,409	100.0
<b>Total Consumer related</b>	<b>92</b>	<b>86.8</b>	<b>5,382</b>	<b>83.3</b>	<b>14</b>	<b>13.2</b>	<b>1,081</b>	<b>16.7</b>	<b>106</b>	<b>100.0</b>	<b>6,463</b>	<b>100.0</b>
SB - Small Business	19	86.4	1,662	91.7	3	13.6	151	8.3	22	100.0	1,812	100.0
<b>Total Small Bus. related</b>	<b>19</b>	<b>86.4</b>	<b>1,662</b>	<b>91.7</b>	<b>3</b>	<b>13.6</b>	<b>151</b>	<b>8.3</b>	<b>22</b>	<b>100.0</b>	<b>1,812</b>	<b>100.0</b>
<b>TOTAL LOANS</b>	<b>111</b>	<b>86.7</b>	<b>7,044</b>	<b>85.1</b>	<b>17</b>	<b>13.3</b>	<b>1,231</b>	<b>14.9</b>	<b>128</b>	<b>100.0</b>	<b>8,275</b>	<b>100.0</b>

A majority of the bank's loans by both volume and dollar amount were made inside its assessment area.

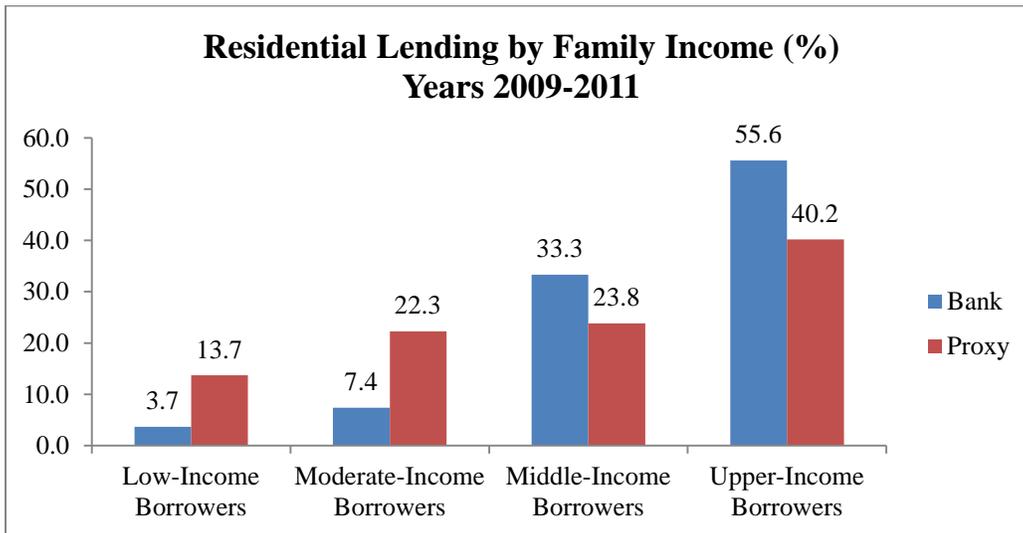
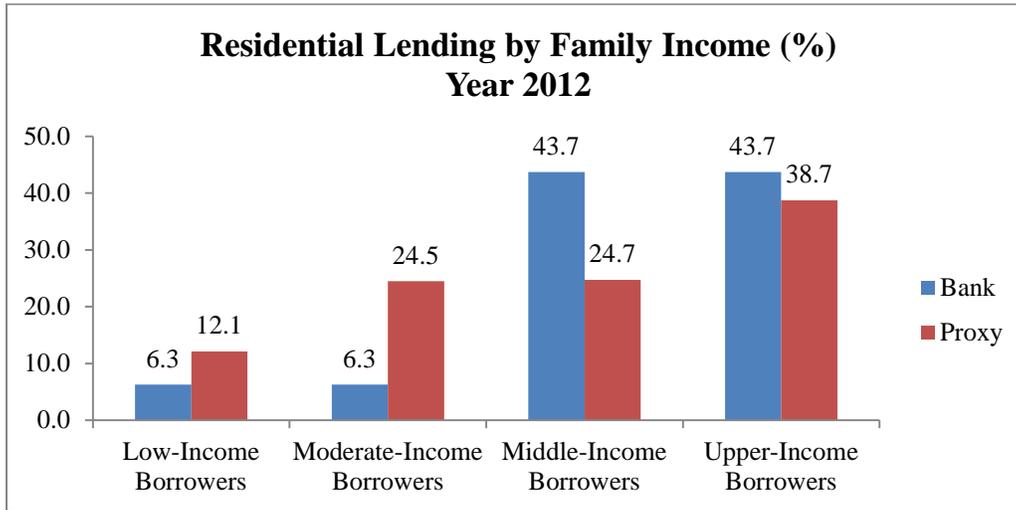
### **Borrower Distribution of Lending**

Marblehead's lending to borrowers of different income levels is reasonable. The borrower distribution of consumer lending is good, while residential lending is adequate. Lending to small businesses is excellent.

Marblehead is currently working with three local investors whom purchased properties just outside of the bank's designated assessment area. The properties are being renovated and will be accessible to low- and moderate-income borrowers. The bank is also involved with the Save Our Homes Housing Program, which assists borrowers in jeopardy of losing their homes.

**Residential Mortgage Lending**

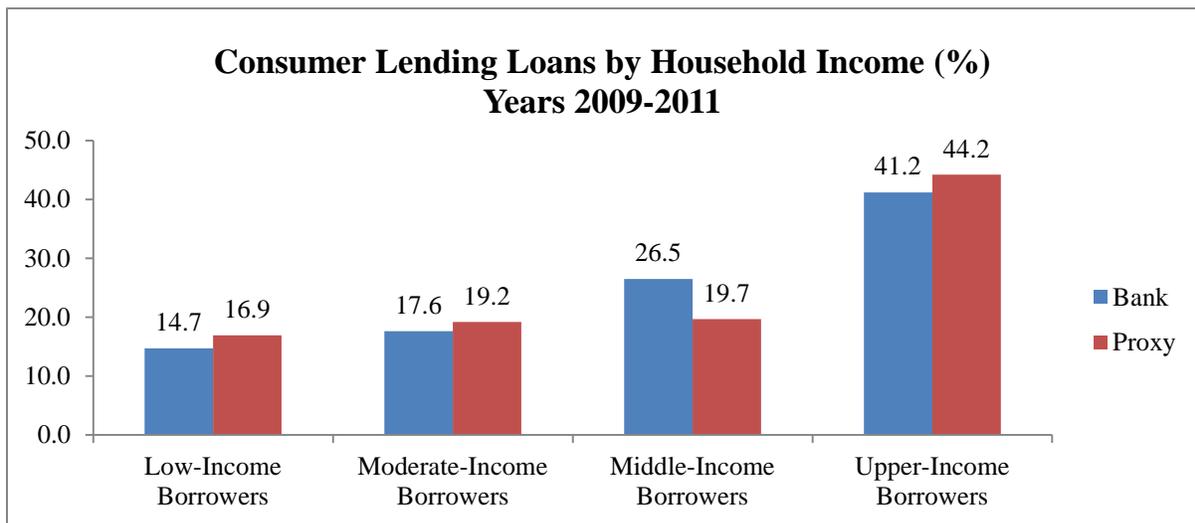
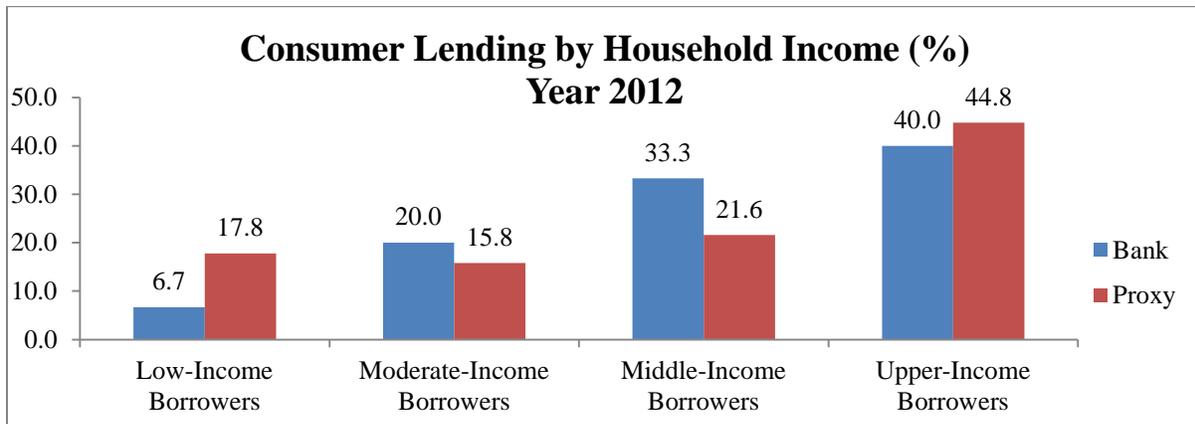
Marblehead’s mortgage lending performance was compared to the income levels of families in the assessment area (proxy) for years 2012 and for the combined years of 2009 through 2011. As illustrated in the charts below, Marblehead’s lending to low- and moderate-income families was substantially less than the proxy in 2012 and in years 2009-2011.



Although the bank’s lending is below the proxy to low- and moderate-income borrowers for residential lending, area demographics must be taken into consideration. Due to the seasonality of homeownership in this assessment area (owner-occupied homes 34.0%, vacant homes 60.0%) and the lack of affordable housing for low-income borrowers, the distribution to low- and moderate-income borrowers for residential lending is considered adequate.

**Consumer Loans**

Marblehead’s consumer lending performance is compared to the income levels of households in the assessment area. As depicted in the following graphs, the bank made a substantially lower number of consumer loans to low-income borrowers compared to the number of households (proxy) in 2012 and a good level of consumer loans in years 2009 through 2011. For moderate-income borrowers, the bank exceeded the proxy in 2012 and was just slightly below the proxy in years 2009 through 2011. Borrower distribution of consumer lending is considered good.



**Small Business Loans**

Marblehead originated nine business loans totaling \$1.4 million during 2012 and ten business loans during years 2009 through 2011 in the amount of \$626,000. All of the loans were made to businesses with \$1 million or less in revenue. This compares to the percentage of businesses in the assessment area with \$1 million or less in revenue (proxy), which was 91.9% in 2012 and 92.4% in 2009 through 2011. Therefore, Marblehead’s penetration among small businesses is considered excellent.

Further analysis of small business lending shows that 55.6% and 80.0% of the bank's small business loans were extended in an amount of \$100,000 or less in 2012 and between 2009 and 2011, respectively. Typically, the extent to which a bank is willing to extend loan amounts of \$100,000 or less is reviewed because smaller businesses often have a greater need for small-dollar loans. This demonstrates that Marblehead is adequately meeting the credit needs of its local businesses.

### **Response to Consumer Complaints**

No CRA-related complaints were filed against Marblehead during the evaluation period.

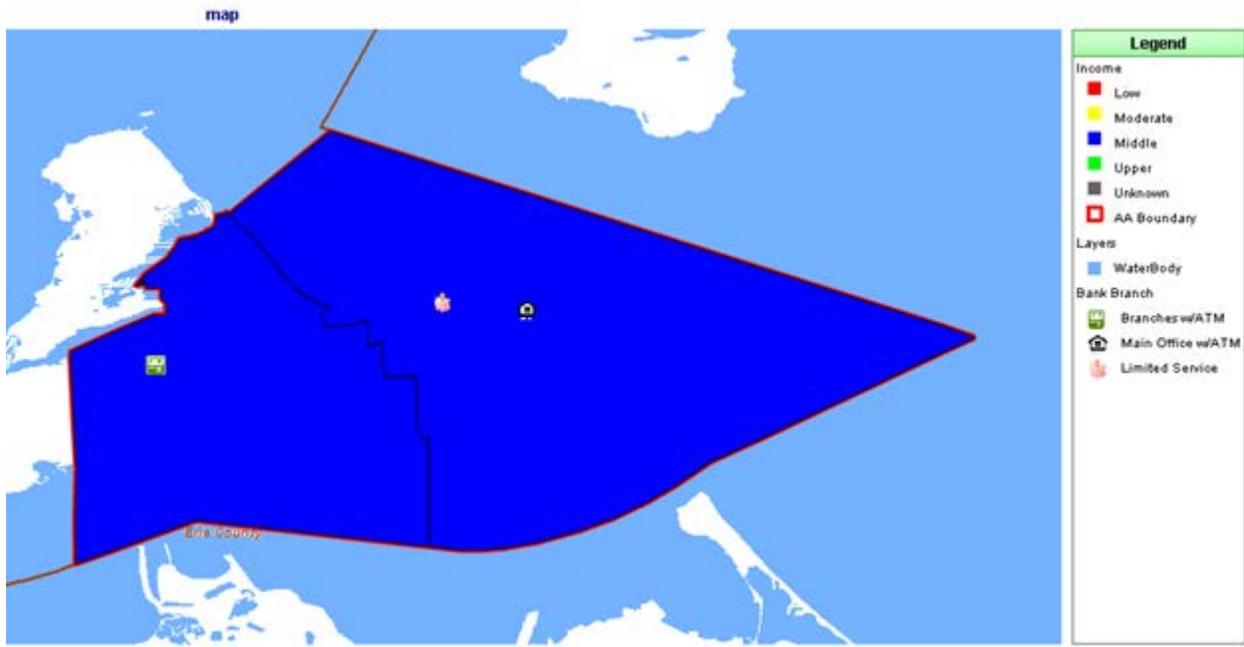
### **Fair Lending or Other Illegal Credit Practices Review**

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

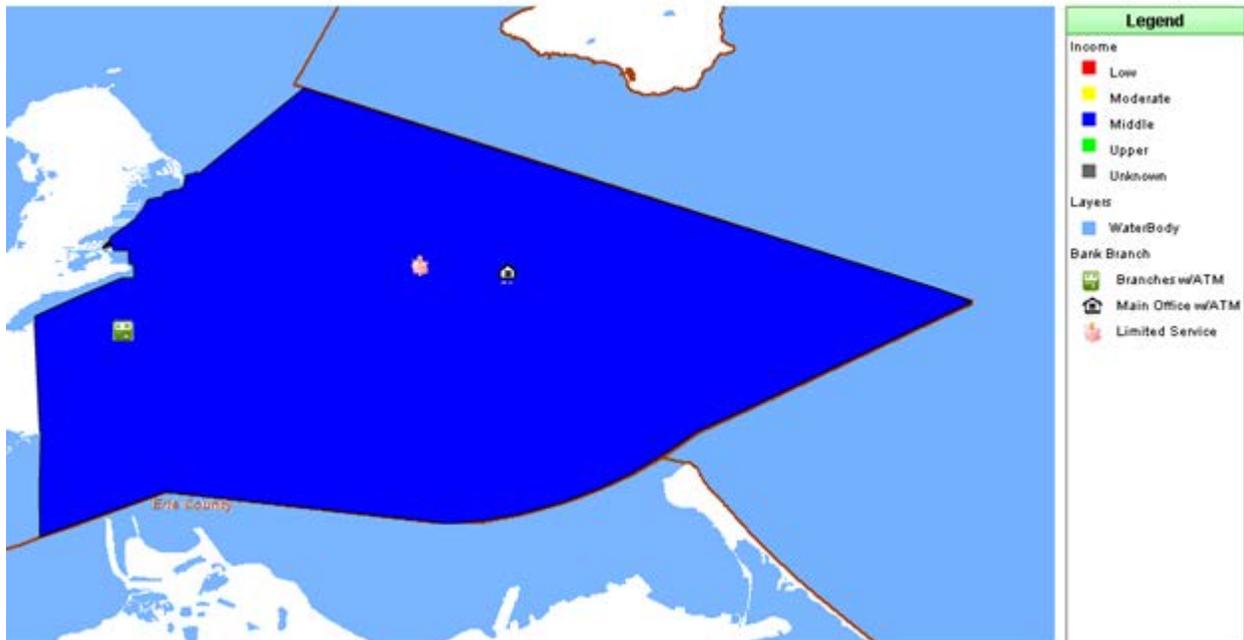
### APPENDIX A

### ASSESSMENT AREA MAP

Assessment Area: 2012, The Marblehead Bank, Ottawa County



Assessment Area: 2011, The Marblehead Bank, Ottawa County



**APPENDIX B**  
**LENDING TABLES**

**Consumer Loan Distribution Table**

Exam: The Marblehead Bank

Assessment Area/Group :Marblehead 2012

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Consumer Loans</b>							
Low	0	0.0%	0	0.0%	1	6.7%	2	0.3%
Moderate	0	0.0%	0	0.0%	3	20.0%	28	4.7%
Low/Moderate Total	0	0.0%	0	0.0%	4	26.7%	30	5.0%
Middle	15	100.0%	596	100.0%	5	33.3%	154	25.9%
Upper	0	0.0%	0	0.0%	6	40.0%	412	69.2%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	15	100.0%	596	100.0%	15	100.0%	596	100.1%
	<b>Residential Loans</b>							
Low	0	0.0%	0	0.0%	1	6.3%	60	3.3%
Moderate	0	0.0%	0	0.0%	1	6.3%	50	2.8%
Low/Moderate Total	0	0.0%	0	0.0%	2	12.5%	110	6.1%
Middle	16	100.0%	1,799	100.0%	7	43.8%	528	29.4%
Upper	0	0.0%	0	0.0%	7	43.8%	1,161	64.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	16	100.0%	1,799	100.0%	16	100.0%	1,799	100.0%
	<b>Consumer Loan Totals</b>							
Low	0	0.0%	0	0.0%	2	6.5%	62	2.6%
Moderate	0	0.0%	0	0.0%	4	12.9%	78	3.3%
Low/Moderate Total	0	0.0%	0	0.0%	6	19.4%	140	5.8%
Middle	31	100.0%	2,396	100.0%	12	38.7%	683	28.5%
Upper	0	0.0%	0	0.0%	13	41.9%	1,573	65.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	31	100.0%	2,396	100.0%	31	100.0%	2,396	100.0%

**Consumer Loan Distribution Table**

Exam: The Marblehead Bank

Assessment Area/Group :2009, 2010, 2011 combined

	CONSUMER LOANS							
	By Tract Income				By Borrower Income			
	#	%	\$(000s)	%	#	%	\$(000s)	%
	<b>Consumer Loans</b>							
Low	0	0.0%	0	0.0%	5	14.7%	64	8.7%
Moderate	0	0.0%	0	0.0%	6	17.6%	124	16.9%
Low/Moderate Total	0	0.0%	0	0.0%	11	32.4%	189	25.6%
Middle	34	100.0%	738	100.0%	9	26.5%	110	14.9%
Upper	0	0.0%	0	0.0%	14	41.2%	439	59.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	34	100.0%	738	100.0%	34	100.0%	738	100.1%
	<b>Residential Loans</b>							
Low	0	0.0%	0	0.0%	1	3.7%	80	3.6%
Moderate	0	0.0%	0	0.0%	2	7.4%	44	2.0%
Low/Moderate Total	0	0.0%	0	0.0%	3	11.1%	124	5.5%
Middle	27	100.0%	2,249	100.0%	9	33.3%	604	26.9%
Upper	0	0.0%	0	0.0%	15	55.6%	1,521	67.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	27	100.0%	2,249	100.0%	27	100.0%	2,249	100.0%
	<b>Consumer Loan Totals</b>							
Low	0	0.0%	0	0.0%	6	9.8%	144	4.8%
Moderate	0	0.0%	0	0.0%	8	13.1%	168	5.6%
Low/Moderate Total	0	0.0%	0	0.0%	14	23.0%	313	10.5%
Middle	61	100.0%	2,987	100.0%	18	29.5%	714	23.9%
Upper	0	0.0%	0	0.0%	29	47.5%	1,960	65.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	61	100.0%	2,987	100.0%	61	100.0%	2,987	100.0%

**CRA Loan Distribution Table**

Exam: The Marblehead Bank

Assessment Area/Group: Marblehead 2012

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>By Tract Income</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%
<b>By Revenue</b>								
Total \$1 Million or Less	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%
Over \$1 Million	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%
<b>By Loan Size</b>								
\$100,000 or less	5	55.6%	260	25.1%	0	0.0%	0	0.0%
\$100,001 - \$250,000	3	33.3%	499	48.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	11.1%	278	26.8%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%
<b>By Loan Size and Revenue \$1 Million or Less</b>								
\$100,000 or less	5	55.6%	260	25.1%	0	0.0%	0	0.0%
\$100,001 - \$250,000	3	33.3%	499	48.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	1	11.1%	278	26.8%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	9	100.0%	1,036	100.0%	0	0.0%	0	0.0%

\*Information based on 2010 ACS data

**CRA Loan Distribution Table**

Exam: The Marblehead Bank

Assessment Area/Group: 2009, 2010, 2011 combined

Income Categories	SMALL BUSINESS				SMALL FARM			
	#	%	\$(000s)	%	#	%	\$(000s)	%
<b>By Tract Income</b>								
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Moderate	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Low/Moderate Total	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Middle	10	100.0%	626	100.0%	0	0.0%	0	0.0%
Upper	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Tract Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10	100.0%	626	100.0%	0	0.0%	0	0.0%
<b>By Revenue</b>								
Total \$1 Million or Less	10	100.0%	626	100.0%	0	0.0%	0	0.0%
Over \$1 Million	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Not Known	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10	100.0%	626	100.0%	0	0.0%	0	0.0%
<b>By Loan Size</b>								
\$100,000 or less	8	80.0%	306	48.8%	0	0.0%	0	0.0%
\$100,001 - \$250,000	2	20.0%	320	51.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10	100.0%	626	100.0%	0	0.0%	0	0.0%
<b>By Loan Size and Revenue \$1 Million or Less</b>								
\$100,000 or less	8	80.0%	306	48.8%	0	0.0%	0	0.0%
\$100,001 - \$250,000	2	20.0%	320	51.2%	0	0.0%	0	0.0%
\$250,001 - \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Over \$1 Million (Bus)-\$500k (Farm)	0	0.0%	0	0.0%	0	0.0%	0	0.0%
Total	10	100.0%	626	100.0%	0	0.0%	0	0.0%

\*Information based on 2000 Census data

## APPENDIX C

### GLOSSARY OF TERMS

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

**Census tract:** A small subdivision of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. Census tracts usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; 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 of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low-or moderate-income geographies;
- (ii) Designated disaster areas; or,
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on:
  - a. Rates of poverty, unemployment, and population loss; or
  - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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

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

**Full-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (for example, geographic distribution, borrower distribution, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

**Home mortgage loans:** Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes and refinancings of home improvement and home purchase loans.

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

**Limited-scope review:** Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (for example, geographic distribution, borrower distribution, total number and dollar amount of investments, and branch distribution).

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

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

**Metropolitan area (MA):** A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. A MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. A MD is a division of a MSA based on specific criteria including commuting patterns. Only a MSA that has a population of at least 2.5 million may be divided into MDs.

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

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

**Multifamily:** Refers to a residential structure that contains five or more units.

**Other products:** Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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

**Qualified investment:** A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

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

**Small loan(s) to business(es):** A loan included in 'loans to small businesses' as defined in the Consolidated Report of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are either secured by nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

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