



Part II: Public Performance Evaluation

PUBLIC DISCLOSURE

February 8, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Bar Harbor Bank & Trust
Certificate Number: 11971

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Bar Harbor, Maine 04609

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

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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.

| PERFORMANCE LEVELS | PERFORMANCE TESTS | | |
|---|-------------------|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High Satisfactory | | X | X |
| Low Satisfactory | X | | |
| Needs to Improve | | | |
| Substantial Noncompliance | | | |
| * The Lending Test is weighted more heavily than the Investment and Service Tests when arriving at an overall rating. | | | |

The Lending Test is rated Low Satisfactory.

- Lending levels reflect good responsiveness to assessment areas’ credit needs.
- The institution originated a high percentage of loans in its combined assessment area.
- The geographic distribution of loans reflects adequate penetration throughout the combined assessment area.
- The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different sizes.
- The institution uses innovative and/or flexible lending practices in order to serve the combined assessment areas’ credit needs.
- The institution made a relatively high level of community development loans.

The Investment Test is rated High Satisfactory.

- The institution has a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors.
- The institution exhibits good responsiveness to credit and community development needs.
- The institution rarely uses innovative and/or complex investments to support community development initiatives.

The Service Test is rated High Satisfactory.

- Delivery systems are accessible to essentially all portions of the institution's assessment areas.
- To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- and moderate-income individuals.
- Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals.
- The institution provides a relatively high level of community development services.

DESCRIPTION OF INSTITUTION

Bar Harbor Bank & Trust (BHBT) is a state-chartered community bank, established in 1887 and headquartered in Bar Harbor, Maine (ME). The bank operates in Cumberland, Hancock, Kennebec, Knox, Lincoln, Penobscot, Sagadahoc, Somerset, Waldo, and Washington counties in ME; Hillsborough, Grafton, Merrimack, and Sullivan counties in New Hampshire (NH); and Orange, Rutland, and Windsor counties in Vermont (VT). BHBT is a wholly owned subsidiary of Bar Harbor Bankshares, a Maine bank holding company. BHBT wholly owns Bar Harbor Trust Services and New Hampshire-based Charter Trust Company, which provide fiduciary and investment management services. The bank received a Satisfactory rating at its prior FDIC Performance Evaluation, dated October 23, 2017, based on Interagency Large Bank Examination Procedures.

The bank operates 53 full-service branches and 1 limited-service drive-thru only branch. The bank also operates Automatic Teller Machine (ATMs) at each branch. In 2019, the bank purchased eight ME branches from People's United Bank (PUB) located in Kennebec, Penobscot, and Somerset Counties. With these purchases, the bank entered the Penobscot and Somerset County, ME markets. Additionally, the bank opened three branches - ME (1) and NH (2) and closed six branches - ME (1), NH (2), and VT (3) during the evaluation period. The bank also removed a remote stand-alone ATM in VT. Additionally, the bank opened one LPO in downtown Portland, ME in January 2019. Please see the individual assessment area evaluations for further details.

BHBT offers home mortgage, commercial, agricultural, and consumer loans, but its primary focus is home mortgage and commercial 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 wealth management, trust, brokerage, and financial management services. Alternative banking services include internet, mobile, and telephone banking, person-to-person payments, and remote deposit capture.

As of December 31, 2020, assets totaled approximately \$3.7 billion, including total deposits of \$2.9 billion, total loans of \$2.6 billion, and total securities of \$585 million. The following table illustrates the loan portfolio.

| Loan Portfolio Distribution as of 12/31/2020 | | |
|---|------------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 142,492 | 5.5 |
| Secured by Farmland | 13,108 | 0.5 |
| Secured by 1-4 Family Residential Properties | 1,094,735 | 42.3 |
| Secured by Multifamily (5 or more) Residential Properties | 64,803 | 2.5 |
| Secured by Nonfarm Nonresidential Properties | 858,083 | 33.2 |
| Total Real Estate Loans | 2,173,221 | 84.0 |
| Commercial and Industrial Loans | 270,241 | 10.4 |
| Agricultural Production and Other Loans to Farmers | 18,901 | 0.7 |
| Consumer Loans | 10,126 | 0.4 |
| Obligations of State and Political Subdivisions in the U.S. | 47,862 | 1.9 |
| Other Loans | 66,474 | 2.6 |
| Lease Financing Receivable (net of unearned income) | 48 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 2,586,873 | 100.0 |
| <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 assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREAS (AAs)

The Community Reinvestment Act (CRA) requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. BHBT designated six assessment areas consisting of 273 census tracts throughout portions of ME, NH, and VT.¹ The bank delineated three contiguous assessment areas in ME including the Non-Metropolitan Statistical Area of ME (Non-MSA, ME) assessment area, the Bangor, ME Metropolitan Statistical Area (MSA) assessment area, and the Portland-South Portland, ME MSA assessment area. Additionally, the bank delineated two contiguous assessment areas in NH including the Non-MSA, NH assessment area and the Manchester-Nashua, NH MSA assessment area. Finally, the bank delineated one assessment area in the Non-MSA portion of VT. The bank's combined assessment area represents three rated areas: the state of ME, the state of NH, and the state of VT. Please refer to the individual assessment area evaluations for more details, including demographic and economic data.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated October 23, 2017, to the current evaluation dated February 8, 2021. Examiners used the Interagency Large Institution Examination

¹ This document will refer to these six assessment areas as the combined assessment area.

Procedures to evaluate BHBT’s performance. These procedures include the Lending Test, Investment Test, and Service Test.

As noted in the Description of Assessment Area section, the evaluation includes three rated areas: the state of ME, the state of NH, and the state of VT. Examiners placed the greatest weight on the bank’s performance in the state of ME rated area in arriving at the overall conclusions as it contains the majority of branches, deposits, and highest percentage of loans. Within the ME rated area, examiners placed greater weight on the bank’s performance in the Non-MSA, ME assessment area as this is where the bank is headquartered, a majority of its branches are located, and it’s lending and deposits occurs.

Examiners conducted full-scope reviews of each assessment area. The Non-MSA, ME assessment area warranted a full-scope review as the bank is headquartered in this area, has a high concentration of lending and community development activity, and maintains a high market share in this area. Bangor, ME MSA received a full-scope review because BHBT entered this area during the evaluation period (October 2019), acquiring six branches from PUB. Examiners conducted a full-scope review of the Portland-South Portland, ME MSA due to the bank’s poor performance at the prior evaluation.

Examiners also conducted full-scope reviews of the Non-MSA, NH, the Manchester-Nashua, NH MSA, and the Non-MSA, VT assessment areas. Although these assessment areas are not new since the prior evaluation, BHBT acquired Lake Sunapee Bank on January 13, 2017, and given the timing of the acquisition, examiners did not evaluate these areas at the October 23, 2017 evaluation.

The following table illustrates the distribution of the bank’s loans, deposits, and branches by assessment area during the evaluation period.

| Assessment Area Breakdown of Loans, Deposits, and Branches | | | | | | |
|---|--------------|--------------|------------------|--------------|-----------------|--------------|
| Assessment Area | Loans | | Deposits | | Branches | |
| | # | % | \$(000s) | % | # | % |
| Non-MSA, ME | 2,800 | 39.5 | 1,324,144 | 48.9 | 15 | 27.8 |
| Bangor, ME MSA | 237 | 3.4 | 214,803 | 7.9 | 6 | 11.1 |
| Portland-South Portland, ME MSA | 63 | 0.8 | 24,346 | 0.9 | 1 | 1.9 |
| ME Subtotal | 3,100 | 43.7 | 1,563,293 | 57.7 | 22 | 40.7 |
| Non-MSA, NH | 1,861 | 26.3 | 669,728 | 24.7 | 15 | 27.8 |
| Manchester-Nashua, NH MSA | 1,002 | 14.1 | 157,269 | 5.8 | 6 | 11.1 |
| NH Subtotal | 2,863 | 40.4 | 826,997 | 30.5 | 21 | 38.9 |
| Non-MSA, VT | 1,118 | 15.9 | 319,353 | 11.8 | 11 | 20.4 |
| Total | 7,081 | 100.0 | 2,709,643 | 100.0 | 54 | 100.0 |

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

Please refer to the individual assessment areas for information on economic and demographic data, competition, and community credit needs and opportunities.

Activities Reviewed

Examiners determined 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. Additionally, although agricultural lending does not represent a major product line at 1.2 percent of total loans, BHBT is a major agricultural lender within its Non-MSA, ME assessment area. Accordingly, examiners evaluated small farm lending only within the Non-MSA, ME assessment area. No other loan types, such as consumer loans represent a major product line. Therefore, examiners did not present these loan types, as they provide no material support for conclusions or ratings.

Examiners reviewed all home mortgage loans reported on the bank's 2017, 2018, 2019, and 2020 Home Mortgage Disclosure Act Loan Application Registers to evaluate the bank's performance. The bank reported 1,067 home mortgage loans totaling approximately \$240.9 million in 2017, 899 loans totaling approximately \$226.4 million in 2018, 1,042 loans totaling approximately \$269.8 million in 2019, and 1,588 loans totaling approximately \$420.4 million in 2020. Aggregate data for 2019 and 2015 American Community Survey (ACS) census data provided a standard of comparison for home mortgage loans. Aggregate data for 2020 was not yet available as of this evaluation date.

Examiners also reviewed all small business loans on the bank's 2017, 2018, 2019, and 2020 CRA Loan Registers. The bank reported 373 small business loans totaling approximately \$51.5 million in 2017, 415 small business loans totaling approximately \$62.1 million in 2018, 528 small business loans totaling approximately \$72.5 million in 2019, and 2,066 loans totaling approximately \$164.7 million in 2020. Aggregate data for 2019 and D&B demographics for 2019 and 2020 provided a standard of comparison for small business loans.

Examiners also evaluated small farm loans. In total, the bank reported 105 small loans totaling approximately \$7.2 million in 2017, 79 small farm loans totaling approximately \$5.2 million in 2018, 119 small farm loans totaling approximately \$5.7 million in 2019, and 329 loans totaling approximately \$8.7 million in 2020. However, as previously explained, examiners only evaluated small farms in the Non-MSA, ME assessment area. Aggregate data for 2019 and D&B demographics for 2019 and 2020 provided a standard of comparison for small farm loans. Aggregate data for 2020 was not yet available as of this evaluation date.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage, small business loans, and small farm loans originated during 2017, 2018, 2019, and 2020. Although the Assessment Area Concentration table presents activity for all four years, examiners did not include 2017 and 2018 data under the Geographic Distribution or Borrower Profile criteria, as examiners did not identify any trends between 2017, 2018, and 2019 that materially affected conclusions.

The bank's record of originating home mortgage loans contributed more weight to the overall conclusions due to the larger loan volume when compared to small business and small farm lending during the evaluation period. 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.

The Lending Test also considered community development loans and loans originated under innovative and flexible programs since the last evaluation. The Investment Test considered qualified investments purchased prior to the last evaluation that remain outstanding and investments purchased during the current evaluation period. The Service Test includes all community development services since the last evaluation.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

BHBT's overall Lending Test performance is rated "Low Satisfactory".

BHBT's performance in the Geographic Distribution and Borrower Profile criteria primarily support this rating. Although performance in the ME rated area exceeded the bank's overall performance and contributed the most individual weight to the overall rating, the combined impact of the NH and VT rated areas outweighed the ME rated area. Performance in the NH and VT rated areas is consistent with the overall rating. 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.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs.

In 2017, 2018, 2019, and 2020, the bank reported 4,596 home mortgage loans totaling approximately \$1.2 billion, 3,382 small business loans totaling approximately \$350.8 million, and 632 small farm loans totaling approximately \$26.8 million. Of this total, 3,504 home mortgage loans totaling approximately \$800.1 million, 2,966 small business loans totaling approximately \$290.5 million, and 611 small farm loans totaling approximately \$25.8 million were inside the combined assessment area. Home mortgage lending increased in 2019 and 2020 due to increased demand. Small business and small farm lending increased substantially in 2020 due to the Small Business Administration's (SBA) Paycheck Protection Program (PPP).²

In 2019, within the combined assessment area, BHBT ranked 12th of 500 home mortgage lenders and was the second top-ranked community bank for home mortgage lending, outperformed primarily by large national banks and non-depository mortgage lenders. For small business lending, the bank ranked 19th of 133 small business lenders and was 1 of 3 community banks within the top 15 percent of lenders in 2019. Leading institutions consisted primarily of large national banks. In 2019, BHBT ranked 5th of 27 small farm lenders, outperformed by one other community bank.

² In 2020, the SBA created this program in response to the COVID-19 pandemic to support job retention for small businesses/farms.

Assessment Area Concentration

The bank made a high percentage of home mortgage, small business, and small farm loans inside the combined assessment area. The analysis focused on the number of loans. The following table illustrates the loan distribution inside and outside the combined assessment area.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | | |
|--|------------------------|-------------|----------------|-------------|--------------------|--|-------------|----------------|-------------|---------------------------|--|
| Assessment Area: Combined | | | | | | | | | | | |
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) | |
| | Inside | | Outside | | | Inside | | Outside | | | |
| | # | % | # | % | | \$ | % | \$ | % | | |
| Home Mortgage | | | | | | | | | | | |
| 2017 | 848 | 79.5 | 219 | 20.5 | 1,067 | 184,434 | 76.6 | 56,457 | 23.4 | 240,891 | |
| 2018 | 625 | 69.5 | 274 | 30.5 | 899 | 136,251 | 60.2 | 90,136 | 39.8 | 226,387 | |
| 2019 | 773 | 74.2 | 269 | 25.8 | 1,042 | 181,152 | 67.2 | 88,616 | 32.8 | 269,768 | |
| 2020 | 1,258 | 79.2 | 330 | 20.8 | 1,588 | 298,268 | 70.9 | 122,171 | 29.1 | 420,439 | |
| Subtotal | 3,504 | 76.2 | 1,092 | 23.8 | 4,596 | 800,105 | 69.1 | 357,380 | 30.9 | 1,157,485 | |
| Small Business | | | | | | | | | | | |
| 2017 | 325 | 87.1 | 48 | 12.9 | 373 | 41,739 | 81.0 | 9,804 | 19.0 | 51,543 | |
| 2018 | 357 | 86.0 | 58 | 14.0 | 415 | 50,329 | 81.1 | 11,755 | 18.9 | 62,084 | |
| 2019 | 463 | 87.7 | 65 | 12.3 | 528 | 58,671 | 80.9 | 13,827 | 19.1 | 72,498 | |
| 2020 | 1,821 | 88.1 | 245 | 11.9 | 2,066 | 139,786 | 84.9 | 24,869 | 15.1 | 164,655 | |
| Subtotal | 2,966 | 87.7 | 416 | 12.3 | 3,382 | 290,525 | 82.8 | 60,255 | 17.2 | 350,780 | |
| Small Farm | | | | | | | | | | | |
| 2017 | 100 | 95.2 | 5 | 4.8 | 105 | 6,851 | 95.5 | 323 | 4.5 | 7,174 | |
| 2018 | 74 | 93.7 | 5 | 6.3 | 79 | 4,791 | 91.6 | 442 | 8.4 | 5,233 | |
| 2019 | 116 | 97.5 | 3 | 2.5 | 119 | 5,580 | 97.4 | 148 | 2.6 | 5,728 | |
| 2020 | 321 | 97.6 | 8 | 2.4 | 329 | 8,594 | 99.0 | 90 | 1.0 | 8,684 | |
| Subtotal | 611 | 96.7 | 21 | 3.3 | 632 | 25,816 | 96.3 | 1,003 | 3.7 | 26,819 | |
| Total | 7,081 | 82.2 | 1,529 | 17.8 | 8,610 | 1,116,446 | 72.7 | 418,638 | 27.3 | 1,535,084 | |
| <i>Source: Bank Data</i> | | | | | | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the combined assessment area. The bank's consistent performance in both the NH and VT rated areas primarily contributed to this performance. The bank's performance in the ME rated area represented good penetration. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate distribution among retail customers of different income levels and business customers of different size throughout the combined assessment area. The bank's performance was consistent with its performance in the ME, NH, and VT rated areas. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Innovative or Flexible Lending Practices

The bank uses innovative and flexible lending practices in order to serve assessment area credit needs. BHBT offers all programs institution-wide.

The bank's innovative and flexible lending practices increased significantly from 122 loans totaling approximately \$20.2 million at the prior evaluation. Operations also increased substantially since the prior evaluation due to merger and acquisition activity. First Time Homebuyer activity increased substantially in 2020 due to increased demand. The following table summarizes the bank's flexible lending programs. The bank did not provide information for partial year 2017 or year-to-date (YTD) 2021; consequently, the following table omits it.

| Innovative or Flexible Lending Programs Assessment Area: Combined | | | | | | | | |
|---|-------------|-----------------|-------------|-----------------|--------------|-----------------|---------------|-----------------|
| Type of Program | 2018 | | 2019 | | 2020 | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| First Time Homebuyer | 33 | 6,716 | 43 | 7,335 | 301 | 58,543 | 377 | 72,594 |
| Federal Home Loan Bank of Boston (FHLB) – Equity Builder | 0 | 0 | 0 | 0 | 1 | 108 | 1 | 108 |
| United States Department of Agriculture (USDA)/Rural Development Guaranteed Housing | 0 | 0 | 0 | 0 | 1 | 182 | 1 | 182 |
| FHLB Boston - Housing our Workforce | 0 | 0 | 0 | 0 | 1 | 167 | 1 | 167 |
| Sub-Total Residential Loans | 33 | 6,716 | 43 | 7,335 | 304 | 59,000 | 380 | 73,051 |
| SBA | 26 | 11,868 | 7 | 2,915 | 4 | 9,070 | 37 | 23,853 |
| SBA PPP | 0 | 0 | 0 | 0 | 1,905 | 131,744 | 1,905 | 131,744 |
| Jobs for New England | 1 | 1,000 | 1 | 2,300 | 1 | 6,000 | 3 | 9,300 |
| FAME | 7 | 5,611 | 21 | 21,962 | 9 | 6,614 | 37 | 34,187 |
| Sub-Total Commercial Loans | 34 | 18,479 | 29 | 27,177 | 1,919 | 153,428 | 1,982 | 199,084 |
| Working Bridges | 27 | 30 | 39 | 43 | 20 | 23 | 86 | 96 |
| Sub-Total Consumer Loans | 27 | 30 | 39 | 43 | 20 | 23 | 86 | 96 |
| Totals | 94 | 25,225 | 111 | 34,555 | 2,243 | 212,451 | 2,448 | 272,231 |
| <i>Source: Bank Data</i> | | | | | | | | |

The following highlights some residential, commercial, and consumer flexible lending programs.

- **First Time Home Buyer Program** - The First Time Homebuyer program provides low down payments and a \$1,500 credit toward closing costs to first time homebuyers. This program is not income restricted. Of the 377 originations, 117 were to low- and moderate-income individuals.
- **SBA PPP** - The SBA created this program in 2020 in response to the COVID-19 pandemic.

Community Development Loans

The bank made a relatively high level of community development loans throughout its combined assessment area. During the evaluation period, the bank originated 29 community development loans totaling approximately \$99.1 million. This is a significant increase from the previous evaluation, when the bank originated 13 loans totaling \$12.6 million. Current activity level represents 2.7 percent of average total assets and 3.9 percent of average total loans.

As examiners determined the bank was responsive to the overall needs of the combined assessment area, examiners considered community development loans made outside the assessment area. Of the 29 community development loans, the bank originated 20 loans, totaling \$27.3 million inside the combined assessment area (includes a \$3 million regional investment) and 9 community development loans totaling \$71.8 million outside the combined assessment area. The overall total also includes 9 PPP loans for \$13.9 million. The following table illustrates the community development loans by year and purpose.

| Community Development Lending Assessment Area: Combined | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2017 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2018 | 2 | 69 | 0 | 0 | 2 | 3,500 | 2 | 12,000 | 6 | 15,569 |
| 2019 | 0 | 0 | 0 | 0 | 3 | 5,900 | 6 | 36,880 | 9 | 42,780 |
| 2020 | 2 | 12,190 | 0 | 0 | 9 | 26,019 | 3 | 2,589 | 14 | 40,798 |
| YTD 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 4 | 12,259 | 0 | 0 | 14 | 35,419 | 11 | 51,469 | 29 | 99,147 |

Source: Bank Data

The following summarizes the community development loan that benefitted a larger regional area, including the combined assessment area.

- In 2018, BHBT originated a \$3.0 million line of credit to a business development corporation that supports permanent job creation, retention, and/or improvement by providing financing and investment capital primarily for small businesses throughout New England. The funds will support the organization’s direct lending programs to small businesses.

INVESTMENT TEST

The bank’s overall Investment Test performance is rated “High Satisfactory”.

BHBT’s performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily support this rating. The bank’s overall performance was consistent with its performance in the ME rated area and inconsistent with the NH and VT rated areas. 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.

Investment and Grant Activity

The bank made a significant level of qualified community development investments and grants, occasionally in a leadership position, particularly those that are not routinely provided by private investors. The bank made 599 qualified investments totaling \$11.3 million, largely driven by the bank’s expanded operations. At the prior evaluation, the bank had \$2.5 million in investments. The bank’s current qualified investments represent 0.3 percent of average total assets and equity investments represent 1.7 percent of average total securities.

BHBT made 18 new equity investments totaling \$10.6 million during the evaluation period and continues to hold four prior period equity investments with a current book value of slightly more than \$1.0 million. One prior period investment valued at \$309,309 benefits the entire regional area. The other three prior period investments specifically benefitted Maine (1) and New Hampshire (2). In total, the bank holds 22 qualified equity investments for \$11.6 million. The bank also made 577 donations totaling \$1.0 million. The following table presents qualified investment activity 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 | 959 | 0 | 0 | 1 | 75 | 0 | 0 | 4 | 1,034 |
| 2017 | 1 | 250 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 250 |
| 2018 | 1 | 2,000 | 0 | 0 | 0 | 0 | 0 | 0 | 1 | 2,000 |
| 2019 | 3 | 1,500 | 0 | 0 | 0 | 0 | 1 | 11 | 4 | 1,511 |
| 2020 | 6 | 5,208 | 2 | 20 | 1 | 250 | 1 | 5 | 10 | 5,483 |
| YTD 2021 | 0 | 0 | 0 | 0 | 1 | 1,300 | 1 | 28 | 2 | 1,328 |
| Subtotal | 14 | 9,917 | 2 | 20 | 3 | 1,625 | 3 | 44 | 22 | 11,606 |
| Qualified Grants & Donations | 27 | 28 | 521 | 862 | 15 | 69 | 14 | 62 | 577 | 1,021 |
| Total | 41 | 9,945 | 523 | 882 | 18 | 1,694 | 17 | 106 | 599 | 12,627 |

Source: Bank Data

The following are examples of the new qualified equity investments that benefitted a regional area.

- ***Housing New England Fund*** – In 2020, the bank invested in Housing New England’s Fund I for \$2.0 million and Fund II for \$2.5 million. The two investments support developing low- and moderate-income housing projects throughout ME, NH, and VT. The bank allocated specific amounts to each state.
- ***New England Handicapped Sports Association (NEHSA)*** - In 2020, BHBT invested \$10,000 in the Community Development Finance Authority of NH (CDFA-NH) tax credit program. Tax credits support NEHSA’s renovation and expansion of the Mt. Sunapee lodge. The Mt. Sunapee lodge supports the participation of those with a wide range of disabilities in various sports year-round. The project will provide increased access to services for low- and moderate-income individuals throughout New England.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. Examiners reviewed bank data, public information, and conducted community contacts in a majority of the assessment areas to determine relevant community development needs. Based on this, examiners determined that affordable housing, economic development including creating and retaining jobs, and services for low- and moderate-income individuals present the most pressing needs. Additionally, examiners noted the need for funds to revitalize and stabilize low- and moderate-income areas. During the evaluation, BHBT demonstrated good responsiveness to housing needs by investing in affordable housing initiatives. In addition, BHBT donated to community service organizations benefitting low- and moderate-income individuals and areas.

Community Development Initiatives

The bank rarely uses innovative and/or complex investments to support community development initiatives. Please refer to ME, NH, and VT rated areas for additional details.

SERVICE TEST

The bank’s overall Service Test is rated “High Satisfactory”.

BHBT’s performance in the Accessibility of Delivery Systems and Community Development Services criteria primarily support this rating. Consistent performance in the ME and VT rated areas primarily contributed to this rating. Performance was inconsistent in the NH rated area. The bank’s performance in the Community Development Services criteria contributed the most weight to the Service Test conclusions.

The following section presents the bank’s overall performance in the combined assessment area. Separate presentations for the individual assessment areas are included in later sections.

Accessibility of Delivery Systems

BHBT’s service delivery systems are accessible to essentially all portions of the combined assessment area. Additionally, alternative delivery systems, including the ATM network, internet

banking, mobile banking and payments, and telephone banking, improve access to products and services. Branch distribution and alternative delivery systems are generally consistent among the assessment areas. The following table illustrates the distribution of branches and ATMs by tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: Combined | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 8 | 2.9 | 30,841 | 2.8 | 1 | 2.0 | 1 | 2.0 |
| Moderate | 40 | 14.7 | 152,284 | 13.7 | 9 | 17.0 | 9 | 17.0 |
| Middle | 159 | 58.2 | 639,666 | 57.4 | 30 | 56.0 | 30 | 56.0 |
| Upper | 64 | 23.4 | 287,268 | 25.8 | 14 | 26.0 | 14 | 26.0 |
| NA | 2 | 0.7 | 4,582 | 0.4 | 0 | 0 | 0 | 0 |
| Total | 273 | 100.0 | 1,114,641 | 100.0 | 54 | 100.0 | 54 | 100.0 |
| <i>Source: 2015 ACS Data; Bank Data</i> | | | | | | | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | | | | | | | |

Changes in Branch Locations

BHBT’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and to low- or moderate-individuals. In 2019, the bank purchased eight ME branches from PUB. Branches are located in Kennebec, Penobscot, and Somerset Counties. The bank also opened three new full-service branches; two are located in moderate-income census tracts. The bank closed five full-service branches; one was located in a moderate-income census tract. The bank also closed one limited-service branch and one remote stand-alone ATM; both were in middle-income census tracts. Please see the individual assessment area sections for more details.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals. BHBT offers the same products and services at all full-service branches and business hours are generally consistent among branches, varying only slightly by location. The reasonableness of business hours and services are consistent throughout all assessment areas. Additional information is included in the applicable assessment area sections.

Community Development Services

The bank provides a relatively high level of community development services. Employees provided 2,092 hours of community development services during the evaluation period. Varied services included serving on the board of local organizations and providing financial education and technical assistance. The following table summarizes the community development services by year and purpose.

| Community Development Services Assessment Area: Combined | | | | | |
|---|-------------------------------|-------------------------------|---------------------------------|------------------------------------|---------------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2017 | 0 | 0 | 0 | 0 | 0 |
| 2018 | 116 | 266 | 33 | 10 | 425 |
| 2019 | 154 | 636 | 74 | 14 | 878 |
| 2020 | 98 | 600 | 27 | 64 | 789 |
| YTD 2021 | 0 | 0 | 0 | 0 | 0 |
| Total | 368 | 1,502 | 134 | 88 | 2,092 |
| <i>Source: Bank Data</i> | | | | | |

Please refer to the individual assessment area discussions for examples of community development services.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

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

STATE OF MAINE – Full-Scope Review

CRA RATING FOR STATE OF MAINE: SATISFACTORY

The Lending Test is rated: High Satisfactory

The Investment Test is rated: High Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN STATE OF MAINE

BHBT operates 22 of its 54 branches in the ME rated area. The ME rated area represents 40.6 percent of the total number of census tracts and holds 43.7 percent of the bank’s loans and 57.7 percent of the bank’s deposits. The ME rated area includes the Non-MSA, ME; the Bangor, ME MSA; and the Portland-South Portland, ME MSA assessment areas. Examiners gave more weight to the ME rated area in evaluating the bank’s overall performance since it contains the majority of branches, deposits, and loans of the three rated areas. Please refer to the separate assessment area evaluations for more details, including economic and demographic data.

SCOPE OF EVALUATION – STATE OF MAINE

Examiners used full-scope examination procedures to review the bank’s operations in the ME assessment area. The Scope of Evaluation for Maine is the same as previously discussed under the Scope of Evaluation section on page 4 of this document.

CONCLUSIONS ON PERFORMANCE CRITERIA IN STATE OF MAINE

LENDING TEST

BHBT's overall Lending Test performance is rated "High Satisfactory" in the ME rated area.

BHBT's performance in the Lending Activity, Geographic Distribution, and Community Development Lending criteria primarily supports this rating. BHBT's ME rated area performance was consistent with the conclusion for the Non-MSA, ME assessment area. Performance was inconsistent with the conclusions reached for the Bangor, ME MSA and the Portland-South Portland, ME MSA assessment areas, but examiners placed the greatest weight on the Non-MSA, ME assessment area.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs considering the institution's size, loan portfolio composition, and competition level. In 2019 and 2020, the bank reported 717 home mortgage loans totaling approximately \$158.6 million, 1,098 small business loans totaling approximately \$89.1 million, and 419 small farm loans totaling approximately \$13.4 million inside the ME rated area.

The Description of Assessment Area section in each individual assessment area discusses the bank's market share rankings for home mortgage, small business, and small farm lending. For the ME rated area, in 2019, BHBT ranked 10th out of 298 home mortgage lenders, outperformed by four community banks. These included Bangor Savings Bank (1st), The Camden National Bank (2nd), The First N.A. (3rd), and Machias Savings Bank (9th). Other leading institutions consisted primarily of large national banks, credit unions, and non-depository mortgage lenders. For small business lending, the bank ranked 22nd out of 98 small business lenders in 2019, outperformed by large national banks, credit card banks, and large local community banks. In 2019, BHBT ranked 4th out of 24 small farm lenders and among community banks. The top three lenders maintained 58.1 percent of market share with the top lender, Machias Savings Bank, maintaining a 25.6 percent market share.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the ME rated area. As performance in the Non-MSA, ME assessment area was excellent, it primarily contributed to this rating. Performance was inconsistent in the Bangor, ME MSA and Portland-South Portland, ME MSA assessment areas, but examiners placed the greatest weight on the Non-MSA, ME assessment area. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate distribution among retail customers of different income levels and business customers of different size throughout the ME rated area. Consistent performance in the Non-MSA and Bangor, ME MSA

primarily contributed to this rating. Performance was inconsistent in the Portland-South Portland, ME MSA assessment area. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Community Development Loans

BHBT made a relatively high level of community development loans. The bank originated 13 community development loans totaling approximately \$19.0 million in the ME rated area. The bank’s performance was consistent with that in the Non-MSA and inconsistent with that in the other ME assessment areas, but examiners placed the greatest weight on the Non-MSA, ME assessment area. The following table illustrates the bank’s community development lending activity by assessment area and purpose.

| Community Development Lending Assessment Area: State of Maine | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA, ME | 0 | 0 | 0 | 0 | 5 | 8,708 | 5 | 1,530 | 10 | 10,238 |
| Bangor, ME MSA | 0 | 0 | 0 | 0 | 1 | 1,266 | 0 | 0 | 1 | 1,266 |
| Portland-South Portland, ME MSA | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 7,500 | 2 | 7,500 |
| Total | 0 | 0 | 0 | 0 | 6 | 9,974 | 7 | 9,030 | 13 | 19,004 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Please see conclusions for the Non-MSA, ME, Bangor, ME MSA, and Portland-South Portland, ME MSA assessment areas for examples.

INVESTMENT TEST

BHBT’s Investment Test performance is rated “High Satisfactory” in the ME rated area.

BHBT’s performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily support this rating. BHBT’s ME rated area performance was consistent with the conclusions for the Non-MSA, ME assessment area. Performance was inconsistent with the conclusions reached for the Bangor, ME MSA and the Portland-South Portland, ME MSA assessment areas, but examiners placed the greatest weight on the Non-MSA, ME assessment area. The following sections discuss the bank’s Investment Test performance under each criterion.

Investment and Grant Activity

The bank has a significant level of qualified community development investments and donations in the ME rated area. BHBT made seven new equity investments totaling approximately \$4.6 million during the evaluation period and continues to hold one prior period equity investment with a current book value of \$75,040. Of the seven new equity investments, six provided a broader statewide benefit and one funded an affordable housing project located in the Non-MSA, ME assessment area.

In addition, the bank allocated a portion of two regional investments totaling approximately \$1.6 million to the ME rated area supporting affordable housing initiatives.³

BHBT also made 283 qualified donations totaling \$620,030 during the evaluation period. The following table illustrates the bank’s community development qualified investment activity by assessment area and purpose.

| Qualified Investments Assessment Area: State of Maine | | | | | | | | | | |
|--|--------------------|--------------|--------------------|------------|----------------------|--------------|-------------------------|-----------|------------|--------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA, ME | 12 | 2,012 | 192 | 441 | 6 | 33 | 10 | 56 | 220 | 2,542 |
| Bangor, ME MSA | 0 | 0 | 35 | 46 | 0 | 0 | 0 | 0 | 35 | 46 |
| Portland-South Portland, ME MSA | 2 | 1 | 24 | 29 | 2 | 1 | 1 | 1 | 29 | 32 |
| Statewide ME | 4 | 1,000 | 0 | 0 | 3 | 1,625 | 0 | 0 | 7 | 2,625 |
| Total | 18 | 3,013 | 251 | 516 | 11 | 1,659 | 11 | 57 | 291 | 5,245 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

The following are examples of qualified community development equity investments that had a broader statewide benefit.

- **Coastal Ventures, Inc. (CVI)** – In 2021, the bank invested \$1.3 million in CVI, a Community Development Corporation which invests in socially responsible venture capital projects and provides financing to create jobs in low- and moderate-income census tracts. This investment benefits the entire state, including the MSAs and Non-MSA portions of the Maine rated area.
- **Genesis Community Loan Fund** – The bank made investments in 2017, 2019, and 2020 totaling \$1 million in the Genesis Community Loan Fund, a certified Community Development Financial Institution to support affordable housing projects throughout Maine.

Please see conclusions for each separate assessment area for examples of qualified donations that directly benefitted each area.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. The bank invested in affordable housing projects throughout the ME rated area. BHBT also donated to community service organizations and for economic development-related purposes creating and retaining jobs for low- and moderate-income individuals. Based on bank data, publicly available information, and community contacts within some individual assessment areas, examiners determined all were significant credit and community development needs.

³ Table does not reflect these regional investments.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT’s Service Test performance is rated “High Satisfactory” in the ME rated area. BHBT’s performance in the Accessibility of Delivery Systems and Community Development Services criteria primarily support this conclusion. BHBT’s ME rated area performance was consistent with the conclusion reached for the Non-MSA, ME assessment area. Performance was inconsistent with the conclusions reached for the Bangor, ME MSA and the Portland-South Portland, ME MSA assessment areas, but examiners placed the greatest weight on the Non-MSA, ME assessment area. The following sections discuss the bank’s Service Test performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution’s ME assessment area. The bank operates 22 branches in this assessment area. All branches maintain ATMs and drive-up facilities. Branch distribution and alternative delivery systems for the rated area are consistent with the institution overall. The following table shows the branch and ATM distribution by census tract income level. Please see the individual assessment area sections for more details.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: State of Maine | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 8 | 7.2 | 30,358 | 7.1 | 3 | 13.6 | 3 | 13.6 |
| Middle | 78 | 70.3 | 310,858 | 72.4 | 13 | 59.1 | 13 | 59.1 |
| Upper | 24 | 21.6 | 83,687 | 19.5 | 6 | 27.3 | 6 | 27.3 |
| NA | 1 | 0.9 | 4,582 | 1.1 | 0 | 0.0 | 0 | 0.0 |
| Total | 111 | 100.0 | 429,485 | 100.0 | 22 | 100.0 | 22 | 100.0 |

*Source: 2015 ACS Data; Bank Data
Due to rounding, totals may not equal 100.0%*

Changes in Branch Locations

To the extent changes have been made, the institution’s record of opening and closing of branches has improved the accessibility of its delivery systems, particularly in low- and moderate-income geographies. The bank opened one new full-service branch in a moderate-income census tract and closed one full-service branch in a middle-income census tract. The bank also acquired eight PUB branches. These branches were located in Penobscot, Somerset, and Kennebec counties. Please see the individual assessment area sections for more details.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. Hours and services consistent with the institution overall. BHBT offers the same products and services at all full-service branches and business hours are generally consistent among branches, varying only slightly by branch location. Business hours and services were consistent throughout the ME assessment areas. Additional information is included in the applicable assessment area sections.

Community Development Services

BHBT provides a relatively high level of community development services. The bank provided approximately 1,349 hours of community development service in the ME assessment area. The majority of activity supported community services to low- and moderate-income individuals and affordable housing organizations. The following table illustrates the bank’s community development service activity by assessment area and purpose.

| Community Development Services Assessment Area: State of Maine | | | | | |
|---|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| Non-MSA, ME | 98 | 978 | 93 | 78 | 1,247 |
| Bangor, MSA, ME | 23 | 32 | 22 | 10 | 87 |
| Portland-South Portland, MSA, ME | 0 | 15 | 0 | 0 | 15 |
| Total | 121 | 1,025 | 115 | 88 | 1,349 |
| <i>Source: Bank Data</i> | | | | | |

Please see conclusions for the Non-MSA, ME, Bangor, ME MSA, and Portland-South Portland, ME MSA assessment areas for examples of community development service activities.

NON-METROPOLITAN AREAS - MAINE – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA, ME

BHBT maintains 15 of its 54 branches in the Non-MSA, ME assessment area. The Non-MSA, ME assessment area represents 27.1 percent of the total number of census tracts and holds 39.5 percent of the bank’s loans and 48.9 percent of the bank’s deposits. Examiners gave greater weight to the bank’s performance in the Non-MSA, ME assessment area in arriving at the state of ME rating, as it contains the largest number of branches, deposits, and loans of the three assessment areas. The bank did not open or close any branches within this assessment area and acquired two PUB branches in Pittsfield and Waterville.

During the evaluation period, BHBT made changes to this assessment area. It removed five census tracts and added nine census tracts in Kennebec County. In addition, the bank added two census

tracts in Somerset County and three in Waldo County. The assessment area includes Hancock, Knox, Lincoln, and Waldo Counties and portions of Kennebec, Somerset, and Washington Counties. The 74 census tracts reflect the following income designations according to the 2015 ACS data:

- 2 moderate-income census tracts,
- 57 middle-income census tracts, and
- 15 upper-income census tracts.

The two moderate-income census tracts are in Hancock and Washington Counties. The other moderate-income census tract is located in the town of Sullivan. In addition, 12 census tracts located in Lincoln (5) and Knox (7) counties are designated as underserved and 5 census tracts located in Washington County are designated as underserved and distressed.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Non-MSA, ME assessment area.

| Demographic Information of the Assessment Area Assessment Area: Non-MSA, ME | | | | | | |
|--|---------|------------|------------------------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 74 | 0.0 | 2.7 | 77.0 | 20.3 | 0.0 |
| Population by Geography | 279,443 | 0.0 | 1.9 | 79.5 | 18.6 | 0.0 |
| Housing Units by Geography | 166,500 | 0.0 | 2.4 | 74.9 | 22.7 | 0.0 |
| Owner-Occupied Units by Geography | 88,063 | 0.0 | 2.1 | 76.9 | 21.0 | 0.0 |
| Occupied Rental Units by Geography | 32,730 | 0.0 | 1.4 | 84.5 | 14.1 | 0.0 |
| Vacant Units by Geography | 45,707 | 0.0 | 3.6 | 64.2 | 32.2 | 0.0 |
| Businesses by Geography | 19,326 | 0.0 | 1.4 | 76.2 | 22.3 | 0.0 |
| Farms by Geography | 977 | 0.0 | 1.8 | 76.0 | 22.1 | 0.0 |
| Family Distribution by Income Level | 74,440 | 18.5 | 17.8 | 21.0 | 42.7 | 0.0 |
| Household Distribution by Income Level | 120,793 | 22.5 | 16.1 | 17.1 | 44.2 | 0.0 |
| Median Family Income Non-MSAs – ME | | \$54,862 | Median Housing Value | | | \$180,372 |
| | | | Median Gross Rent | | | \$733 |
| | | | Families Below Poverty Level | | | 9.8% |
| <i>Source: 2015 ACS and 2019 D&B Data Due to rounding, totals may not equal 100.0%</i> (*) The NA category consists of geographies that have not been assigned an income classification | | | | | | |

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 19,326 non-farm businesses operating in the Non-MSA, ME assessment area. GARs for these businesses follow.

- 81.1 percent have \$1 million or less.
- 6.0 percent have more than \$1 million.
- 12.9 percent have unknown revenues.

Service companies represent the largest portion of businesses at 40.1 percent; followed by retail trade at 14.9 percent; construction at 8.4 percent; and finance, insurance, and real estate at 5.6 percent. In addition, 85.9 percent of area businesses have nine or fewer employees and 86.7 percent operate from a single location. Major employers include MaineHealth, Maine General Medical Center, The Jackson Laboratory, and Hannaford Bros Company.

According to 2020 D&B data, there were 977 farms within the Non-MSA, ME assessment area. The analysis of small farm loans under the Borrower Profile criterion compares the distribution of farms by GAR. GARs for these farms follow.

- 97.2 percent have \$1 million or less.
- 2.1 percent have more than \$1 million.
- 0.7 percent have unknown revenues.

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 4.8 percent in Washington County, ME; 4.6 percent in Somerset County, ME; 3.7 percent in Hancock County, ME; 3.4 percent in Waldo County, ME; 3.2 percent in Lincoln County, ME; and 3.1 percent in Kennebec County and Knox County, ME. Except for Washington and Somerset Counties, these levels were comparable to the ME state average of 3.2 percent and lower than the national rate of 3.9 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic.

Competition

The Non-MSA, ME assessment area is a competitive market for financial services. According to FDIC Deposit Market share data as of June 30, 2020, 17 financial institutions operated 143 branch offices in the assessment area. Of these, BHBT ranked 3rd with a 12.8 percent deposit market share.

Camden National Bank and First National Bank, the top two institutions collectively held 39.4 percent of the market share.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 270 lenders originated 8,130 mortgage loans within the Non-MSA, ME assessment area. BHBT ranked 6th with a market share of 3.1 percent. Camden National Bank ranked 1st followed by Bangor Savings Bank, First, National Bank, Quicken Loans, and Residential Mortgage Services. The top five institutions collectively held 40.0 percent of the market share.

Aggregate small business lending data for 2019 shows 76 lenders originated 8,913 small business loans within the Non-MSA, ME assessment area, indicating a relatively high level of competition. Camden National Bank held the greatest market share followed by American Express, N.A.; US Bank, N.A.; JPMorgan Chase Bank, N.A.; and Citibank, N.A. The top five institutions captured 46.0 percent of the market share. BHBT ranked 14th with a 2.1 percent market share. Four community banks ranked higher than BHBT. These included The Camden National Bank (11.8 percent), First National Bank (5.8 percent), Machias Savings Bank (4.4 percent), and Bangor Savings Bank (3.2 percent).

Small farm lending within the Non-MSA, ME assessment area is also competitive. Aggregate small farm lending data for 2019 shows 18 lenders originated 939 small farm loans. BHBT ranked 4th with a 11.5 percent market share. The three institutions that ranked ahead of BHBT include Machias Savings Bank (29.5 percent), Camden National Bank (20.5 percent), and First National Bank (15.2 percent).

Credit and Community Development Needs and Opportunities

Examiners reviewed bank data as well as publicly available information to determine credit and community development needs and opportunities. Based on this information, examiners determined affordable housing is the primary need in the Non-MSA, ME assessment area. Additional area needs include services to support low- and moderate-income individuals living in rural areas.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA, ME

LENDING TEST

BHBT demonstrated good performance under the Lending Test in the Non-MSA, ME assessment area. The bank's excellent performance in Geographic Distribution and good performance in Community Development criteria primarily support this conclusion.

Lending Activity

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, BHBT reported 649 home mortgage loans totaling approximately \$145.3 million, 903 small business loans totaling approximately \$70.2 million, and 416 small farm loans totaling approximately \$13.2 million inside the Non-MSA, ME assessment area. The Competition section

starting on page 21 previously discussed the bank’s market share rankings for home mortgage, small business, and small farm lending.

Geographic Distribution

The geographic distribution of loans reflects excellent penetration throughout the Non-MSA, ME assessment area. The bank’s excellent performance in both home mortgage and small business lending and good performance in small farm lending support this conclusion. Examiners focused on the percentage of loans in the moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the Non-MSA, ME assessment area. The bank’s 2019 lending performance in the moderate-income census tracts exceeded aggregate and demographic data. In 2020, lending in the moderate-income census tracts increased by number, but declined by percentage, despite a significant increase in overall originations. Although the percentage declined, lending exceeded demographics.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, ME | | | | | | |
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 2.1 | 1.7 | 11 | 4.3 | 2,271 | 4.2 |
| 2020 | 2.1 | -- | 13 | 3.3 | 1,702 | 1.9 |
| Middle | | | | | | |
| 2019 | 76.9 | 74.7 | 180 | 71.1 | 33,108 | 60.8 |
| 2020 | 76.9 | -- | 271 | 68.4 | 56,652 | 62.4 |
| Upper | | | | | | |
| 2019 | 21.0 | 23.7 | 62 | 24.5 | 19,096 | 35.1 |
| 2020 | 21.0 | -- | 112 | 28.3 | 32,459 | 35.7 |
| 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 | 253 | 100.0 | 54,475 | 100.0 |
| 2020 | 100.0 | -- | 396 | 100.0 | 90,813 | 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 Loans

The geographic distribution of small business loans reflects excellent penetration throughout the Non-MSA, ME assessment area. The bank’s 2019 lending performance in the moderate-income census tracts exceeded aggregate and demographic data. In 2020, lending in the moderate-income census tracts increased by number and percentage illustrating a positive trend.

| Geographic Distribution of Small Business Loans | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, ME | | | | | | |
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 1.4 | 1.5 | 7 | 3.7 | 448 | 2.2 |
| 2020 | 1.5 | -- | 34 | 4.8 | 2,782 | 5.6 |
| Middle | | | | | | |
| 2019 | 76.2 | 72.9 | 135 | 71.4 | 14,016 | 68.4 |
| 2020 | 76.1 | -- | 450 | 63.0 | 31,120 | 62.6 |
| Upper | | | | | | |
| 2019 | 22.3 | 25.6 | 47 | 24.9 | 6,022 | 29.4 |
| 2020 | 22.4 | -- | 230 | 32.2 | 15,842 | 31.8 |
| 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 | 189 | 100.0 | 20,486 | 100.0 |
| 2020 | 100.0 | -- | 714 | 100.0 | 49,744 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Farm Loans

The geographic distribution of small farm loans reflects good penetration throughout the Non-MSA, ME assessment area. The bank’s 2019 lending performance in the moderate-income census tracts exceeded demographics and fell short of aggregate data. According to 2019 market share data, BHBT ranked 7th out of 9 agricultural lenders who originated 58 loans within the moderate-income census tracts. The first ranked institution, Machias Savings Bank, is headquartered in the Non-MSA, ME and held 58.6 percent of the market share. In 2020, lending in the moderate-income census tracts increased by number and percentage illustrating a positive trend.

| Geographic Distribution of Small Farm Loans Assessment Area: Non-MSA, ME | | | | | | |
|--|--------------|------------------------------|------------|--------------|--------------|--------------|
| Tract Income Level | % of Farms | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 1.8 | 5.4 | 2 | 1.9 | 40 | 0.8 |
| 2020 | 2.0 | -- | 15 | 4.9 | 148 | 1.8 |
| Middle | | | | | | |
| 2019 | 76.0 | 77.8 | 95 | 88.0 | 4,689 | 92.5 |
| 2020 | 75.4 | -- | 260 | 84.4 | 7,346 | 90.9 |
| Upper | | | | | | |
| 2019 | 22.1 | 16.8 | 11 | 10.2 | 340 | 6.7 |
| 2020 | 22.6 | -- | 33 | 10.7 | 589 | 7.3 |
| 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 | 108 | 100.0 | 5,069 | 100.0 |
| 2020 | 100.0 | -- | 308 | 100.0 | 8,083 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects given the product lines offered by the institution, adequate penetration among individuals and business customers of different size. The bank's adequate performance in home mortgage lending and good performance in small business and small farm lending support this conclusion. Examiners focused on the percentage of home mortgage loans by number to low- and moderate-income borrowers and to small businesses and small farms with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers.

In 2019, the bank's lending to low-income borrowers was below aggregate and demographic data. A low-income family in the Non-MSA, ME assessment area, earning less than \$32,400, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$180,372. Additionally, 9.8 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, lending to moderate-income borrowers was below aggregate and the percentage of moderate-income families. Lending to moderate-income borrowers increased by number in 2020, but remained below demographics.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, ME | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 18.5 | 6.5 | 9 | 3.6 | 875 | 1.6 |
| 2020 | 18.5 | -- | 18 | 4.5 | 1,828 | 2.0 |
| Moderate | | | | | | |
| 2019 | 17.8 | 17.2 | 33 | 13.0 | 3,113 | 5.7 |
| 2020 | 17.8 | -- | 47 | 11.9 | 5,929 | 6.5 |
| Middle | | | | | | |
| 2019 | 21.0 | 21.9 | 46 | 18.2 | 6,967 | 12.8 |
| 2020 | 21.0 | -- | 81 | 20.5 | 13,177 | 14.5 |
| Upper | | | | | | |
| 2019 | 42.7 | 40.5 | 148 | 58.5 | 40,753 | 74.8 |
| 2020 | 42.7 | -- | 227 | 57.3 | 62,780 | 69.1 |
| Not Available | | | | | | |
| 2019 | 0.0 | 13.8 | 17 | 6.7 | 2,767 | 5.1 |
| 2020 | 0.0 | -- | 23 | 5.8 | 7,099 | 7.8 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 253 | 100.0 | 54,475 | 100.0 |
| 2020 | 100.0 | -- | 396 | 100.0 | 90,813 | 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 Loans

The distribution of small business loans reflects good penetration of loans to businesses with GARs of \$1.0 million or less. The bank's 2019 lending performance exceeded aggregate and was below demographic data.

The bank's performance decreased significantly in 2020 and fell well below demographics. However, the large number of borrowers with income reported as "not available" reduces the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a large number

of PPP loans, which contributed to the high percentage of loans in the “revenue not available” category.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, ME | | | | | | |
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 81.1 | 55.5 | 138 | 73.0 | 11,798 | 57.6 |
| 2020 | 82.1 | -- | 101 | 14.1 | 9,622 | 19.3 |
| >\$1,000,000 | | | | | | |
| 2019 | 6.0 | -- | 37 | 19.6 | 8,018 | 39.1 |
| 2020 | 5.7 | -- | 41 | 5.7 | 9,680 | 19.5 |
| Revenue Not Available | | | | | | |
| 2019 | 12.9 | -- | 14 | 7.4 | 670 | 3.3 |
| 2020 | 12.3 | -- | 572 | 80.1 | 30,442 | 61.2 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 189 | 100.0 | 20,486 | 100.0 |
| 2020 | 100.0 | -- | 714 | 100.0 | 49,744 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Small Farm Loans

The distribution of small farm loans reflects good penetration of loans to farms with GARs of \$1.0 million or less. The bank’s 2019 lending performance was comparable to aggregate and was slightly below demographic data.

The bank’s performance decreased significantly in 2020 and fell well below demographics. The large number of borrowers with income reported as “not available” reduces the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a large number of PPP loans, which contributed to the high percentage of loans in the “revenue not available” category.

| Distribution of Small Farm Loans by Gross Annual Revenue Category Assessment Area: Non-MSA, ME | | | | | | |
|--|--------------|------------------------------|------------|--------------|--------------|--------------|
| Gross Revenue Level | % of Farms | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 97.2 | 92.6 | 100 | 92.6 | 4,480 | 88.4 |
| 2020 | 97.2 | -- | 79 | 25.6 | 5,383 | 66.6 |
| >\$1,000,000 | | | | | | |
| 2019 | 2.0 | -- | 3 | 2.8 | 490 | 9.7 |
| 2020 | 2.2 | -- | 1 | 0.3 | 200 | 2.5 |
| Revenue Not Available | | | | | | |
| 2019 | 0.7 | -- | 5 | 4.6 | 99 | 2.0 |
| 2020 | 0.6 | -- | 228 | 74.0 | 2,500 | 30.9 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 108 | 100.0 | 5,069 | 100.0 |
| 2020 | 100.0 | -- | 308 | 100.0 | 8,083 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Community Development Loans

BHBT made a relatively high level of community development loans that directly benefitted the Non-MSA, ME assessment area. The bank originated 10 community development loans totaling approximately \$10.2 million. This is an increase of \$1.9 million from the prior evaluation. Of the 10 loans, 5 totaling approximately \$8.7 million supported economic development and 5 totaling approximately \$1.5 million helped revitalize underserved and distressed middle-income census tracts.

The following are examples of qualified community development loans in the Non-MSA, ME assessment area.

- In 2018, the bank originated a \$1.0 million USDA Rural Development loan to a community hospital located in an underserved and distressed middle-income census tract. The funds helped renovate and expand the emergency department.
- In 2020, the bank originated a PPP loan for approximately \$1.5 million to a small construction company. The funds helped the small business (met size eligibility standards of the SBA's Development Company or Small Business Investment Company) cover payroll during the COVID-19 pandemic shutdown, which helped retain 30 jobs. The majority of jobs retained are permanent low- and moderate-income jobs.

INVESTMENT TEST

BHBT demonstrated good performance under the Investment Test within the Non-MSA, ME assessment area. The bank's performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily supports this conclusion. The following sections discuss the bank's performance under each criterion.

Investment and Grant Activity

BHBT made a significant level of qualified investments during the evaluation period. The bank made one new equity investment in the Non-MSA, ME assessment area totaling approximately \$2.0 million. This is an increase from the prior evaluation when the bank did not make any qualified investments. In addition, the bank made six new investments and earmarked a portion of two regional investments that provided a broader statewide benefit including the Non-MSA, ME assessment area. The bank also holds a prior period investment valued at \$75,040 that benefits the statewide area. Please refer to the ME assessment area for details on the statewide investments.

- ***Community Capital Limited Partnership (CCLP)*** – In 2018, BHBT invested approximately \$2.0 million in the CCLP. The CCLP invests in affordable housing projects in ME and NH, which benefit low- and moderate-income individuals. This investment will fund the Oriole Way Development, a 50-unit affordable housing project located in Ellsworth, ME.

The bank also made 219 donations totaling \$541,240, or 87.3 percent in the Non-MSA, ME rated area, a significant increase from the prior evaluation. Donations primarily supported community development services for low- and moderate-income individuals and families. The following are examples of qualified donations in the Non-MSA, ME assessment area.

- ***Downeast Community Partners (Downeast)*** – Downeast provides services for low-income families and individuals in Hancock and Washington counties. The organization provides programs related to housing, transportation, financial, educational, and elder care services. The bank made three donations totaling \$15,000 during the evaluation period.
- ***Maine Seacoast Mission*** – Maine Seacoast Mission provides many community services in Washington County for low- and moderate-income individuals and families. Their services include after school and summer camp programs for kindergarten to middle-school age children, telemedicine, housing rehabilitation, food pantries, and college scholarships. The bank made six donations totaling approximately \$54,000.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. In addition to the \$2.0 million investment to support affordable housing, four statewide investments totaling \$1.0 million and the earmarked portion of two regional investments totaling approximately \$1.6 million support affordable housing initiatives in Maine. Additionally, the bank made more than \$500,000 in donations supporting low- and moderate-income individuals in primarily rural and underserved areas.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT demonstrated good performance under the Service Test within the Non-MSA, ME assessment area. The bank’s performance in the Accessibility of Delivery Systems and Community Development Services criteria primarily supports this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the bank’s Non-MSA, ME assessment area. The bank operates 15 branches in this assessment area. The Lubec branch is in a moderate-income census tract. All branches maintain ATMs and drive-up facilities. Branch distribution and alternative delivery systems for the assessment area are consistent with the overall institution. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: Non-MSA, ME | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 2 | 2.7 | 5,261 | 1.9 | 1 | 6.7 | 1 | 6.7 |
| Middle | 57 | 77.0 | 222,140 | 79.5 | 11 | 73.3 | 11 | 73.3 |
| Upper | 15 | 20.3 | 52,042 | 18.6 | 3 | 20.0 | 3 | 20.0 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 74 | 100.0 | 279,443 | 100.0 | 15 | 100.0 | 15 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

To the extent changes have been made, the institution’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals. During the evaluation period, the bank acquired two PUB branches. Both branches are located in middle-income census tracts.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals. Hours and services are consistent with the overall institution and ME rated area. Branch hours are generally consistent at each location with weekday hours of 8:30 A.M. to 4:00 P.M. on Monday – Thursday, 8:30 A.M. to 5:00 P.M. on Fridays, and 9:00 A.M. to 12:00

P.M on Saturdays. Hours vary slightly with earlier morning start times on weekdays at a few locations. Drive-up hours are available approximately 30 minutes to an hour prior to lobby hours. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides a relatively high level of community development services. The bank provided approximately 1,247 hours or 59.6 percent of the bank’s total community development service hours, in the Non-MSA, ME assessment area. BHBT’s performance increased from the prior evaluation, when the bank provided approximately 409 hours of qualified community development services. The majority of activity supported organizations providing affordable housing and community services to low- and moderate-income individuals. The following are examples of community development services provided.

- ***Island Housing Trust*** – The Island Housing Trust brings together public and private funding to support affordable, year-round housing in the Mount Desert Island area. An officer is a Board member.
- ***Hancock County Habitat for Humanity*** - Habitat for Humanity is a non-profit organization that builds affordable, energy-efficient homes for low-income families. An officer is a Board member.

BANGOR, ME METROPOLITAN STATISTICAL AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN BANGOR, ME MSA

BHBT maintains 6 of its 54 branches in the Bangor, ME MSA assessment area. The Bangor, ME MSA assessment area represents 9.2 percent of the total number of census tracts and holds 3.4 percent of the bank’s loans and 7.9 percent of the bank’s deposits. Examiners placed the second greatest weight on the bank’s performance in the Bangor, ME MSA assessment area in arriving at the state of ME rating, as it contains the second largest number of branches, deposits, and loans of the three assessment areas.

In October 2019, the bank purchased six PUB branches through which it entered the Bangor market. The assessment area includes 25 of the 46 census tracts located in Penobscot County. The 25 census tracts reflect the following income designations according to the 2015 ACS data:

- 3 moderate-income census tracts,
- 12 middle-income census tracts,
- 9 upper-income census tracts, and
- 1 census tract with no income designation.

The three moderate-income census tracts are in Bangor. The census tract with no income designation is the Penobscot Indian Island Reservation.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Bangor, ME MSA assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|--------|------------|------------------------------|---------------|--------------|------------|
| Assessment Area: Bangor, ME MSA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 25 | 0.0 | 12.0 | 48.0 | 36.0 | 4.0 |
| Population by Geography | 94,572 | 0.0 | 13.2 | 48.5 | 33.5 | 4.8 |
| Housing Units by Geography | 41,902 | 0.0 | 14.8 | 50.1 | 33.7 | 1.4 |
| Owner-Occupied Units by Geography | 23,423 | 0.0 | 6.2 | 55.4 | 37.9 | 0.6 |
| Occupied Rental Units by Geography | 14,021 | 0.0 | 28.4 | 40.0 | 28.8 | 2.7 |
| Vacant Units by Geography | 4,458 | 0.0 | 17.6 | 53.9 | 27.3 | 1.3 |
| Businesses by Geography | 6,665 | 0.0 | 19.1 | 43.0 | 36.5 | 1.4 |
| Farms by Geography | 210 | 0.0 | 6.2 | 61.0 | 32.4 | 0.5 |
| Family Distribution by Income Level | 22,104 | 17.6 | 17.8 | 19.2 | 45.3 | 0.0 |
| Household Distribution by Income Level | 37,444 | 23.8 | 15.6 | 16.3 | 44.3 | 0.0 |
| Median Family Income MSA - 12620 Bangor, ME MSA | | \$56,891 | Median Housing Value | | | \$158,620 |
| | | | Median Gross Rent | | | \$776 |
| | | | Families Below Poverty Level | | | 9.8% |
| <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 analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 6,665 non-farm businesses operating in the Bangor, ME MSA assessment area. GARs for these businesses follow.

- 77.1 percent have \$1 million or less.
- 7.4 percent have more than \$1 million.
- 15.5 percent have unknown revenues.

Service companies represent the largest portion of businesses at 41.2 percent; followed by retail trade at 14.9 percent; finance, insurance, and real estate at 7.9; and construction at 6.7 percent. In addition, 82.6 percent of area businesses have nine or fewer employees and 82.9 percent operate from a single location. Major employers include Northern Light Eastern Maine Medical Center, University of Maine, St. Joseph Healthcare, and Hannaford Bros Company.

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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% |
| Bangor, ME MSA Median Family Income (12620) | | | | |
| 2019 (\$66,600) | <\$33,300 | \$33,300 to <\$53,280 | \$53,280 to <\$79,920 | ≥\$79,920 |
| 2020 (\$64,400) | <\$32,200 | \$32,200 to <\$51,520 | \$51,520 to <\$77,280 | ≥\$77,280 |
| <i>Source: FFIEC</i> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 3.6 percent in Penobscot County, ME. This level was slightly higher than the ME state average of 3.2 percent and lower than the national rate of 3.9 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic.

Competition

As noted earlier, BHBT entered the Bangor market in October 2019. According to FDIC Deposit Market share data as of June 30, 2020, 9 financial institutions operated 43 offices in the assessment area. Of these, BHBT ranked 6th with 5.7 percent deposit market share. Bangor Savings Bank captured the largest market share (41.8 percent); followed by TD Bank, N.A. (16.2 percent); and Machias Savings Bank (9.8 percent). Bangor Savings Bank is a large community bank headquartered in Bangor.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 142 lenders originated 2,937 mortgage loans within the Bangor, ME MSA assessment area. BHBT ranked 51st with a market share of 0.2 percent. Bangor Savings Bank ranked 1st followed by Maine Savings Federal Credit Union, Camden National Bank, Quicken Loans, and Residential Mortgage Services. The top five institutions collectively held 41.2 percent of the market share.

Aggregate small business lending data for 2019 shows 58 lenders originated 3,481 small business loans within the Bangor, ME MSA assessment area, indicating a moderate level of competition. American Express, N.A. held the greatest market share followed by Camden National Bank; JPMorgan Chase Bank, N.A.; US Bank, N.A.; and Synchrony Bank. The top five institutions captured 42.1 percent of the market share. BHBT ranked 27th with 0.4 percent market share. Only two community banks ranked higher than BHBT. These included Bangor Savings Bank (7.0 percent) and Machias Savings Bank (5.9 percent).

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying 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 an economic development organization serving the Bangor area. The contact stated affordable housing presents a significant need, but acknowledged a lack of investment opportunities due to the area's rural nature. Additionally, the contact noted that as the area has largely transitioned from a manufacturing to a service economy, the need for workforce development resources has increased. Many job seekers lack the computer literacy and technical skills employers need. Finally, the contact stated reliable public transportation is another need, especially in rural areas. The contact stated the local financial institutions have been responsive to the community needs.

Credit and Community Development Needs and Opportunities

In determining the credit and community development needs, examiners considered economic and demographic information, bank information, and research conducted in connection with the community contact. Based on this data, examiners determined affordable housing and workforce development resources represent the area's greatest credit and community development needs. In addition, examiners identified the need for non-traditional lending to small businesses to support economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA BANGOR, ME MSA

LENDING TEST

BHBT's demonstrated adequate performance under the Lending Test in the Bangor, ME MSA assessment area. The bank's adequate performance in Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending criteria supports this conclusion

Lending Activity

The bank's lending levels reflect adequate responsiveness to assessment area credit needs. In 2019 and 2020, BHBT reported 48 home mortgage loans totaling approximately \$7.6 million and 166 small business loans totaling approximately \$14.4 million in the Bangor, ME MSA assessment area. The Competition section starting on page 33 previously discussed the bank's market share rankings for home mortgage and small business lending.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the Bangor, ME MSA assessment area. The bank's adequate performance across all loan products supports this conclusion. Examiners focused on the percentage of loans in moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Bangor, ME MSA assessment area. Although the bank did not make any loans in the moderate-income census tracts in 2019, BHBT had just entered the Bangor, ME MSA in October 2019. In 2020, the bank originated one loan in the moderate-income census tracts.

| Geographic Distribution of Home Mortgage Loans Assessment Area: Bangor, ME MSA | | | | | | |
|---|-----------------------------------|------------------------------|-----------|--------------|--------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 6.2 | 7.7 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 6.2 | -- | 1 | 2.3 | 144 | 2.0 |
| Middle | | | | | | |
| 2019 | 55.4 | 53.7 | 1 | 20.0 | 120 | 22.0 |
| 2020 | 55.4 | -- | 25 | 58.1 | 4,447 | 62.9 |
| Upper | | | | | | |
| 2019 | 37.9 | 38.4 | 3 | 60.0 | 326 | 59.7 |
| 2020 | 37.9 | -- | 17 | 39.5 | 2,475 | 35.0 |
| Not Available | | | | | | |
| 2019 | 0.6 | 0.2 | 1 | 20.0 | 100 | 18.3 |
| 2020 | 0.6 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 5 | 100.0 | 546 | 100.0 |
| 2020 | 100.0 | -- | 43 | 100.0 | 7,066 | 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 Loans

The geographic distribution of small business loans reflects adequate penetration. The bank's 2019 lending performance exceeded aggregate in moderate-income tracts, but was less than demographics. In 2020, the bank originated a greater number of small business loans within the moderate-income census tracts, but declined as a percentage of small business lending, despite a substantial increase overall.

| Geographic Distribution of Small Business Loans Assessment Area: Bangor, ME MSA | | | | | | |
|--|-----------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 18.6 | 13.1 | 2 | 15.4 | 615 | 47.6 |
| 2020 | 19.1 | -- | 15 | 9.8 | 2,366 | 18.1 |
| Middle | | | | | | |
| 2019 | 42.9 | 49.5 | 8 | 61.5 | 591 | 45.8 |
| 2020 | 43.0 | -- | 79 | 51.6 | 6,705 | 51.2 |
| Upper | | | | | | |
| 2019 | 37.0 | 37.1 | 3 | 23.1 | 85 | 6.6 |
| 2020 | 36.5 | -- | 59 | 38.6 | 4,028 | 30.8 |
| Not Available | | | | | | |
| 2019 | 1.5 | 0.3 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 1.4 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 13 | 100.0 | 1,291 | 100.0 |
| 2020 | 100.0 | -- | 153 | 100.0 | 13,099 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different incomes and business customers of different size. The bank's adequate performance in home mortgage and good performance in small business lending support this conclusion. Examiners focused on the percentage of home mortgage loans by number to low- and moderate-income borrowers and to small businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. Although the bank did not make any loans to low- or moderate-income borrowers in 2019, BHBT had just entered the Bangor, ME MSA in October 2019. In 2020, the bank demonstrated a positive trend, increasing the number and percentage of originations to low- and moderate-income borrowers. Lending to moderate-income borrowers in 2020 exceeded demographics.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|-----------|--------------|-----------------|--------------|
| Assessment Area: Bangor, ME MSA | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 17.6 | 5.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 17.6 | -- | 2 | 4.7 | 122 | 1.7 |
| Moderate | | | | | | |
| 2019 | 17.8 | 16.4 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 17.8 | -- | 8 | 18.6 | 737 | 10.4 |
| Middle | | | | | | |
| 2019 | 19.2 | 21.1 | 1 | 20.0 | 176 | 32.2 |
| 2020 | 19.2 | -- | 10 | 23.3 | 1,391 | 19.7 |
| Upper | | | | | | |
| 2019 | 45.3 | 39.4 | 2 | 40.0 | 190 | 34.8 |
| 2020 | 45.3 | -- | 21 | 48.8 | 4,580 | 64.8 |
| Not Available | | | | | | |
| 2019 | 0.0 | 18.0 | 2 | 40.0 | 180 | 33.0 |
| 2020 | 0.0 | -- | 2 | 4.7 | 236 | 3.3 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 5 | 100.0 | 546 | 100.0 |
| 2020 | 100.0 | -- | 43 | 100.0 | 7,066 | 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 Loans

The distribution of small business loans reflects good penetration of loans to businesses with GARs of \$1.0 million or less.

The bank's 2019 lending performance exceeded aggregate and was below demographics. Although performance was less than the percentage of businesses, not all businesses in the assessment area are in the market for a small business loan.

Although the number of small business loans increased substantially in 2020, lending fell well below demographics. The large number of borrowers with income reported as "not available" reduces the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a large number of PPP loans, which contributed to the high percentage of loans in the "revenue not available" category.

| Distribution of Small Business Loans by Gross Annual Revenue Category Assessment Area: Bangor, ME MSA | | | | | | |
|--|-----------------|------------------------------|------------|--------------|---------------|--------------|
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 75.6 | 46.4 | 9 | 69.2 | 857 | 66.4 |
| 2020 | 77.1 | -- | 14 | 9.2 | 1,662 | 12.7 |
| >\$1,000,000 | | | | | | |
| 2019 | 8.1 | -- | 3 | 23.1 | 404 | 31.3 |
| 2020 | 7.4 | -- | 7 | 4.6 | 905 | 6.9 |
| Revenue Not Available | | | | | | |
| 2019 | 16.3 | -- | 1 | 7.7 | 30 | 2.3 |
| 2020 | 15.5 | -- | 132 | 86.3 | 10,532 | 80.4 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 13 | 100.0 | 1,291 | 100.0 |
| 2020 | 100.0 | -- | 153 | 100.0 | 13,099 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Community Development Loans

BHBT made an adequate level of community development loans that directly benefitted the Bangor, ME MSA assessment area. As previously mentioned, the bank entered this area in October 2019 by acquiring the branches from PUB. In 2020, the bank originated one PPP loan for approximately \$1.3 million to a local drilling company. The funds helped the small business cover payroll during the COVID-19 pandemic shutdown, which helped retain 12 jobs. The majority of the jobs retained are permanent low- and moderate-income jobs.

INVESTMENT TEST

BHBT demonstrated adequate performance under the Investment Test within the Bangor, ME MSA assessment area. The bank's performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily supports this conclusion. The following sections discuss the bank's performance under each criterion.

Investment and Grant Activity

BHBT made an adequate level of qualified investments during the evaluation period. Although the bank did not make any equity investments directly benefitting the Bangor, ME MSA assessment area, the bank made six new investments that provided a broader statewide benefit and earmarked portions of two regional investments to the state. Additionally, the bank held one prior period investment benefitting the statewide area. Please refer to the ME rated area for details regarding the statewide investments.

In addition, the bank made 35 donations totaling \$46,250. Donations primarily supported community development services to low- and moderate-income individuals and families. The following are examples of qualified donations in the Bangor, ME MSA assessment area.

- ***Eastern Maine Community College Foundation (EMCC)*** – EMCC Foundation provides scholarships to reduce the financial burden of tuition and books for low- and moderate-income individuals. Scholarships are based on academic merit and financial need. The bank made six donations totaling \$10,500.
- ***Eastern Maine Development Corporation (EMDC)*** – EMDC provides financial, educational, and supportive services to small businesses in eastern Maine. EMDC offers a workforce development program for individuals and employers helping to retain and create local area jobs. The bank made two donations totaling \$5,000.

Responsiveness to Credit and Community Development Needs

BHBT exhibits adequate responsiveness to credit and community development needs. Community contacts identified needs including affordable housing and workforce development to which the bank was responsive. In addition to the equity investments supporting affordable housing needs statewide, donations to EMDC supported workforce development initiatives. The majority of donations benefited organizations that support low- and moderate-income individuals.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT demonstrated adequate performance under the Service Test within the Bangor, ME MSA assessment area. Examiners gave more weight to performance under Community Development Services when arriving at this conclusion. The following sections discuss the bank's performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution's Bangor, ME MSA assessment area. The bank operates six branches in this assessment area. One Bangor-based branch is located in a moderate-income census tract, which abuts another moderate-income census tract. All branches maintain ATMs and drive-up facilities. Branch distribution and alternative delivery systems for the assessment area are consistent with the overall institution. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|---|---------------|--------------|---------------|--------------|----------|--------------|----------|--------------|
| Assessment Area: Bangor, ME MSA | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 3 | 12.0 | 12,475 | 13.2 | 1 | 16.7 | 1 | 16.7 |
| Middle | 12 | 48.0 | 45,870 | 48.5 | 2 | 33.3 | 2 | 33.3 |
| Upper | 9 | 36.0 | 31,645 | 33.5 | 3 | 50.0 | 3 | 50.0 |
| NA | 1 | 4.0 | 4,582 | 4.8 | 0 | 0.0 | 0 | 0.0 |
| Total | 25 | 100.0 | 94,572 | 100.0 | 6 | 100.0 | 6 | 100.0 |
| <i>Source: 2015 ACS Data; Bank Data</i> | | | | | | | | |

Changes in Branch Locations

To the extent changes have been made, the institution's opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- and moderate-income individuals. In 2019, BHBT entered the Bangor market acquiring PUB's Brewer, Bangor (3), Orono, and Newport branches. One of the three Bangor branches is located in a moderate-income census tract. The remaining acquired branches are in middle- and upper-income census tracts.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals. Hours and services are consistent with the overall institution and ME rated area. Branch hours are generally consistent at each location with weekday hours of 9:00 A.M. to 4:00 P.M. on Monday – Thursday, 9:00 A.M. to 5:00 P.M. on Fridays, and 9:00 A.M. to 12:00 P.M. on Saturdays. Hours vary slightly with earlier morning start times on weekdays at a few locations. Drive-up hours are generally available approximately 30 minutes to an hour prior to and after lobby hours on weekdays. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides an adequate level of community development services. The bank provided approximately 87 hours of community development service hours in the Bangor, ME MSA assessment area. The majority of activity supported organizations providing affordable housing and community services to low- and moderate-income individuals. The following are examples of the community development services provided.

- ***Housing Foundation I*** – Housing Foundation I is a Housing and Urban Development subsidized, 80-unit affordable housing community in Orono, ME. An officer is a Board member.
- ***Habitat for Humanity of Greater Bangor*** - Habitat for Humanity is a non-profit

organization that builds affordable, energy-efficient homes for low-income families. An employee is a Finance Committee member.

PORTLAND-SOUTH PORTLAND, ME METROPOLITAN STATISTICAL AREA – Full-Scope Review

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

BHBT maintains one branch in the Portland-South Portland, ME MSA assessment area. In January 2019, the bank opened a commercial LPO in Portland, which is in the MSA, but outside the assessment area. The Portland-South Portland, ME MSA assessment area represents 4.4 percent of the total number of census tracts and holds 0.8 percent of the bank’s loans and 0.9 percent of the bank’s deposits. Examiners placed the least weight on the bank’s performance in the Portland-South Portland, ME MSA assessment area in arriving at the state of ME rating, as it contains the least number of branches, deposits, and loans of the three assessment areas.

There were no changes to the Portland-South Portland, ME MSA assessment area during the evaluation period. The assessment area consists of all eight Sagadahoc County census tracts and four census tracts (out of 67) in Cumberland County, which make-up the town of Brunswick. The 12 census tracts reflect the following income designations according to the 2015 ACS data:

- 3 moderate-income census tracts and
- 9 middle-income census tracts.

The three moderate-income census tracts are located in Bath (2) and Brunswick. The one branch is located in the moderate-income census tract in Brunswick.

Economic and Demographic Data

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) | 12 | 0.0 | 25.0 | 75.0 | 0.0 | 0.0 |
| Population by Geography | 55,470 | 0.0 | 22.8 | 77.2 | 0.0 | 0.0 |
| Housing Units by Geography | 27,858 | 0.0 | 22.8 | 77.2 | 0.0 | 0.0 |
| Owner-Occupied Units by Geography | 17,259 | 0.0 | 20.1 | 79.9 | 0.0 | 0.0 |
| Occupied Rental Units by Geography | 6,474 | 0.0 | 33.9 | 66.1 | 0.0 | 0.0 |
| Vacant Units by Geography | 4,125 | 0.0 | 16.6 | 83.4 | 0.0 | 0.0 |
| Businesses by Geography | 4,150 | 0.0 | 25.2 | 74.8 | 0.0 | 0.0 |
| Farms by Geography | 148 | 0.0 | 19.6 | 80.4 | 0.0 | 0.0 |
| Family Distribution by Income Level | 14,559 | 24.9 | 18.4 | 21.3 | 35.4 | 0.0 |
| Household Distribution by Income Level | 23,733 | 26.7 | 17.3 | 18.1 | 37.9 | 0.0 |
| Median Family Income MSA - 38860 Portland-South Portland, ME MSA | | \$74,701 | Median Housing Value | | | \$197,098 |
| | | | Median Gross Rent | | | \$817 |
| | | | Families Below Poverty Level | | | 8.9% |
| <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> | | | | | | |

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 4,150 non-farm businesses operating in the Portland-South Portland, ME MSA assessment area. GARs for these businesses follow.

- 83.5 percent have \$1 million or less.
- 5.2 percent have more than \$1 million.
- 11.3 percent have unknown revenues.

Service companies represent the largest portion of businesses at 44.4 percent; followed by retail trade at 13.2 percent; construction at 7.3, and finance, insurance, and real estate at 6.3 percent. In addition, 87.3 percent of area businesses have nine or fewer employees and 87.8 percent operate from a single location. Major employers include MaineHealth, Bath Iron Works, L.L. Bean Inc., and Unum Provident.

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.6 percent in Cumberland County and Sagadahoc County, ME. These levels were lower than the ME state average of 3.2 percent, and lower than the national rate of 3.9 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic.

Competition

The Portland-South Portland, ME MSA assessment area is a competitive market for financial services. According to FDIC Deposit Market share data as of June 30, 2020, 19 financial institutions operated 129 offices in the assessment area. Of these, BHBT ranked 18th with 0.2 percent deposit market share. Bank of America, N.A. captured the largest market share, followed by TD Bank, N.A. and Keybank, N.A. The top three institutions collectively held 32.5 percent of the market share.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 155 lenders originated 1,962 mortgage loans within the Portland-South Portland, ME MSA assessment area. BHBT ranked 58th with a market share of 0.3 percent. Bath Savings Institution captured the largest market share followed by Atlantic Federal Credit Union, Bangor Savings Bank, First National Bank, Residential Mortgage Services, and Camden National Bank. The top five institutions collectively held 30.3 percent of the market share.

Aggregate small business lending data for 2019 shows 83 lenders originated 9,345 small business loans within the Portland-South Portland, ME MSA assessment area, indicating a moderate level of competition. American Express, N.A. held the greatest market share followed by JPMorgan Chase Bank, N.A.; Bank of America, N.A.; Capital One Bank, N.A.; and Citibank, N.A. The top five institutions captured 52.5 percent of the market share. BHBT ranked 50th with 0.1 percent market share. Small business aggregate data contains lending data by county level. Therefore, the market share data includes lending activity in all Cumberland, skewing the market share comparison.

Community Contact

Examiners relied on a recent community contact conducted with an affordable housing organization located in the assessment area. The housing agency operates public affordable housing and administers a housing choice voucher program. The contact stated housing inventory and available rental units are extremely limited. Consequently, there is a shortage of affordable housing for low-

and moderate-income families. The contact also identified a need for financial literacy programs for low- and moderate-income individuals and a non-traditional loan product for Muslim immigrants. Overall, the contact indicated financial institutions have been responsive and involved in community development activities.

Credit and Community Development Needs and Opportunities

In determining the credit and community development needs, examiners considered economic and demographic information, bank information, and research conducted in connection with the community contact. Based on this data, examiners determined affordable housing and financial literacy for low- and moderate-income individuals and families represent primary community development and credit needs for the assessment area. Funding for community services for low- and moderate-income individuals represents an additional need for the assessment area.

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

LENDING TEST

BHBT's lending activity in the Portland-South Portland, ME MSA assessment area reflects poor responsiveness to assessment area credit needs. The bank's performance in Lending Activity, Geographic Distribution, Borrower Profile, and Community Development Lending criteria support this conclusion.

Lending Activity

The bank's lending levels reflect poor responsiveness to assessment area credit needs. In 2019 and 2020, BHBT reported 20 home mortgage loans totaling approximately \$5.7 million and 29 small business loans totaling approximately \$4.4 million in the Portland-South Portland, ME MSA assessment area. The Competition section starting on page 43 previously discussed the bank's market share rankings.

Geographic Distribution

The geographic distribution of loans reflects, given the product lines offered by the institution, poor dispersion throughout the Portland-South Portland, ME MSA assessment area. The bank's poor performance in all loan products supports this conclusion. Examiners focused on the percentage by number of originations within the moderate-income census tracts.

Home Mortgage Loans

In 2019, the bank originated five home mortgage loans. No loans were in the moderate-income tracts; whereas, the aggregate made 441 loans in these tracts. In 2020, lending in the Portland-South Portland, ME MSA increased to 15 loans. No loans were in the moderate-income tracts; whereas, demographic data indicates 20.1 percent of the owner-occupied housings are in these tracts. Aggregate data for 2020 was not available.

Small Business Loans

The geographic distribution of small business loans reflects poor penetration throughout the Portland-South-Portland, ME MSA assessment area. The bank did not originate any small business loans in 2019. The bank's 2020 lending performance was limited, with only four originations in the moderate-income census tracts. Demographic data shows 25.2 percent of businesses resided in these tracts.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, poor penetration among retail customers of different income levels and businesses of different sizes. The bank's poor performance across all loan products supports this conclusion. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers and the percentage by number of small business to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The bank's home mortgage performance reflects poor penetration among borrowers of different income levels. The bank originated no loans to low-income borrowers during the evaluation period. Aggregate and demographic data indicated lending opportunities.

The bank made three loans to moderate-income borrowers in this area during the evaluation period, none in 2019 and three in 2020. In 2020, the three loans represented 20 percent of overall lending which was greater than demographics at 18.4 percent. However, the limited number of originations does not allow for a meaningful comparison.

Small Business Loans

The distribution of small business loans reflects poor penetration of loans to businesses with GARs of \$1.0 million or less. In 2019, of the five originations, the bank originated three to small businesses. The bank's 2019 performance exceeded aggregate, but fell below demographics. However, the limited number of originations does not allow for a meaningful comparison.

Although overall small business originations increased in 2020, lending to small businesses with GARs of \$1.0 million declined and fell well below demographics. The number of borrowers with income reported as "not available" reduces the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a number of PPP loans, which contributed to increased lending activity in the Portland-South Portland, ME MSA assessment area and to the high percentage (87.5) of loans in the "income not available" category.

Community Development Loans

The bank made a low level of community development loans. In 2019, BHBT originated two community development loans totaling approximately \$7.5 million to a commercial builder. The funds helped build a grocery store in a moderate-income census tract within Brunswick. This area is part of an Opportunity Zone designated by the state for redevelopment. This improvement will benefit low- and moderate-income residents.

INVESTMENT TEST

BHBT demonstrated poor performance under the Investment Test in the Portland-South Portland, ME MSA assessment area. The following sections discuss the bank's performance under each criterion.

Investment and Grant Activity

BHBT made an adequate level of qualified community development investments and grants. Although the bank did not make any equity investments directly benefitting the Portland-South Portland, ME MSA assessment area, the bank made six new investments and earmarked two regional investments that provided a broader statewide benefit, which includes the Portland-South Portland, ME MSA assessment area. The bank also continues to hold one prior period investment benefitting the statewide area. Please refer to the ME rated area for details.

The bank made 29 donations totaling \$32,540. Since the prior evaluation, donation activity increased by \$29,640. Donations primarily supported community development services to low- and moderate-income individuals and families. The following are examples of qualified donations in the Portland-South Portland, ME MSA assessment area.

- ***Good Shepherd Food Bank*** – The bank made six donations during the evaluation period totaling approximately \$16,300. The donations will help Good Shepherd build a new storage and distribution facility improving their ability to store food year-round for low- and moderate-income individuals.
- ***Coastal Enterprises, Inc. (CEI)*** – CEI is a Community Development Financial Institution (CDFI) that provides financing to micro and small business and affordable housing organizations. The bank made three donations totaling \$1,500 during the evaluation period.

Responsiveness to Credit and Community Development Needs

BHBT exhibits poor responsiveness to credit and community development needs. The community contact identified affordable housing and financial literacy education needs in the Portland-South Portland, ME MSA. Although statewide investments support affordable housing, the bank did not have any investments specifically directed at supporting these efforts in the MSA. The donations benefitted organizations supporting low- and moderate-income individuals.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT demonstrated adequate performance under the Service Test in the Portland-South Portland, ME MSA assessment area. Examiners placed more weight on Community Development Services

when arriving at this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are reasonably accessible to essentially all portions of the institution’s Portland-South Portland, ME MSA assessment area. The bank operates one full-service branch, located in a moderate-income census tract in Brunswick. This branch maintains an ATM and drive-up facility. Branch distribution and alternative delivery systems for the assessment area are consistent with the overall institution. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: Portland-South Portland, ME MSA | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 3 | 25.0 | 12,622 | 22.8 | 1 | 100.0 | 1 | 100.0 |
| Middle | 9 | 75.0 | 42,848 | 77.2 | 0 | 0.0 | 0 | 0.0 |
| Upper | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 12 | 100.0 | 55,470 | 100.0 | 1 | 100.0 | 1 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

To the extent changes have been made, the bank’s opening and closing of branches has improved the accessibility of its delivery systems particularly to low- and moderate-income geographies and to low- and moderate-income individuals. In 2020, the bank closed the Topsham branch located in a middle-income census tract and opened a new full-service branch located in Brunswick in a moderate-income and in close proximity to the other two moderate-income census tracts.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals. Hours and services are consistent with the overall institution and ME rated area. Branch hours at the Brunswick branch are 9:00 A.M. to 4:00 P.M. on Monday – Thursday, 9:00 A.M. to 5:00 P.M. on Fridays, and 8:00 A.M. to 12:00 P.M on Saturdays. Drive-up hours are 8:00 A.M. to 5:00 P.M. on Monday – Thursday, 8:00 A.M. to 6:00 P.M. on Fridays, and 8:00 A.M. to 12:00 P.M on Saturdays. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides a limited level of community development services. The bank provided approximately 15 hours of community development service in the Portland-South Portland, ME

MSA assessment area during the evaluation period to Big Brothers Big Sisters of Bath/Brunswick (BBBS). BBBS provides support to at risk children through a mentoring program that matches adult and teen mentors to children who are primarily from single parent and low- or moderate-income households. An officer is a Board member.

STATE OF NEW HAMPSHIRE – Full-Scope Review

CRA RATING FOR STATE OF NEW HAMPSHIRE: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: Low Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NEW HAMPSHIRE

BHBT operated 21 or 38.7 percent of its 54 branches in the NH rated area. The NH rated area represents 45.8 percent of the total number of census tracts and holds 40.4 percent of the bank’s loans and 30.5 percent of the bank’s deposits. The NH rated area includes the Non-MSA, NH and the Manchester-Nashua, NH MSA assessment areas. Examiners placed the second greatest weight on the NH rated area in evaluating the bank’s overall performance since it contains the second largest majority of branches, deposits, and loans. Please refer to the full-scope assessment area evaluations for more details, including demographic and economic data.

SCOPE OF EVALUATION – NEW HAMPSHIRE

Examiners used full-scope examination procedures to review the bank’s operations in the NH rated area. The Scope of Evaluation for NH rated area is the same as previously discussed under the Scope of Evaluation section on page 4 of this document.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NEW HAMPSHIRE

LENDING TEST

BHBT’s Lending Test Performance is rated “Low Satisfactory” in the NH rated area.

BHBT’s good performance in Lending Activity, adequate performance in Geographic Distribution and Borrower Profile, and a low level of community development loans support this rating. The NH rated area performance was consistent with the conclusions for the Non-MSA, NH that contributed greater weight to overall conclusions. The bank’s performance was inconsistent with that in the Manchester-Nashua, NH MSA assessment area. The following sections discuss the bank’s Lending Test performance under each criterion.

Lending Activity

Lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, the bank reported 1,029 home mortgage loans totaling approximately \$262.3 million and 772 small business loans totaling approximately \$78.7 million inside the NH rated area.

The Description of Assessment Area section in each individual assessment area discusses the bank's market share rankings for home mortgage and small business lending. For the NH rated area, in 2019, BHBT ranked 14th out of 383 home mortgage lenders and was the top-ranked community bank for home mortgage lending. Leading institutions consisted primarily of large national banks and non-depository mortgage lenders. For small business lending, the bank ranked 16th out of 103 small business lenders and was one of two community banks within the top fifteen percent of lenders in 2019. Leading institutions consisted primarily of large national banks.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the NH rated area. Consistent performance in the Non-MSA, NH contributed greater weight to overall conclusions. As the bank demonstrated good penetration in the Manchester-Nashua, NH MSA assessment area and adequate performance in the NH rated area, its Manchester-Nashua, NH MSA assessment area performance was inconsistent with that for the NH rated area. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate distribution among retail customers of different income levels and business customers of different size throughout the NH rated area. Consistent performance in the Non-MSA, NH and inconsistent performance in the Manchester-Nashua, NH MSA assessment areas, support this conclusion. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Community Development Loans

BHBT has a low level of community development loans. The bank originated three community development loans totaling approximately \$4 million in the NH rated area. All three loans were originated in 2020; the bank made no community development loans in 2017 through 2019. The bank's overall performance was consistent with the Non-MSA, NH assessment area and the Manchester-Nashua, NH assessment area. Please see conclusions for the Non-MSA, NH and Manchester-Nashua, NH MSA assessment areas for examples. The following table illustrates the bank's community development lending activity by assessment area and purpose.

| Community Development Lending Assessment Area: State of New Hampshire | | | | | | | | | | |
|--|---------------------------|-----------------|---------------------------|-----------------|-----------------------------|-----------------|--------------------------------|-----------------|---------------|-----------------|
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA, NH | 0 | 0 | 0 | 0 | 2 | 2,863 | 0 | 0 | 2 | 2,863 |
| Manchester-Nashua, NH MSA | 0 | 0 | 0 | 0 | 1 | 1,156 | 0 | 0 | 1 | 1,156 |
| Total | 0 | 0 | 0 | 0 | 2 | 4,019 | 0 | 0 | 3 | 4,019 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

INVESTMENT TEST

BHBT’s Investment Test performance is rated “Low Satisfactory” in the NH rated area.

BHBT’s adequate Investment and Grant activity and good Responsiveness to Credit and Community Development Needs criteria primarily support this rating. The NH rated area performance was consistent with the conclusions for the Non-MSA and Manchester-Nashua, NH MSA assessment areas. The following sections discuss the bank’s Investment Test performance under each criterion.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and donations in the NH rated area. BHBT has seven equity investments totaling approximately \$1.9 million. Five totaling approximately \$1.2 million are new equity investments and two with a current book value of approximately \$650,000 are prior period equity investments. Of the seven equity investments, four (two new and two prior) totaling approximately \$1.9 million had a statewide benefit. In addition, the bank allocated a portion of two regional investments totaling approximately \$1.2 million to the NH rated area supporting affordable housing initiatives.⁴

The bank also made 210 qualified donations totaling \$338,647 during the evaluation period. The following table illustrates the bank’s community development qualified investment activity by assessment area and purpose.

⁴ Table does not reflect these regional investments.

| Qualified Investments | | | | | | | | | | |
|---|--------------------|--------------|--------------------|------------|----------------------|-----------|-------------------------|----------------|------------|--------------|
| Assessment Area: State of New Hampshire | | | | | | | | | | |
| Assessment Area | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Non-MSA, NH | 3 | 4 | 110 | 174 | 4 | 17 | 1 | 0 ⁵ | 118 | 195 |
| Manchester-Nashua, NH MSA | 3 | 9 | 89 | 131 | 2 | 21 | 1 | 5 | 95 | 166 |
| Statewide NH | 4 | 1,850 | 0 | 0 | 0 | 0 | 0 | 0 | 4 | 1,850 |
| Total | 10 | 1,863 | 199 | 305 | 6 | 38 | 2 | 5 | 217 | 2,211 |
| <i>Source: Bank Data</i> | | | | | | | | | | |

Please see conclusions for the Non-MSA and Manchester-Nashua, NH MSA assessment areas for examples of qualified investments and donations that directly benefitted each assessment area. The following are examples of qualified community development equity investments that had a statewide benefit.

- **NH Community Loan Fund (NHCLF)** – The bank made two new equity investments during the evaluation and holds two prior investments totaling approximately \$1.9 million. The NHCLF brings together private and public investors, human capital, and civic resources to support underserved individuals and families within the state. The NHCLF provides financing, capital, and technical assistance to businesses and non-profit organizations that support low- and moderate-income individuals and families and affordable housing.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. The bank invested in affordable housing throughout the NH assessment area. BHBT also donated to community service organizations, along with additional donations supporting economic development to create and retain jobs for low- and moderate-income individuals. Examiners determined these areas to be significant credit and community development needs throughout the assessment areas based on bank information, public information, and information provided by community contacts.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT’s Service Test performance is rated “Low Satisfactory” in the NH rated area.

⁵ Donation = \$250

Examiners gave more weight to the bank’s performance under Community Development Services when arriving at this conclusion. The NH rated area performance was consistent with the conclusions for the Non-MSA, NH and Manchester-Nashua, NH MSA assessment areas. The following sections discuss the bank’s Service Test performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution’s NH assessment area. The bank operates 21 branches in this assessment area. One branch is located in a low-income census tract and five in moderate-income census tracts. All branches maintain ATMs. Drive-up facilities are available at the Hanover, Manchester, Nashua, New London, Newport, and Peterborough branches. Branch distribution and alternative delivery systems for the assessment area are consistent with the institution overall. The following table shows the branch and ATM distribution by census tract income level. Please see the individual assessment area sections for more details.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: State of New Hampshire | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 8 | 6.4 | 30,841 | 5.4 | 1 | 4.8 | 1 | 4.8 |
| Moderate | 28 | 22.4 | 109,412 | 19.2 | 5 | 23.8 | 5 | 23.8 |
| Middle | 55 | 44.0 | 250,873 | 43.9 | 9 | 42.9 | 9 | 42.9 |
| Upper | 33 | 26.4 | 179,958 | 31.5 | 6 | 28.6 | 6 | 28.6 |
| NA | 1 | 0.8 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 125 | 100.0 | 571,084 | 100.0 | 21 | 100.0 | 21 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

BHBT’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in low- and moderate-income geographies and/or to low- or moderate-individuals. The bank opened two new branches, one located in moderate-income census tract and one in an upper-income census tract. The bank closed one full-service branch in a moderate-income census tract and a limited-service drive-thru only branch in a middle-income census tract. Please see the individual assessment area sections for more details.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate-income geographies and/or individuals. BHBT offers the same products and services at all full-service branches and business hours are generally consistent among branches, varying only slightly by branch location. The reasonableness of business hours and services is consistent across NH assessment areas. Additional information is included in the individual assessment area sections.

Community Development Services

BHBT provides an adequate level of community development services. The bank provided approximately 202 hours of community development services in the NH rated area. The majority of activity supported community services to low- and moderate-income individuals. The following table illustrates the bank’s community development service activity by assessment area and purpose.

| Community Development Services | | | | | |
|--|---------------------------|---------------------------|-----------------------------|--------------------------------|---------------|
| Assessment Area: State of New Hampshire | | | | | |
| Assessment Area | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| Non-MSA, NH | 1 | 105 | 0 | 0 | 106 |
| Manchester-Nashua, NH MSA | 3 | 77 | 16 | 0 | 96 |
| Total | 4 | 182 | 16 | 0 | 202 |
| <i>Source: Bank Data</i> | | | | | |

Please see conclusions for the Non-MSA, NH and Manchester-Nashua, NH MSA assessment areas for examples of community development service activities.

NON-METROPOLITAN AREAS – NEW HAMPSHIRE – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-MSA, NH

BHBT maintains 15 of its 54 branches in the Non-MSA, NH assessment area. The Non-MSA, NH assessment area represents 14.3 percent of the total number of census tracts and holds 26.3 percent of the bank’s loans and 24.7 percent of the bank’s deposits. Examiners placed the greatest weight on the bank’s performance in the Non-MSA, NH assessment area in arriving at the state of NH rating, as it contains the largest number of branches, deposits, and loans out of the two assessment areas.

Prior to the previous evaluation, BHBT acquired Lake Sunapee Bank on January 13, 2017. This acquisition added 35 census tracts located in the Non-MSA, NH to BHBT’s combined assessment area. Given the timing of the acquisition, examiners did not review this area at the prior evaluation. In 2018, BHBT added two census tracts in Sullivan County and two census tracts in Merrimack County. The assessment area includes Sullivan County and portions of Grafton and Merrimack Counties. The 39 census tracts reflect the following income designations according to the 2015 ACS data:

- 7 moderate-income census tracts,
- 21 middle-income census tracts, and
- 11 upper-income census tracts.

The seven moderate-income census tracts are located in Claremont (2), Charlestown, Franklin (2), and Concord (2). The Claremont and Concord branches are in the moderate-income census tracts.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Non-MSA, NH assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|--|---------|------------|------------------------------|---------------|--------------|------------|
| Assessment Area: Non-MSA, NH | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 39 | 0.0 | 17.9 | 53.8 | 28.2 | 0.0 |
| Population by Geography | 167,112 | 0.0 | 16.8 | 52.7 | 30.5 | 0.0 |
| Housing Units by Geography | 79,269 | 0.0 | 17.0 | 55.2 | 27.8 | 0.0 |
| Owner-Occupied Units by Geography | 44,701 | 0.0 | 15.8 | 53.9 | 30.3 | 0.0 |
| Occupied Rental Units by Geography | 21,160 | 0.0 | 22.0 | 55.6 | 22.4 | 0.0 |
| Vacant Units by Geography | 13,408 | 0.0 | 13.4 | 58.7 | 27.9 | 0.0 |
| Businesses by Geography | 16,813 | 0.0 | 18.6 | 49.0 | 32.4 | 0.0 |
| Farms by Geography | 624 | 0.0 | 14.6 | 51.9 | 33.5 | 0.0 |
| Family Distribution by Income Level | 41,566 | 18.3 | 17.2 | 21.5 | 43.0 | 0.0 |
| Household Distribution by Income Level | 65,861 | 22.0 | 16.5 | 18.0 | 43.5 | 0.0 |
| Median Family Income Non-MSAs - NH | | \$71,699 | Median Housing Value | | | \$227,550 |
| | | | Median Gross Rent | | | \$959 |
| | | | Families Below Poverty Level | | | 6.5% |
| <i>Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0%</i> (*) The NA category consists of geographies that have not been assigned an income classification | | | | | | |

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 16,813 non-farm businesses operating in the Non-MSA, NH assessment area. GARs for these businesses follow.

- 83.4 percent have \$1 million or less.
- 4.9 percent have more than \$1 million.
- 11.7 percent have unknown revenues.

Service companies represent the largest portion of businesses at 38.2 percent; followed by retail trade at 10.9 percent; finance, insurance, and real estate at 8.2; and construction at 7.4 percent. In addition, 88.5 percent of area businesses have nine or fewer employees and 87.8 percent operate from a single location. Major employers include Walmart, Fidelity Investments, Liberty Mutual Insurance, and Hannaford Bros Company.

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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% |
| NH NA Median Family Income (99999) | | | | |
| 2019 (\$81,600) | <\$40,800 | \$40,800 to <\$65,280 | \$65,280 to <\$97,920 | ≥\$97,920 |
| 2020 (\$85,300) | <\$42,650 | \$42,650 to <\$68,240 | \$68,240 to <\$102,360 | ≥\$102,360 |
| <i>Source: FFIEC</i> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.1 percent in Grafton County, NH; 2.2 percent in Merrimack County, NH; and 2.2 in Sullivan County, NH. These levels were comparable to the NH state average of 2.5 percent and lower than the national rate of 3.9 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic.

Competition

The Non-MSA, NH assessment area is a competitive market for financial services. According to FDIC Deposit Market share data as of June 30, 2020, 30 financial institutions operated 208 offices in the assessment area. Of these, BHBT ranked 6th with 3.3 percent deposit market share. Citizens Bank, N.A. captured the largest market share, followed by TD Bank, N.A., and Bank of America, N.A. The top three institutions collectively held 65.7 percent of the market share.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 253 lenders originated 4,290 mortgage loans within the Non-MSA, NH assessment area. BHBT ranked 3rd with a market share of 6.6 percent. The two institutions that out ranked BHBT include Quicken Loans (7.0 percent) and Citibank North America (6.7 percent).

Aggregate small business lending data for 2019 shows 78 lenders originated 6,476 small business loans within the Non-MSA, NH assessment area, indicating a moderate level of competition. American Express, N.A. held the greatest market share followed by JPMorgan Chase Bank, N.A.; Citibank, N.A.; Capital One Bank, N.A.; and Bank of American, N.A. The top five institutions captured 56.7 percent of the market share. BHBT ranked 16th with 1.5 percent market share. The only community bank out ranked higher than BHBT was Mascoma Bank.

Community Contacts

Examiners relied on two recent community contacts conducted within the Non-MSA, NH assessment area. First, a Concord-based community development contact identified affordable housing as the most pressing need in the assessment area and surrounding area. The contact indicated the lack of decent affordable housing has negatively affected new business development. The second contact, a non-profit small business financing organization, indicated small business lending represents the community’s primary credit need. The contact said local financial institutions are actively involved in small business lending; however, portions of Grafton and

Sullivan Counties present geographic challenges making it difficult to attract and retain small businesses. As such, opportunities are limited for small business lending in these rural areas. In addition, the contact noted Merrimack County has more demand for small business lending due to its proximity to Massachusetts. Finally, both contacts indicated financial institutions have been responsive to the credit and community development needs.

Credit and Community Development Needs and Opportunities

In determining the credit and community development needs, examiners considered economic and demographic information, bank information, and research conducted in connection with the community contact. Based on this data, examiners determined affordable housing represents the area's greatest credit need. In addition, examiners identified the need for non-traditional lending to small businesses to support economic development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN NON-MSA, NH

LENDING TEST

BHBT demonstrated adequate performance under the Lending Test within the Non-MSA, NH assessment area. The bank's adequate performance in Geographic Distribution and Borrower Profile and good performance in Lending Activity support this conclusion. The following sections discuss the bank's Lending Test performance under each criterion.

Lending Activity

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, BHBT reported 720 home mortgage loans totaling approximately \$184.9 million and 477 small business loans totaling approximately \$49.7 million inside the Non-MSA, NH assessment area. The Competition section starting on page 55 previously discussed the bank's market share rankings.

Geographic Distribution

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

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Non-MSA, NH assessment area. The bank's 2019 lending performance in moderate-income census tracts was below aggregate and demographics. According to 2019 market share data, 120 home mortgage lenders originated 634 loans, indicating a high level of competition. BHBT ranked 23rd overall and 4th among community banks, outperformed primarily by large national banks and non-depository mortgage lenders. In 2020, despite a significant increase in overall lending, performance by number of loans remained consistent.

| Geographic Distribution of Home Mortgage Loans Assessment Area: Non-MSA, NH | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|----------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 15.8 | 14.8 | 8 | 2.8 | 931 | 1.3 |
| 2020 | 15.8 | -- | 8 | 1.8 | 1,055 | 0.9 |
| Middle | | | | | | |
| 2019 | 53.9 | 55.0 | 156 | 55.3 | 33,750 | 46.8 |
| 2020 | 53.9 | -- | 246 | 56.2 | 52,092 | 46.2 |
| Upper | | | | | | |
| 2019 | 30.3 | 30.3 | 118 | 41.8 | 37,490 | 51.9 |
| 2020 | 30.3 | -- | 184 | 42.0 | 59,621 | 52.9 |
| 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 | 282 | 100.0 | 72,170 | 100.0 |
| 2020 | 100.0 | -- | 438 | 100.0 | 112,768 | 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 adequate penetration throughout the Non-MSA, NH assessment area. The bank's 2019 lending performance was below the aggregate and demographics in moderate-income tracts in 2019. According to 2019 market share data, BHBT ranked 23rd out of 78 small business lenders, out performed by large national banks and credit card companies. The top five lenders held 53.6 percent of the market share. BHBT ranked 3rd among community banks. In 2020, the bank demonstrated a positive trend, increasing the number of originations in the moderate-income census tracts. However, performance remained below demographics.

| Geographic Distribution of Small Business Loans Assessment Area: Non-MSA, NH | | | | | | |
|--|-----------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 19.2 | 16.7 | 4 | 5.1 | 259 | 1.9 |
| 2020 | 18.6 | -- | 17 | 4.3 | 2,823 | 7.8 |
| Middle | | | | | | |
| 2019 | 49.2 | 50.3 | 39 | 49.4 | 9,030 | 66.2 |
| 2020 | 49.0 | -- | 223 | 56.0 | 21,318 | 59.2 |
| Upper | | | | | | |
| 2019 | 31.6 | 33.0 | 36 | 45.6 | 4,348 | 31.9 |
| 2020 | 32.4 | -- | 158 | 39.7 | 11,884 | 33.0 |
| 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 | 79 | 100.0 | 13,637 | 100.0 |
| 2020 | 100.0 | -- | 398 | 100.0 | 36,025 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The bank's adequate performance in home mortgage and good performance in small business lending support this conclusion. Examiners focused on the percentage of home mortgage loans by number to low- and moderate-income borrowers and to small businesses with GARs of \$1.0 million or less

Home Mortgage Loans

The distribution of home mortgage reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank's 2019 lending performance to low-income borrowers exceeded aggregate, but was below demographics.

A low-income family in the Non-MSA, NH assessment area, earning less than \$40,800, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$227,550. Additionally, 6.5 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 decreased in 2020; however, high housing demand resulted in higher median home prices in 2020 throughout NH.

In 2019, lending to moderate-income borrowers was below aggregate and demographics. Market share data for 2019, showed BHBT ranked 6th out of 118 home mortgage lenders and was the top ranked community bank lending to moderate-income families. The number of loans to moderate-income borrowers increased in 2020, but lending remained below demographic data.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, NH | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 18.3 | 5.9 | 18 | 6.4 | 1,565 | 2.2 |
| 2020 | 18.3 | -- | 17 | 3.9 | 2,106 | 1.9 |
| Moderate | | | | | | |
| 2019 | 17.2 | 18.9 | 39 | 13.8 | 6,305 | 8.7 |
| 2020 | 17.2 | -- | 53 | 12.1 | 7,291 | 6.5 |
| Middle | | | | | | |
| 2019 | 21.5 | 23.8 | 58 | 20.6 | 9,778 | 13.5 |
| 2020 | 21.5 | -- | 108 | 24.7 | 21,594 | 19.1 |
| Upper | | | | | | |
| 2019 | 43.0 | 37.4 | 154 | 54.6 | 52,058 | 72.1 |
| 2020 | 43.0 | -- | 256 | 58.4 | 81,169 | 72.0 |
| Not Available | | | | | | |
| 2019 | 0.0 | 13.9 | 13 | 4.6 | 2,463 | 3.4 |
| 2020 | 0.0 | -- | 4 | 0.9 | 608 | 0.5 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 282 | 100.0 | 72,170 | 100.0 |
| 2020 | 100.0 | -- | 438 | 100.0 | 112,768 | 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 good penetration of loans to businesses with GARs of \$1.0 million or less. The bank's 2019 performance was comparable to aggregate and below demographics. Although performance was less than demographics, not all businesses in the assessment area are in the market for a small business loan.

Although the bank's performance increased in 2020, it fell well below demographics. The large number of borrowers with income reported as "not available" reduces the percentage of lending to

all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a large number of PPP loans, which contributed to the high percentage of loans in the “revenue not available” category.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Non-MSA, NH | | | | | | |
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 79.6 | 47.0 | 37 | 46.8 | 2,800 | 20.5 |
| 2020 | 83.4 | -- | 50 | 12.6 | 5,760 | 16.0 |
| >\$1,000,000 | | | | | | |
| 2019 | 6.2 | -- | 30 | 38.0 | 10,131 | 74.3 |
| 2020 | 4.9 | -- | 30 | 7.5 | 9,402 | 26.1 |
| Revenue Not Available | | | | | | |
| 2019 | 14.2 | -- | 12 | 15.2 | 706 | 5.2 |
| 2020 | 11.7 | -- | 318 | 79.9 | 20,863 | 57.9 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 79 | 100.0 | 13,637 | 100.0 |
| 2020 | 100.0 | -- | 398 | 100.0 | 36,025 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Community Development Loans

BHBT has a low level of community development loans. The bank originated two community development loans totaling approximately \$2.9 million in the Non-MSA, NH MSA assessment area. Both were PPP loans. One loan made to an equipment seller supported the retention of 92 jobs. The other PPP loan was to a small drilling company and supported the retention of 63 jobs.

INVESTMENT TEST

BHBT demonstrated adequate performance under the Investment Test in Non-MSA, NH assessment area. The bank’s adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily supports this conclusion. The following sections discuss the bank’s Investment Test performance under each criterion.

Investment and Grant Activity

The bank has an adequate level of community development investments and grants. The bank made 118 qualified investments totaling \$195,570. This total includes one new equity investment totaling \$5,000 and 117 donations totaling \$190,570. In addition, as noted under Investment and Grant Activity in the NH rated area, four equity investments totaling approximately \$1.9 million had a

statewide benefit. Further, the bank allocated a portion of two regional investments totaling approximately \$1.2 million to the NH assessment area. Two affordable housing projects benefitting from these investments are within the Non-MSA, NH assessment area. The following summarizes the equity investment and examples of donations in the Non-MSA assessment area.

Equity Investment

- ***Community Development Finance Authority of NH (CDFA)*** - In 2020, the bank made one equity investment in a CDFFA of NH tax credit program totaling \$5,000. This investment helped a local cultural event center. CDFFA's mission is to revitalize downtowns and drive economic activity resulting in business expansion and job creation. Legislation established the CDFFA to address issues of affordable housing and economic opportunity including jobs for low- and moderate-income NH residents.

Donations

- ***New Hampshire Technical Institute Concord's Community College (NHTI)*** - The bank made five donations totaling \$7,500 during the evaluation period. The funds supported the scholarship fund, which benefits low- and moderate-income individuals. The 2020 donation supported NHTI's Lynx Cupboard food pantry, which helped provide for the increased number of students experiencing food insecurities during the COVID-19 pandemic.
- ***Upper Valley Service Corp of Retired Executives (SCORE)*** - SCORE is a non-profit organization and resource partner of the SBA. SCORE provides technical assistance services to new and established small businesses, including free mentoring from active and retired business owners, and low-cost workshops, webinars, and online educational resources to foster small business development. The bank made two donations totaling \$3,000 during the evaluation period.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. The majority of investments and donations supported affordable housing and organizations that support low- and moderate-income individuals and small businesses. These activities were particularly responsive to the assessment area's need for affordable housing.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT demonstrated adequate performance under the Service Test within the Non-MSA, NH assessment area. Examiners gave more weight to the bank's performance under Community

Development Services when arriving at this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the institution’s Non-MSA, NH assessment area. The bank operates 15 branches in this assessment area. The Claremont and Concord branches are in moderate-income census tracts and abut other moderate-income census tracts. All branches maintain ATMs. Drive-up facilities are available at all branches, except the Hanover, New London, and Newport branches. Branch distribution and alternative delivery systems for the assessment area are consistent with the institution overall. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: Non-MSA, NH | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 7 | 17.9 | 28,076 | 16.8 | 2 | 13.3 | 2 | 13.3 |
| Middle | 21 | 53.8 | 88,017 | 52.7 | 8 | 53.3 | 8 | 53.3 |
| Upper | 11 | 28.2 | 51,019 | 30.5 | 5 | 33.3 | 5 | 33.3 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 39 | 100.0 | 167,112 | 100.0 | 15 | 100.0 | 15 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

BHBT’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- or moderate-individuals. The bank closed one limited-service drive-thru only branch located in Newport in a middle-income census tract. The bank did not open any branches in the Non-MSA, NH assessment area during the evaluation period.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals. Hours and services are consistent with the overall institution and NH rated area. Full-service branch hours are consistent at each location with weekday hours of 9:00 A.M. to 5:00 P.M. on Monday - Friday and 9:00 A.M. to 12:00 P.M Saturday. Drive-up hours generally mirror lobby hours, though some are open approximately 30 minutes prior and remain open 30 minutes after lobby hours. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides an adequate level of community development services. The bank provided approximately 106 hours of community development services in the Non-MSA, NH assessment area. The majority of activity supported community services to low- and moderate-income individuals. The following are examples of the community development services provided.

- ***Boys & Girls Club of Central NH (BGCC)*** – BGCC is a non-profit organization that supports children through educational enrichment programs, homework assistance, community service programs, and free evening meals. The majority who benefit from BGCC services are low- and moderate-income individuals. An officer and two employees are fund raising committee members.
- ***CATCH Neighborhood Housing*** – CATCH Neighborhood Housing is a community-based non-profit organization offering affordable housing services in Merrimack County, NH. An officer is a Board member.

MANCHESTER-NASHUA NEW HAMPSHIRE, METROPOLITAN STATISTICAL AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN MANCHESTER- NASHUA, NH, MSA

BHBT maintains 6 of its 54 branches in the Manchester-Nashua, NH MSA assessment area. The Manchester-Nashua, NH MSA assessment area represents 31.5 percent of the total number of census tracts and holds 14.1 percent of the bank’s loans and 5.8 percent of the bank’s deposits. Examiners placed the least weight on the bank’s performance in the Manchester-Nashua, NH MSA assessment area in arriving at the state of NH rating, as it contains the least number of branches, deposits, and loans of the two assessment areas.

Prior to the previous evaluation, BHBT acquired Lake Sunapee Bank on January 13, 2017. This acquisition added 45 census tracts located in the Manchester-Nashua, NH MSA to BHBT’s combined assessment area. Given the timing of the acquisition, examiners did not review this area at the prior evaluation. In 2018, BHBT added 41 census tracts in Hillsborough County in anticipation of opening a branch in the city of Manchester. The assessment area consists of Hillsborough County. The 86 census tracts reflect the following income designations according to the 2015 ACS data:

- 8 low-income census tracts,
- 21 moderate-income census tracts,
- 34 middle-income census tracts,
- 22 upper-income census tracts, and
- 1 census tract with no income designation.

The eight low-income census tracts are located in Manchester (4) and Nashua (4). The 21 moderate-income census tracts are in Manchester (15), Nashua (3), Hillsboro, Greenville, and Windsor. The census tract with no income designation is the Manchester-Boston Regional Airport. BHBT's Nashua branch is located in a low-income census tract and the Manchester, Hillsboro, and Milford branches are in moderate-income census tracts.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the Manchester-Nashua, NH MSA assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|--|----------|------------------------------|------------------------|----------------------|---------------------|-------------------|
| Assessment Area: Manchester-Nashua, NH MSA | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 86 | 9.3 | 24.4 | 39.5 | 25.6 | 1.2 |
| Population by Geography | 403,972 | 7.6 | 20.1 | 40.3 | 31.9 | 0.0 |
| Housing Units by Geography | 167,207 | 8.4 | 22.6 | 40.7 | 28.3 | 0.0 |
| Owner-Occupied Units by Geography | 103,496 | 2.2 | 14.6 | 44.2 | 39.0 | 0.0 |
| Occupied Rental Units by Geography | 51,712 | 19.6 | 37.6 | 32.9 | 9.9 | 0.0 |
| Vacant Units by Geography | 11,999 | 14.2 | 26.6 | 43.9 | 15.3 | 0.0 |
| Businesses by Geography | 39,709 | 8.0 | 21.0 | 37.6 | 33.1 | 0.4 |
| Farms by Geography | 1,077 | 3.2 | 11.4 | 48.9 | 36.3 | 0.2 |
| Family Distribution by Income Level | 104,048 | 20.3 | 17.8 | 22.1 | 39.8 | 0.0 |
| Household Distribution by Income Level | 155,208 | 23.7 | 16.1 | 18.5 | 41.7 | 0.0 |
| Median Family Income MSA - 31700 Manchester-Nashua, NH MSA | \$85,966 | Median Housing Value | | | | \$238,896 |
| | | Median Gross Rent | | | | \$1,069 |
| | | Families Below Poverty Level | | | | 5.8% |

Source: 2015 ACS and 2020 D&B Data
Due to rounding, totals may not equal 100.0%
 (*) The NA category consists of geographies that have not been assigned an income classification

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 39,709 non-farm businesses operating in the Manchester-Nashua, NH MSA assessment area. GARs for these businesses follow.

- 87.4 percent have \$1 million or less.
- 4.7 percent have more than \$1 million.
- 7.9 percent have unknown revenues.

Service companies represent the largest portion of businesses at 36.6 percent; followed by retail trade at 10.9 percent; finance, insurance, and real estate 9.6 percent; and construction at 8.7 percent. In addition, 90.4 percent of area businesses have nine or fewer employees and 91.2 percent operate

from a single location. Major employers include Fidelity Investments, Southern NH Medical Center, Elliot Hospital, and Catholic Medical Center.

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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% |
| Manchester-Nashua, NH MSA Median Family Income (31700) | | | | |
| 2019 (\$98,100) | <\$49,050 | \$49,050 to <\$78,480 | \$78,480 to <\$117,720 | ≥\$117,720 |
| 2020 (\$105,000) | <\$52,500 | \$52,500 to <\$84,000 | \$84,000 to <\$126,000 | ≥\$126,000 |
| <i>Source: FFIEC</i> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 2.7 percent in Hillsborough County, NH. This level was comparable to the NH state average of 2.5 percent and lower than the national rate of 3.9 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.

Competition

The Manchester-Nashua, NH MSA assessment area is a moderate competitive market for financial services. According to FDIC Deposit Market share data as of June 30, 2020, 22 financial institutions operated 92 offices in the assessment area. Of these, BHBT ranked 10th with 1.0 percent deposit market share. Citizens Bank, N.A. captured the largest market share, followed by Bank of America, N.A., and TD Bank, N.A. The top three institutions collectively held 80.4 percent of the market share.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 353 lenders originated 17,384 mortgage loans within the Manchester-Nashua, NH MSA assessment area. BHBT ranked 35th with a market share of 0.7 percent and ranked 1st among community banks. Residential Mortgage Services captured the largest market share followed by Citibank North America; Quicken Loans; Digital Federal Credit Union; and Wells Fargo Bank, N.A. The top five institutions collectively held 27.5 percent of the market share.

Aggregate small business lending data for 2019 shows 92 lenders originated 9,306 small business loans within the Manchester-Nashua, NH MSA assessment area, indicating a moderate level of competition. American Express, N.A. held the greatest market share followed by JPMorgan Chase Bank, N.A.; Bank of American, N.A.; Citibank, N.A.; and Capital One Bank, N.A. The top five institutions captured 60.1 percent of the market share. BHBT ranked 20th with 0.9 percent market share and ranked 2nd among community banks.

Community Contact

Examiners relied on a recent community contact conducted with an economic development organization. The contact stated commercial loans, particularly those for real estate development and working capital, are in high demand, as are loans for start-up businesses. The contact also noted the state has a significant shortage of affordable housing particularly within the more densely populated areas such as Manchester and Nashua. Further, the contact noted the need for various community services such as youth and support programs for individuals recovering from addiction. Overall, the contact indicated financial institutions are involved in responding to the credit and community development needs.

Credit and Community Development Needs and Opportunities

In determining the credit and community development needs, examiners considered economic and demographic information, bank information, and research conducted in connection with the community contact. Based on this data, examiners determined affordable housing and funding for community services for low- and moderate-income individuals represent a primary credit need in the Manchester-Nashua, NH MSA assessment area.

CONCLUSIONS ON PERFORMANCE CRITERIA IN MANCHESTER-NASHUA, NH, MSA

LENDING TEST

BHBT demonstrated good performance under the Lending Test within the Manchester-Nashua, NH MSA assessment area. The bank's good performance in Lending Activity, Geographic Distribution, and Borrower Profile primarily support this conclusion.

Lending Activity

The bank's lending levels reflect good responsiveness to assessment area credit needs. In 2019 and 2020, BHBT reported 309 home mortgage loans totaling approximately \$77.4 million and 295 small business loans totaling approximately \$29.0 million inside the Manchester-Nashua, NH MSA assessment area. The Competition section starting on page 65 previously discussed the bank's market share rankings.

Geographic Distribution

The geographic distribution of loans reflects good penetration throughout the Manchester-Nashua, NH MSA assessment area. The bank's good performance in home mortgage and excellent performance in small business lending support this conclusion. Examiners focused on the percentage of loans in moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects good penetration throughout the Manchester-Nashua, NH MSA assessment area. The bank's 2019 lending performance in low-income

census tracts exceeded aggregate and demographics. Performance in low-income tracts declined in 2020 and fell below demographic data. The bank’s 2019 lending performance in moderate-income census tracts trailed the aggregate and demographics, but increased in 2020, by both number and percentage, comparing favorably to demographics.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|--|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Manchester-Nashua, NH MSA | | | | | | |
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 2.2 | 3.4 | 5 | 4.3 | 1,412 | 4.8 |
| 2020 | 2.2 | -- | 3 | 1.5 | 540 | 1.1 |
| Moderate | | | | | | |
| 2019 | 14.6 | 14.9 | 15 | 13.0 | 3,057 | 10.3 |
| 2020 | 14.6 | -- | 28 | 14.4 | 4,450 | 9.3 |
| Middle | | | | | | |
| 2019 | 44.2 | 42.2 | 68 | 59.1 | 15,136 | 50.9 |
| 2020 | 44.2 | -- | 115 | 59.3 | 25,334 | 53.2 |
| Upper | | | | | | |
| 2019 | 39.0 | 39.5 | 27 | 23.5 | 10,111 | 34.0 |
| 2020 | 39.0 | -- | 48 | 24.7 | 17,324 | 36.4 |
| 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 | 115 | 100.0 | 29,715 | 100.0 |
| 2020 | 100.0 | -- | 194 | 100.0 | 47,649 | 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 excellent penetration throughout the Manchester-Nashua, NH MSA assessment area. The bank’s 2019 lending performance in the assessment area’s low- and moderate-income census tracts exceeded aggregate and demographics in 2019 and demographics in 2020.

| Geographic Distribution of Small Business Loans Assessment Area: Manchester-Nashua, NH MSA | | | | | | |
|--|-----------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 7.8 | 6.8 | 9 | 10.7 | 737 | 6.7 |
| 2020 | 8.0 | -- | 27 | 12.8 | 1,227 | 6.8 |
| Moderate | | | | | | |
| 2019 | 20.8 | 17.9 | 22 | 26.2 | 2,714 | 24.8 |
| 2020 | 21.0 | -- | 52 | 24.6 | 4,182 | 23.1 |
| Middle | | | | | | |
| 2019 | 38.3 | 38.7 | 41 | 48.8 | 5,026 | 45.9 |
| 2020 | 37.6 | -- | 101 | 47.9 | 8,154 | 45.1 |
| Upper | | | | | | |
| 2019 | 32.7 | 36.0 | 12 | 14.3 | 2,469 | 22.6 |
| 2020 | 33.1 | -- | 31 | 14.7 | 4,535 | 25.1 |
| Not Available | | | | | | |
| 2019 | 0.5 | 0.5 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.4 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 84 | 100.0 | 10,946 | 100.0 |
| 2020 | 100.0 | -- | 211 | 100.0 | 18,098 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, good penetration among retail customers of different income levels and business customers of different size. The bank's good performance in home mortgage and small business lending support this conclusion. Examiners focused on the percentage of home mortgage loans by number to low- and moderate-income borrowers and to small businesses with GARs of \$1.0 million or less

Home Mortgage Loans

The distribution of home mortgage reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. The bank's 2019 lending performance to low-income borrowers exceeded aggregate, but was below demographics in 2019. A low-income family in the Manchester-Nashua, NH MSA assessment area, earning less than \$49,050, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$238,896. Additionally, 5.8 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 by both number and percentage in 2020.

In 2019, lending performance to moderate-income borrowers was comparable to aggregate and exceeded demographics. The number of loans to moderate-income borrowers increased in 2020 and remained comparable to demographics.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Manchester-Nashua, NH MSA | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 20.3 | 6.8 | 11 | 9.6 | 1,573 | 5.3 |
| 2020 | 20.3 | -- | 20 | 10.3 | 2,542 | 5.3 |
| Moderate | | | | | | |
| 2019 | 17.8 | 22.1 | 25 | 21.7 | 4,368 | 14.7 |
| 2020 | 17.8 | -- | 34 | 17.5 | 6,085 | 12.8 |
| Middle | | | | | | |
| 2019 | 22.1 | 24.7 | 17 | 14.8 | 3,356 | 11.3 |
| 2020 | 22.1 | -- | 24 | 12.4 | 5,033 | 10.6 |
| Upper | | | | | | |
| 2019 | 39.8 | 31.2 | 51 | 44.3 | 16,702 | 56.2 |
| 2020 | 39.8 | -- | 102 | 52.6 | 31,005 | 65.1 |
| Not Available | | | | | | |
| 2019 | 0.0 | 15.2 | 11 | 9.6 | 3,716 | 12.5 |
| 2020 | 0.0 | -- | 14 | 7.2 | 2,984 | 6.3 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 115 | 100.0 | 29,715 | 100.0 |
| 2020 | 100.0 | -- | 194 | 100.0 | 47,649 | 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 good penetration of loans to businesses with GARs of \$1.0 million or less. The bank's 2019 lending performance exceeded aggregate in 2019. According to 2019 market share, BHBT ranked 13th out of 92 small business lenders and 1st among community banks.

The bank's performance declined in 2020 and fell well below demographics. However, the large number of borrowers with income reported as "not available" reduced the percentage of lending to all GAR levels as compared to the demographic data. Under the PPP loan program, banks were not

required to collect revenue information. BHBT originated a large number of PPP loans, which contributed to the high percentage of loans in the “revenue not available” category.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: Manchester-Nashua, NH MSA | | | | | | |
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 83.9 | 46.0 | 45 | 53.6 | 3,721 | 34.0 |
| 2020 | 87.4 | -- | 20 | 9.5 | 2,595 | 14.3 |
| >\$1,000,000 | | | | | | |
| 2019 | 6.3 | -- | 32 | 38.1 | 6,593 | 60.2 |
| 2020 | 4.7 | -- | 12 | 5.7 | 3,033 | 16.8 |
| Revenue Not Available | | | | | | |
| 2019 | 9.8 | -- | 7 | 8.3 | 632 | 5.8 |
| 2020 | 7.9 | -- | 179 | 84.8 | 12,470 | 68.9 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 84 | 100.0 | 10,946 | 100.0 |
| 2020 | 100.0 | -- | 211 | 100.0 | 18,098 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Community Development Loans

BHBT made a low level of community development loans. The bank originated one community development loan for approximately \$1.2 million in the Manchester-Nashua, NH assessment area. The PPP loan was to a small cabinetmaker and supported retention of 86 jobs.

INVESTMENT TEST

BHBT demonstrated adequate performance under the Investment Test in Manchester-Nashua, NH MSA assessment area. The bank’s adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs criteria primarily supports this conclusion. The following sections discuss the bank’s Investment Test performance under each criterion.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants, although rarely in a leadership position, particularly those that are not provided by private investors. The bank made two new equity investments totaling \$17,500 and 93 qualified donations totaling \$148,077. Additionally, as noted under Investment and Grant Activity in the NH rated area, four equity investments totaling approximately \$1.85 million had a statewide benefit. The following are

the bank's equity investments and examples of donations that benefitted the Manchester-Nashua, NH MSA assessment area.

Equity Investments

- ***Nashua Soup Kitchen and A Place to Call Home*** - In 2020, BHBT invested \$10,000 in a CDFA-NH tax credit program. The tax credits will support renovating a former elementary school. The new facility will provide strong community benefit through increased access to critical services, including a homeless shelter with 24 units for single women and families, 11 new units of permanent housing, and supportive services.
- ***NeighborWorks Southern NH*** - In 2020, BHBT invested \$7,500 in a CDFA-NH tax credit program. The tax credits will support the NeighborWorks West Side RENEW project. West Side RENEW is an initiative to redevelop and preserve properties in significant decline or in need of capital improvements on Manchester's West Side. This effort will create four new quality, affordable rental units and preserve ten existing rental units.

Donations

- ***The Front Door*** - The Front Door is a non-profit organization supporting individuals and families at risk of homelessness. The donation provided support to the Transformational Housing program, which provides services to at risk single mothers and their children. The bank made three donations totaling \$4,500 during the evaluation period.
- ***The PLUS Company Inc.*** – The Plus Company is a non-profit organization that provides community-based services, including housing, life skills, and job development programs for people with developmental disabilities. The bank made four donations totaling \$4,000 during the evaluation period. The majority of those who benefit from these services are low- and moderate-income individuals.

Responsiveness to Credit and Community Development Needs

BHBT exhibits adequate responsiveness to credit and community development needs. The majority of investments and donations support affordable housing, economic development, and community organizations that support low- and moderate-income individuals.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT demonstrated adequate performance under the Service Test within the Manchester-Nashua, NH MSA assessment area. Examiners gave more weight to the bank's performance under

Community Development Services when arriving at this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the Manchester-Nashua, NH MSA assessment area. The Nashua branch is in a low-income census tract and abuts the three other low-income census tracts in the area. The Hillsboro, Manchester, and Milford branches are in moderate-income census tracts. The Manchester branch abuts three low-income census tracts and is in close proximity to the fourth tract. All branches maintain ATMs and drive-up facilities are available at the Bedford, Hillsboro, and Milford branches. Branch distribution and alternative delivery systems for the assessment area are consistent with the institution overall. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: Manchester-Nashua, NH MSA | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 8 | 9.3 | 30,841 | 7.6 | 1 | 16.7 | 1 | 16.7 |
| Moderate | 21 | 24.4 | 81,336 | 20.1 | 3 | 50.0 | 3 | 50.0 |
| Middle | 34 | 39.5 | 162,856 | 40.3 | 1 | 16.7 | 1 | 16.7 |
| Upper | 22 | 25.6 | 128,939 | 31.9 | 1 | 16.7 | 1 | 16.7 |
| NA | 1 | 1.2 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 86 | 100.0 | 403,972 | 100.0 | 6 | 100.0 | 6 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

BHBT’s opening and closing of branches has generally not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- or moderate-income individuals. The bank opened two full-service branches: one located in Manchester in a moderate-income census tract and one in Bedford in an upper-income census tract. The bank closed one full-service branch located in Nashua in a moderate-income census tract during the evaluation period. The branch closing did not adversely affect accessibility, as the other Nashua branch is within three miles and in close proximity to other low- and moderate-income census tracts.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the assessment area, particularly moderate-income geographies or low- and moderate-income individuals. Hours and services are consistent with the overall institution and NH rated area. Full-service branch hours are consistent at each location with weekday hours of 9:00 A.M. to 5:00 P.M. on Monday - Friday and 9:00 A.M. to 12:00 P.M Saturday. Drive-up hours generally mirror lobby hours, though some are available approximately 30 minutes prior and 30 minutes after lobby hours. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides an adequate level of community development services. The bank provided approximately 96 hours of community development services in the Manchester-Nashua, NH MSA assessment area. The majority of activity supported community services to low- and moderate-income individuals. The following are examples of the community development services provided.

- ***ConVal Community Dollars for Scholars*** – ConVal Community provide supplemental scholarship funds to young people who have both a financial need and a life challenge affecting their ability to continue their education. An officer serves on the Board.
- ***Dimas Home of NH (DHNH)*** - DHNH provides housing and supportive services to women who have experienced trauma, incarceration, and mental illness, including recovery counseling and transitional housing. The majority benefitting are low- and moderate-income women. An officer teaches monthly budgeting classes.

STATE OF VERMONT – Full-Scope Review

CRA RATING FOR STATE OF VERMONT: SATISFACTORY

The Lending Test is rated: Low Satisfactory

The Investment Test is rated: Low Satisfactory

The Service Test is rated: High Satisfactory

DESCRIPTION OF INSTITUTION’S OPERATIONS IN VERMONT

BHBT maintains 10 full-service branches and one limited-service branch in the VT rated area. The VT rated area represents 13.6 percent of the total number of census tracts and holds 15.9 percent of the bank’s loans and 11.8 percent of the bank’s deposits. Examiners placed the least weight on the bank’s performance in the state of VT rated area in evaluating the bank’s overall performance as it contains the least number of branches, deposits, and loans of the three rated areas.

Prior to the previous evaluation, BHBT acquired Lake Sunapee Bank on January 13, 2017. This acquisition added 36 census tracts located in the Non-MSA portion of VT to BHBT’s combined assessment area. Given the timing of the acquisition, examiners did not review this area at the prior evaluation. In 2018, BHBT added five census tracts in Rutland County and removed four census tracts in Addison County. The rated area includes Rutland County and portions of Orange and Washington Counties, which are part of the Non-MSA, VT. The 37 census tracts reflect the following income designations according to the 2015 ACS data:

- 4 moderate-income census tracts,
- 26 middle-income census tracts, and
- 7 upper-income census tracts.

The four moderate-income census tracts are located in Rutland (3) and Rochester. The bank has one branch located in the moderate-income census tract in Rochester. The Rutland branch is

located in close proximity (within one mile) to the three moderate-income census tracts within the city of Rutland.

Economic and Demographic Data

The following table illustrates select demographic characteristics of the VT rated area.

| Demographic Information of the Assessment Area | | | | | | |
|--|---------|------------|------------------------------|---------------|--------------|------------|
| Assessment Area: Vermont | | | | | | |
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 37 | 0.0 | 10.8 | 70.3 | 18.9 | 0.0 |
| Population by Geography | 114,072 | 0.0 | 11.0 | 68.3 | 20.7 | 0.0 |
| Housing Units by Geography | 63,998 | 0.0 | 9.3 | 70.6 | 20.1 | 0.0 |
| Owner-Occupied Units by Geography | 34,811 | 0.0 | 7.0 | 72.1 | 20.8 | 0.0 |
| Occupied Rental Units by Geography | 13,815 | 0.0 | 21.8 | 58.9 | 19.2 | 0.0 |
| Vacant Units by Geography | 15,372 | 0.0 | 3.2 | 77.4 | 19.4 | 0.0 |
| Businesses by Geography | 11,481 | 0.0 | 14.2 | 63.6 | 22.2 | 0.0 |
| Farms by Geography | 749 | 0.0 | 2.5 | 79.6 | 17.9 | 0.0 |
| Family Distribution by Income Level | 30,009 | 17.9 | 17.3 | 22.7 | 42.1 | 0.0 |
| Household Distribution by Income Level | 48,626 | 23.6 | 15.5 | 18.5 | 42.5 | 0.0 |
| Median Family Income Non-MSAs - VT | | \$64,849 | Median Housing Value | | | \$210,385 |
| | | | Median Gross Rent | | | \$840 |
| | | | Families Below Poverty Level | | | 6.8% |
| <i>Source: 2015 ACS and 2020 D&B Data Due to rounding, totals may not equal 100.0%</i> (*) The NA category consists of geographies that have not been assigned an income classification | | | | | | |

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. According to 2020 D&B data, there were 11,481 non-farm businesses operating in the VT rated area. GARs for these businesses follow.

- 85.7 percent have \$1 million or less.
- 4.6 percent have more than \$1 million.
- 9.7 percent have unknown revenues.

Service companies represent the largest portion of businesses at 36.5 percent; followed by retail trade at 11.5 percent construction at 8.3 percent, finance, insurance, and real estate at 6.9 percent. In addition, 90.0 percent of area businesses have nine or fewer employees and 90.4 percent operate from a single location. Major employers include Keurig Green Mountain, Central Vermont Medical Center, Rutland Regional Medical Center, and GE Aircraft Engines

Examiners used the 2019 and 2020 FFIEC-updated median family income level to analyze home mortgage loans under the Borrower Profile criterion. The following table presents 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% |
| Non-MSA VT Median Family Income (99999) | | | | |
| 2019 (\$73,600) | <\$36,800 | \$36,800 to <\$58,880 | \$58,880 to <\$88,320 | ≥\$88,320 |
| 2020 (\$74,600) | <\$37,300 | \$37,300 to <\$59,680 | \$59,680 to <\$89,520 | ≥\$89,520 |
| <i>Source: FFIEC</i> | | | | |

According to the United States Bureau of Labor Statistics, the average unemployment rate in 2018 was 3.0 percent in Rutland County, VT; 2.5 percent in Orange County, VT; and 2.5 in Washington County, VT. These levels were comparable to the VT state average of 2.7 percent and lower than the national rate of 3.9 percent. The unemployment rates in the assessment area declined slowly throughout the evaluation period, but began increasing rapidly in March 2020 due to the COVID-19 pandemic.

Competition

The VT rated area is a competitive market for financial services. According to FDIC Deposit Market share data as of June 30, 2020, 15 financial institutions operated 57 offices in the assessment area. Of these, BHBT ranked 4th with a 11.4 percent deposit market share. Mascoma Bank captured the largest market share, followed by PUB and TD Bank, N.A. The top three institutions collectively held 51.9 percent of the market share.

According to aggregate data, there is a high level of competition for home mortgage loans among several banks, credit unions, and non-depository mortgage lenders. In 2019, 167 lenders originated 2,282 mortgage loans within the VT rated area. BHBT ranked 4th with a market share of 4.9 percent. Quicken Loans captured the largest market share (9.8 percent) followed by Citibank North America (7.7 percent) and Vermont State Employees Credit Union (6.2 percent).

Aggregate small business lending data for 2019 shows 65 lenders originated 2,978 small business loans within the VT rated area, indicating a high level of competition. American Express, N.A. held the greatest market share followed by JPMorgan Chase Bank, N.A.; Citibank, N.A.; Capital One Bank, N.A.; and Mascoma Bank. The top five institutions captured 51.8 percent of the market share. BHBT ranked 8th with 3.2 percent market share and ranked 2nd among community banks.

Community Contact

Examiners contacted a non-profit community development organization in the VT rated area. The contact identified affordable housing and economic development as the area's primary needs. The contact noted the area has an aging housing stock and indicated affordable elderly housing, specifically serviced-enriched housing is a growing demand in this area with seniors (aged 65+)

representing the state's fastest growing population. On the economic side, many start-up businesses are moving to larger, more populated areas such as Burlington. To maintain the rural community's economy, it will be necessary to retain local start-up businesses. There is a need for low-interest non-traditional lending for low- and moderate-income business entrepreneurs who lack the collateral or credit history to qualify for traditional bank loans. The contact stated local community banks have been responsive in helping its organization meet the credit needs of the community.

Credit and Community Development Needs and Opportunities

In determining the credit and community development needs, examiners considered economic and demographic information, bank information, and research conducted in connection with the community contact. Based on this data, examiners determined that affordable housing represents the area's greatest credit need. In addition, examiners identified the need for non-traditional lending to small businesses to support economic development.

SCOPE OF EVALUATION – VERMONT

Examiners used full-scope examination procedures to review the bank's operations in the VT rated area. The Scope of Evaluation for the VT rated area is the same as previously discussed under the Scope of Evaluation section on page 4 of this document.

CONCLUSIONS ON PERFORMANCE CRITERIA IN VERMONT

LENDING TEST

BHBT's Lending Test Performance is rated "Low Satisfactory" in the VT rated area.

BHBT's adequate performance in Geographic Distribution, Borrower Profile, and Community Development Lending criteria support this conclusion. The following sections discuss the bank's Lending Test performance under each criterion.

Lending Activity

BHBT's lending activity reflects good responsiveness to credit needs. In 2019 and 2020, BHBT reported 285 home mortgage loans totaling approximately \$58.5 million and 414 small business loans totaling approximately \$30.7 million inside the VT rated area. The Competition section starting on page 75 previously discussed the bank's market share rankings.

Geographic Distribution

The geographic distribution of loans reflects adequate penetration throughout the VT rated area. The bank's adequate performance across all loan products support this conclusion. Examiners focused on the percentage of loans in moderate-income census tracts by number.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the VT rated area. In 2019, lending in moderate-income tracts was below aggregate and demographics. In 2020, the number and percentage of originations in the moderate-income census tracts increased; however, the performance remained less than demographics.

| Geographic Distribution of Home Mortgage Loans Assessment Area: State of Vermont | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 7.0 | 6.7 | 1 | 0.9 | 122 | 0.5 |
| 2020 | 7.0 | -- | 4 | 2.3 | 324 | 0.9 |
| Middle | | | | | | |
| 2019 | 72.1 | 72.9 | 81 | 71.7 | 14,938 | 65.9 |
| 2020 | 72.1 | -- | 97 | 56.4 | 17,459 | 48.7 |
| Upper | | | | | | |
| 2019 | 20.8 | 20.3 | 31 | 27.4 | 7,610 | 33.6 |
| 2020 | 20.8 | -- | 71 | 41.3 | 18,050 | 50.4 |
| 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 | 113 | 100.0 | 22,671 | 100.0 |
| 2020 | 100.0 | -- | 172 | 100.0 | 35,834 | 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 adequate penetration throughout the VT rated area. As shown in the following table, lending was below aggregate and demographics in moderate-income tracts in 2019. In 2020, the number and percentage of originations in the moderate-income census tracts increased; however, performance remained less than demographics.

| Geographic Distribution of Small Business Loans Assessment Area: State of Vermont | | | | | | |
|--|--------------------|------------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2020 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2019 | 14.6 | 10.1 | 2 | 2.2 | 390 | 3.4 |
| 2020 | 14.2 | -- | 15 | 4.7 | 965 | 5.0 |
| Middle | | | | | | |
| 2019 | 63.6 | 66.1 | 70 | 75.3 | 8,353 | 73.6 |
| 2020 | 63.6 | -- | 232 | 72.3 | 14,352 | 74.2 |
| Upper | | | | | | |
| 2019 | 21.8 | 23.8 | 21 | 22.6 | 2,609 | 23.0 |
| 2020 | 22.2 | -- | 74 | 23.1 | 4,017 | 20.8 |
| 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 | 93 | 100.0 | 11,352 | 100.0 |
| 2020 | 100.0 | -- | 321 | 100.0 | 19,334 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Borrower Profile

The distribution of borrowers reflects, given the product lines offered by the institution, adequate penetration among retail customers of different income levels and business customers of different size. The bank's adequate performance in home mortgage lending and good performance in small business lending support this conclusion. Examiners focused on the percentage of home mortgage loans by number to low- and moderate-income borrowers and to small businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, lending to low-income borrowers exceeded aggregate, but was below the percentage of low-income families in 2019. A low-income family in the VT rated area, earning less than \$36,800, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$210,385. Additionally, 6.8 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 number of loans extended to low-income borrowers increased in 2020, but by percentage declined and remained below demographic data.

In 2019, lending to moderate-income borrowers was below aggregate and demographics. In 2020, lending to moderate-income borrowers increased, but remained below demographics.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: State of Vermont | | | | | | |
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2019 | 17.9 | 5.9 | 9 | 8.0 | 854 | 3.8 |
| 2020 | 17.9 | -- | 12 | 7.0 | 1,313 | 3.7 |
| Moderate | | | | | | |
| 2019 | 17.3 | 19.1 | 16 | 14.2 | 1,884 | 8.3 |
| 2020 | 17.3 | -- | 26 | 15.1 | 3,471 | 9.7 |
| Middle | | | | | | |
| 2019 | 22.7 | 23.1 | 19 | 16.8 | 3,010 | 13.3 |
| 2020 | 22.7 | -- | 24 | 14.0 | 4,120 | 11.5 |
| Upper | | | | | | |
| 2019 | 42.1 | 39.5 | 66 | 58.4 | 16,504 | 72.8 |
| 2020 | 42.1 | -- | 105 | 61.0 | 26,521 | 74.0 |
| Not Available | | | | | | |
| 2019 | 0.0 | 12.4 | 3 | 2.7 | 419 | 1.8 |
| 2020 | 0.0 | -- | 5 | 2.9 | 409 | 1.1 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 113 | 100.0 | 22,671 | 100.0 |
| 2020 | 100.0 | -- | 172 | 100.0 | 35,834 | 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 good penetration of loans to businesses with GARs of \$1.0 million or less. The bank’s 2019 lending performance was in line with aggregate, but below demographics. Although performance was less than the percentage of businesses, not all businesses in the assessment area are in the market for a small business loan.

Although the bank’s performance increased in 2020, it fell well below demographics. However, as stated previously, the large number of borrowers with income reported as “not available” reduces the percentage of lending to all GAR levels as compared to demographics. Under the PPP loan program, banks were not required to collect revenue information. BHBT originated a large number

of PPP loans, which contributed to the high percentage of loans in the “revenue not available” category.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | | |
|--|------------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Assessment Area: State of Vermont | | | | | | |
| Gross Revenue Level | % of Businesses | Aggregate Performance % of # | # | % | \$(000s) | % |
| ≤\$1,000,000 | | | | | | |
| 2019 | 84.2 | 46.1 | 43 | 46.2 | 3,821 | 33.7 |
| 2020 | 85.7 | -- | 78 | 24.3 | 5,436 | 28.1 |
| >\$1,000,000 | | | | | | |
| 2019 | 5.2 | -- | 36 | 38.7 | 6,994 | 61.6 |
| 2020 | 4.6 | -- | 22 | 6.9 | 5,110 | 26.4 |
| Revenue Not Available | | | | | | |
| 2019 | 10.6 | -- | 14 | 15.1 | 537 | 4.7 |
| 2020 | 9.7 | -- | 221 | 68.8 | 8,788 | 45.5 |
| Totals | | | | | | |
| 2019 | 100.0 | 100.0 | 93 | 100.0 | 11,352 | 100.0 |
| 2020 | 100.0 | -- | 321 | 100.0 | 19,334 | 100.0 |
| <i>Source: 2019 & 2020 D&B Data; Bank Data; 2019 CRA Aggregate Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | | |

Community Development Loans

BHBT made an adequate level of community development loans that directly benefitted the VT rated area. The bank originated three community development loans totaling approximately \$1.3 million in the VT rated area. Of the three loans, two totaling \$68,751 supported affordable housing initiatives and one PPP loan for approximately \$1.2 million supported economic development within the VT rated area.

The following are examples of qualified community development loans in the VT rated area.

- In 2018, the bank originated a \$50,000 loan to an affordable housing and community development non-profit organization. The non-profit organization used the proceeds to fund a 16-unit affordable housing project.
- In 2020, the bank originated a PPP loan for approximately \$1.2 million to a small construction company. The funds helped the business cover payroll during the COVID-19 shutdown, which helped retain 14 jobs. The majority of the jobs retained are permanent low- and moderate-income jobs.

INVESTMENT TEST

BHBT's Investment Test performance is rated "Low Satisfactory" in the VT rated area.

The bank's adequate performance in the Investment and Grant Activity and Responsiveness to Credit and Community Development Needs supports this conclusion. The following sections discuss the bank's Investment Test performance under each criterion.

Investment and Grant Activity

BHBT has an adequate level of qualified investments and donations in the VT rated area. The bank made three new equity investments totaling \$288,910 and 84 qualified donations totaling \$61,970. In addition, the bank allocated a portion of two regional investments totaling approximately \$1.8 million to the VT rated area supporting affordable housing initiatives.

The following are the equity investments and examples of donations benefitting the VT rated area.

Equity Investments

- ***Vermont Department of Housing and Community Development (VDHCD)*** - The bank made two equity investments in VDHCD's Downtown and Village Center Tax credit program totaling \$38,910. These investments helped restore a Community Center and convert a vacant commercial building into a multi-use property with lodging and collaborative workspace for area small businesses. This project helped to revitalize a local moderate-income downtown.
- ***Vermont Community Loan Fund (VCLF)*** - In 2020, the bank invested \$250,000. The VCLF provides loans and grants for affordable housing, business, community facilities, and non-profits. The majority of this fund is for affordable housing-related initiatives.

Donations

- ***Vital Communities*** – Vital Communities provides housing, transportation, and economic programs to upper valley VT. The bank made two donations totaling \$5,000. The donations supported the organization's workforce housing program, which primarily benefits low- and moderate-income individuals.
- ***Randolph Area Community Development Council (RACDC)*** – RACDC is a housing and community development non-profit, working to revitalize village centers and create affordable housing options. The bank made three donations totaling \$2,250 primarily supporting affordable housing initiatives.

Responsiveness to Credit and Community Development Needs

BHBT exhibits good responsiveness to credit and community development needs. The majority of investments supported affordable housing; a primary need in the VT rated area. The majority of donations benefit organizations supporting low- and moderate-income individuals.

Community Development Initiatives

BHBT rarely uses innovative and/or complex qualified investments to support community development initiatives.

SERVICE TEST

BHBT’s Service Test performance is rated “High Satisfactory” in the VT rated area.

Examiners gave more weight to the bank’s good performance under Community Development Services when arriving at this conclusion. The following sections discuss the bank’s performance under each criterion.

Accessibility of Delivery Systems

Delivery systems are accessible to essentially all portions of the VT rated area. The bank operates ten full-service branches and one limited-service (drive-up only) branch. The Rochester full-service branch is located in a moderate-income census tract. Additionally, the Rutland full-service branch, which is located in a middle-income census tract, abuts three of the four moderate-income census tracts in the assessment area. All branches maintain ATMs. Drive-up facilities are available at the Bethel, Pittsford, Randolph, Rutland, and Woodstock branches. Branch distribution and alternative delivery systems for the assessment area are consistent with the institution overall. The following table shows the branch and ATM distribution by census tract income level.

| Branch and ATM Distribution by Geography Income Level | | | | | | | | |
|--|----------------------|--------------|-------------------|--------------|-----------------|--------------|-------------|--------------|
| Assessment Area: State of Vermont | | | | | | | | |
| Tract Income Level | Census Tracts | | Population | | Branches | | ATMs | |
| | # | % | # | % | # | % | # | % |
| Low | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Moderate | 4 | 10.8 | 12,514 | 11.0 | 1 | 9.1 | 1 | 9.1 |
| Middle | 26 | 70.3 | 77,935 | 68.3 | 8 | 72.7 | 8 | 72.7 |
| Upper | 7 | 18.9 | 23,623 | 20.7 | 2 | 18.2 | 2 | 18.2 |
| NA | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Total | 37 | 100.0 | 114,072 | 100.0 | 11 | 100.0 | 11 | 100.0 |

Source: 2015 ACS Data; Bank Data

Changes in Branch Locations

BHBT’s opening and closing of branches has not adversely affected the accessibility of its delivery systems, particularly in moderate-income geographies and/or to low- or moderate-individuals. The

bank closed three full-service branches located in Brandon, Quechee, and West Rutland. Two were in middle-income census tracts and one in an upper-income census tract. The bank also removed a remote stand-alone ATM in a middle-income census tract. The bank did not open any branches during the evaluation period.

Reasonableness of Business Hours and Services

Services (including where appropriate, business hours) do not vary in a way that inconveniences certain portions of the VT rated area, particularly moderate-income geographies or low- and moderate-income individuals. Business hours and services consistent with the overall institution. Full-service branch hours are generally consistent at each location and with the institution as a whole with weekday hours of 9:00 A.M. to 5:00 P.M. on Monday - Friday and 9:00 A.M. to 12:00 P.M. Saturday. Hours vary slightly with earlier morning start times and extended hours to 5:30 P.M. on Friday at a few locations. Drive-up hours are available approximately 30 minutes to an hour prior to lobby hours. The limited-service branch (drive-up only), located in Woodstock, VT, hours are 10:00 A.M. to 1:00 P.M. and 1:30 P.M. to 5:00 P.M. Monday - Friday. ATM, mobile, and online banking are available 24 hours a day, 7 days a week.

Community Development Services

BHBT provides a relatively high level of community development services. The bank provided approximately 541 hours or 25.9 percent of the bank's total community development service hours, in the VT rated area. The majority of activity supported organizations providing affordable housing and community services to low- and moderate-income individuals. The following are examples of the community development services provided.

- ***Brandon Revolving Loan Fund*** – The town-managed loan fund helps to promote economic development by providing loans to new start-up businesses. The eligibility requirements and lending criteria for the loan fund includes retaining or creating jobs. An officer is a member of the committee that reviews applications packages and financials presented to the fund.
- ***Evernorth (formerly Housing VT)*** – Evernorth is an affordable housing organization covering the upper valley of VT. An officer serves on the low-income housing committee, which reviews the projects to be funded in VT.
- ***VT Jump\$tart Coalition*** – VT Jump\$tart Coalition is a non-profit organization that provides financial literacy education to VT youth from low- and moderate-income families. An officer is a Board member.

APPENDICES

LARGE 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) through its lending activities by considering a bank's home mortgage, small business, small farm, and community development lending. If consumer lending constitutes a substantial majority of a bank's business, the FDIC will evaluate the bank's consumer lending in one or more of the following categories: motor vehicle, credit card, other secured, and other unsecured. The bank's lending performance is evaluated pursuant to the following criteria:

- 1) The number and amount of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, in the bank's assessment area;
- 2) The geographic distribution of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on the loan location, including:
 - i. The proportion of the bank's lending in the bank's assessment area(s);
 - ii. The dispersion of lending in the bank's assessment areas(s); and
 - iii. The number and amount of loans in low-, moderate-, middle- and upper-income geographies in the bank's assessment area(s);
- 3) The distribution, particularly in the bank's assessment area(s), of the bank's home mortgage, small business, small farm, and consumer loans, if applicable, based on borrower characteristics, including the number and amount of:
 - i. Home mortgage loans low-, moderate-, middle- and upper-income individuals
 - ii. Small business and small farm loans to businesses and farms with gross annual revenues of \$1 million or less;
 - iii. Small business and small farm loans by loan amount at origination; and
 - iv. Consumer loans, if applicable, to low-, moderate-, middle- and upper-income individuals;
- 4) The bank's community development lending, including the number and amount of community development loans, and their complexity and innovativeness; and
- 5) The bank's use of innovative or flexible lending practices in a safe and sound manner to address the credit needs of low- and moderate-income individuals or geographies.

Investment Test

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through qualified investments that benefit its assessment area(s) or a broader statewide or regional area that includes the bank's assessment area(s). Activities considered under the Lending or Service Test may not be considered under the investment test. The bank's investment performance is evaluated pursuant to the following criteria:

- 1) The dollar amount of qualified investments;
- 2) The innovativeness or complexity of qualified investments;
- 3) The responsiveness of qualified investments to available opportunities; and
- 4) The degree to which qualified investments are not routinely provided by private investors.

Service Test

The Service Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the bank's systems for delivering retail banking services and the extent and innovativeness of its community development services.

The bank's retail banking services are evaluated pursuant to the following criteria:

- 1) The current distribution of the bank's branches among low-, moderate-, middle-, and upper-income geographies;
- 2) In the context of its current distribution of the bank's branches, the bank's record of opening and closing branches, particularly branches located in low- or moderate-income geographies or primarily serving low- or moderate-income individuals;
- 3) The availability and effectiveness of alternative systems for delivering retail banking services (*e.g.*, RSFs, RSFs not owned or operated by or exclusively for the bank, banking by telephone or computer, loan production offices, and bank-at-work or bank-by-mail programs) in low- and moderate-income geographies and to low- and moderate-income individuals; and
- 4) The range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

The bank's community development services are evaluated pursuant to the following criteria:

- 1) The extent to which the bank provides community development services; and
- 2) The innovativeness and responsiveness of community development services.

SCOPE OF EVALUATION

| Bar Harbor Bank & Trust | |
|--|-------------------------|
| <p>Scope of Examination: Examiners performed full-scope reviews on the following assessment areas within the noted rated areas:</p> <p style="margin-left: 40px;">Combined Assessment Area:</p> <p style="margin-left: 40px;">State of Maine:</p> <ul style="list-style-type: none"> • Non-MSA, ME Assessment Area • Bangor, ME MSA Assessment Area • Portland – South Portland, ME MSA Assessment Area <p style="margin-left: 40px;">State of New Hampshire</p> <ul style="list-style-type: none"> • Non-MSA, NH Assessment Area • Manchester-Nashua, NH MSA Assessment Area <p style="margin-left: 40px;">State of Vermont:</p> <ul style="list-style-type: none"> • Non-MSA, VT Assessment Area | |
| Time Period Reviewed: | 10/23/2017 - 02/08/2021 |
| <p>Products Reviewed: Home Mortgage: 01/01/2017 – 12/31/2020 Small Business: 01/01/2017 – 12/31/2020 Small Farm: 01/01/2017 – 12/31/2020</p> | |

SUMMARY OF RATINGS FOR RATED AREAS

| Rated Area | Lending Test | Investment Test | Service Test | Rating |
|------------------------|-------------------|-------------------|-------------------|--------------|
| State of Maine | High Satisfactory | High Satisfactory | High Satisfactory | Satisfactory |
| State of New Hampshire | Low Satisfactory | Low Satisfactory | Low Satisfactory | Satisfactory |
| State of Vermont | Low Satisfactory | Low Satisfactory | High Satisfactory | Satisfactory |

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. 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.

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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, innovativeness, complexity, and responsiveness).

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

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

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.

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.