

PUBLIC DISCLOSURE

August 2, 2021

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, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a substantial majority of its home mortgage and small business loans in the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding.

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

DESCRIPTION OF INSTITUTION

Bath Savings Institution (BSI) is a state-chartered mutual savings bank headquartered in Bath, Maine (ME). Bath Savings Trust Company (BSTC) is a wholly owned subsidiary of BSI, providing trust services and investment products. BSI received a “Satisfactory” rating at its previous Federal Deposit Insurance Corporation Performance Evaluation, dated September 4, 2018, based on Intermediate Small Institution (ISI) Examination Procedures.

BSI operates 10 full-service and 3 limited-service branches primarily serving the Mid-Coast communities of ME. In addition to the main office in Bath, the full-service offices are located in Boothbay Harbor, Brunswick, Damariscotta, Falmouth, Freeport, Portland, South Portland, Westbrook, and Yarmouth. The three limited-service branches, which provide services to three senior retirement communities, are located in the cities of Falmouth, Portland, and Topsham. The bank opened one full-service branch in Westbrook since the previous evaluation. This branch is located in moderate-income census tract. The closure had limited impact on this moderate-income area as there are several financial institutions located less than a half mile from its location. There have been no merger or acquisition activities since the previous evaluation.

BSI offers home mortgage, commercial, and consumer loans with a continued primary focus on residential lending. The bank provides various consumer and commercial deposit services including checking, savings, money market, individual retirement accounts, certificates of deposit, and health savings accounts. The bank also offers investment advisory and trust services through BSTC. Alternative banking services that supplement the bank’s branch network include internet, mobile, and telephone banking; person-to-person payment features; and 16 ATMs.

As of June 30, 2021, deposits totaled approximately \$946.7 million and assets totaled approximately \$1.2 billion and included loans of \$639.7 million and securities of \$381.5 million. Assets increased by approximately \$278.7 million, or 30.9 percent since June 30, 2018 (the last quarter utilized at the previous evaluation). Asset growth was driven primarily by an increase in the bank’s securities portfolio. Total securities increased by approximately, \$187.5 million, or 49.1 percent and loans increased by approximately \$15.7 million, or 2.5 percent over the evaluation period. Examiners did not identify any financial, legal, or other impediments that affect the bank’s ability to meet assessment area credit needs. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 06/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	50,058	7.8
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	297,747	46.5
Secured by Multifamily (5 or more) Residential Properties	27,842	4.4
Secured by Nonfarm Nonresidential Properties	177,680	27.8
Total Real Estate Loans	553,327	86.5
Commercial and Industrial Loans	70,478	11.0
Agricultural Production and Other Loans to Farmers	2,606	0.4
Consumer Loans	9,243	1.5
Obligations of State and Political Subdivisions in the U.S.	5,954	0.9
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	1,863	0.3
Total Loans	639,745	100.0
<i>Source: Reports of Condition and Income</i>		

DESCRIPTION OF ASSESSMENT AREAS

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. BSI designated two assessment areas: the Portland-South Portland, ME Metropolitan Statistical Area (MSA) assessment area and the Maine Non-MSA (Non-MSA) assessment area.¹ BSI added Scarborough to its Portland-South Portland, ME MSA assessment area delineation since the prior evaluation. Please refer to the full-scope assessment area evaluations for more detail on each assessment area's demographics.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation, dated September 4, 2018, to the current evaluation, dated August 2, 2021. Examiners used the ISI Examination Procedures to evaluate BSI's CRA performance. These procedures include the CRA Small Bank Lending Test and the Community Development Test.

Examiners conducted full-scope reviews of BSI's two assessment areas. As the bank is headquartered in the Portland-South Portland MSA, this assessment area received a full-scope review. Examiners conducted a full-scope review of the Non-MSA assessment area, given a significant need for loans, investments, and services. BSI's performance in the Portland-South

¹ This document collectively refers to these areas as the combined assessment area.

Portland, ME MSA received more weight when drawing conclusions since the majority of the bank’s loans, deposits, and branches are located in this assessment area. The following table illustrates the distribution of home mortgage and small business loans, deposits, and branches across each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Portland-South Portland, ME MSA	470,056	88.0	745,591	90.1	11	84.6
Non-MSA	64,329	12.0	81,791	9.9	2	15.4
Total	534,385	100.0	827,382	100.0	13	100.0

Source: Bank Data; FDIC Summary of Deposits (06/30/2020)

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of originations during the evaluation period. The bank also originated small farm loans during the evaluation period; however, as activity was minimal, an analysis would not be meaningful. Therefore, although presented in the lending inside the assessment area table, examiners did not further analyze this loan type as it provided no material support for conclusions or ratings.

Examiners reviewed all home mortgage loans reported on the bank’s 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers to evaluate the bank’s performance. The bank reported 367 home mortgage loans totaling \$93.4 million in 2018, 396 loans totaling \$98.2 million in 2019, and 652 loans totaling \$171.6 million in 2020. Aggregate data and 2015 American Community Survey (ACS) census data provided a standard of comparison for home mortgage loans.

As an ISI, the bank is not required to collect and report small business lending. Nonetheless, the bank collected and provided data for 2019 and 2020 small business loan originations. Examiners reviewed all small business loans originated in 2019 and 2020. The bank originated 442 small business loans totaling \$75.8 million in 2019 and 1,141 small business loans totaling \$142.0 million in 2020. Since the bank is not required to and does not report small business loan data, examiners did not use aggregate data for comparison. D&B 2019 and 2020 data provided a standard of comparison for small business lending activity in each assessment area.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage loans originated in 2018, 2019, and 2020 and small business loans originated in 2019 and 2020. Although the Assessment Area Concentration table presents home mortgage lending activity for all three years, examiners did not include 2018 data under the geographic distribution or borrower profile criteria, as examiners did not identify any trends between 2018 and 2019 that materially affect conclusions.

During the evaluation period, the bank originated a greater number of small business than home mortgage loans. BSI was an active Small Business Administration (SBA) Paycheck Protection Program (PPP) lender in 2020, originating 639 loans for \$35.0 million, resulting in a substantial increase in the number of small business originations from 2019 to 2020. However, the bank’s business focus and loan portfolio distribution indicates home mortgage lending continues to be BSI’s primary lending focus. Therefore, due to the PPP’s temporary nature, examiners gave greater weight to the bank’s home mortgage lending performance when arriving at overall conclusions.

Although the evaluation presents the number and dollar volume of loans, examiners emphasized performance by number of loans because the number of loans is a better indicator of the number of individuals and businesses served.

For the Community Development Test, examiners reviewed bank provided data for qualified community development loans, investments, and services from September 4, 2018, to the current evaluation date of August 2, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BSI demonstrated reasonable performance under the Lending Test. Loan-to-deposit (LTD), assessment area concentration, geographic distribution, and borrower profile performance support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 79.1 percent over the past 12 calendar quarters from September 30, 2018 to June 30, 2021. The ratio ranged from a low of 66.6 percent as of June 30, 2021, to a high of 85.7 percent as of December 31, 2019. The ratio primarily trended downward during the evaluation period.

As shown in the following table, BSI maintained a ratio below that of comparable institutions selected based on asset size, lending focus, and geographic location.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 06/30/2021 (\$000s)	Average Net LTD Ratio (%)
Bath Savings Institution	1,181,342	79.1
Maine Community Bank	1,004,782	108.8
Saco & Biddeford Savings	1,149,618	115.4
<i>Source: Reports of Condition and Income 09/30/2018 – 06/30/2021</i>		

Assessment Area Concentration

BSI originated a substantial majority of loans inside the combined assessment area. The following table illustrates the loan distribution inside and outside the combined assessment area.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2018	326	88.8	41	11.2	367	83,157	89.0	10,289	11.0	93,447
2019	316	79.8	80	20.2	396	78,539	80.0	19,657	20.0	98,195
2020	572	87.7	80	12.3	652	153,256	89.3	18,301	10.7	171,556
Subtotal	1,214	85.8	201	14.2	1,415	314,952	86.7	48,246	13.3	363,198
Small Business										
2019	394	89.1	48	10.9	442	62,706	82.8	13,065	17.2	75,771
2020	1,040	91.1	101	8.9	1,141	125,120	88.1	16,909	11.9	142,029
Subtotal	1,434	90.6	149	9.4	1,583	187,826	86.2	29,974	13.8	217,800
Small Farm										
2019	11	91.7	1	8.3	12	1,298	96.3	50	3.7	1,348
2020	14	100.0	0	0.0	14	1,249	100.0	0	0.0	1,249
Subtotal	25	96.2	1	3.8	26	2,547	98.1	50	1.9	2,597
Total	2,673	88.4	351	11.6	3,024	505,325	86.6	78,270	13.4	583,595
<i>Source Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the combined assessment area. As the Non-MSA assessment area does not include any low- and moderate-income geographies, this performance is the same as that within the Portland-South Portland, ME MSA assessment area. The Portland-South Portland, ME MSA assessment area section includes detailed analysis and comparisons to demographic and aggregate data.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among retail customers of different income levels and business customers of different sizes throughout the combined assessment area. The bank's consistent reasonable performance in both home mortgage and small business lending within the Portland-South Portland, ME MSA and the Non-MSA assessment areas support this conclusion. The individual assessment area sections include detailed analysis and comparisons to demographic and aggregate data.

Response to Complaints

The bank did not receive any CRA-related complaints since the previous evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

BSI demonstrated excellent responsiveness to the community development needs of its assessment areas through community development loans, qualified investments, and community development services. BSI's leadership level and involvement in community development activities when compared to three similarly situated banks supports this rating. All three similarly situated banks received "Satisfactory" Community Development Test ratings. The bank's overall performance is consistent with its performance in the Portland-South Portland, ME MSA assessment area and inconsistent with that in the Non-MSA assessment area. However, examiners placed greater weight on performance in the Portland-South Portland, ME MSA assessment area in arriving at overall conclusions. This section presents the bank's overall performance in the combined assessment area. Separate presentations for the individual assessment areas are included in later sections.

Community Development Loans

BSI had significant community development lending throughout its combined assessment areas, based on the bank's operations and opportunity level. During the evaluation period, the bank originated 63 community development loans for approximately \$53.7 million. This includes two SBA PPP loans totaling \$2.1 million that qualified as community development loans. Total community development loan activity represents 5.3 percent of average total assets and 8.4 percent of average total loans since the prior evaluation. BSI's performance increased in dollar volume from the prior evaluation, when the bank made 63 qualified loans for \$42.8 million. BSI outperformed similarly situated institutions whose community development loans represented 2.8 percent of average total assets and 4.3 percent of average total loans.

The bank originated 46.0 percent by number of its community development loans to organizations that support affordable housing, reflecting the bank's excellent responsiveness to a primary community development need of its assessment areas. Of the 63 community development loans, 3 totaling approximately \$75,000 benefitted the combined assessment area, 44 totaling approximately \$45.2 million benefitted the Portland-South Portland, ME MSA assessment area, 10 totaling approximately \$5.5 million benefitted the Non-MSA assessment area, and 6 totaling approximately \$3.0 million benefitted a greater statewide area.

The following table illustrates the bank's community development lending activity by year and purpose, including loans benefiting a greater statewide area.

Community Development Lending Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	3	850	0	0	0	0	0	0	3	850
2019	9	1,153	3	485	4	5,655	6	10,155	22	17,448
2020	8	2,826	4	1,518	2	2,625	9	5,622	23	12,591
YTD 2021	9	19,596	3	1,133	2	2,050	1	25	15	22,804
Total	29	24,425	10	3,136	8	10,330	16	15,802	63	53,693
<i>Source: Bank Data</i>										

The following are notable examples of community development loans that benefitted the combined assessment area or a greater statewide area.

- In 2020 and 2021, the bank originated two PPP loans (one in each year) totaling approximately \$2.1 million to a non-profit community service organization. This organization supports individuals with intellectual, physical, and developmental disabilities that are predominantly low- and moderate-income. The funds helped the organization cover payroll during the COVID-19 shutdown.
- In 2019 and 2021, the bank renewed a \$50,000 line of credit for a non-profit organization that provides access to jobs and workforce training services to Maine’s six coastal counties. The renewal supports cash flow for this non-profit while awaiting receipt of federal funds used for its operations. The majority served by the organization are low- and moderate-income individuals.

Qualified Investments

BSI purchased, retained, and made a significant number of qualified investments during the evaluation period. The bank made 239 qualified investments totaling approximately \$5.5 million. This total includes 24 qualified equity investments of approximately \$5.1 million and 215 donations totaling \$416,413. In total, the bank’s investments represent 0.5 percent of average total assets and 2.3 percent of average total securities. These qualified investments demonstrate the bank's responsiveness to the needs of the low- and moderate-income individuals and geographies within the assessment area. This level of qualified investment activity exceeded that of similarly situated institutions.

BSI made 19 new equity investments for approximately \$4.2 million during the evaluation period and continues to hold five prior period equity investments with a current book value of approximately \$853,000. Equity investment activity by dollar increased since the previous evaluation where the bank made 22 equity investments for approximately \$2.8 million. The increase in equity investments at 80.0 percent is significantly higher than the bank’s 30.9 percent increase in total assets. Of the 24 equity investments, 23 totaling approximately \$5.0 million serve the broader state or regional area, which includes the bank’s assessment areas. One prior equity investment with a book value of \$94,000 directly benefitted the Portland-South Portland, ME MSA assessment area.

The bank also made 215 qualified donations totaling \$416,413 during the evaluation period. Donation activity increased \$150,613 or 56.7 percent since the previous evaluation. Of these donations, 27 totaling \$174,088 served the combined assessment area, 122 totaling \$139,700 directly benefitted the Portland-South Portland, ME MSA assessment area, 39 totaling \$54,300 directly benefitted the Non-MSA assessment area, and 27 totaling \$48,325 served a greater statewide area that included the bank’s assessment area.

The majority of the bank’s equity investments supported the development of affordable housing. The majority of donations supported efforts to provide services to low- or moderate-income individuals. Both affordable housing and community services for low- or moderate-income individuals are primary community development needs, thereby, demonstrating the bank’s excellent responsiveness to its assessment areas’ needs.

The following table illustrates the bank’s new and outstanding prior period qualified investments, by year and purpose.

Qualified Investments Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	3	622	0	0	2	231	0	0	5	853
2018	1	100	0	0	0	0	0	0	1	100
2019	5	1,000	0	0	1	12	0	0	6	1,012
2020	6	1,100	0	0	0	0	0	0	6	1,100
YTD 2021	5	1,750	0	0	1	250	0	0	6	2,000
Subtotal	20	4,572	0	0	4	493	0	0	24	5,065
Qualified Grants & Donations	25	14	177	359	6	1	7	42	215	416
Total	45	4,586	177	359	10	494	7	42	239	5,481

Source: Bank Data

The following are examples of the bank’s equity investments and donations that directly benefit the combined assessment area or the broader state or regional area.

Investments

- **Northern New England Housing Investment Fund II (NNEHIF):** In 2021, the bank invested \$1.2 million in the NNEHIF to support affordable housing projects throughout Maine, New Hampshire, and Vermont. In July 2020, NNEHIF and Housing Vermont joined to form Evernorth. Evernorth continues the mission of its predecessors of promoting affordable and sustainable housing for low- and moderate-income families throughout northern New England.
- **Coastal Enterprises, Inc. (CEI):** In 2021, BSI invested \$250,000 in Coastal Ventures V, the most recent offering of a series capital venture fund. The funds make equity investments

in “socially responsible companies” located in rural or small cities and other underserved markets in Maine. CEI is a private, non-profit Community Development Financial Institution (CDFI) whose primary goal is to promote economic development.

Donations

- ***Genesis Community Loan Fund:*** The Genesis Community Loan Fund is a certified CDFI and provides financing for affordable housing and community facilities for the underserved populations throughout Maine. In addition, they provide technical assistance to local non-profit organizations, helping them access state, federal, and private funding to support their work.
- ***Corporal Works of Mercy Society of St. Mary’s Church (CWOM):*** CWOM is a non-profit established in 1930 by local business leaders and St. Mary’s Church that provides fundamental needs, such as food, housing, clothing, and heat for low- and moderate-income families within the bank’s combined assessment area. The donation supported the organizations “Fuel for Friends” program.
- ***United Way of Midcoast Maine (UWMC):*** UWMC works to bring organizations and individuals together to provide community services to those in need. In 2020, BSI donated to UWMC to support the organizations “Urgent Needs Fund”, which was established to respond quickly to the COVID-19 crisis. The fund supported other non-profit organizations providing food, housing, and other urgent financial needs to low- and moderate-income families and individuals.

Community Development Services

BSI provided a significant number of community development services. During the evaluation period, bank employees provided 2,272 hours of financial expertise or technical assistance to community development organizations throughout the combined assessment area. Service activity increased since the previous evaluation when the bank provided 1,692 hours. Of the 2,272 service hours provided, 1,652 hours benefitted the Portland-South Portland, ME MSA assessment area, 75 hours benefitted the Non-MSA assessment area, and 545 hours benefitted larger statewide area. This level of qualified service activity exceeded that of similarly situated institutions.

In addition, the bank maintains two full service branches in moderate-income census tracts in the Portland-South Portland, ME MSA assessment area and one full-service branch in an underserved middle-income census tract within the Non-MSA assessment area. These locations provide banking services to low- and moderate-income individuals and underserved rural areas.

The following table illustrates the bank’s community development service activity by year and type.

Community Development Services Assessment Area: Combined					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	Hours	Hours	Hours	Hours	Hours
2018	46	309	41	5	401
2019	71	588	17	48	724
2020	83	508	101	0	692
YTD 2021	71	332	52	0	455
Total	271	1,737	211	53	2,272
<i>Source: Bank Data</i>					

The following are examples of community development services that benefit a broader statewide area.

- ***Maine Venture Fund - Small Enterprise Growth Board (SEGB):*** The Maine Venture Fund provides initial capital investments, technical assistance, and access to extensive support system, to small businesses throughout Maine. During the evaluation period, an executive vice president served as a Board member.
- ***Maine Association of Realtors Foundation (MARF):*** The MARF provides financial assistance to non-profit organizations that provide crisis shelters, affordable housing, and homeownership opportunities for low-income families individual and families. During the evaluation period, a senior vice president served as a Board member.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

The bank's compliance with laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

PORTLAND-SOUTH PORTLAND, ME MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN PORTLAND-SOUTH PORTLAND, ME MSA ASSESSMENT AREA

BSI maintains 11 of its 13 branches in the Portland-South Portland, ME MSA assessment area. A substantial majority of deposits and loans are also within this assessment area; therefore, examiners gave greater weight to the bank’s performance in the Portland-South Portland, ME MSA assessment area than the Non-MSA assessment area. Since the previous evaluation, BSI opened one full-service branch in Westbrook and closed one remote cash-only ATM in Portland, both located in moderate-income census tracts.

Economic and Demographic Data

The Portland-South Portland, ME MSA assessment area consists of 63 census tracts throughout Cumberland and Sagadahoc Counties. These census tracts reflect the following income designations:

- 3 low-income census tracts,
- 14 moderate-income census tracts,
- 33 middle-income census tracts, and
- 13 upper-income census tracts.

The assessment area includes all of Sagadahoc County and only the eastern portion of Cumberland County. All low-income census tracts are located in Portland. Moderate-income census tracts are located in Bath (2), Brunswick (1), Portland (6), South Portland (3), and Westbrook (2). The following table illustrates select demographic characteristics of the Portland-South Portland, ME MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Portland-South Portland, ME MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	63	4.8	22.2	52.4	20.6	0.0
Population by Geography	270,922	2.4	20.5	53.9	23.2	0.0
Housing Units by Geography	128,900	2.7	21.1	54.4	21.9	0.0
Owner-Occupied Units by Geography	74,768	0.6	14.9	56.8	27.7	0.0
Occupied Rental Units by Geography	38,596	6.9	36.1	45.4	11.6	0.0
Vacant Units by Geography	15,536	2.2	13.1	65.0	19.7	0.0
Businesses by Geography	25,555	2.6	29.3	46.0	22.1	0.0
Farms by Geography	690	0.6	14.8	58.8	25.8	0.0
Family Distribution by Income Level	68,205	20.9	16.7	19.8	42.6	0.0
Household Distribution by Income Level	113,364	24.9	15.7	17.2	42.2	0.0
Median Family Income MSA - 38860 Portland-South Portland, ME MSA		\$74,701	Median Housing Value			\$257,129
			Median Gross Rent			\$962
			Families Below Poverty Level			8.2%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The geographic distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Housing is relatively expensive in the assessment area. The median housing value of \$257,129 is below the United States average of \$287,148 and above the ME average of \$185,253.

According to 2019 D&B data, 25,555 non-farm businesses operate in the Portland-South Portland, ME MSA assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 82.8 percent have \$1 million or less.
- 6.1 percent have more than \$1 million.
- 11.1 percent have unknown revenues.

Service industries represent the largest portion of businesses at 41.7 percent; followed by non-classifiable establishments (16.9 percent); retail trade (12.9 percent); and finance, insurance, and real estate (8.8 percent). In addition, 59.8 percent of area businesses have four or fewer employees and 87.4 percent operate from a single location. Major employers in the assessment area include MaineHealth and L.L. Bean in Cumberland County, ME and Bath Iron Works in Sagadahoc County, ME.

According to the Bureau of Labor Statistics, the average unemployment rate in 2019 was 2.4 percent in Cumberland County and 2.3 percent in Sagadahoc County, which was lower than the ME

state average of 3.0 percent and the national rate of 3.7 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic. In April 2020, unemployment rates peaked at 10.1 percent in Cumberland County and 9.9 percent in Sagadahoc County. As of June 2021, the unemployment rates declined to 4.5 percent in Cumberland County and 4.1 percent in Sagadahoc County, which was lower than the ME state average of 4.8 percent and the national rate of 5.9 percent.

Examiners used the 2019 and 2020 FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Portland-South Portland, ME MSA Median Family Income (38860)				
2019 (\$86,700)	<\$43,350	\$43,350 to <\$69,360	\$69,360 to <\$104,040	≥\$104,040
2020 (\$92,300)	<\$46,150	\$46,150 to <\$73,840	\$73,840 to <\$110,760	≥\$110,760
<i>Source: FFIEC</i>				

Competition

The bank operates in a competitive market for financial services, including home mortgage and small business lending. According to FDIC Deposit Market Share data as of June 30, 2020, 19 financial institutions operated 129 offices in the assessment area. Of these, BSI ranked 8th with a 5.7 percent deposit market share. Bank of America, TD Bank, and KeyBank collectively were the top three institutions with a 51.5 percent market share.

There is a high level of competition for home mortgage loans. Aggregate home mortgage lending data for 2019 shows 287 lenders originated or purchased 12,064 home mortgage loans within the Portland-South Portland, ME MSA assessment area. Bangor Savings Bank had the greatest market share, followed by Residential Mortgage Services, United Shore Financial Service, KeyBank, and TD Bank. The top five lenders captured a combined market share of 26.7 percent by number of loans. BSI ranked 10th with a 2.4 percent market share. Only one community bank ranked higher than BSI.

The bank is not required to report small business loan data and elected not to do so. Therefore, the small business analysis under the Lending Test does not include comparisons to aggregate data. However, the aggregate data reflects the competition level for small business loans and is included for performance context. In 2019, aggregate data showed 83 institutions reported 9,453 small business loans in the Portland-South Portland, ME MSA indicating a moderate level of competition for small business loans.

Community Contact(s)

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs. This information helps determine whether local financial institutions are responsive to these needs. It also shows what credit and community development opportunities are available.

Examiners contacted a representative from a community service organization in Cumberland County. The contact indicated that as housing costs continue to increase and inventory remains limited, there is an increased need for affordable housing. This need has only intensified given the influx of households relocating to Maine from other states. Additionally, given the number of renters in Portland, the steady increase in rental costs has made it difficult for low- and moderate-income families to find stable housing. The contact also identified a need for workforce development as many job seekers lack the computer literacy and technical skills that employers want. Finally, the contact stated that financial literacy is needed for the area's large immigrant population. Overall, the contact indicated that financial institutions have been responsive and involved in community development activities.

Credit and Community Development Needs and Opportunities

Considering information from the community contact, demographic and economic data, research, and discussions with management, examiners determined that financing to develop affordable housing, workforce development, and financial literacy for low- and moderate-income individuals and families represent the assessment area's primary community development and credit needs. In addition, examiners determined that there is a significant need for community development services supporting low- and moderate-income individuals.

CONCLUSIONS ON PERFORMANCE CRITERIA IN PORTLAND-SOUTH PORTLAND, ME MSA ASSESSMENT AREA

LENDING TEST

BSI's Lending Test performance in the Portland-South Portland, ME MSA assessment area is reasonable. The bank's reasonable performance under the geographic distribution and borrower profile criteria support this conclusion.

Geographic Distribution

The geographic distribution of loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in low- and moderate-income census tracts.

Home Mortgage

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. In 2019, lending in the low-income census tracts was in line with demographics and was below aggregate. In 2020, lending remained consistent and was generally in line with demographics. Conversely, lending in the moderate-income tracts during 2019 exceeded aggregate data and in 2019 and 2020 exceeded demographics.

Geographic Distribution of Home Mortgage Loans Assessment Area: Portland-South Portland, ME MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.6	1.3	2	0.7	337	0.5
2020	0.6	--	2	0.4	980	0.7
Moderate						
2019	14.9	16.2	52	18.9	10,684	15.1
2020	14.9	--	87	17.8	23,711	17.5
Middle						
2019	56.8	54.2	175	63.6	44,972	63.5
2020	56.8	--	281	57.6	70,689	52.1
Upper						
2019	27.7	28.3	46	16.7	14,839	20.9
2020	27.7	--	118	24.2	40,399	29.8
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	--	0	0.0	0	0.0
Totals						
2019	100.0	100.0	275	100.0	70,832	100.0
2020	100.0	--	488	100.0	135,779	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. Lending in 2019 and 2020 in the low- and moderate-income census tracts was below demographic data. In 2020, lending increased due to originating a significant number of SBA PPP loans.

Geographic Distribution of Small Business Loans					
Assessment Area: Portland-South Portland, ME MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	2.5	3	0.9	898	1.7
2020	2.6	10	1.1	2,096	1.9
Moderate					
2019	29.3	76	22.9	14,601	27.0
2020	29.3	207	23.4	27,188	25.0
Middle					
2019	46.0	157	47.3	24,635	45.5
2020	46.0	366	41.4	40,701	37.4
Upper					
2019	22.2	96	28.9	13,989	25.8
2020	22.1	301	34.0	38,747	35.6
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
Totals					
2019	100.0	332	100.0	54,123	100.0
2020	100.0	884	100.0	108,732	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

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 by number of home mortgage loans to low- and moderate-income borrowers, as well as the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is reasonable. As shown in the following table, the bank's lending to low-income borrowers exceeded aggregate performance, but fell below the percentage of low-income families in 2019. A low-income family in the assessment area, earning less than \$43,350, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$257,129. Additionally, 8.2 percent of families in this assessment area are below the poverty level. These factors help explain the disparity between lending to low-income families and the percentage of low-income families. The bank's lending to low-income borrowers increased in 2020, but remained below demographics.

In 2019, the bank’s lending to moderate-income borrowers exceeded aggregate and demographics. In 2020, lending to moderate-income families increased by number, but fell below demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Portland-South Portland, ME MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.9	6.0	22	8.0	2,936	4.1
2020	20.9	--	34	7.0	5,518	4.1
Moderate						
2019	16.7	18.1	55	20.0	10,004	14.1
2020	16.7	--	74	15.2	12,223	9.0
Middle						
2019	19.8	21.9	55	20.0	10,885	15.4
2020	19.8	--	98	20.1	20,786	15.3
Upper						
2019	42.6	41.5	120	43.6	39,503	55.8
2020	42.6	--	238	48.8	79,659	58.7
Not Available						
2019	0.0	12.5	23	8.4	7,504	10.6
2020	0.0	--	44	9.0	17,593	13.0
Totals						
2019	100.0	100.0	275	100.0	70,832	100.0
2020	100.0	--	488	100.0	135,779	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, the bank’s performance is below the percentage of businesses in 2019 and 2020. Although performance was less than demographics, there is a high level of competition in the Portland-South Portland assessment area. Thus, the bank’s small business lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Portland-South Portland, ME MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	81.5	171	51.5	22,868	42.3
2020	82.8	518	58.6	48,021	44.2
>\$1,000,000					
2019	6.8	161	48.5	31,255	57.7
2020	6.1	280	31.7	56,380	51.9
Revenue Not Available					
2019	11.7	0	0.0	0	0.0
2020	11.1	86	9.7	4,331	4.0
Totals					
2019	100.0	332	100.0	54,123	100.0
2020	100.0	884	100.0	108,732	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

BSI's community development performance demonstrates excellent responsiveness to community development needs in the Portland-South Portland, ME MSA assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities.

Community Development Loans

BSI originated 44 community development loans totaling approximately \$45.2 million within the Portland-South Portland, ME MSA assessment area. The overall number and dollar amount increased from the previous evaluation when the bank made 40 community development loans totaling \$29.9 million.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Portland-South Portland, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	3	850	0	0	0	0	0	0	3	850
2019	7	978	1	50	3	5,605	5	10,130	16	16,763
2020	6	2,651	1	50	2	2,625	8	2,122	17	7,448
YTD 2021	6	18,041	1	50	1	2,000	0	0	8	20,091
Total	22	22,520	3	150	6	10,230	13	12,252	44	45,152
<i>Source: Bank Data</i>										

The following are notable examples of community development loans that benefitted the Portland-South Portland, ME MSA assessment area.

- In 2019, the bank originated three SBA 504 loans totaling \$5.1 million to a real estate holding company. The funds supported the construction and expansion of a small business located in a designated redevelopment zone of a former air base. This loan promoted economic development by creating jobs for low- and moderate-income individuals.
- In 2020, the bank originated a \$2.2 million loan to a local for-profit small business to expand its operations to meet increased product demand. The project included funding from a Housing and Urban Department Community Development Block Grant (CDBG), which provides annual grants to states to develop viable urban communities by creating economic opportunities, primarily for low- and moderate-income individuals. The expansion will create 17 new jobs of which a minimum of 52.0 percent must be offered to low- and moderate-income individuals as required by the CDBG.
- In 2021, the bank originated a \$17.1 million loan to a local housing authority. The proceeds will fund the demolition of 28 substandard affordable rental units and the construction of 60 new energy-efficient residential rental units. Of the 60 units, 12 will be market rate units and 48 will be designated as affordable units for low- and moderate-income individuals.

Qualified Investments

The bank made 123 qualified investments totaling \$234,143. This total includes one prior period equity investment with a current book value of \$94,443 and 122 donations totaling \$139,700. Donations increased significantly since the previous evaluation when the bank made 50 donations totaling \$76,445. Although the bank did not make any new equity investments in the Portland-South Portland, ME MSA assessment area, the bank made 19 new equity investments totaling \$4.2 million that provided a broader statewide area that includes this assessment area.

The following table illustrates the bank's qualified investments by year and purpose.

Qualified Investments										
Assessment Area: Portland-South Portland, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	94	0	0	0	0	0	0	1	94
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
Subtotal	1	94	0	0	0	0	0	0	1	94
Qualified Grants & Donations	13	5	107	133	0	0	2	2	122	140
Total	14	99	107	133	0	0	2	2	123	234
<i>Source: Bank Data</i>										

Following are notable examples of donations that benefitted the Portland-South Portland, ME MSA.

- **Freeport Community Services:** Freeport Community Services offers programs and provides direct services to low- and moderate-income residents from the towns of Freeport, Durham, and Pownal. Services include a food pantry, fuel assistance, summer camp scholarships, and summer lunches.
- **Wayside Food Programs:** Wayside’s Food Rescue Program diverts edible food from the waste stream and distributes it to food pantries, soup kitchens, shelters, and other social service agencies. In addition, they provide free weekly community meals, operate five mobile food pantries, and provide various programs relating to food, health, and the physical wellbeing of the communities they serve.
- **ProsperityME:** ProsperityME is a non-profit service organization dedicated to helping Maine’s immigrants and refugees obtain financial stability. Programs and services include financial education, career and business development, housing assistance, and college scholarships. Their services support the refugees, immigrants, and low-income individuals in the Greater Portland area.

Community Development Services

During the evaluation period, bank employees provided 1,652 hours of financial expertise or technical assistance to community development organizations in the Portland-South Portland, ME MSA assessment area. Service activity increased since the previous evaluation when the bank provided 1,284 hours.

The following table illustrates the bank’s community development service activity by year and purpose.

Community Development Services Assessment Area: Portland-South Portland, ME MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	Hours	Hours	Hours	Hours	Hours
2018	21	276	0	0	297
2019	24	541	0	0	565
2020	23	466	0	0	489
YTD 2021	19	282	0	0	301
Total	87	1,565	0	0	1,652
<i>Source: Bank Data</i>					

The following are examples of community development services that benefitted the Portland-South Portland, ME MSA assessment area.

- **Freeport Housing Trust:** Freeport Housing Trust is a community based charitable organization whose mission is to provide safe and affordable housing opportunities to the low- and moderate-income individuals and families in Freeport, ME. During the evaluation period, an executive management member served as a Board member.
- **Greater Portland CASH Maine:** CASH Maine is a coalition of non- and for-profit partners that offer free tax preparation to low- and moderate-income tax filers during tax season each year. A vice president worked on tax preparation and assisted the coalition in planning for each upcoming tax season during the evaluation period.
- **Bath Area Backpack Program:** The Bath Area Backpack Program provides nutrition support to food insecure children in the community. The program provides weekend and vacation backpacks filled with nutritious, easy to prepare food, for when they cannot depend on free school meals. During the evaluation period, a senior vice president served as a board member and an administrative assistant provided office and bookkeeping technical assistance. The technical expertise provided by these employees supported community services targeted to low- and moderate-income families.

NONMETROPOLITAN STATEWIDE AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA ASSESSMENT AREA

BSI maintains 2 of its 13 branches in the Non-MSA assessment area. Based on the number of branches, loans, and deposits examiners gave less weight to the bank’s performance in the Non-MSA assessment area when arriving at overall conclusions and ratings. BSI did not open or close any branches in this assessment area since the previous evaluation.

Economic and Demographic Data

The Non-MSA assessment area consists of nine census tracts in the towns of Alna, Boothbay, Boothbay Harbor, Bremen, Bristol, Damariscotta, Dresden, Edgecomb, Jefferson, Louds Island, Monhegan, Newcastle, Nobleboro, Somerville, South Bristol, Southport, Waldoboro, Westport Island, Whitefield, and Wiscasset. These census tracts reflect the following income designations:

- 5 middle-income census tracts and
- 4 upper-income census tracts.

The assessment area includes all of Lincoln County. There are no low- or moderate-income census tracts in the assessment area. The five middle-income tracts within the assessment area are all designated as underserved middle-income non-metropolitan census tracts. The following table illustrates select demographic characteristics of the Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	9	0.0	0.0	55.6	44.4	0.0
Population by Geography	34,156	0.0	0.0	62.4	37.6	0.0
Housing Units by Geography	23,602	0.0	0.0	52.1	47.9	0.0
Owner-Occupied Units by Geography	11,822	0.0	0.0	57.5	42.5	0.0
Occupied Rental Units by Geography	3,054	0.0	0.0	68.0	32.0	0.0
Vacant Units by Geography	8,726	0.0	0.0	39.2	60.8	0.0
Businesses by Geography	2,660	0.0	0.0	56.8	43.2	0.0
Farms by Geography	170	0.0	0.0	61.2	38.8	0.0
Family Distribution by Income Level	9,418	16.1	16.2	20.2	47.5	0.0
Household Distribution by Income Level	14,876	19.4	15.4	16.6	48.7	0.0
Median Family Income Non-MSAs - ME		\$54,862	Median Housing Value			\$220,268
			Median Gross Rent			\$803
			Families Below Poverty Level			7.9%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2019 D&B data, 2,660 non-farm businesses operate in the Non-MSA assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 86.0 percent have \$1 million or less.
- 5.5 percent have more than \$1 million.
- 8.5 percent have unknown revenues.

Service industries represent the largest portion of businesses at 36.5 percent; followed by retail trade (14.7 percent); non-classifiable establishments (14.1 percent); construction (9.7 percent); and agriculture, forestry and fishing (6.0 percent). In addition, 64.3 percent of area businesses have four or fewer employees, and 91.5 percent operate from a single location. Major employers in the assessment area include MaineHealth and Hannaford Bros.

According to the Bureau of Labor Statistics, the average unemployment rate in 2019 was 2.3 percent in Lincoln County, ME, which was lower than the ME state average of 3.0 percent and the national rate of 3.7 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 because of the COVID-19 pandemic. In April 2020, unemployment rates peaked at 10.2 percent in Lincoln County. As of June 2021, the unemployment rate declined to 4.4 percent which was lower than the ME state average of 4.8 percent and the national rate of 5.9 percent.

Examiners used the 2019 and 2020 FFIEC-updated median family income levels to analyze home mortgage loans under the borrower profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
ME NA Median Family Income (99999)				
2019 (\$64,800)	<\$32,400	\$32,400 to <\$51,840	\$51,840 to <\$77,760	≥\$77,760
2020 (\$67,300)	<\$33,650	\$33,650 to <\$53,840	\$53,840 to <\$80,760	≥\$80,760
<i>Source: FFIEC</i>				

Competition

The bank operates in a moderately competitive market for financial services, including home mortgage and small business lending. According to FDIC Deposit Market Share data as of June 30, 2020, 7 financial institutions operated 18 offices in the assessment area. Of these, BSI ranked 4th with a 5.3 percent deposit market share. The top two institutions, First National Bank and Camden National Bank collectively held 81.2 percent of the market share.

There is a high level of competition for home mortgage loans. Aggregate home mortgage lending data for 2019 shows 142 lenders originated or purchased 1,143 home mortgage loans within the Non-MSA assessment area. BSI ranked 5th with a 3.9 percent market share and was the top ranked state-chartered community bank. The top four lenders First National Bank, Camden National Bank, Quicken Loans, and First Federal Savings and Loan Association captured a combined market share of 41.7 percent by number of loans.

The bank is not required to report small business loan data and elected not to do so. Therefore, the small business analysis under the Lending Test does not include comparisons to aggregate data. However, the aggregate data reflects the competition level for small business loans and is included for performance context. In 2019, aggregate data showed 47 institutions reported 980 small business loans in the Non-MSA assessment area indicating a high level of competition for small business loans.

Credit and Community Development Needs and Opportunities

Considering demographic and economic data, research, and discussions with bank management, examiners determined that affordable housing represents a primary community development need in the Non-MSA assessment area. Specific credit needs include home mortgage loan products with low fees and reduced down payments for low- and moderate-income individuals and financing for the construction of affordable housing projects. This is in addition to the widespread need for services to help residents meet basic needs.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA ASSESSMENT AREA

LENDING TEST

BSI's Lending Test performance in the Non-MSA assessment area is reasonable. The bank's reasonable performance under the borrower profile criterion supports this conclusion.

Geographic Distribution

The assessment area does not include any low- and moderate-income geographies. Therefore, this criterion was not evaluated.

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 by number of home mortgage loans to low- and moderate-income borrowers, as well as the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers is reasonable. As shown in the following table, in 2019, lending to low-income borrowers exceeded aggregate performance, but fell below demographics. A low-income family in the assessment area, earning less than \$32,400, may have difficulty qualifying for a mortgage under conventional underwriting standards. Additionally, 7.9 percent of families in this assessment area are below the poverty level. These factors help explain the disparity between lending to low-income families and the percentage of low-income families. In 2020, lending to low-income borrowers increased by number, but remained below demographics.

In 2019, lending to moderate-income borrowers was less than the aggregate and demographics. In 2020, lending to moderate-income families increased by number, but remained below demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	16.1	5.2	5	12.2	509	6.6
2020	16.1	--	7	8.3	752	4.3
Moderate						
2019	16.2	17.5	4	9.8	450	5.8
2020	16.2	--	8	9.5	1,376	7.9
Middle						
2019	20.2	22.7	6	14.6	704	9.1
2020	20.2	--	16	19.0	2,805	16.0
Upper						
2019	47.5	44.3	23	56.1	5,340	69.3
2020	47.5	--	47	56.0	11,225	64.2
Not Available						
2019	0.0	10.3	3	7.3	704	9.1
2020	0.0	--	6	7.1	1,318	7.5
Totals						
2019	100.0	100.0	41	100.0	7,707	100.0
2020	100.0	--	84	100.0	17,476	100.0
<i>Source: 2015 ACS; Bank Data, 2019 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business

The distribution of small business loans reflects reasonable penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, in 2019 and 2020, the bank's performance was less than demographics. Although performance was less than demographics there is a high level of competition in the Non-MSA assessment area. Thus, the bank's small business lending performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	85.3	29	46.8	1,960	22.8
2020	86.0	92	59.0	6,015	36.7
>\$1,000,000					
2019	5.8	33	53.2	6,623	77.2
2020	5.5	51	32.7	10,147	61.9
Revenue Not Available					
2019	8.9	0	0.0	0	0.0
2020	8.5	13	8.3	226	1.4
Totals					
2019	100.0	62	100.0	8,583	100.0
2020	100.0	156	100.0	16,388	100.0
<i>Source: 2019 & 2020 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

COMMUNITY DEVELOPMENT TEST

BSI's community development performance demonstrates reasonable responsiveness to community development needs in the Non-MSA assessment area through community development loans, qualified investments, and community development services, considering the bank's capacity and the need and availability of such opportunities.

Community Development Loans

BSI made 10 community development loans totaling approximately \$5.5 million within the Non-MSA assessment area. Although the number of loans increased from the previous evaluation when the bank made 5 such loans, the dollar volume decreased from the prior evaluation total of \$9.9 million.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	1	150	1	35	0	0	1	25	3	210
2020	1	150	1	35	0	0	1	3,500	3	3,685
YTD 2021	2	1,530	1	50	0	0	1	25	4	1,605
Total	4	1,830	3	120	0	0	3	3,550	10	5,500
<i>Source: Bank Data</i>										

The following are notable examples of community development loans that benefitted the Non-MSA assessment area.

- In 2018, the bank originated a \$1.4 million loan to a for-profit real estate holding company. The loan funded the acquisition and preservation of a 27-unit affordable multifamily residential property for low- and moderate-income seniors.
- In 2019, 2020, and 2021, the bank renewed a \$150,000 line of credit to a non-profit organization that provide homeownership opportunities to low-income families by building sustainable housing and repairing and weatherizing existing homes. Proceeds were used to build affordable homes in the underserved areas of Lincoln County.

Qualified Investments

BSI made 39 qualified donations totaling \$54,300. Donations increased significantly since the previous evaluation when the bank made 19 donations totaling \$27,080. Although the bank did not make any equity investments in the Non-MSA assessment area, the bank made 19 new equity investments totaling \$4.2 million that provided a broader statewide area that includes this assessment area.

The following table illustrates the bank’s qualified investments by year and purpose.

Qualified Investments Assessment Area: Non MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	8	1	0	0	1	10	9	11
2019	0	0	11	4	0	0	1	10	12	14
2020	0	0	8	4	0	0	2	20	10	24
YTD 2021	0	0	8	5	0	0	0	0	8	5
Total	0	0	35	14	0	0	4	40	39	54
<i>Source: Bank Data</i>										

The following are notable examples of donations that benefitted the Non-MSA assessment area.

- **Rebuilding Together – Lincoln County:** Rebuilding Together is a non-profit organization that provides home repair and improvement to help keep low-income veterans, seniors, and those with disabilities living independently.
- **Lincoln Health:** Lincoln Health is a full-service healthcare system and a member of the MaineHealth care system. Lincoln Health provides essential health services to Lincoln County. The donations support the construction of an outpatient health center in Damariscotta, ME, which is located in an underserved middle-income census tract.

Community Development Services

During the evaluation period, bank employees provided 75 hours of financial expertise or technical assistance to community development organizations in the Non-MSA assessment area. Service activity increased since the previous evaluation as no community development services had been provided.

The following table illustrates the bank’s community development service activity by year and purpose.

Community Development Services Assessment Area: Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	Hours	Hours	Hours	Hours	Hours
2018	0	0	0	5	5
2019	0	0	0	48	48
2020	0	8	0	0	8
YTD 2021	0	14	0	0	14
Total	0	22	0	53	75
<i>Source: Bank Data</i>					

The following is an example of a service activity that benefitted the Non-MSA assessment area.

- **Lincoln County Dental:** Lincoln County Dental provides access to comprehensive oral health care to low- and moderate-income individuals and families. Lincoln County Dental uses an income-based sliding fee scale and participates with MaineCare. Lincoln County Dental is located in Wiscasset, ME, an underserved middle-income census tract. During the evaluation period, an assistant vice president served as a Board member.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

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.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide nonmetropolitan 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 or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

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 nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution 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 institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution'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 institution's assessment area(s) or a broader statewide or regional area including the institution'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 institution'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.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

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).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan 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: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., 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 Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, 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.

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.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan 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 nonmetropolitan 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 120 percent or more of the area median income, or a median family income that is 120 percent or more 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.