

PUBLIC DISCLOSURE

September 20, 2021

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Machias Savings Bank
Certificate Number: 19531

4 Center Street
Machias, Maine 04654

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

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

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

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INSTITUTION RATING

INSTITUTION’S CRA RATING: This institution is rated **Outstanding**.

An institution in this group has an outstanding 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	X	X	X
High Satisfactory			
Low Satisfactory			
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 Outstanding.

- Lending levels reflect excellent responsiveness to assessment area credit needs.
- A substantial majority of loans are in the institution’s assessment areas.
- The geographic distribution of loans reflects good penetration throughout the assessment areas.
- The distribution of borrowers reflects, given the product lines offered by the institution, excellent penetration among retail customers of different income levels and business customers of different size.
- The institution uses innovative and/or flexible lending practices in order to serve assessment area credit needs.
- The institution is a leader in making community development loans.

The Investment Test is rated Outstanding.

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

The Service Test is rated Outstanding.

- Delivery systems are readily accessible to all portions of the institution's assessment areas.
- To the extent changes have been made, the bank's record of opening and closing 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-geographies and/or individuals.
- The institution is a leader in providing community development services.

DESCRIPTION OF INSTITUTION

Machias Savings Bank (MSB) is a state-chartered stock savings bank headquartered in Machias, Maine (ME). MSB is wholly owned by a two-tier holding company structure. Machias Bancorp, MHC wholly owns Machias Bancorp, Inc., which in turn wholly owns MSB. The institution received an Outstanding rating at its previous FDIC Performance Evaluation, dated December 3, 2018, based on Interagency Large Institution Examination Procedures.

MSB's 15 full-service branches, including the main office in Machias, primarily serve ME's northeast communities. In addition to the main office, MSB maintains branches in Bangor, Bar Harbor, Brewer, Calais, Caribou, Columbia, Danforth, Ellsworth, Houlton, Lincoln, Portland, Presque Isle, Princeton, and Rockland. The bank did not open any new branches, but closed one full-service branch in Ellsworth, during the evaluation period. There have been no merger or acquisition activities since the previous evaluation.

MSB offers commercial, agricultural, home mortgage, and consumer loans, primarily focusing on commercial lending. The bank provides various consumer and commercial deposit services including checking, savings, money market, certificates of deposit, and health savings accounts. Alternative banking services include internet, mobile, and telephone banking; person-to-person payment features, and 17 automated teller machines (ATMs).

As of June 30, 2021, deposits totaled approximately \$1.7 billion and assets totaled approximately \$2.0 billion and included total loans of \$1.6 billion and securities of \$261.5 million. Assets increased by approximately \$549.9 million, or 38.4 percent since September 30, 2018 (the last quarter utilized at the previous evaluation). Asset growth was driven primarily by an increase in the bank's securities portfolio. Total securities increased by approximately \$179.5 million, or 218.9 percent and loans increased by approximately \$415.4 million, or 35.4 percent over the evaluation period. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 6/30/2021		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	117,828	7.4
Secured by Farmland	10,431	0.7
Secured by 1-4 Family Residential Properties	499,930	31.5
Secured by Multifamily (5 or more) Residential Properties	91,877	5.8
Secured by Nonfarm Nonresidential Properties	467,863	29.4
Total Real Estate Loans	1,187,929	74.8
Commercial and Industrial Loans	273,016	17.2
Agricultural Production and Other Loans to Farmers	64,628	4.1
Consumer Loans	15,112	1.0
Obligations of State and Political Subdivisions in the U.S.	52,869	3.3
Other Loans	226	0.0
Lease Financing Receivable (net of unearned income)	0.0	0.0
Less: Unearned Income	6,193	0.4
Total Loans	1,587,587	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

MSB designated three distinct assessment areas in which it operates: the Maine Non-MSA (Non-MSA) and the Bangor, ME MSA, which are contiguous; and the Portland-South Portland, ME MSA. MSB has not changed its assessment areas since the previous evaluation. Please refer to the full-scope assessment area evaluations for more detail on each assessment area’s demographics.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the previous evaluation dated December 3, 2018, to the current evaluation dated September 20, 2021. Examiners used the Interagency Large Institution Examination Procedures to evaluate the MSB’s performance. These procedures include the Lending Test, Investment Test, and Service Test.

Examiners conducted full-scope reviews on MSB’s three assessment areas. As the bank is headquartered in the Non-MSA assessment area, this assessment area received a full-scope review. For the other two assessment areas, examiners conducted full-scope reviews given a significant need for loans, investments, and services. Examiners placed the greatest weight on the Non-MSA,

followed by the Bangor, ME MSA, then the Portland-South Portland, ME MSA. The percentage of loans, deposits, and branches in each assessment area determined its weight. The following table illustrates the distribution of home mortgage, small business, and small farm loans, deposits, and branches across each assessment area.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA	428,910	66.1	984,681	56.8	11	73.3
Bangor, ME MSA	185,259	28.5	430,384	24.8	3	20.0
Portland-South Portland, ME MSA	34,779	5.4	319,627	18.4	1	6.7
Total	648,948	100.0	1,734,692	100.0	15	100.0

Source: Bank Data; FDIC Summary of Deposits (6/30/2021)

Activities Reviewed

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

Examiners considered all small business loans reported on the bank’s 2019 and 2020 CRA Loan Registers (LRs). Examiners did not consider the bank’s 2018 small business lending performance, as it was reviewed during the prior evaluation. The bank reported 831 small business loans totaling \$92.3 million in 2019 and 2,274 loans totaling \$189.2 million in 2020. Aggregate data for 2019 and D&B demographic data for 2019 and 2020 provided a standard of comparison for small business loans.

Examiners also reviewed all home mortgage loans reported on the bank’s 2018, 2019, and 2020 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). For 2018, the bank reported 592 loans totaling \$87.2 million; for 2019, the bank reported 706 loans totaling \$151.7 million; and for 2020, the bank reported 1,034 loans totaling \$190.4 million. Aggregate data and 2015 American Community Survey (ACS) census data provided a standard of comparison for home mortgage loans.

In addition, examiners considered all small farm loans reported on the bank’s 2019 and 2020 CRA LRs. Examiners did not consider the bank’s 2018 small farm lending performance, as it was reviewed during the prior evaluation. The bank reported 309 small farm loans totaling \$22.0 million in 2019 and 733 loans totaling \$22.6 million in 2020. Aggregate data for 2019 and D&B demographic data for 2019 and 2020 provided a standard of comparison for the small farm loans.

For the Lending Test, examiners analyzed the number and dollar volume of small business and small farm loans originated in 2019 and 2020 and home mortgage loans originated in 2018, 2019, and 2020. Although number and dollar volume are presented, examiners emphasized performance by number of loans as it is a better indicator of the number of businesses and individuals served.

Although the Assessment Area Concentration table presents activity for all three years for home mortgage loans, examiners did not include 2018 data under the Geographic Distribution or Borrower Profile criteria, as examiners did not identify any trends between 2018 and 2019 that materially affect conclusions.

During the evaluation period, the bank originated significantly more small business and home mortgage loans than small farm loans. Consequently, small business and home mortgage lending contributed more weight to overall conclusions, with small business loans weighted most heavily. Furthermore, because there is little to no demand for small farm loans in the Bangor, ME MSA and the Portland-South Portland, ME MSA assessment areas, small farm lending performance in those areas provided no material support for conclusions or ratings and is not presented in those sections. Of the 1,007 small farm loans originated within the bank's assessment areas during the evaluation period, 996 were in the Non-MSA assessment area, 11 were in the Bangor MSA assessment area, and none were in the Portland-South Portland, ME MSA assessment area. Examiners based overall conclusions for small farm lending on the bank's performance in the Non-MSA area.

Examiners reviewed the bank's delivery systems for providing retail banking services, including branches and alternative delivery systems and the impact of any branch openings and/or closings during the evaluation period. In addition, examiners reviewed the bank's retail banking products and services targeted toward low- and moderate-income individuals or small businesses and the extent to which they are tailored to meet specific needs within the assessment areas.

Examiners also reviewed community development loans, qualified investments, and community development services, as well as innovative and/or flexible lending practices from December 3, 2018 through the current examination date of September 20, 2021.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

MSB's overall Lending Test performance is rated "Outstanding."

MSB's excellent performance in the Lending Activity, Assessment Area Concentration, Borrower Profile, and Community Development Lending criteria primarily supports this rating. The bank's overall performance was consistent with the conclusions reached for the Non-MSA assessment area. Performance was inconsistent with the conclusions reached for the Bangor, ME MSA and Portland-South Portland, ME MSA assessment areas. The bank's performance in the Non-MSA assessment area contributed the most weight to the conclusions for each performance criteria under the Lending Test.

This section presents the bank's overall performance in the combined assessment area. Later sections of this evaluation present the bank's performance in the individual assessment areas.

Lending Activity

MSB's lending activity reflects excellent responsiveness to credit needs considering the institution's size, loan portfolio composition, and competition level.

For small business lending, in 2019, MSB was the top ranked state-chartered community bank within the combined assessment area. Only large credit card companies outperformed MSB. For home mortgage lending, in 2019 and 2020, the bank was among the top five percent of home mortgage lenders and the 2nd ranked state-chartered community bank. One other community bank, Bangor Savings Bank and large national banks outperformed MSB. For small farm lending, in 2019, MSB ranked 1st out of 23 small farm lenders, with 29.4 percent market share.

Assessment Area Concentration

The bank made a substantial majority of small business, home mortgage, and small farm loans, by number, within its combined assessment area. MSB was an active U.S Small Business Administration (SBA) Paycheck Protection Program (PPP) lender in 2020, originating 2,216 loans for \$158.6 million, causing a substantial increase in the number of small business and small farm loans from 2019 to 2020. The PPP is a federal loan program created to assist keeping workforce employed during the COVID-19 pandemic. Home mortgage lending also increased significantly from 2019 to 2020. According to the Maine Association of Realtors, sales of existing single-family homes in Maine hit historic levels in 2020 in both the number sold and median price. Aroostook, Washington, Waldo, Knox, and Hancock counties, which are part of the bank's assessment areas, all saw unit sales rise by more than 20.0 percent in 2020 compared to 2019. The following table illustrates the loan distribution inside and outside the combined assessment area.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total	Dollar Amount of Loans \$(000s)				
	Inside		Outside			Inside		Outside		Total
	#	%	#	%		#	\$	%	\$	%
Home Mortgage										
2018	518	87.5	74	12.5	592	70,378	80.7	16,862	19.3	87,239
2019	587	83.1	119	16.9	706	102,392	67.5	49,283	32.5	151,675
2020	906	87.6	128	12.4	1,034	144,988	76.1	45,430	23.9	190,418
Subtotal	2,011	86.2	321	13.8	2,332	317,758	74.0	111,575	26.0	429,333
Small Business										
2019	740	89.0	91	11.0	831	77,958	84.5	14,343	15.5	92,301
2020	1,949	85.7	325	14.3	2,274	143,018	75.6	46,230	24.4	189,248
Subtotal	2,689	86.6	416	13.4	3,105	220,976	78.5	60,573	21.5	281,549
Small Farm										
2019	300	97.1	9	2.9	309	20,620	93.9	1,336	6.1	21,956
2020	707	96.5	26	3.5	733	21,254	94.2	1,316	5.8	22,570
Subtotal	1,007	96.6	35	3.4	1,042	41,874	94.0	2,652	6.0	44,526
Total	5,707	88.1	772	11.9	6,479	580,608	76.9	174,800	23.1	755,408
<i>Source: Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects good penetration of small business, home mortgage, and small farm loans throughout the combined assessment area. The bank's excellent performance in the Non-MSA assessment area and consistent performance in the Bangor, ME MSA primarily contributed to this rating. Performance was inconsistent the Portland-South Portland, ME MSA assessment area. Examiners placed the greatest weight on the bank's performance in the Non-MSA. The individual assessment area sections include detailed analysis and comparisons to aggregate and demographic data.

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses customers and farms of different size and retail customers of different income levels, throughout the combined assessment area. Consistent performance in the Non-MSA and Bangor, ME MSA assessment areas 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.

Innovative or Flexible Lending Practices

The bank uses innovative and/or flexible lending programs to serve assessment area credit needs. All programs are offered institution-wide.

Small Business and Small Farm Lending Programs

During the evaluation period, MSB originated loans through various federal and state-guaranteed loan programs. Guaranteed loan programs often provide small business and small farm borrowers with credit at lower rates and more flexible terms.

- ***SBA*** - MSB participates in both the 504 and 7(a) loan programs. The 7(a) program is the SBA's most flexible loan program, designed for start-up and existing small businesses. The 504 program provides long-term, fixed-rate financing to acquire fixed assets (such as real estate or equipment) for expanding or modernizing. During the evaluation period, the bank originated 13 SBA 7(a) loans totaling approximately \$3.7 million.
- ***Finance Authority of Maine (FAME)*** - FAME is Maine's business finance agency responsible for supporting business start-up, expansion, and growth through various loan programs. MSB offers FAME's guaranteed loans to business customers. Of the 77 guaranteed loans written during the evaluation period, 63 had FAME guarantees totaling approximately \$15.2 million.
- ***U.S. Department of Agriculture Farm Service Agency (FSA)*** - Through the FSA guaranteed loan program, the bank extends credit to small farm owners who may not qualify for conventional financing. These guaranteed loans have low rates and reasonable terms so the borrower is able to maintain current operations or expand their business. During the evaluation period, the bank originated one loan for \$1.8 million.
- ***SBA PPP*** - The PPP was created in April 2020 and offered until May 2021. The bank originated 3,670 loans totaling approximately \$245.0 million through the PPP.

Home Mortgage Loan Programs

- ***Maine State Housing Authority's (MSHA) Affordable Housing Program (AHP)*** - Through MSHA's AHP, loans are paid with proceeds from low-income housing tax credits, MSHA grants, and direct subsidies from the AHP. During the evaluation period, the bank did not originate any new loans through the AHP; however, MSB maintains five AHP loans that support 75 affordable housing units.

Community Development Loans

MSB is a leader in originating community development loans throughout its assessment areas. Performance was generally consistent among the assessment areas, based on the bank's operations and opportunity levels. Performance in the Non-MSA assessment area significantly contributed to the assigned rating.

During the evaluation period, the bank originated 149 community development loans totaling approximately \$127.2 million. This number also includes 77 loans for \$43.4 million originated under the SBA's PPP. Total community development loan activity represents 7.7 percent of average total assets and 9.2 percent of average total loans since the previous evaluation. MSB's performance increased from the previous evaluation, when the bank made 98 qualified loans for \$54.3 million and exceeded that of similarly situated institutions.

A majority of the bank's community development loans supported revitalizing and stabilizing communities in underserved geographies and supported efforts to provide services to low- or moderate-income individuals, reflecting the bank's excellent responsiveness to its assessment areas' primary community development needs. The following tables illustrate the bank's community development lending by year, purpose, and assessment area.

Community Development Lending Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	2	940	6	5,402	0	0	14	17,982	22	24,324
2020	2	1,750	13	9,134	41	6,128	40	69,886	96	86,898
YTD 2021	0	0	0	0	18	2,799	13	13,161	31	15,960
Total	4	2,690	19	14,536	59	8,927	67	101,029	149	127,182

Source: Bank Data

Community Development Lending by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA, ME	0	0	16	9,620	53	7,425	59	64,141	128	81,186
Bangor, ME MSA	4	2,690	1	769	3	1,298	0	0	8	4,757
Portland-South Portland, ME MSA	0	0	2	4,147	3	204	8	36,888	13	41,239
Total	4	2,690	19	14,536	59	8,927	67	101,029	149	127,182

Source: Bank Data

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

INVESTMENT TEST

MSB's overall Investment Test performance is rated "Outstanding."

MSB's excellent 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 Non-MSA assessment area. The bank's performance was inconsistent with the conclusions reached for the Bangor, ME MSA and the Portland-South Portland, ME MSA assessment areas. The bank's performance in the Non-MSA assessment area contributed the most weight to the conclusions for each performance criteria under the Investment Test.

This section presents the bank's overall performance in the combined assessment area. The individual assessment areas include separate presentations in later sections.

Investment and Grant Activity

MSB has an excellent level of qualified community development investments and donations, particularly those that are not routinely provided by private investors, often in a leadership position. The bank made 384 qualified investments totaling approximately \$13.3 million. This total includes 17 qualified equity investments of approximately \$11.9 million and 367 donations totaling \$1.4 million. In total, the bank's investments represent 0.8 percent of average total assets and 10.2 percent of average total securities. This level of qualified investment activity exceeded that of similarly situated institutions.

MSB made eight new qualified equity investments for approximately \$9.6 million during the evaluation period and continues to hold nine prior period equity investments with a current book value of approximately \$2.3 million. Of these equity investments, 13 benefitted a larger regional area. Equity investment activity increased since the previous evaluation where the bank made seven equity investments for approximately \$4.5 million. The increase in equity investments at 165.1 percent is significantly higher than the bank's 38.4 percent increase in total assets.

The bank also made 367 qualified grants and donations totaling approximately \$1.4 million during the evaluation period. The qualified grant and donation activity level significantly exceeded that at the previous evaluation by more than \$400,000. In 2020, MSB increased donation activity within the assessment areas to support small businesses during the COVID-19 pandemic. The donations helped small businesses change their business plans to accommodate online sales and purchase necessary software and/or hardware needs. The following tables illustrate the number and dollar volume of investments and donations by year, purpose, and assessment area.

Qualified Investments Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	264	0	0	7	2,029	0	0	9	2,293
2018	0	0	0	0	0	0	0	0	0	0
2019	1	400	0	0	0	0	0	0	1	400
2020	2	2,716	0	0	1	250	0	0	3	2,966
YTD 2021	3	5,698	0	0	1	500	0	0	4	6,198
Subtotal	8	9,078	0	0	9	2,779	0	0	17	11,857
Qualified Grants & Donations	19	62	285	644	28	458	35	290	367	1,454
Total	27	9,140	285	644	37	3,237	35	290	384	13,311
<i>Source: Bank Data</i>										

Community Development Qualified Investments by Assessment Area										
Rated Area	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Non-MSA, ME	12	2,398	197	388	19	406	32	275	260	3,467
Bangor, ME MSA	6	36	45	97	8	112	0	0	59	245
Portland-South Portland, ME MSA	4	8	43	159	2	15	3	15	52	197
Statewide Activities	5	6,698	0	0	2	750	0	0	7	7,448
Regional Activities	0	0	0	0	6	1,954	0	0	6	1,954
Total	27	9,140	285	644	37	3,237	35	290	384	13,311
<i>Source: Bank Data</i>										

The following are examples of equity investments that benefitted a larger regional area that includes the combined assessment area.

- ***Coastal Ventures V Limited Partnership (LP)*** - Coastal Ventures V is a socially responsible venture capital fund managed by Coastal Enterprises, Inc. (CEI) Ventures located in Brunswick. CEI Ventures seeks investment opportunities that benefit small businesses, underserved localities, and low- to moderate-income individuals and families in New England. The bank invested \$500,000 in this fund during the evaluation period.
- ***Northern New England Housing Investment Fund (NNHIF)*** - NNHIF is a nonprofit organization serving the low- and moderate-income residents of ME, New Hampshire, and Vermont by raising capital for investment in affordable housing and growing businesses, and advocating for low-income people and communities. The bank invested \$750,000 in this fund during the evaluation period.

- *North Atlantic Venture Fund III, IV, and V* - These funds support economic development by investing in New England-based businesses. The bank made three separate investments into these funds prior to the current evaluation period. The current combined book value is \$526,460.

Responsiveness to Credit and Community Development Needs

MSB exhibits excellent responsiveness to credit and community development needs through investment activity. MSB invested substantially in affordable housing and economic development throughout ME and its assessment areas. The bank also donated to community service organizations and provided additional donations to revitalize and stabilize low- and moderate-income neighborhoods and underserved geographies. Examiners determined these areas to be significant credit and community development needs throughout the bank's assessment areas.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. During the evaluation period, MSB worked with a nonprofit organization supporting farmworkers and immigrants. Bank management and the organization met several times to address the challenge of homeownership faced by migrant farmworkers. In support of this organization, bank management established an investment fund and made an initial \$250,000 investment.

In another initiative designed to help stimulate economic development in Washington County, MSB donated a bank-owned building located on Machias' main street to serve as an entrepreneurship center for Sunrise County Economic Council (SCEC), an economic development organization. The bank also donated \$200,000 for building renovations. Once renovated, the building will provide co-working space, office space, and training opportunities for entrepreneurs and business owners.

SERVICE TEST

The overall Service Test is rated "Outstanding."

MSB's excellent performance in Accessibility of Delivery Systems and Community Development Services criteria primarily supports this rating. The bank's performance was consistent with the conclusions for the Non-MSA assessment area. Performance was inconsistent with the conclusions reached for the Bangor, ME MSA and Portland-South Portland, ME MSA assessment areas. The bank's performance in the Non-MSA assessment area contributed the most weight to the conclusions for each performance criteria under the Service Test.

Accessibility of Delivery Systems

MSB's delivery systems are readily accessible to all portions of the bank's combined assessment areas. The bank also uses alternative delivery systems to supplement its branch network and

provide accessibility to banking services throughout the assessment areas. Branch distribution and alternative delivery systems are generally consistent among the assessment areas.

MSB operates 15 branches. Seven are in underserved non-metropolitan middle-income census tracts in Aroostook (3), Knox, and Washington (3) counties. Branches in underserved areas provide financial access to customers who otherwise may not have access to banking products and services.

The bank also operates 15 ATMs at MSB branches and two stand-alone ATMs in Machias and Ellsworth. All ATMs are deposit taking and part of the Maine Cash Access ATM Network. The Maine Cash Access ATM Network offers customers surcharge-free access to hundreds of ATMs throughout ME. The following table illustrates branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Combined								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	3	2.2	6,623	1.4	0	0.0	0	0.0
Moderate	23	16.7	74,652	16.1	3	20.0	3	17.6
Middle	91	65.9	305,115	65.8	9	60.0	11	64.8
Upper	20	14.5	72,926	15.7	3	20.0	3	17.6
NA	1	0.7	4,582	1.0	0	0.0	0	0.0
Total	138	100.0	463,898	100.0	15	100.0	17	100.0

Source: 2015 ACS Data; Bank Data

In addition to the branch and ATM network, MSB offers alternative delivery systems to expand its retail banking service access. The bank offers telephone, online, and mobile banking to connect consumers and businesses to their accounts to perform various transactions. There is no additional cost for online or mobile banking. In addition, MSB allows customers to open consumer checking and savings accounts online. Alternative delivery systems allow low- and moderate-income individuals or those living in low- or moderate-income, or underserved middle-income geographies, to open accounts without physically traveling to a branch.

Changes in Branch Locations

MSB’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. The institution did not open any branches since the previous evaluation and did not close any branches located in low- or moderate-income areas. However, it closed one full-service branch in the Ellsworth Mill Mall in Ellsworth, a middle-income area, but continues to operate a remote deposit taking ATM at this location. Additionally, the bank operates a full-service branch within 1.2 miles from this location. Please see the individual assessment area sections for more details.

Reasonableness of Business Hours and Services

The bank’s business hours and services do not vary in a way that inconveniences certain portions of the assessment area, particularly low- and moderate- geographies and/or individuals. MSB offers the same products and services at all branches and business hours are generally consistent among branches, varying only slightly by branch location. The individual assessment areas include additional information.

Community Development Services

MSB is a leader in providing community development services in the combined assessment area. The bank provided approximately 4,019 hours to organizations serving low- and moderate-income individuals and families, underserved areas, and small businesses. This service activity level exceeded that of similarly situated institutions. Performance decreased from the previous evaluation, when employees provided 6,476 qualified hours in the combined assessment area. However, due to the COVID-19 pandemic, employees had limited opportunities for activities in 2020 and 2021.

Employees devoted time to community development organizations supporting critical needs in the area, including affordable housing, economic development, health, education, and nutrition-related services. The following tables summarize the bank’s community development services by year, purpose, and assessment area.

Community Development Services Assessment Area: Combined					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	60	15	6	81
2019	6	1,508	152	132	1,798
2020	3	991	461	124	1,579
YTD 2021	15	379	109	58	561
Total	24	2,938	737	320	4,019
<i>Source: Bank Data</i>					

Community Development Services by Assessment Area					
Assessment Area	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
Non-MSA, ME	21	2,648	608	314	3,591
Bangor, ME MSA	3	198	118	6	325
Portland-South Portland, ME MSA	0	92	11	0	103
Total	24	2,938	737	320	4,019
<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 the laws relating to discrimination and other illegal credit practices was reviewed, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any discriminatory or other illegal credit practices.

NON-METROPOLITAN STATEWIDE AREA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN NON-METROPOLITAN STATEWIDE AREA

MSB maintains 11, or 73.3 percent, of its 15 branches in the Non-MSA assessment area. A substantial majority of deposits and loans are also within this assessment area; therefore, examiners placed greater weight on the bank’s performance in the Non-MSA than the other areas. NSB closed one full-service branch in this assessment area since the previous evaluation. That branch was located in a middle-income census tract in Ellsworth.

Economic and Demographic Data

The Non-MSA assessment area consists of 66 census tracts, which has not changed since the previous evaluation and includes all of Hancock, Knox, Waldo, and Washington Counties and the eastern portion of Aroostook County. These census tracts reflect the following income designations:

- 6 moderate-income census tracts,
- 51 middle-income census tracts, and
- 9 upper-income census tracts.

The assessment area includes 33 underserved middle-income tracts in Aroostook (16), Knox (7), and Washington (10) Counties. Moderate-income census tracts are located in Aroostook County (2) and Washington County (4). The following table illustrates select demographic characteristics of the Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	66	0.0	9.1	77.3	13.6	0.0
Population by Geography	218,438	0.0	8.1	77.7	14.3	0.0
Housing Units by Geography	137,850	0.0	8.8	74.6	16.5	0.0
Owner-Occupied Units by Geography	70,130	0.0	6.8	77.8	15.3	0.0
Occupied Rental Units by Geography	24,824	0.0	11.3	75.9	12.8	0.0
Vacant Units by Geography	42,896	0.0	10.7	68.6	20.7	0.0
Businesses by Geography	15,558	0.0	7.9	72.9	19.2	0.0
Farms by Geography	934	0.0	5.2	80.5	14.2	0.0
Family Distribution by Income Level	59,286	20.2	18.1	21.7	39.9	0.0
Household Distribution by Income Level	94,954	24.7	16.2	17.4	41.7	0.0
Median Family Income ME Non-MSA		\$54,862	Median Housing Value			\$162,970
			Median Gross Rent			\$688
			Families Below Poverty Level			10.8%
<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>						

According to 2020 D&B data, 15,558 non-farm businesses and 934 farms operate in the Non-MSA assessment area. This represents the majority of non-farm businesses (43.4 percent) and farm businesses (68.9 percent) in the combined assessment area.

GARs for the non-farm businesses are as follows:

- 81.8 percent have \$1.0 million or less,
- 5.4 percent have more than \$1.0 million, and
- 12.8 percent have unknown revenues.

GARs for the farm businesses are as follows:

- 96.5 percent have \$1 million or less,
- 3.1 percent have more than \$1 million, and
- 0.4 percent have unknown revenues.

Service industries represent the largest portion of businesses in this assessment area at 37.6 percent; followed by retail trade (13.8 percent); non-classifiable establishments (13.3 percent); construction (8.1 percent); and agriculture, forestry and fishing (5.7 percent). In addition, 62.3 percent of area businesses have four or fewer employees, and 87.2 percent operate from a single location. Major

employers in the assessment area include MaineHealth, The Jackson Laboratory, and Northern Maine Medical Center.

According to the U.S. Bureau of Labor Statistics, the average unemployment rate during the evaluation period was 5.1 percent in Aroostook County; 4.8 percent in Hancock County; 4.2 percent in Knox County; 4.3 percent in Waldo County; and 5.7 percent in Washington County. This compares favorably to the average national unemployment rate of 5.9 percent and is consistent with the statewide average unemployment rate of 4.3 percent. The unemployment rates in the assessment area increased to 8.4 percent in Aroostook County; 10.6 percent in Hancock County; 11.0 percent in Knox County; 9.0 percent in Waldo County; and 9.8 percent in Washington County in April 2020 largely because of the COVID-19 pandemic.

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

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

Competition

The bank operates in a moderately competitive market for financial services, including home mortgage, small business, and small farm lending. According to FDIC Deposit Market Share data as of June 30, 2021, 12 financial institutions operated 101 offices in the assessment area. Of these, MSB ranked 3rd with a 14.0 percent deposit market share. The Camden National Bank and Bar Harbor Bank and Trust were the top two institutions with a collective market share of 42.2 percent.

There is a high level of competition for small business loans in the Non-MSA assessment area. Aggregate data for 2019, shows 68 lenders originated 6,269 small business loans. MSB ranked 2nd with an 11.4 percent market share. Top-rated Camden National Bank had an 11.5 percent market share. Small business market share data reflects lending information for whole counties; therefore, the small business data considers all lenders in Aroostook, Hancock, Knox, Waldo, and Washington Counties.

There is also a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data in 2020, shows 232 lenders originated or purchased 8,357 home mortgage loans. MSB ranked 3rd with a market share of 8.7 percent. Top-ranked Bangor Savings Bank captured a market share of 12.7 percent, and Camden National Bank ranked 2nd with a market share of 8.8 percent.

There is a moderate level of competition for small farm loans in the Non-MSA assessment area. In 2019, 17 lenders reported 891 loans originated or purchased. MSB ranked 1st capturing a market share of 33.7 percent by number and 43.2 percent by dollar amount.

Community Contact

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

Examiners contacted a representative of a community services organization serving Hancock and Washington Counties. The contact indicated that high poverty rates and limited government resources resulted in an increased need for numerous services in the counties. Services most needed include early childhood education and childcare, transportation, food security, affordable housing, and heating assistance. The contact stated that ME has the oldest population in the nation, Washington County has the oldest population in the state, and many community residents need eldercare services including transportation to appointments. Finally, the contact noted the need for financial literacy, credit counseling, and product offerings allowing individuals to build and repair their credit histories. The contact noted that several local financial institutions regularly support the organization and community.

Credit and Community Development Needs and Opportunities

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

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE NON-METROPOLITAN STATEWIDE AREA

LENDING TEST

MSB demonstrated excellent performance under the Lending Test in the Non-MSA assessment area. The bank's excellent performance across all Lending Test criteria supports this conclusion. The following sections discuss the bank's Lending Test performance under each factor.

Lending Activity

The bank's lending levels reflect excellent responsiveness to assessment area credit needs. In 2019 and 2020, MSB reported 1,818 small business loans totaling approximately \$113.2 million, 1,173 home mortgage loans totaling approximately \$180.4 million, and 996 small farm loans totaling approximately \$41.4 million inside the Non-MSA assessment area.

The competition section previously discussed the bank's market share rankings for small business, home mortgage, and small farm lending.

Geographic Distribution

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

Small Business Loans

The geographic distribution of small business loans reflects excellent penetration. As shown in the following table, the bank's lending exceeded the aggregate data in 2019 and the percentage of businesses in moderate-income tracts in 2019 and 2020.

Geographic Distribution of Small Business Loans						
Assessment Area: Non-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	8.0	6.1	51	9.9	3,764	9.1
2020	7.9	--	160	12.3	8,572	12.0
Middle						
2019	72.9	71.7	417	81.0	31,749	76.5
2020	72.9	--	1,007	77.3	55,161	76.9
Upper						
2019	19.1	22.3	47	9.1	6,009	14.5
2020	19.2	--	136	10.4	7,978	11.1
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	515	100.0	41,522	100.0
2020	100.0	--	1,303	100.0	71,711	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>						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the Non-MSA assessment area. As shown in the following table, the bank's lending significantly exceeded aggregate data and the percentage of owner-occupied housing units in moderate-income tracts in 2019 and 2020.

Geographic Distribution of Home Mortgage Loans Assessment Area: Non-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	0.0
Moderate							
	2019	6.8	5.4	50	11.3	5,874	8.3
	2020	6.8	5.8	92	12.6	10,435	9.5
Middle							
	2019	77.8	74.0	360	81.1	54,928	77.5
	2020	77.8	72.6	582	79.8	84,482	77.1
Upper							
	2019	15.3	20.6	34	7.7	10,051	14.2
	2020	15.3	21.6	55	7.5	14,595	13.3
Not Available							
	2019	0.0	0.0	0	0.0	0	0.0
	2020	0.0	0.0	0	0.0	0	0.0
Totals							
	2019	100.0	100.0	444	100.0	70,853	100.0
	2020	100.0	100.0	729	100.0	109,512	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA 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 excellent penetration throughout the Non-MSA assessment area. As shown in the following table, the bank's lending significantly exceeded aggregate data in 2019 and the percentage of farms operating in moderate-income tracts in 2019 and 2020.

Geographic Distribution of Small Farm Loans						
Assessment Area: Non-MSA						
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	5.4	6.8	34	11.4	2,850	13.8
2020	5.2	--	83	11.9	2,724	13.1
Middle						
2019	80.7	81.0	240	80.3	16,095	78.1
2020	80.5	--	549	78.8	16,301	78.3
Upper						
2019	13.9	12.2	25	8.4	1,661	8.1
2020	14.2	--	65	9.3	1,783	8.6
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	299	100.0	20,606	100.0
2020	100.0	--	697	100.0	20,808	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 excellent penetration among businesses and farms of different sizes and individuals of different income levels in the Non-MSA assessment area. The bank's excellent performance of small business, home mortgage, and small farm lending supports this conclusion. Examiners focused on the percentage of small business and small farm loans by number to businesses and farms with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects excellent penetration of loans to businesses with GARs of \$1.0 million or less. As shown in the following table, in 2019, the bank's performance by number exceeded both aggregate data and demographics. The 2020 distribution of small business loans is also excellent; of the 374 loans originated in 2020 for which GAR information is available, the bank originated 81.6 percent to businesses with GARs of \$1 million or less. The large number of loans for which GAR information is not available in 2020 reflects the bank's participation in the

PPP loan program. To expedite the processing and disbursing of loans to businesses impacted by the COVID-19 pandemic, PPP applicants were not required to provide revenue information. The large number of borrowers with income reported as Revenue Not Available reduces the percentage of lending to all GAR levels as compared to the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Non-MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	81.0	55.2	431	83.7	26,834	64.6
2020	81.8	--	305	23.4	21,226	29.6
>\$1,000,000						
2019	5.7	--	82	15.9	14,588	35.1
2020	5.4	--	69	5.3	11,670	16.3
Revenue Not Available						
2019	13.4	--	2	0.4	100	0.2
2020	12.8	--	929	71.3	38,815	54.1
Totals						
2019	100.0	100.0	515	100.0	41,522	100.0
2020	100.0	--	1,303	100.0	71,711	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>						

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, lending to low- and moderate-income borrowers exceeded aggregate data in 2019 and 2020. The bank's lending was below the percentage of low-income families in 2019 and 2020. A low-income family in the Non-MSA assessment area, earning less than \$32,400, may have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$162,970. Additionally, 10.8 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. In 2019 and 2020, MSB's lending to moderate-income borrowers exceeded aggregate data and demographics. Examiners focused primarily on the comparison to aggregate lender performance, which supports excellent performance to low- and moderate-income borrowers.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	20.2	7.0	41	9.2	3,050	4.3
2020	20.2	5.3	47	6.4	3,692	3.4
Moderate						
2019	18.1	16.7	83	18.7	7,766	11.0
2020	18.1	15.0	167	22.9	17,719	16.2
Middle						
2019	21.7	21.8	97	21.8	10,262	14.5
2020	21.7	20.5	146	20.0	17,342	15.8
Upper						
2019	39.9	42.6	185	41.7	33,910	47.9
2020	39.9	46.5	311	42.7	58,354	53.3
Not Available						
2019	0.0	11.8	38	8.6	15,866	22.4
2020	0.0	12.7	58	8.0	12,405	11.3
Totals						
2019	100.0	100.0	444	100.0	70,853	100.0
2020	100.0	100.0	729	100.0	109,512	100.0

Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Farm Loans

The distribution of small farm loans reflects excellent penetration of loans to farms with GARs of \$1.0 million or less. As shown in the following table, in 2019, the bank's performance exceeded aggregate data and was relatively consistent with demographics. The 2020 distribution of small farm loans is also excellent; of the 184 loans originated in 2020 for which GAR information is available, the bank originated 96.2 percent to farms with GARs of \$1 million or less. As previously discussed under the small business lending analysis, the large number of loans for which GAR information is not available reflects the bank's commitment to the PPP. PPP loan applicants were not required to provide GAR information.

Distribution of Small Farm Loans by Gross Annual Revenue Category						
Assessment Area: Non-MSA						
Gross Revenue Level	% of Farms	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	96.5	90.2	286	95.7	18,178	88.2
2020	96.5	--	177	25.4	12,237	58.8
>\$1,000,000						
2019	3.1	--	13	4.3	2,428	11.8
2020	3.1	--	7	1.0	1,672	8.0
Revenue Not Available						
2019	0.4	--	0	0.0	0	0.0
2020	0.4	--	513	73.6	6,899	33.2
Totals						
2019	100.0	100.0	299	100.0	20,606	100.0
2020	100.0	--	697	100.0	20,808	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

MSB is a leader in making community development loans in the Non-MSA assessment area. During the evaluation period, the bank originated 128 community development loans totaling approximately \$81.2 million in this assessment area. The activity increased from the previous evaluation, when the bank originated 90 community development loans totaling \$48.8 million. The total includes 64 loans for \$33.0 million originated under the SBA's PPP.

A majority of the bank's community development loans assisted in revitalizing and stabilizing communities in underserved geographies, helped small businesses retain jobs, and supported efforts to provide services to low- or moderate-income individuals. These efforts reflected the bank's excellent responsiveness to its assessment areas' primary community development needs. The following table illustrates the community development lending activity by year and purpose.

Community Development Lending Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	5	1,402	0	0	13	9,582	18	10,984
2020	0	0	11	8,218	35	4,627	33	41,398	79	54,243
YTD 2021	0	0	0	0	18	2,798	13	13,161	31	15,959
Total	0	0	16	9,620	53	7,425	59	64,141	128	81,186
<i>Source: Bank Data</i>										

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

- During the evaluation period, the bank originated 14 Tax Anticipation Notes (TANs) totaling \$25.1 million to underserved middle-income municipalities. These TANs primarily provided operating cash flow and working capital, stabilizing the towns operating in the rural underserved areas in the Non-MSA assessment area.
- In 2020, the bank originated a \$6.7 million loan under the SBA PPP to a local business in a non-metropolitan underserved middle-income area that employed more than 300 individuals. Loan proceeds covered payroll during the shutdown caused by the COVID-19 pandemic, which helped retain jobs. The majority of jobs retained are permanent low- and moderate-income level jobs.
- In 2021, the bank originated a \$500,000 loan to a municipal utility district in the assessment area. Loan proceeds helped stabilize the area by funding upgrades to a wastewater treatment facility serving residents of an underserved community.
- In 2021, the bank originated a \$385,000 loan to a public school district, located in an underserved community. The loan financed the upgrade of the boiler system and the purchase of a school bus and a plow truck. The majority of the students are low- or moderate-income.

INVESTMENT TEST

MSB demonstrated excellent performance under the Investment Test in the Non-MSA assessment area. The bank's excellent 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 factor.

Investment and Grant Activity

MSB has an excellent level of qualified community development investments and donations in the Non-MSA assessment area. The bank made 260 qualified investments totaling approximately \$3.5 million. This total includes three qualified equity investments for \$2.4 million and 257 donations totaling \$1.1 million. This level of qualified investment activity significantly exceeded that at the previous evaluation by more than \$2.3 million. The following table illustrates the qualified investment activity by year and purpose.

Qualified Investments Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	1	164	0	0	0	0	0	0	1	164
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	1	1,966	0	0	0	0	0	0	1	1,966
YTD 2021	1	250	0	0	0	0	0	0	1	250
Subtotal	3	2,380	0	0	0	0	0	0	3	2,380
Qualified Grants & Donations	9	18	197	388	19	406	32	275	257	1,087
Total	12	2,398	197	388	19	406	32	275	260	3,467
<i>Source: Bank Data</i>										

The following are examples of equity investments and donations benefitting the Non-MSA assessment area.

Equity Investments

- ***Mano en Mano - Welcome Home Downeast Project*** - In 2021, MSB established an investment fund for Mano en Mano and provided the initial \$250,000 investment. Proceeds supported the Welcome Home Downeast project. This project provided affordable housing to low- and moderate-income migrant families in the assessment area through the purchase and renovation of one and two-family properties and helped families achieve long-term home ownership.
- ***Belfast Acres LLP*** - In 2020, MSB invested \$2.0 million to fund the construction of 25 affordable housing units in Belfast. The bank’s investment helped save the project as the developer lost its initial investor due to pandemic-related complications.

Donations

- ***Service Corp of Retired Executives (SCORE)*** - SCORE is a nonprofit organization and SBA resource partner. SCORE provides 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.
- ***Downeast Community Partners (DCP)*** - DCP is a community service organization providing services to help improve the quality of life by reducing the impact of poverty. Services included, but are not limited to home repair, weatherization, and heating assistance; food and nutritional programs; transportation assistance; and childcare and educational programs.
- ***Aroostook Aspirations Initiative*** - Aroostook Aspirations Initiative is a nonprofit organization that provides postsecondary scholarships to Aroostook County High School seniors based on financial need. The organization also provides recipients with access to virtual college readiness trainings, internships, and networking opportunities to help them succeed. Aroostook County is an underserved and rural area in ME.

Responsiveness to Credit and Community Development Needs

The bank demonstrated excellent responsiveness to credit and community development needs. Investments provided affordable housing and promoted economic development, two important needs identified by the community contact. Bank grants and donations provided funding to organizations offering important community services including financial education, nutrition assistance, and mental health services.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. For additional information, refer to the Investment Test section for the combined assessment area.

SERVICE TEST

MSB demonstrated excellent performance under the Service Test within the Non-MSA assessment area. The bank's excellent performance in the Accessibility of Delivery Systems and Community Development Services criteria primarily supports this conclusion.

Accessibility of Delivery Systems

MSB's delivery systems are readily accessible to all portions of the institution's Non-MSA assessment area. Branch distribution and alternative delivery systems for this assessment area are

consistent with the institution overall. Of the 11 branches in this area, 7 are in underserved middle-income census tracts.

In addition, the Danforth branch supports a rural community with limited access to financial services and where 25.7 percent of families are below poverty level and the majority of the population is low- or moderate-income (61.2 percent). The next closest financial institution is 23 miles away.

The bank’s Danforth branch and the other seven branches located in the underserved areas provide financial access to customers who otherwise may not have had access to banking products and services. This demonstrates an outstanding level of commitment to reach and serve the needs of low- and moderate-income residents and communities through retail services.

The bank operates 11 ATMs at its branches and 2 stand-alone ATMs in Machias and Ellsworth, within the Non-MSA assessment area. All ATMs are deposit taking and part of the Maine Cash Access ATM Network. The Maine Cash Access ATM Network offers customers surcharge-free access to hundreds of ATMs throughout ME. The following table illustrates branch and ATM distribution by tract income level.

Branch and ATM Distribution by Geography Income Level								
Assessment Area: Non-MSA								
Tract Income Level	Census Tracts		Population		Branches		ATMs	
	#	%	#	%	#	%	#	%
Low	0	0.0	0	0.0	0	0.0	0	0.0
Moderate	6	9.1	17,618	8.1	2	18.2	2	15.4
Middle	51	77.3	169,678	77.7	8	72.7	10	76.9
Upper	9	13.6	31,142	14.1	1	9.1	1	7.7
NA	0	0.0	0	0.0	0	0.0	0	0.0
Total	66	100.0	218,438	100.0	11	100.0	13	100.0

Source: 2015 ACS Data & Bank Data

In addition to the branch and ATM network, MSB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers telephone, online, and mobile banking to connect consumers and businesses to perform various transactions. There is no additional cost for these services. In addition, MSB allows customers to open consumer checking and savings accounts online. Alternative delivery systems allow low- and moderate-income individuals or those living in low- or moderate-income, or underserved middle-income geographies, to open accounts without physically traveling to a branch.

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 low- and moderate-income geographies and/or to low- and moderate-income individuals. Although MSB closed its Ellsworth Mill Mall branch in Ellsworth (middle-income census tract), it still operates the deposit

taking ATM at this location. The branch closure did not adversely affect branch accessibility as the bank operates another full-service branch within 1.2 miles from this location.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences certain portions of the assessment areas, particularly low- and moderate-income geographies and/or individuals, which is consistent with that at the institution level. All branches throughout the assessment area generally have the same hours and offer the same services, including the main office in Machias. All branches are open Monday through Friday, which is consistent with the other assessment areas. In addition, within the Non-MSA assessment area, MSB offers extended hours at five branches located in the most rural areas, by providing drive-up access on Saturdays. Saturday hours provide additional access to those individuals living in underserved areas with limited access to financial services.

Community Development Services

The bank is a leader in providing community development services in the Non-MSA assessment area. During the evaluation period, employees provided 3,591 hours of service activity in the Non-MSA assessment area. MSB’s performance decreased since the previous evaluation, when the bank provided 5,317 qualified hours of service. The decline is primarily attributed to limited opportunities in 2020 and 2021 due to pandemic-related restrictions. This activity level represents 89.4 percent of all qualified hours in the combined assessment area.

Personnel served as board and committee members, such as Loan Committee and Scholarship Committee members, for organizations that benefit low- and moderate-income individuals, underserved areas, and for organizations that promote economic development in the assessment area. Bank employees also provided a significant number of financial literacy sessions in schools where the majority of students are low- and moderate-income. The following table illustrates the activity by year and type.

Community Development Services Assessment Area: Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	46	15	6	67
2019	6	1,364	146	132	1,648
2020	0	905	374	122	1,401
YTD 2021	15	333	73	54	475
Total	21	2,648	608	314	3,591
<i>Source: Bank Data</i>					

The following are examples of community development services benefitting the Non-MSA assessment area:

- ***Financial Literacy*** - Teach a Child to Save (TCTS) is geared towards grades K-8 and is a free national program sponsored by the American Bankers Association (ABA) Foundation that organizes bank employees to help young people develop a savings habit early in life. Multiple employees participated at elementary schools throughout the Non-MSA assessment area, such as at Teague Park Elementary School, Princeton Elementary School, and Jonesboro Elementary School, where the majority of students are eligible for free or reduced cost lunch.
- ***Big Brothers Big Sisters of Mid-Maine*** - Big Brothers Big Sisters of Mid-Maine provides one-to-one mentoring to youth to help them reach their aspirations, gain confidence, build healthy relationships, avoid risky behaviors, and achieve educational success. The majority of youth benefiting from these mentor relationships are low- and moderate-income. An assistant vice president served on the organization's Board.
- ***SCEC*** - SCEC is a nonprofit organization that helps create jobs throughout Washington County, an underserved geography. SCEC works with community-minded businesses, nonprofit organizations, municipalities, and citizens, to provide scholarships to low- and moderate-income individuals for workforce training and provides flexible financing to commercial fisheries, small businesses, and farms; helping them to grow and create jobs. A senior vice president served as a Board member and Treasurer and a vice president served on the Loan, Scholarship, and Building Committees.
- ***Harrington Family Health Center (HFHC)*** - HFHC is a Federally Qualified Health Center (FQHC) that provides service to the communities in Washington County. FQHC's are community-based health care providers that receive Health and Human Services funding to provide primary care services in underserved rural areas. HFHC provides all patients with access to medical, dental, and behavioral health care. The majority of those who benefit are low- or moderate-income individuals. A business banker serves on the organization's Board.

BANGOR, ME MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE BANGOR, ME MSA

MSB maintains 3, or 20.0 percent of its 15 branches in the Bangor, ME MSA assessment area. Based on the number of branches, loans, and deposits, examiners weighted this assessment area second to the Non-MSA assessment area. MSB did not open or close any branches in this assessment area since the previous evaluation. The following sections discuss demographic and economic information for the Bangor, ME MSA assessment area.

Economic and Demographic Data

The Bangor, ME MSA consists of all 46 census tracts within Penobscot County and has not changed since the previous evaluation. The assessment area is primarily rural. The census tracts reflect the following income designations:

- 8 moderate-income census tracts,
- 27 middle-income census tracts,
- 10 upper-income census tracts, and
- 1 census tract with no income designation.

Moderate-income census tracts are located in Bangor (3), Dexter, East Millinocket, Millinocket, Indian Island in the Penobscot River (home of the Penobscot Tribe), and Springfield. The census tract with no income designation houses the University of Maine. There are no underserved or distressed census tracts in this assessment area. 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)	46	0.0	17.4	58.7	21.7	2.2
Population by Geography	153,437	0.0	16.4	56.3	24.3	3.0
Housing Units by Geography	74,196	0.0	18.6	58.2	22.4	0.8
Owner-Occupied Units by Geography	41,889	0.0	13.4	61.0	25.3	0.3
Occupied Rental Units by Geography	20,084	0.0	27.3	48.4	22.4	1.9
Vacant Units by Geography	12,223	0.0	22.1	64.8	12.6	0.5
Businesses by Geography	9,290	0.0	20.7	49.5	28.8	1.0
Farms by Geography	333	0.0	8.7	67.0	24.0	0.3
Family Distribution by Income Level	38,306	21.1	17.7	20.5	40.7	0.0
Household Distribution by Income Level	61,973	24.9	16.7	16.3	42.1	0.0
Median Family Income MSA - 12620 Bangor, ME MSA		\$56,891	Median Housing Value			\$135,373
			Median Gross Rent			\$733
			Families Below Poverty Level			10.6%

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.

According to 2020 D&B data, 9,290 non-farm businesses operate in the Bangor, ME MSA assessment area. The following reflects GARs for these businesses:

- 78.5 percent have \$1.0 million or less,
- 6.7 percent have more than \$1.0 million, and
- 14.8 percent have unknown revenues.

Service industries represent the largest portion of businesses at 39.5 percent; followed by retail trade (14.3 percent); non-classifiable establishments (13.6 percent); construction (7.4 percent); and finance, insurance, and real estate (7.3 percent). In addition, 58.3 percent of area businesses have 4 or fewer employees, and 84.2 percent operate from a single location. Major employers in the assessment area include Northern Light Eastern Maine Medical Center, Hannaford Brothers, and St. Joseph Hospital.

According to the U.S. Bureau of Labor Statistics, the average unemployment rate in the Penobscot County averaged 4.1 percent during the evaluation period. This compares favorably to the average national unemployment rate of 5.9 percent and is consistent with the statewide average unemployment rate of 4.3 percent. The unemployment rates in the assessment area increased to 9.4 percent in April 2020 due to the COVID-19 pandemic.

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

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
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>				

Competition

The bank operates in a moderately competitive market for financial services, including home mortgage and small business lending. According to FDIC Deposit Market Share data as of June 30, 2021, nine financial institutions operated 42 offices in the assessment area. Of these, MSB ranked 3rd with a 10.3 percent deposit market share. Bangor Savings Bank and TD Bank, N.A. were the top two institutions with a collective market share of 57.7 percent.

There is significant competition for small business loans in the Bangor, ME MSA assessment area. Aggregate data for 2019, shows 58 lenders originated 3,481 small business loans in Penobscot County totaling approximately \$157.9 million. MSB ranked 8th with a 5.9 percent market share and was the 2nd ranked state-chartered community bank. Bangor Savings Bank (ranked 6th), a much larger community bank headquartered in the area, and large national banks outperformed the bank. The top three ranked institutions: American Express National Bank, The Camden National Bank, and JP Morgan Chase Bank, N.A., had a combined market share of 27.8 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. Aggregate data in 2020, shows 167 lenders originated or purchased 6,246 home mortgage loans. MSB ranked 12th with a market share of 2.5 percent and was the 2nd ranked state-chartered community bank. Top-ranked Bangor Savings Bank captured market share of 21.0 percent and 2nd ranked Quicken Loans had market share of 6.2 percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that affordable housing and small business financing represents primary credit needs in the Bangor, ME MSA assessment area. Many businesses operate in Bangor due to its proximity to customers, infrastructure, and workforce. Community development needs include small business technical assistance and workforce development.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE BANGOR, ME MSA

LENDING TEST

MSB demonstrated good performance under the Lending Test in the Bangor, ME MSA assessment area. The bank's good performance in the Lending Activity, Geographic Distribution, and Community Development Lending criteria supports 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, MSB reported 770 small business loans totaling approximately \$88.8 million and 289 home mortgage loans totaling approximately \$55.8 million in the Bangor, ME MSA assessment area.

The Competition section previously discussed the bank's market share rankings for small business and home mortgage lending.

Geographic Distribution

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

Small Business Loans

The geographic distribution of small business loans reflects good penetration. As shown in the following table, lending in moderate-income tracts trailed aggregate data and demographics in 2019, but increased in 2020.

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	20.4	13.1	18	8.7	2,462	8.1
2020	20.7	--	78	13.8	6,325	10.9
Middle						
2019	49.3	57.3	135	65.5	21,912	71.7
2020	49.5	--	316	56.0	32,423	55.7
Upper						
2019	29.2	29.4	53	25.7	6,202	20.3
2020	28.8	--	169	30.0	19,418	33.4
Not Available						
2019	1.0	0.2	0	0.0	0	0.0
2020	1.0	--	1	0.2	15	0.0
Totals						
2019	100.0	100.0	206	100.0	30,576	100.0
2020	100.0	--	564	100.0	58,181	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>						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent penetration throughout the Bangor, ME MSA assessment area. As shown in the following table, the bank's lending exceeded aggregate data and was comparable to demographics in moderate-income tracts in 2019 and 2020

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	0.0
Moderate						
2019	13.4	10.0	16	12.2	2,250	8.3
2020	13.4	8.9	20	12.7	3,147	10.9
Middle						
2019	61.0	59.5	80	61.1	16,415	60.9
2020	61.0	58.3	95	60.1	17,459	60.5
Upper						
2019	25.3	30.4	35	26.7	8,308	30.8
2020	25.3	32.7	42	26.6	8,054	27.9
Not Available						
2019	0.3	0.1	0	0.0	0	0.0
2020	0.3	0.2	1	0.6	178	0.6
Totals						
2019	100.0	100.0	131	100.0	26,973	100.0
2020	100.0	100.0	158	100.0	28,838	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects excellent penetration among businesses of different sizes and individuals of different income levels in the Bangor, ME MSA assessment area. The bank's excellent performance of small business and good performance of home mortgage loans supports this conclusion. Examiners focused on the percentage of small business loans by number to businesses with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects excellent penetration to businesses with GARs of \$1 million or less. As shown in the following table, in 2019, the bank's performance exceeded aggregate data. The 2020 small business loan distribution is also excellent. Of the 160 loans for which GAR information is available, the bank originated 66.9 percent to businesses with GARs of \$1 million or less. The large number of loans for which GAR information is not available in 2020 reflects the bank's participation in the PPP loan program. To expedite the processing and

disbursing of loans to businesses impacted by the COVID-19 pandemic, PPP applicants were not required to provide revenue information. The large number of borrowers with income reported as Revenue Not Available reduced the percentage of lending to all GAR levels as compared to the demographic data.

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	77.0	45.9	122	59.2	11,154	36.5
2020	78.5	--	107	19.0	11,273	19.4
>\$1,000,000						
2019	7.6	--	78	37.9	17,641	57.7
2020	6.9	--	53	9.4	11,486	19.7
Revenue Not Available						
2019	15.4	--	6	2.9	1,781	5.8
2020	14.7	--	404	71.6	35,422	60.9
Totals						
2019	100.0	100.0	206	100.0	30,576	100.0
2020	100.0	--	564	100.0	58,181	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>						

Home Mortgage Loans

The distribution of home mortgage loans reflects good penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, in 2019 and 2020, the bank’s lending to low-income borrowers by number exceeded aggregate performance.

MSB’s lending to moderate-income borrowers trailed aggregate data in both 2019 and 2020. As mentioned previously, there is a high level of competition for home mortgage loans in the Bangor, ME MSA assessment area. In 2020, MSB ranked 21st out of 74 lenders originating or purchasing home mortgage loans to moderate-income borrowers with 1.0 percent market share and was the 3rd ranked state-chartered community bank. The top-ranked lender, Bangor Savings Bank captured a market share of 21.5 percent.

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	21.1	6.7	13	9.9	1,006	3.7
2020	21.1	4.3	8	5.1	636	2.2
Moderate						
2019	17.7	18.4	10	7.6	981	3.6
2020	17.7	13.3	8	5.1	886	3.1
Middle						
2019	20.5	20.8	22	16.8	2,532	9.4
2020	20.5	19.9	25	15.8	3,181	11.0
Upper						
2019	40.7	36.6	40	30.5	8,622	32.0
2020	40.7	41.3	79	50.0	15,266	52.9
Not Available						
2019	0.0	17.6	46	35.1	13,832	51.3
2020	0.0	21.2	38	24.1	8,869	30.8
Totals						
2019	100.0	100.0	131	100.0	26,973	100.0
2020	100.0	100.0	158	100.0	28,838	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

The bank is a leader in making community development loans in the Bangor, ME MSA assessment area. MSB originated eight community development loans totaling approximately \$4.8 million in this area since the previous evaluation. This is similar to the bank's performance during the previous evaluation period, during which it originated eight loans totaling approximately \$5.4 million. The majority of these loans benefitted organizations working to provide affordable housing to low- and moderate-income individuals in the assessment area. The following table illustrates the community development lending activity by year and purpose.

Community Development Lending Assessment Area: Bangor, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	2	940	0	0	0	0	0	0	2	940
2020	2	1,750	1	769	3	1,298	0	0	6	3,817
YTD 2021	0	0	0	0	0	0	0	0	0	0
Total	4	2,690	1	769	3	1,298	0	0	8	4,757
<i>Source: Bank Data</i>										

The following are examples of community development loans benefitting the Bangor, ME MSA assessment area.

- In 2019, MSB originated an \$189,600 loan to a local housing authority in the assessment area. Loan proceeds provided permanent financing for a two-unit affordable housing property managed by the housing authority for the benefit of low- and moderate-income individuals in the assessment area.
- In 2020, MSB originated a \$1 million line of credit to a Community Development Financial Institution (CDFI) organization, which provides flexible and affordable mobile and manufactured home financing to low- and moderate-income families in the Bangor, ME MSA assessment area.
- The bank annually renewed a \$750,000 line of credit for the construction and maintenance of a 28-unit low-income housing development. The organization promotes affordable housing developments and partnerships through Low Income Housing Tax Credits and other public and private funding sources. This loan promotes affordable housing for low- and moderate-income families.

INVESTMENT TEST

MSB demonstrated adequate performance under the Investment Test in the Bangor, ME 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 factor.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants in the Bangor, ME MSA assessment area. During the evaluation period, the bank did not make any new investments in the assessment area. However, a prior period investment that provides funding for

small businesses in the assessment area has a \$75,000 book value. The bank also made 58 donations totaling \$170,219 benefitting the assessment area. This represents a slight decrease since the last evaluation period during which qualified investments and grants benefitting the Bangor, ME MSA area totaled approximately \$343,000. The following table illustrates the qualified investment activity by year and purpose.

Qualified Investments										
Assessment Area: Bangor, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	1	75	0	0	1	75
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	1	75	0	0	1	75
Qualified Grants & Donations	6	36	45	97	7	37	0	0	58	170
Total	6	36	45	97	8	112	0	0	59	245
<i>Source: Bank Data</i>										

The following are examples of donations benefitting the Bangor, ME MSA assessment area.

- **Shaw House** - Shaw House provides emergency shelter, counseling, outreach services, and transitional housing to homeless and at-risk-youth in the Bangor, ME area.
- **Eastern Maine Development Corporation (EMDC)** - EMDC is an economic development organization that provides financial, educational, and supportive services to businesses in eastern Maine. EMDC also offers a workforce development program for individuals and employers helping to retain and create jobs in the local area.
- **Good Shepard Food Bank (GSFB)** - GSFB distributes food to individuals and families experiencing food insecurity. The bank’s donation helped GSFB expand its services into Penobscot County. The majority of those who benefit are low- and moderate-income individuals and families.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community development needs in the Bangor, ME MSA assessment area where 16.6 percent of households are living below poverty level and struggle to meet basic life needs. Bank donations funded organizations providing housing, food assistance, educational, and child and eldercare services to low- and moderate-income residents in the assessment area.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. For additional information, refer to the Investment Test section for the combined assessment area.

SERVICE TEST

MSB demonstrated adequate performance under the Service Test within the Bangor, ME MSA assessment area. The bank's good performance in the Accessibility of Delivery Systems and Reasonableness of Business Hours and Services and adequate performance in Community Development Services criteria primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the Bangor, ME MSA assessment area. Branch distribution and alternative delivery systems are generally consistent with the institution overall. Of the three branches in this assessment area, one is located in a middle-income census tract in Lincoln and two are located in upper-income census tracts in Bangor and Brewer.

There are no low-income census tracts and eight moderate-income census tracts in the Bangor, ME MSA assessment area. The two branches located in the upper-income census tracts in Bangor and Brewer are within three miles of the three moderate-income tracts located in downtown Bangor. The moderate-income census tract in Dexter is approximately 34 miles from the branches located in Bangor and Brewer. The remaining four moderate-income census tracts are located in the northern most rural part of the assessment area. The Lincoln branch supports this rural community that has limited access to financial services, where 15.3 percent of families are below poverty level, and a large portion of the population is low- or moderate-income (46.8 percent).

MSB operates deposit taking ATMs at each branch. The ATMs are part of the Maine Cash Access ATM Network, which offers customers surcharge-free access to hundreds of ATMs throughout ME.

In addition to the branch and ATM network, MSB offers alternative delivery systems to expand retail banking service access to all individuals. The bank offers online and mobile banking that allows consumers and businesses to perform various transactions. There is no additional cost for online or mobile banking. In addition, MSB allows customers to open consumer checking and savings accounts online. Alternative delivery systems allow low- and moderate-income individuals or those living in low- or moderate-income geographies to open accounts without physically traveling to a branch.

Changes in Branch Locations

Since the previous evaluation, the bank has not opened or closed any branches within the Bangor, ME MSA assessment area.

Reasonableness of Business Hours and Services

Services do not vary in a way that inconveniences portions of the assessment areas, particularly low- and moderate- geographies and/or individuals. All branches throughout the assessment area generally have the same hours and offer the same services. All branches are open Monday through Friday and two of the three branches provide drive-up access on Saturdays.

Community Development Services

The bank provides an adequate level of community development services to the Bangor, ME MSA assessment area. During the evaluation period, employees provided 325 hours of service activity in the Bangor, ME MSA assessment area. MSB’s performance decreased since the previous evaluation, when the bank provided 985 qualified hours of service. The decline was primarily due to COVID-19 pandemic-related restrictions in 2020 and 2021 limiting opportunities.

Bank personnel served as board and committee members for organizations that support small business economic development and provide services that benefit low- and moderate-income individuals and families within the assessment area. Bank employees also provided a significant number of financial literacy sessions in schools where the majority of students are low- and moderate-income. The following table illustrates the activity by year and type.

Community Development Services Assessment Area: Bangor, ME MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	14	0	0	14
2019	0	114	6	0	120
2020	3	41	76	2	122
YTD 2021	0	29	36	4	69
Total	3	198	118	6	325
<i>Source: Bank Data</i>					

The following are examples of community development services benefitting the Bangor, ME MSA assessment area.

- **FedCap** - FedCap provides various services to help youth and adults graduate from high school, obtain college degrees, prepare for the workforce, obtain jobs, and achieve long-term economic stability. FedCap services benefit Temporary Assistance for Needy Families (TANF) eligible individuals. Individuals are TANF eligible if they are unemployed or

underemployed and have low incomes. Three employees provided financial literacy lessons to TANF eligible individuals through FedCap.

- ***MaineStream Finance (MaineStream)*** - MaineStream is a nonprofit CDFI that provides a various loan products with more flexible terms than conventional lenders to low- and moderate-income homebuyers and small businesses. MaineStream also offers financial coaching for low-income people who struggle with managing their finances and foreclosure prevention counseling. A regional senior vice president serves as a Board and Loan Committee member.

PORTLAND-SOUTH PORTLAND, ME MSA – Full Scope Review

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

MSB operates 1, or 6.7 percent, of its 15 branches in the Portland-South Portland, ME MSA assessment area. As this assessment area maintains the least percentage of branches, deposits, and loans, it received the least weight of the three assessment areas. MSB did not open or close any branches in this assessment area since the previous evaluation. The following sections discuss demographic and economic information for the Portland-South Portland, ME MSA assessment area.

Economic and Demographic Data

The Portland-South Portland, ME MSA consists of 26 census tracts within a portion of Cumberland County and has not changed since the previous evaluation. The census tracts reflect the following income designations

- 3 low-income census tracts,
- 9 moderate-income census tracts,
- 13 middle-income census tracts, and
- 1 upper-income census tract.

The three low-income census tracts and six of the moderate-income census tracts are located in Portland. The other three moderate-income census tracts are located in South Portland. There are no underserved or distressed census tracts in this assessment area. 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)	26	11.5	34.6	50.0	3.8	0.0
Population by Geography	92,023	7.2	34.6	53.4	4.9	0.0
Housing Units by Geography	45,031	7.7	34.9	53.3	4.1	0.0
Owner-Occupied Units by Geography	19,226	2.3	25.6	63.7	8.4	0.0
Occupied Rental Units by Geography	21,547	12.4	44.9	41.8	0.9	0.0
Vacant Units by Geography	4,258	8.0	26.3	64.3	1.4	0.0
Businesses by Geography	10,997	6.0	52.2	39.5	2.4	0.0
Farms by Geography	149	2.7	38.3	53.7	5.4	0.0
Family Distribution by Income Level	20,046	27.6	18.0	18.5	35.9	0.0
Household Distribution by Income Level	40,773	31.5	16.6	17.0	34.8	0.0
Median Family Income MSA - 38860 Portland-South Portland, ME MSA		\$74,701	Median Housing Value			\$251,893
			Median Gross Rent			\$970
			Families Below Poverty Level			13.4%
<i>Source: 2015 ACS and 2020 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

According to 2020 D&B data, 10,997 non-farm businesses operate in the Portland-South Portland, ME MSA assessment area. The following reflects GARs for these businesses.

- 80.5 percent have \$1.0 million or less,
- 6.9 percent have more than \$1.0 million, and
- 12.6 percent have unknown revenues.

Service industries represent the largest portion of businesses at 42.4 percent; followed by non-classifiable establishments (17.2 percent); retail trade (13.7 percent); finance, insurance, and real estate (10.7 percent); and construction (4.1 percent). In addition, 57.0 percent of area businesses have four or fewer employees, and 85.1 percent operate from a single location. Major employers in the assessment area include MaineHealth, L.L. Bean, UNUM Group, and Hannaford Brothers.

According to the U.S. Bureau of Labor Statistics, the average unemployment rate in Cumberland County averaged 3.4 percent during the evaluation period. This compares favorably to the average national unemployment rate of 5.9 percent and the statewide average unemployment rate of 4.3 percent. The unemployment rate in the assessment area increased to 10.3 percent in April 2020 due to the COVID-19 pandemic.

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

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

Competition

The bank operates in a highly competitive market for financial services, including home mortgage and small business lending. According to FDIC Deposit Market Share data as of June 30, 2021, 16 financial institutions operated 48 offices in the assessment area. Of these, MSB ranked 8th with 4.0 percent deposit market share. Bank of America, N.A, TD Bank, N.A., and KeyBank, N.A. were the top three institutions with a collective market share of 57.7 percent.

There is significant competition for small business loans in the Portland-South Portland, ME MSA assessment area. In 2019, 82 lenders originated or purchased 8,700 small business loans in Cumberland County totaling approximately \$396.3 million. MSB ranked 25th with 0.5 percent market share. The top three ranked institutions: American Express National Bank, JP Morgan Chase Bank, N.A., and Bank of America, N.A. had a combined market share of 60.3 percent.

There is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders. In 2020, 213 lenders originated or purchased 5,429 home mortgage loans. MSB ranked 53rd with a market share of 0.4 percent. Top-ranked Bangor Savings Bank captured a market share of 11.6 percent and 2nd ranked Residential Mortgage Services had a market share of 6.3 percent.

Credit and Community Development Needs and Opportunities

Considering information from bank management and demographic and economic data, examiners determined that financing to develop affordable housing represents a primary credit need in the Portland-South Portland, ME MSA assessment area. Community development needs include services to assist families, many living below the poverty level, with basic nutritional needs, fuel assistance, utility payments, and medical expenses.

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

LENDING TEST

MSB demonstrated adequate performance under the Lending Test in the Portland-South Portland, ME MSA assessment area. The bank's adequate performance in the Lending Activity, Geographic Distribution, and Borrower Profile criteria supports this conclusion. The following sections discuss the bank's Lending Test performance under each factor.

Lending Activity

The bank's lending levels reflect adequate responsiveness to assessment area credit needs. In 2019 and 2020, MSB reported 101 small business loans totaling approximately \$19.0 million and 31 home mortgage loans totaling approximately \$11.2 million inside the Portland-South Portland, ME MSA assessment area.

The Competition section previously discussed the bank's market share rankings for small business and home mortgage lending.

Geographic Distribution

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

Small Business Loans

The geographic distribution of small business loans reflects adequate penetration. As shown in the following table, in 2019, lending in low-income tracts trailed aggregate data and demographics. In 2020, lending in low-income tracts increased and exceeded demographics. Bank lending in moderate-income census tracts in 2019 was comparable to aggregate data and demographics. In 2020, lending increased significantly due largely to PPP lending and was comparable to demographics.

Geographic Distribution of Small Business Loans Assessment Area: Portland-South Portland, ME MSA						
Tract Income Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	5.8	7.2	1	5.3	337	5.8
2020	6.0	--	7	8.5	1,744	13.3
Moderate						
2019	52.5	49.6	9	47.4	1,976	33.7
2020	52.2	--	43	52.4	5,953	45.4
Middle						
2019	39.3	40.5	8	42.1	3,488	59.5
2020	39.5	--	30	36.6	5,280	40.2
Upper						
2019	2.4	2.7	1	5.3	59	1.0
2020	2.4	--	2	2.4	149	1.1
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	19	100.0	5,860	100.0
2020	100.0	--	82	100.0	13,126	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>						

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects adequate penetration throughout the Portland-South Portland, ME MSA assessment area. As shown in the following table, in 2019, the bank did not originate any loans in low-income census tracts, but the two originations in 2020 resulted in bank performance exceeding aggregate data and demographics. In the moderate-income tracts, lending trailed aggregate data and demographics. However, in 2020, loan originations doubled and the bank outperformed aggregate and demographics.

Geographic Distribution of Home Mortgage Loans Assessment Area: Portland-South Portland, ME MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	2.3	4.4	0	0.0	0	0.0
2020	2.3	4.3	2	10.5	550	8.3
Moderate						
2019	25.6	29.4	3	25.0	991	21.7
2020	25.6	27.4	6	31.6	2,965	44.7
Middle						
2019	63.7	58.1	8	66.7	3,550	77.8
2020	63.7	60.4	11	57.9	3,124	47.1
Upper						
2019	8.4	8.1	1	8.3	25	0.5
2020	8.4	8.0	0	0.0	0	0.0
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	12	100.0	4,566	100.0
2020	100.0	100.0	19	100.0	6,638	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Borrower Profile

The distribution of borrowers reflects adequate penetration among businesses of different sizes and individuals of different income levels in the Portland-South Portland, ME MSA assessment area. The bank's adequate performance of small business and home mortgage loans supports this conclusion. Examiners focused on the percentage of small business loans by number to businesses with GARs of \$1 million or less and home mortgage loans to low- and moderate-income borrowers.

Small Business Loans

The distribution of small business loans reflects adequate penetration to businesses with GARs of \$1 million or less. As shown in the following table, in 2019, the bank's performance was comparable to aggregate data. The 2020 distribution of small business loans was also adequate; of the 21 loans for which GAR information is available, the bank originated 42.7 percent to businesses with GARs of \$1 million or less. The large number of loans for which GAR information is not available in 2020 reflects the bank's participation in the SBA PPP. The large number of borrowers

with income reported as Revenue Not Available reduced the percentage of lending to all GAR levels as compared to the demographic data.

Distribution of Small Business Loans by Gross Annual Revenue Category						
Assessment Area: Portland-South Portland, ME MSA						
Gross Revenue Level	% of Businesses	Aggregate Performance % of #	#	%	\$(000s)	%
<=\$1,000,000						
2019	78.9	43.0	8	42.1	1,811	30.9
2020	80.4	--	9	11.0	1,923	14.7
>\$1,000,000						
2019	7.6	--	11	57.9	4,049	69.1
2020	6.9	--	12	14.6	4,072	31.0
Revenue Not Available						
2019	13.5	--	0	0.0	0	0.0
2020	12.7	--	61	74.4	7,131	54.3
Totals						
2019	100.0	100.0	19	100.0	5,860	100.0
2020	100.0	--	82	100.0	13,126	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>						

Home Mortgage Loans

The distribution of home mortgage loans reflects adequate penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, in 2019, lending to low-income borrowers exceeded aggregate data. However, in 2020, the bank did not make any loans to low-income borrowers.

In both 2019 and 2020, lending to moderate-income borrowers was slightly below both aggregate data and demographics.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Portland-South Portland, ME MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	27.6	5.5	2	16.7	145	3.2
2020	27.6	4.9	0	0.0	0	0.0
Moderate						
2019	18.0	19.8	2	16.7	428	9.4
2020	18.0	18.2	3	15.8	613	9.2
Middle						
2019	18.5	22.6	0	0.0	0	0.0
2020	18.5	24.5	2	10.5	414	6.2
Upper						
2019	35.9	40.1	7	58.3	3,703	81.1
2020	35.9	39.8	9	47.4	3,546	53.4
Not Available						
2019	0.0	12.0	1	8.3	290	6.4
2020	0.0	12.5	5	26.3	2,065	31.1
Totals						
2019	100.0	100.0	12	100.0	4,566	100.0
2020	100.0	100.0	19	100.0	6,638	100.0
<i>Source: 2015 ACS; Bank Data, 2019 & 2020 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Community Development Loans

The bank is a leader in making community development loans in the Portland-South Portland, ME MSA assessment area. MSB originated 13 community development loans totaling approximately \$41.2 million in this area since the previous evaluation. This represents a significant increase since the last evaluation period during which the bank did not originate any community development loans in the assessment area. Of the 13 loans, 9 totaling \$8.3 million are PPP loans used by organizations in moderate-income census tracts to retain employees on payroll during the COVID-19 pandemic. The following table illustrates the community development lending activity by year and purpose.

Community Development Lending										
Assessment Area: Portland-South Portland, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	1	8,400	1	8,400
2020	0	0	2	4,147	3	204	7	28,488	12	32,839
YTD 2021	0	0	0	0	0	0	0	0	0	0
Total	0	0	2	4,147	3	204	8	36,888	13	41,239
<i>Source: Bank Data</i>										

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

- In 2019, MSB originated a \$4 million loan to a local school administrative district serving five schools. Funds renovated a vacant building that housed an elementary school in a moderate-income census tract. The majority of students in this district qualifies for free or reduced price lunch.
- In 2019, MSB originated an \$8.4 million loan to finance the construction of a hotel in a low-income census tract in the Portland-South Portland, ME MSA assessment area. The loan resulted in creating numerous area jobs, including for low- and moderate-income individuals.
- In 2020, MSB originated a \$10.1 million loan to redevelop a building in a moderate-income census tract in Portland. The renovated building will house approximately 165 market-rate apartments, commercial retail space, and self-storage units, and will help revitalize this section of the city.

INVESTMENT TEST

MSB demonstrated adequate performance under the Investment Test in this 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 factor.

Investment and Grant Activity

The bank has an adequate level of qualified community development investments and grants in the Portland-South Portland, ME MSA assessment area. During the evaluation period, the bank did not make any new investments in the assessment area; however, the bank made 52 donations totaling \$196,343 benefitting the assessment area. This represents a decrease since the last evaluation period during which qualified investments and grants benefitting the Portland-South Portland, ME

MSA area totaled approximately \$2.9 million. The decrease is primarily due to a \$2.2 million affordable housing investment unexpectedly being paid off at the end of 2020. The following table illustrates the qualified investment activity by year and purpose.

Qualified Investments										
Assessment Area: Portland-South Portland, ME MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2018	0	0	0	0	0	0	0	0	0	0
2019	0	0	0	0	0	0	0	0	0	0
2020	0	0	0	0	0	0	0	0	0	0
YTD 2021	0	0	0	0	0	0	0	0	0	0
Subtotal	0	0	0	0	0	0	0	0	0	0
Qualified Grants & Donations	4	8	43	159	2	15	3	15	52	197
Total	4	8	43	159	2	15	3	15	52	197
<i>Source: Bank Data</i>										

The following are examples of donations benefitting the Portland-South Portland, ME MSA assessment area.

- ***The Greater Portland Immigrant Welcome Center (IWC)*** - IWC provides programs that assist new immigrants. Programs include an Immigrant Business Hub that provides training and technical support to immigrant-led and minority-owned businesses, citizen application and financial and legal assistance, and English language learning. Those who benefit from these services are primarily low- or moderate-income individuals.
- ***Educate Maine*** - Donations assisted in funding Maine’s Public Broadcast Network televised instructional videos. The videos enabled low- and moderate-income youth without internet access to learn from home during the COVID-19 pandemic.
- ***Junior Achievement of Maine*** - Donations assisted in funding work readiness, financial literacy, and entrepreneurship programs taught in assessment area schools with a majority of low- and moderate-income students.

Responsiveness to Credit and Community Development Needs

The bank exhibits adequate responsiveness to credit and community development needs in the Portland-South Portland, ME MSA assessment area. Bank grants and donations funded organizations providing mentoring, financial literacy, educational, and healthcare assistance programs benefitting low- and moderate-income individuals in the assessment area.

Community Development Initiatives

The bank occasionally uses innovative and/or complex investments to support community development initiatives. For additional information, refer to the Investment Test section for the combined assessment area.

SERVICE TEST

MSB demonstrated adequate performance under the Service Test within the Portland-South Portland, ME MSA assessment area. The bank's good performance in the Accessibility of Delivery Systems and adequate performance in Business Hours and Services and Community Development Services criteria primarily supports this conclusion.

Accessibility of Delivery Systems

The bank's delivery systems are accessible to essentially all portions of the institution's Portland-South Portland, ME MSA assessment area. The bank operates one branch in this assessment area. The branch, located in a moderate-income census tract is in close proximity to all three low-income census tracts in the assessment area.

Changes in Branch Locations

Since the previous evaluation, the bank has not opened or closed any branches within the Bangor, ME MSA assessment area.

Reasonableness of Business Hours and Services

Services, including business hours, do not vary in a way that inconveniences portions of this assessment area, particularly low- or moderate-income geographies and/or individuals. The branch is open Monday through Friday.

Community Development Services

The bank provides an adequate level of community development services to the Portland-South Portland, ME MSA assessment area. During the evaluation period, employees provided 103 hours of service activity in this assessment area. MSB's performance decreased from the previous evaluation, when the bank provided 174 qualified hours of service. The decrease is partially due to fewer service opportunities because of COVID-19 restrictions.

Bank personnel served as board members and provided technical assistance to organizations that support small business economic development and provide services that benefit low- and moderate-income individuals and families within the assessment area.

Community Development Services Assessment Area: Portland-South Portland, ME MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2018	0	0	0	0	0
2019	0	30	0	0	30
2020	0	45	11	0	56
YTD 2021	0	17	0	0	17
Total	0	92	11	0	103
<i>Source: Bank Data</i>					

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

- **SCORE** - SCORE is a nonprofit organization dedicated to helping small businesses launch, grow, and achieve their goals through education and mentorships. SCORE offers free mentoring and free or low-cost workshops to business owners to promote business development. Services benefit a moderate-income area in Portland. A financial planning officer assists on complex tax matters through SCORE's Maine Tax Forum and Tax Practitioner's Institute Committee workshops.
- **AVESTA Housing Development Corporation (AVESTA)** - AVESTA is a nonprofit organization headquartered in Portland that promotes and provides quality affordable housing to low- and moderate-income individuals and families. AVESTA also provides homebuyer education, foreclosure prevention counseling, and credit and budget counseling services to its clients. A vice president presented at an AVESTA First Time Homebuyer class.

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

SCOPE OF EVALUATION

SCOPE OF EVALUATION	
TIME PERIOD REVIEWED	December 3, 2018 - September 20, 2021
FINANCIAL INSTITUTION	Machias Savings Bank
PRODUCTS REVIEWED	2018, 2019, and 2020 home mortgage originations and 2019 and 2020 small business and small farm originations

LIST OF ASSESSMENT AREAS AND TYPE OF EVALUATION			
ASSESSMENT AREA	TYPE OF EXAMINATION	BRANCHES VISITED	OTHER INFORMATION
Non-Metropolitan Statewide, ME MSA	Full scope	None	
Bangor, ME MSA	Full scope	None	
Portland-South Portland, ME MSA	Full scope	None	

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

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

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

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number, and dollar amount of investments, and branch distribution).

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

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

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

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

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

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

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

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.