

# **PUBLIC DISCLOSURE**

October 19, 2015

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

Bath Savings Institution  
Certificate Number: 17749

105 Front Street  
Bath, Maine 04530

Federal Deposit Insurance Corporation  
Division of Depositor and Consumer Protection  
New York Regional Office

350 Fifth Avenue, Suite 1200  
New York, New York 10118

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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## INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area (AA), including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. The assigned rating is based on the results of two performance tests: the Lending Test and the Community Development Test. Bath Savings Institution's performance under each of these tests is summarized below:

#### **Lending Test**

The institution is rated **Satisfactory** under the Lending Test. This rating is supported by the following summary of results.

- The loan-to-deposit ("LTD") ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition, and assessment area credit needs.
- A substantial majority of Bath Savings Institution's home mortgage and small business loans were made in the institution's AA.
- The geographic distribution of loans reflects a reasonable dispersion in the AA.
- The distribution of borrowers reflects reasonable penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes.
- Bath Savings Institution did not receive any CRA-related complaints during the evaluation period; therefore, this factor did not impact the Lending Test rating.

#### **Community Development Test**

The institution is rated **Outstanding** under the Community Development Test.

The institution demonstrated excellent responsiveness to community development needs in its AA through community development loans, qualified investments, and community development services, considering the institution's capacity and the need and availability of such opportunities throughout the AA.

## **SCOPE OF EVALUATION**

### **General Information**

This evaluation assessed Bath Savings Institution's ("BSI" or "the bank") CRA performance utilizing the Interagency Intermediate Small Bank ("ISB") Examination Procedures, as established by the Federal Financial Institutions Examination Council ("FFIEC"). These procedures require two performance tests: the Lending Test and the Community Development Test. The Lending Test analyzes an institution's applicable home mortgage, small business, and small farm loans. The Community Development Test is an analysis of qualified activities (loans, investments, and services) an institution performed to meet the needs of the community since the previous evaluation.

### **Loan Products Reviewed**

Examiners determined that BSI's major product lines include home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period.

According to the Report of Condition and Income (Call Report), as of June 30, 2015, residential real estate and commercial loans comprise the largest percentage of the total portfolio at 58 and 32 percent, respectively. Agricultural and consumer loans represent minor percentages of the loan portfolio; therefore, these loans were not analyzed. Equal consideration was given to home mortgage and small business lending based upon management's stated business focus. The bank does not have any affiliates to be considered for CRA purposes.

Examiners based the Lending Test on home mortgage and small business lending. Banks that are subject to the Home Mortgage Disclosure Act (HMDA) are required to collect and maintain certain data with respect to home mortgage lending. Examiners reviewed all originated or purchased home mortgage loans reported on the 2013, 2014 and first 2 quarters 2015 HMDA loan application registers (LARs). Furthermore, examiners reviewed small business loans originated or renewed between January 1, 2014, and December 31, 2014. For comparison purposes, examiners analyzed 2013 aggregate HMDA data compiled from all home mortgage data reported in the AAs, 2010 United States (U.S.) Census Data, and 2014 D&B demographic data.

The entire universe of loans was analyzed to determine the amount of lending within the AA. AA loans were analyzed to determine the distribution of lending in geographies of different income levels and to determine the distribution of lending among businesses of different revenue sizes and individuals of different incomes. A sample of loans, from those identified as inside the AA, was used to determine the distribution and dispersion of lending under the Geographic Distribution and Borrower Profile criteria. Examiners reviewed the number and dollar volume of home mortgage and small business loans. While number and dollar volume of loans are presented, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

The Interstate Banking and Branching Efficiency Act (IBBEA) requires separate analysis and conclusions of CRA performance in metropolitan statistical areas (MSAs) where the bank maintains branches. The bank operates the main office and nine branch offices in the Portland-South Portland, ME MSA, and two branch offices in the non-metropolitan area of Maine. Of home mortgage loans made in the AA in 2013, 84.6 percent was within the Portland-South Portland, ME MSA portion of their AA. Similarly, in 2014, this percentage stood at 86.5 percent. Of small business loans in the AA in 2014, 95.9 percent was within Portland-South Portland, ME MSA. As a significant majority of lending activities and bank branches are located in the Portland-South Portland, ME MSA, a full-scope review was performed for this portion of the AA.

## **DESCRIPTION OF INSTITUTION**

### **Background**

BSI is a full-service mutual savings bank chartered in Bath, Maine. The bank formed Bath Savings Trust Company in 1989 as a wholly owned subsidiary to provide additional financial services and investment products to its customer base. BSI received an “Outstanding” rating at its previous FDIC Performance Evaluation based on ISB Procedures.

### **Operations**

BSI operates a main office and 11 additional offices throughout Maine. The bank’s main office and trust office are located in Bath, which is in Sagadahoc County. BSI also has full-service branches in Brunswick, Falmouth, Freeport, Portland, South Portland, and Yarmouth in Cumberland County; and Boothbay Harbor and Damariscotta in Lincoln County. All branches except Boothbay Harbor and Damariscotta are located within the Portland-South Portland, ME MSA. There are also limited-service branches in Falmouth and Topsham. The Falmouth branch is located in the Ocean View Retirement Center, while the Topsham branch is located in The Highlands, a senior retirement living complex. All branches are equipped with 24-hour automated teller machines (ATMs). The bank did not open or close any branches during the evaluation period.

BSI offers a wide array of deposit products to meet consumer and business banking needs, including checking, savings, certificate of deposit, health savings accounts, and individual retirement accounts. In addition to traditional banking services, customers have access to mobile banking, online banking, telephone banking, and ATMs 24-hours a day.

To meet the credit needs of the area, BSI offers a variety of lending products for residential real estate, commercial, and consumer purposes. Residential real estate loans include mortgages for purchase, construction, refinance, home equity, home improvement, and secondary market financing. Commercial loans include commercial real estate, single payment, installment, revolving lines of credit, and construction mortgages. Loans for consumer purposes include automobile, boat, motorcycle, recreational vehicle, and all other personal need loans.

In addition to conventional lending, the bank offers and originates guaranteed loan products that include United States Small Business Administration, Federal Housing Administration, Maine State Housing Authority, United States Department Agriculture, and Veteran’s Administration. The bank also offers secondary market loans sold through Freddie Mac and Federal Home Loan bank. Additionally, BSI offers unique loans through the Equity Builder Program which offers assistance to first-time homebuyers and a Zero Equivalent Mortgage Program which offers zero percent financing for Habitat for Humanity homeowners.

**Ability and Capacity**

The June 30, 2015, Call Report reflects total assets of \$773,205,000, total loans of \$515,043,000, and total deposits of \$605,658,000. The table below provides a breakdown of the loan portfolio as of this date.

<b>Loan Portfolio Distribution as of June 30, 2015</b>		
<b>Loan Category</b>	<b>\$(000s)</b>	<b>%</b>
Construction, Land Development, and Other Land Loans	27,460	5.3
Secured by Farmland	0	0
Secured by 1-4 Family Residential Properties	270,884	52.6
Secured by Multi-family (5 or more) Residential Properties	28,812	5.6
Secured by Non-farm Non-Residential Properties	126,953	24.7
<b>Total Real Estate Loans</b>	<b>454,109</b>	<b>88.2</b>
Commercial and Industrial Loans	37,472	7.3
Agricultural Production and Other Loans to Farmers	3,130	.6
Consumer	6,602	1.3
Obligations of States and Political Subdivisions in the United States	13,730	2.6
Other Loans	0	0
Lease Financing Receivables (net of unearned income)	0	0
Less: Unearned Income	0	0
<b>Total Loans</b>	<b>515,043</b>	<b>100.0</b>
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet AA credit needs.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more AAs within which its CRA performance will be evaluated. BSI has designated its AA as portions of Cumberland and all of Sagadahoc County, which is part of the Portland-South Portland, ME MSA and all of Lincoln County, which is part of a non-metropolitan area of Maine. Census tracts 9751.00, 9752.00, 9753.00, 9755.00 and 9756.00 in Lincoln County were designated as underserved non-metropolitan middle-income geographies for 2012-2015. The following sections discuss demographic and economic information for the AA.

### **Economic and Demographic Data**

The AA includes 69 census tracts throughout Cumberland, Lincoln, and Sagadahoc Counties in Maine. According to 2010 United States (U.S.) Census Bureau data, 3 of the AA census tracts are categorized as low-income; 8 are moderate-income; 40 are middle-income; and, 18 are upper-income. The table below illustrates select demographic characteristics of the AA.

<b>Demographic Information of the Assessment Area</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	69	4.3	11.6	58.0	26.1	0
Population by Geography	283,011	3.0	8.6	59.8	28.6	0
Housing Units by Geography	143,441	3.1	9.3	60.5	27.1	0
Owner-Occupied Units by Geography	82,714	0.6	6.4	61.0	32.0	0
Businesses by Geography	23,945	12.5	6.9	54.2	26.4	0
Family Distribution by Income Level	73,176	18.6	17.2	22.5	41.7	0
Median Family Income FFIEC-Estimated Median Family Income - Portland- South Portland MSA (2014)		\$70,044 \$74,600	Median Housing Value Median Gross Rent Families Below Poverty Level			\$ 255,031 845 7.5%
<i>Source: 2010 U.S. Census, 2014 D&amp;B Data, and FFIEC Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The AA includes businesses of various sizes, with a high percentage of smaller businesses, according to business survey data provided by D&B. According to 2014 D&B business demographic information, there are 23,945 non-farm businesses in the AA, of which approximately 73 percent reported gross annual revenues of \$1 million or less, 6 percent reported gross revenues greater than \$1 million, and 21 percent did not report revenues.

According to 2014 D&B data, there is a variety of employers within the AA, with the service industry representing the largest portion at 48 percent, followed by retail trade at 13 percent. Some of the major employers in the AA identified by bank management are Bath Iron Works, L.L Bean, and Maine Medical Center.

The FFIEC median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The low-, moderate-, middle-, and upper-income categories for Portland-South Portland, ME MSA and non-metropolitan Maine are presented in the following table.

<b>Median Family Income Ranges</b>				
<b>Median Family Incomes</b>	<b>Low &lt;50%</b>	<b>Moderate 50% to &lt;80%</b>	<b>Middle 80% to &lt;120%</b>	<b>Upper ≥120%</b>
<b>Portland-South Portland, ME MSA Median Family Income (\$67,971)</b>				
2013 (\$72,200)	<\$36,100	\$36,100 to <\$57,760	\$57,760 to <\$86,640	≥\$86,640
2014 (\$74,600)	<\$37,300	\$37,300 to <\$59,680	\$59,680 to <\$89,520	≥\$89,520
2015 (\$73,200)	<\$36,600	\$36,600 to <\$58,560	\$58,560 to <\$87,840	≥\$87,840
<b>Non-MSA Portion of ME Median Family Income (\$51,782)</b>				
2013 (\$53,200)	<\$26,600	\$26,600 to <\$42,560	\$42,560 to <\$63,840	≥\$63,840
2014 (\$51,700)	<\$25,850	\$25,850 to <\$41,360	\$41,360 to <\$62,040	≥\$62,040
2015 (\$55,400)	<\$27,700	\$27,700 to <\$44,320	\$44,320 to <\$66,480	≥\$66,480
<i>Source: FFIEC</i>				

Low-income families comprise 19 percent; moderate-income families comprise 17 percent; middle-income families comprise 22 percent; and upper-income families comprise 42 percent of all families in the AA. The 2010 U.S. Census indicates that 8 percent of families in the AA are below the poverty level.

According to the Maine Department of Employment and Economic Development, the August 2015 unemployment rates for Cumberland, Lincoln, and Sagadahoc Counties were 2.9, 3.2, and 3.0 percent, respectively. In comparison, for the same time period, the unemployment rate for the State of Maine was 3.6 percent and the U.S. was 5.2 percent. Overall, the unemployment rates for the AA are comparable to the statewide figure and lower than the nationwide figure. Furthermore, unemployment rates for the AA were lower now than they were in 2010. The downward trend in unemployment also occurred for the state and nation in 2010.

There are 143,441 housing units in the AA, of which 58 percent are owner-occupied, 27 percent are occupied rental units, and 15 percent are vacant. The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units.

### **Competition**

BSI faces competition from both financial institutions and non-bank entities in the AA. Competition includes small community banks, credit unions, and large national banks. According to the FDIC's 2014 Deposit Market Share Report, the bank faces competition from 44 other FDIC-insured institutions for deposits within the AA. These institutions operate 176 banking offices and hold \$23.3 billion in deposits inside the AA. Ranking by deposits, BSI is the 6<sup>th</sup> largest financial institution, holding approximately 2.3 percent of total FDIC-insured deposits.



## **Community Contact**

In conjunction with CRA evaluations, examiners interview members of the community to obtain community profiles, identify development opportunities, determine general credit needs, and assess opportunities for participation by local financial institutions.

The contact noted that the economy is picking up, noting that trend toward rental housing has continued to increase over the past few years creating a large demand on the rental market. The contact further stated the Portland area needs more affordable housing and loans to start-up businesses. The rise in rental costs and demand has also lead to an increased demand in Section 8 housing; however, the waiting list for such housing is significant. Additionally, is more demand than supply in terms of affordable housing. Portland's overall vacancy rate is less than 1 percent. The contact also shared the average starter home in the area ranges between \$170,000 and \$200,000. The contact stated low- to moderate-income families likely cannot afford to purchase such housing.

## **Credit and Community Development Needs and Opportunities**

Examiners ascertained AA credit needs from demographic information, community contact information, and discussions with bank personnel. Based on interviews with the community contact and bank management, as well as the review of demographic information, examiners determined that home mortgage and small business financing are the primary credit needs, and affordable housing is the primary community development need, within the AA.

## CONCLUSIONS ON PERFORMANCE CRITERIA

### LENDING TEST

#### Loan-to-Deposit Ratio

The average net LTD ratio is reasonable given the bank's size, financial condition, and AA credit needs. BSI's net LTD ratio, calculated from Call Report data, averaged 84.0 over the past 13 calendar quarters from June 30, 2012, through June 30, 2015. The quarterly net LTD ratio during this timeframe ranged from a low of 79 percent to a high of 88 percent. The ratio remained generally stable during the evaluation period. The following table illustrates the LTD ratios of BSI and comparable institutions. Comparable institutions were selected based on asset size, geographic location, and lending focus.

<b>Loan-to-Deposit Ratio Comparison</b>		
<b>Bank</b>	<b>Total Assets as of June 30, 2015 \$(000s)</b>	<b>Average Net LTD Ratio (%)</b>
<b>Bath Savings Institution</b>	<b>773,025</b>	<b>84.0</b>
Kennebunk Savings Bank	963,406	97.6
Gorham Savings Bank	994,123	99.0
Saco and Biddeford Savings	849,954	115.9
The Bank of Maine	819,692	91.7
<i>Source: Reports of Income and Condition</i>		

Management stated that competition is strong and BSI competes with a variety of alternative finance entities for residential and commercial loans, which are the bank's primary business focus. Additionally, the bank sells loans on the secondary market, which are not included in net LTD calculations. Specifically, from 2012 through 2015, BSI sold 1,264 loans totaling approximately \$238 million. Although slightly lower than comparable institutions, BSI's net LTD is considered reasonable given the significant competition, secondary market lending, and overall performance.

#### Assessment Area Concentration

The analysis of home mortgage and small business loans revealed the bank originated a substantial majority of its loans by number and dollar volume within its AA.

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

Loan Category	Number of Loans				Total #	Dollars Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2013	688	91.5	64	8.5	752	144,359	92.9	11,054	7.1	155,413
2014	362	93.5	25	6.5	387	86,058	93.4	6,101	6.6	92,159
2015	222	89.2	27	10.8	249	50,722	88.5	6,618	11.5	57,340
<b>Subtotal</b>	<b>1,272</b>	<b>91.6</b>	<b>116</b>	<b>8.4</b>	<b>1,388</b>	<b>281,139</b>	<b>92.2</b>	<b>23,773</b>	<b>7.8</b>	<b>304,912</b>
Small Business										
2014	193	86.9	29	13.1	222	20,268	79.4	5,267	20.6	25,535
<b>Subtotal</b>	<b>193</b>	<b>86.9</b>	<b>29</b>	<b>13.1</b>	<b>222</b>	<b>20,268</b>	<b>79.4</b>	<b>5,267</b>	<b>20.6</b>	<b>25,535</b>
<b>Total</b>	<b>1,465</b>	<b>91.0</b>	<b>145</b>	<b>9.0</b>	<b>1,610</b>	<b>301,407</b>	<b>91.2</b>	<b>29,040</b>	<b>8.8</b>	<b>330,447</b>

*Source: 2013, 2014, and 2quarters of 2015HMDA and Bank data*

**Geographic Distribution**

Overall, the geographic distribution of loans reflects reasonable dispersion throughout the AA, with emphasis on lending in low- and moderate-income census tracts. The following sections discuss performance by loan type.

***Home Mortgage Loans***

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the AA.

The table below shows the geographic distribution of the bank’s home mortgage loans among the different census tract income levels in the AA. Bank performance is compared against applicable aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	.6	1.1	4	.6	607	.4
2014	.6	--	1	.3	144	.2
2015	.6	--	1	.5	424	.8
Moderate						
2013	6.4	6.5	21	3.1	4,532	3.2
2014	6.4	--	7	1.9	2,260	2.6
2015	6.4	--	9	4.0	2,248	4.4
Middle						
2013	61.0	56.6	404	58.7	81,611	56.5
2014	61.0	--	237	65.5	56,127	65.2
2015	61.0	--	121	54.5	25,098	49.5
Upper						
2013	32.0	35.8	259	37.6	57,609	39.9
2014	32.0	--	117	32.3	27,527	32.0
2015	32.0	--	91	41.0	22,952	45.3
<b>Totals</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>144,359</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	--	<b>362</b>	<b>100.0</b>	<b>86,058</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	--	<b>222</b>	<b>100.0</b>	<b>50,722</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; "2014-2015 Aggregate" data not available</i>						

In 2013, BSI's performance of lending in low-income tracts was slightly below aggregate data, but in line with demographics. While decreasing by number in 2014 and year-to-date 2015, the percentage of loans in low-income tracts remained relatively consistent. BSI made 3.1 percent of its loans in moderate-income tracts in 2013, which is below aggregate and demographic data. Performance dropped to 1.9 percent in 2014, and increased again to 4.0 percent year-to-date 2015.

There are mitigating factors that provide insight for BSI's performance being slightly below aggregate performance and demographics. A majority of the low-and moderate income CTs in the AA are within the city limits of Portland. This is a relatively new market for BSI, as the bank opened the branch in Portland in early 2012. Discussions with bank management and the community contact indicated that there are very few housing units within these low-and moderate-income CTs, as the existing housing stock in these areas is predominantly rental housing. Additionally, BSI indicated that they have hired a new loan officer in the Portland office, who will focus on lending in Portland. Furthermore, bank management and the community contact indicated that substantial competition exists in these areas.

A market share analysis was performed for lending in the AA's low- and moderate-income census tracts in 2013. BSI ranked 16<sup>th</sup> in originating home mortgage loans within the low-

income CTs with 2.8 percent of the market share, and ranked 12<sup>th</sup> in originating home mortgage loans in moderate-income census tracts, capturing 2.3 percent of the market share. Wells Fargo, a national mortgage company, ranked 1<sup>st</sup> with 7.1 percent of the market share in low-income census tracts and 8.0 percent of the market share in moderate-income census tracts. Predominantly only larger national banks and national mortgage companies ranked ahead of BSI.

***Small Business Loans***

The geographic distribution of sampled small business loans reflects reasonable dispersion throughout the AA. The table below shows the geographic distribution of small business loans among the different census tract income levels in the AA, compared to the percentage of businesses located in each tract income level.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	12.5	4	10.0	920	19.8
Moderate	6.9	2	5.0	225	4.9
Middle	54.2	21	52.5	1,835	39.6
Upper	26.4	13	32.5	1,659	35.7
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,639</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

This review revealed that 10.0 percent by number and 19.8 percent by dollar volume of small business loans were extended in low-income CTs, and 5.0 percent by number and 4.9 percent by dollar volume of small business loans were extended in moderate-income CTs. This is considered reasonable as D&B demographic data shows 12.5 percent of businesses are located in the low-income CTs and 6.9 percent of businesses are located in the moderate-income CTs. Overall, the geographic distribution of small business loans is comparable to demographic data and reflects reasonable dispersion.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank’s reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage of home mortgage loans to low- and moderate-income borrowers and percentage of small business loans to businesses with GARs of \$1 million or less.

***Home Mortgage Loans***

The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration of loans to borrowers of different income levels.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	18.6	7.6	44	6.4	3,653	2.5
2014	18.6	--	26	7.2	2,415	2.8
2015	18.6	--	11	5.0	1,247	2.5
Moderate						
2013	17.2	17.8	100	14.5	13,639	9.5
2014	17.2	--	48	13.3	6,638	7.7
2015	17.2	--	25	11.3	3,879	7.6
Middle						
2013	22.5	24.0	147	21.4	24,334	16.9
2014	22.5	--	87	24.0	14,137	16.4
2015	22.5	--	37	16.6	6,373	12.6
Upper						
2013	41.7	45.5	360	52.3	89,827	62.2
2014	41.7	--	180	49.7	48,363	56.2
2015	41.7	--	143	64.4	38,404	75.7
Income Not Available						
2013	--	5.1	37	5.4	12,906	8.9
2014	--	--	21	5.8	14,505	16.9
2015	--	--	6	2.7	819	1.6
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>688</b>	<b>100.0</b>	<b>144,359</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	--	<b>362</b>	<b>100.0</b>	<b>86,058</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	--	<b>222</b>	<b>100.0</b>	<b>50,722</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; "2014-2015 Aggregate" data not available</i>						

The bank's performance of lending to low-income borrowers in 2013 was slightly below aggregate and well below demographics. In addition, while overall numbers decreased in 2014 and year-to-date 2015, performance was relatively consistent across all years reviewed. Furthermore, the bank's performance of lending to moderate-income borrowers in 2013 was slightly below aggregate and demographic data. Performance in 2014 and year-to-date 2015 demonstrated a decreasing trend both by number and percentage.

Performance context affecting the bank's levels of lending to low- and moderate-income borrowers includes the shortage of affordable housing in the area. Additionally, home values and land prices are relatively high in general, and the existing affordable housing stock is older and requires renovations, both of which further inhibits the ability for low- and moderate-income borrowers to afford a mortgage loan.

The review of market share data provided further support for the bank’s reasonable performance under this criterion. In 2013, BSI ranked 5<sup>th</sup> with 4.7 percent of the market share of home mortgage loans to low-income borrowers. Wells Fargo ranked 1<sup>st</sup> with 8.3 percent of the market share. BSI ranked 4<sup>th</sup> and captured 4.3 percent of the market share to moderate-income borrowers. Again, Wells Fargo ranked 1<sup>st</sup> with 11.5 percent of the market share.

### ***Small Business Loans***

The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration of loans to businesses of different revenue sizes.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	72.5	14	35.0	746	16.1
> \$1,000,000	6.3	26	65.0	3,893	83.9
Revenue Not Available	21.2	--	--	--	--
<b>Total</b>	<b>100.0</b>	<b>40</b>	<b>100.0</b>	<b>4,639</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

The bank originated less than a majority of sampled small business loans to businesses with gross annual revenues of \$1 million or less, which is less the percentage of businesses of this revenue level in the AA. While less than business demographics, the performance is reasonable considering the level of competition for small business loans. Additionally, bank management indicated that small businesses continue to utilize alternate financing including credit cards, which further limits lending opportunities.

### **Response to Complaints**

BSI has not received any written complaints concerning its CRA performance; therefore, this performance criterion did not affect the Lending Test rating.

## COMMUNITY DEVELOPMENT TEST

The Community Development Test evaluates BSI's responsiveness to the community development needs of its AA through the provision of community development loans, qualified investments, and community development services. This test considers BSI's capacity and the need and availability of such opportunities for community development activities within the AA.

BSI is rated Outstanding under the Community Development Test, demonstrating excellent responsiveness to the community development needs of the AA through provision of community development loans, qualified investments, and community development services.

There are opportunities for the bank to extend community development loans, investments, and services within its AA, as evidenced by analysis of demographic data. This data shows that 35.8 percent of families in the AA are categorized as either low- or moderate-income. A community contact identified community development needs and opportunities in the area of affordable housing. BSI communicates regularly through correspondence with local housing agencies to solicit input and ensuring the bank keeps abreast of the affordable housing needs and development projects. Additionally, BSI engages in community development activities in Lincoln County by providing community development that revitalizes and stabilizes the underserved portions of the county.

The following sections discuss BSI's community development lending, qualified investment, and community development service activities during the evaluation period.

### *Community Development Loans*

BSI is a leader in community development lending in the AA. The bank made 93 community development loans totaling \$54.4 million during the evaluation period. A significant portion of the lending focused on providing affordable housing and revitalizing and stabilizing underserved areas of the AA, which are the primary community development needs of the AA as highlighted above. The following table illustrates BSI's community development loans by year and purpose.

Community Development Loans												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2012	17	6,376	6	253	0	0	3	1,050	0	0	26	7,679
2013	12	1,814	8	213	0	0	7	14,080	0	0	27	16,107
2014	15	13,051	6	670	0	0	5	7,500	0	0	26	21,221
YTD 2015	5	806	4	595	1	15	4	8,000	0	0	14	9,416
<b>Total</b>	<b>49</b>	<b>22,047</b>	<b>24</b>	<b>1,731</b>	<b>1</b>	<b>15</b>	<b>19</b>	<b>30,630</b>	<b>0</b>	<b>0</b>	<b>93</b>	<b>54,423</b>

Source: Bank Records



The following bullets highlight notable examples of the bank’s community development loans.

- From 2012 through 2015, BSI originated or renewed 10 loans totaling approximately \$2.1 million to The Greater Brunswick Housing Authority. The Greater Brunswick Housing authority’s goal is increase the supply of affordable housing in the region. The specific purposes of the corporation are to own, lease, organize, develop, construct, financially assist, manage and operate, on a non-profit basis, projects or programs providing rentals or homeownership opportunities to low-income individuals and families.
- From 2012 through 2015, BSI originated or renewed three loans totaling \$18 million to Lincoln County, and six loans totaling approximately \$1.9 million to the Town of Alna. The Town of Alna is located in part of the “underserved” middle-income communities of Lincoln County. The loans were made to help the county and town continue to provide essential community development services, and to provide funds for the completion of various infrastructure projects to revitalize and stabilize the town.
- From 2012 through 2015, BSI originated or renewed 10 loans totaling approximately \$1.1 million to Habitat for Humanity. The purpose of this organization is to provide affordable housing to low-and moderate- income individuals and families in the AA.
- From 2012 through 2015, BSI originated or renewed eight loans totaling approximately \$4.1 million to the MidCoast Regional Redevelopment Authority (MRRA). The loans were made to help revitalize and stabilize a moderate-income area, by helping develop an executive airport and a business complex in the local Naval Air Station base that was recently closed. MRRA’s mission is to implement the Reuse Master Plans for Naval Air Station Brunswick and the Topsham Annex, manage the transition of base properties from military to civilian uses, redevelop base properties, and create new high-quality jobs in Maine.
- From 2013 through 2015, BSI originated/renewed 3 loans totaling \$150,000 to Freeport Community Services. Freeport Community Services provides essential services including food, clothing, heat, and transportation to low-and moderate-income individuals and families in need.

***Community Development Investments***

BSI made qualified investments that provided affordable housing and helped promote economic development throughout the AA. Further, community development was supported through donations to several organizations engaged in revitalization or stabilization of underserved areas, community services, and affordable housing. The following table illustrates qualified investments by year and purpose.

Qualified Investments												
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Neighborhood Stabilization		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	3	72	0	0	0	0	3	72
2012	5	1,941	0	0	0	0	0	0	0	0	5	1,941
2013	4	303	0	0	0	0	0	0	0	0	4	303
2014	3	300	0	0	0	0	0	0	0	0	3	300
YTD 2015	3	700	0	0	1	250	0	0	0	0	4	950
<b>Subtotal</b>	<b>15</b>	<b>3,244</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>322</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>19</b>	<b>3,566</b>
Qualified Grants & Donations	24	20	142	105	0	0	14	18	0	0	180	143
<b>Total</b>	<b>39</b>	<b>3,264</b>	<b>142</b>	<b>105</b>	<b>4</b>	<b>322</b>	<b>14</b>	<b>18</b>	<b>0</b>	<b>0</b>	<b>199</b>	<b>3,709</b>

Source: Bank Records

Below are examples of the organizations in which the bank made qualified investments:

**Genesis Community Loan Fund:** The Genesis Community Loan Fund provides flexible, below-market financing and expert assistance to affordable housing and community groups across Maine. Genesis also provides substantial technical assistances to the sponsors of capital projects that will create housing and community development opportunities for low- and moderate-income families.

**CEI Ventures:** Funds from CEI notes contribute to community vitality by helping businesses that create jobs; community facilities that bring critical educational, therapeutic, employment and health-related services to people across the state; and projects that provide safe, affordable and energy efficient housing for low-income families.

**Tedford Housing:** Tedford Housing works together with people in the communities to find lasting solutions to the challenges of homelessness. They provide shelter, housing, and services that empower adults, children and families in need. Tedford Housing believes that everyone deserves to have a safe and affordable home. Over the years, the organization has evolved from providing emergency shelter to adults, to offering shelter, supported housing and homeless prevention services for adults, families and teens.

**Elmhurst Inc:** Elmhurst, Inc. is a private, non-profit, social service agency based in the City of Bath. The mission is to encourage increased independence for people with intellectual disabilities, mental illness, and autism in the Mid Coast area. A substantial majority of the program recipients are low- and moderate-income.

**MidCoast Ca\$H Coalition:** Ca\$H Maine is a collaboration of ten statewide coalitions, comprised of 50 non- and for-profit partners working together to help low- and moderate-income Mainers make the most of their money. Ca\$H Maine offers free tax preparation to qualified filers during the tax season and connects residents to financial education resources, including money management and home buying workshops, Family Development Accounts (FDAs) and

credit counseling.

**Maine Affordable Housing Coalition:** The Maine Affordable Housing Coalition is a diverse coalition of more than 120 public and private sector organizations, with a mission to raise public awareness and advance solutions that create and preserve affordable housing throughout the state.

***Community Development Services***

Trustees and officers of the bank are involved in local community development and non-profit organizations in a variety of capacities. Bank personnel provide these organizations with financial and management expertise while serving as directors, officers, and volunteers.

Summarized in the table below are the number of organizations to which the bank provided community development services by category and year. It should be noted that, in some cases, multiple employees are involved with the same organizations in different roles and bring different areas of expertise to the organization.

Community Development Services						
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Neighborhood Stabilization	Totals
	#	#	#	#	#	#
2012	5	3	1	0	0	<b>9</b>
2013	8	4	0	1	0	<b>13</b>
2014	9	7	0	3	0	<b>19</b>
YTD 2015	9	8	0	1	0	<b>18</b>
<b>Total</b>	<b>31</b>	<b>22</b>	<b>1</b>	<b>5</b>	<b>0</b>	<b>59</b>
<i>Source: Bank Records</i>						

Below are examples of activities conducted and organizations that employees were involved in during the evaluation period. All of the services meet the definition of community development and also relate to the provision of financial and/or management services to the organization.

**Coastal Enterprises:** This community development financial institution and community development corporation lends and invests money and provides business counseling services to small businesses. In addition, Coastal Enterprises engages in economic development activities to attract and retain employment for low-income individuals. An executive vice president serves on the Loan and Investment Committee.

**Family Focus:**

Family Focus is a non-profit organization licensed by the Maine Department of Health and Human Services that provides affordable, quality childcare and education to children of working low- and moderate-income families in the Mid Coast area. An associate vice president serves on the Board.

**Freeport Housing Trust:** Freeport Housing Trust, Inc. is a community-based charitable organization whose mission is to provide safe, decent and affordable housing opportunities to the low- and moderate-income households of Freeport, Maine. The Trust president serves on the Board.

**City of Bath Community Development Committee:** The Community Development Committee administers the distribution of grants from HUD for Community Development Block Grant (CDBG) activities. Funding for the Maine CDBG program is provided by the U.S. Department of Housing and Urban Development (HUD) under the guidelines of Title I of the Housing and Community Development Act of 1974 as amended. Eligible activities must meet one of the following CDBG program national objectives: benefiting low- and moderate-income persons, eliminating slum and blighting influences or addressing an urgent need. A senior vice president serves on the Board.

**Yarmouth Senior Housing:** The organization provides low-income rental housing for seniors. BSI works very closely with Yarmouth Senior Housing in providing affordable housing to seniors. A vice president serves on the Board.

Officers and Directors are also involved with a number of other organizations in various capacities at local senior housing organizations, homeless shelters, food banks, and child services.

### ***Other Activities***

#### ***Neighbor to Neighbor Non-Profit***

BSI designed this program to allow customers to “give back” to and invest in their own communities. In order to make the \$25 donation to a participating non-profit organization, the customer opens a new BSI **eChecking** account with a minimum deposit of \$100. The customer may select a participating non-profit organization in their community from the list of entities provided by BSI. A \$25 donation will be made to that organization after the customer’s checking account has been open for 30 days.

#### ***FDIC Money Smart***

BSI is a designated FDIC Money Smart for Young Adults Partner. Various employees and bank officers utilize the Money Smart program in schools across the AA.

#### ***Interest on Lawyers Trust Accounts (IOLTA)***

BSI offers IOLTAs to attorneys and others with fiduciary responsibility over client funds. The accounts earn competitive interest that is compounded daily, credited monthly, which is used to provide legal services to low-income individuals who cannot afford legal counsel.

#### ***Maine Association of Realtors Affordable Housing Fund (RAHF)***

BSI participates in the RAHF program. These are special accounts created under the State Association of Realtors. Through a partnership with BSI, earnest money deposits are placed into an interest bearing account for contribution to the fund. The purpose of RAHF is to provide financial resources for activities, programs and services which expand, create, maintain or

encourage development of decent, suitable shelter and housing opportunities in Maine.

*E-Checking Now Account*

This account includes no minimum deposit to open the account, no minimum balance and free Online Banking and BillPay. There are no monthly service charges or fees with this easy-to-open account. This type of free account is of benefit to low- and moderate-income individuals.

*Distribution of Banking Offices*

The bank operates the main office and five branch offices in middle-income CTs and an additional six branch offices in upper-income CTs. Although BSI does not operate a branch in a low-or moderate-income CT, the branch structure and locations provide ease of access to residents in those areas. All of the office locations have ATMs and flexible hours to serve the community.

**DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES  
REVIEW**

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

**PORTLAND-SOUTH PORTLAND, ME METROPOLITAN STATISTICAL AREA  
(MSA)**

**DESCRIPTION OF THE INSITUATION’S OPERATIONS IN THE PORTLAND-SOUTH PORTLAND, ME MSA**

The bank operates the main office and nine branch offices in the Portland-South Portland, ME MSA. The bank’s main office is located in Bath, which is in Sagadahoc County. BSI also has full service branches in Brunswick, Falmouth, Freeport, Portland, South Portland, and Yarmouth in Cumberland County. There are also limited service branches in Falmouth and Topsham. The Falmouth branch is located in the Ocean View Retirement Center, while the Topsham branch is located in The Highlands, a senior retirement living complex. All branches are equipped with 24-hour ATMs.

Summarized in the table below is pertinent demographic information concerning the portions of the AA within this MSA.

<b>Demographic Information of the Portland-South Portland, ME MSA AA</b>						
<b>Demographic Characteristics</b>	<b>#</b>	<b>Low % of #</b>	<b>Moderate % of #</b>	<b>Middle % of #</b>	<b>Upper % of #</b>	<b>NA* % of #</b>
Geographies (Census Tracts)	60	5.0	13.3	56.7	25.0	0
Population by Geography	248,554	3.4	9.8	57.2	29.6	0
Housing Units by Geography	120,211	3.7	11.1	57.9	27.3	0
Owner-Occupied Units by Geography	69,553	0.7	7.6	57.8	33.9	0
Businesses by Geography	21,016	14.3	7.8	51.6	26.3	0
Family Distribution by Income Level	63,074	19.2	17.3	22.4	41.1	0
Median Family Income FFIEC Portland MSA-Estimated Median Family Income for 2014		\$72,104 \$74,600	Median Housing Value Median Gross Rent Families Below Poverty Level			\$ 261,345 \$851 7.4%
<i>Source: 2010 U.S. Census, 2014 D&amp;B Data, and FFIEC-Estimated Median Family Income; (*) The NA category consists of geographies that have not been assigned an income classification.</i>						

**CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS IN THE PORTLAND-SOUTH PORTLAND, ME MSA**

The bank’s lending in this portion of the AA accounted for 84.6 percent (or 582 home mortgage loans) of the bank’s AA lending in 2013, 86.5 percent (or 313 home mortgage loans) of the bank’s AA lending in 2014, and 83.3 percent (or 185 home mortgage loans) of the bank’s AA lending in 2015. This is reasonable given that a majority of the bank’s branches are located in this MSA. The bank’s small business lending in this portion of the AA accounted for 95.9 percent AA lending (or 185 small business loans) in 2014. The bank’s lending in this portion of the AA is deemed consistent with the bank’s lending overall.

## Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the MSA portion of the AA. The following sections discuss performance by loan type.

### *Home Mortgage Loans*

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the MSA portion of the AA.

The table below shows the geographic distribution of the bank's home mortgage loans among the different census tract income levels in the AA. Bank performance is compared against applicable aggregate and demographic data.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	.7	1.1	4	.7	607	.5
2014	.7	--	1	.3	144	.2
2015	.7	--	1	.5	424	1.0
Moderate						
2013	7.6	7.2	21	3.6	4,532	3.6
2014	7.6	--	7	2.2	2,260	2.9
2015	7.6	--	9	4.9	2,248	5.3
Middle						
2013	57.9	55.6	334	57.4	69,883	55.2
2014	57.9	--	199	63.6	49,289	63.6
2015	57.9	--	95	51.4	18,898	44.2
Upper						
2013	33.8	36.1	223	38.3	51,600	40.7
2014	33.8	--	106	33.9	25,868	33.3
2015	33.8	--	80	43.2	21,203	49.5
<b>Totals</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>582</b>	<b>100.0</b>	<b>126,622</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	<b>--</b>	<b>313</b>	<b>100.0</b>	<b>77,561</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	<b>--</b>	<b>185</b>	<b>100.0</b>	<b>42,773</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; "2014-2015 Aggregate" data not available</i>						

The bank's performance of lending in low-income tracts was slightly below aggregate data, but in line with demographics; volume decreased to one loan in 2014 and year-to-date 2015, and percentages decreased commensurately. BSI made 3.6 percent of its loans in moderate-income tracts, which is below aggregate and demographic data. Performance decreased to 2.2 percent in 2014, and increased to 4.0 percent year-to-date 2015. These comparisons reflect reasonable

performance considering the bank’s recent entry into the Portland market and other performance context factors.

***Small Business Loans***

The geographic distribution of sampled small business loans reflects reasonable dispersion of loans throughout the MSA portion of the AA. The table below shows the geographic distribution of small business loans among the different CT income levels in this portion of the AA, compared to the percentage of businesses located in each census tract income level category.

<b>Geographic Distribution of Small Business Loans</b>					
<b>Tract Income Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
Low	14.3	4	10.8	920	20.2
Moderate	7.8	2	5.4	225	5.0
Middle	51.7	20	54.1	1,831	40.3
Upper	26.2	11	29.7	1,568	34.5
<b>Total</b>	<b>100</b>	<b>37</b>	<b>100.0</b>	<b>4,544</b>	<b>100.0</b>
<i>Source: 2014 D&amp;B Data, Bank Records</i>					

This review revealed that 10.8 percent by number and 20.2 percent by dollar volume of small business loans were extended in low-income CTs, and 5.4 percent by number and 5.0 percent by dollar volume of small business loans were extended in moderate-income CTs. This is considered reasonable as D&B demographic data shows 14.3 percent of businesses are located in the low-income CTs and 7.8 percent of businesses are located in the moderate-income CTs. Overall, the geographic distribution of small business loans in the MSA portion of the AA is comparable to demographic data and reflects reasonable dispersion.

**Borrower Profile**

The distribution of borrowers reflects reasonable penetration of loans to borrowers of different income levels and businesses of different sizes. The following sections discuss performance by loan type.

***Home Mortgage Loans***

The distribution of borrowers, given the demographics of the AA, reflects reasonable penetration among individuals of different income levels.



Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2013	19.2	7.2	42	7.2	3,562	2.8
2014	19.2	--	25	8.0	2,310	3.0
2015	19.2	--	11	6.0	1,247	2.9
Moderate						
2013	17.3	17.3	87	15.0	12,053	9.5
2014	17.3	--	43	13.7	6,175	8.0
2015	17.3	--	20	10.8	2,999	7.0
Middle						
2013	22.4	23.1	118	20.3	20,474	16.2
2014	22.4	--	77	24.6	13,137	16.9
2015	22.4	--	36	19.5	6,291	14.7
Upper						
2013	41.1	40.0	301	51.7	77,699	61.4
2014	41.1	--	149	47.6	41,834	53.9
2015	41.1	--	112	60.5	31,417	73.5
Income Not Available						
2013	--	12.4	34	5.8	12,834	10.1
2014	--	--	19	6.1	14,105	18.2
2015	--	--	6	3.2	819	1.9
<b>Total</b>						
<b>2013</b>	<b>100.0</b>	<b>100.0</b>	<b>582</b>	<b>100.0</b>	<b>126,622</b>	<b>100.0</b>
<b>2014</b>	<b>100.0</b>	--	<b>313</b>	<b>100.0</b>	<b>77,561</b>	<b>100.0</b>
<b>2015</b>	<b>100.0</b>	--	<b>185</b>	<b>100.0</b>	<b>42,773</b>	<b>100.0</b>
<i>Source: 2010 U.S. Census; 2013, 2014, and 2 quarters of 2015 HMDA Reported Data; 2013 HMDA Aggregate Data; "2014-2015 Aggregate" data not available</i>						

The bank's performance of lending to low-income borrowers was consistent with aggregate performance but below demographics in 2013. Performance varied narrowly each year, increasing to 8.0 percent in 2014, and dropping to 6.0 percent year-to-date 2015. The performance of lending to moderate-income borrowers was slightly below aggregate and demographic data in 2013. The bank demonstrated a decreasing trend of lending to moderate-income borrowers in 2014 and year-to-date 2015.

Performance context affecting the bank's levels of lending to low- and moderate-income borrowers includes the shortage of affordable housing in the MSA portion of the AA. Additionally, home values and land prices are relatively high in general, and the existing affordable housing stock is older and requires renovations, both of which further inhibits the ability for low- and moderate-income borrowers to afford a mortgage loan.

### ***Small Business Loans***

The distribution of borrowers, given the demographics of the assessment area, reflects reasonable penetration of loans to businesses of different revenue sizes.

<b>Distribution of Small Business Loans by Gross Annual Revenue Category</b>					
<b>Gross Revenue Level</b>	<b>% of Businesses</b>	<b>#</b>	<b>%</b>	<b>\$(000s)</b>	<b>%</b>
≤ \$1,000,000	71.7	12	32.4	706	15.5
> \$1,000,000	6.5	25	67.6	3,838	84.5
Revenue Not Available	21.8	--	--	--	--
<b>Total</b>	<b>100.0</b>	<b>37</b>	<b>100.0</b>	<b>4,544</b>	<b>100.0</b>

*Source: 2014 D&B Data, Bank Records*

The bank originated less than a majority of sampled small business loans to businesses with gross annual revenues of \$1 million or less, which is less the percentage of businesses of this revenue level in the MSA portion of the AA. While less than business demographics, the performance is reasonable considering competition for small business loans.

### **COMMUNITY DEVELOPMENT TEST**

BSI displayed excellent responsiveness to the community development needs of the MSA portion of the AA, which is consistent with overall performance.

#### ***Community Development Loans***

Of the 93 community development loans originated during the evaluation period, 72 totaling \$27.1 million were originated within the MSA portion of the AA. A majority of these loans had a primary purpose of creating affordable housing. The bank's performance of community development lending in this MSA is comparable to its performance overall and further showcases BSI's commitment to community development lending throughout the AA. Please refer to the overall *Community Development Loans* section for examples.

#### ***Community Development Investments***

BSI's performance in the MSA portion of the AA is consistent with its performance in the AA overall. The bank's qualified investments consisted of 19 investments and 134 donations to a number of organizations that serve the MSA portion of the AA. During the evaluation period, approximately \$3.6 million in investments were provided directly to organizations in this portion of the AA that primarily provided affordable housing and served low- and moderate-income families and individuals. Please refer to the overall *Community Development Investments* section for examples.

***Community Development Services***

Community development services in the MSA portion of the AA are comparable to bank performance overall. Bank officers and employees provided numerous instances of community development services throughout the Portland-South Portland, ME MSA. Financial expertise focused on affordable housing initiatives and community services targeted to low- and moderate-income families and individuals. Please refer to the overall *Community Development Services* section for examples.

## GLOSSARY

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

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

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

**Census Tract:** A small, relatively permanent statistical subdivision of a county. Census tract boundaries normally follow visible features, but they may follow governmental unit boundaries and other non-visible features in some instances. They always nest within counties. Census tracts average about 4,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogenous for population characteristics, economic status, and living conditions to allow for statistical comparisons.

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

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

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

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

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

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

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

**Community Development Loan:** A loan that

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

**Community Development Service:** A service that

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

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

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

- (1) an unemployment rate of at least 1.5 times the national average;
- (2) a poverty rate of 20 percent or more; or,

(3) a population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

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

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

**Full-Scope Review:** Performance under the applicable tests is analyzed considering performance context, quantitative factors (geographic loan distribution, borrower profile loan distribution, and total number and dollar amount of investments), and qualitative factors (innovativeness, complexity, and responsiveness).

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

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

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

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

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

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

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

**Limited-Scope Review:** Performance under the applicable tests is analyzed using only quantitative factors (for example, geographic loan distribution, borrower profile loan 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



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

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

**Underserved middle-income nonmetropolitan geographies:** A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for

- Population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and
- Distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

**Upper-Income:** Individual income that is 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.

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

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