



PUBLIC DISCLOSURE

November 25, 2013

**COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION**

The Bank of Maine
Charter Number 706947
2 Canal Plaza
Portland, ME 04101

Office of the Comptroller of the Currency
99 Summer Street, Suite 1400
Boston, MA 02110

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

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Outstanding.

The major factors supporting the Bank's ratings are:

- The Bank of Maine's (or Bank) level of lending, as reflected by the net loan-to-deposit ratio, is more than reasonable.
- A substantial majority of originated loans are made inside the Bank's assessment areas (AAs).
- The distribution of home loans reflects reasonable distribution among borrowers of different income levels.
- The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income census tracts.
- The Bank demonstrates excellent responsiveness to the community development needs within its AAs.

Scope of Examination

The Bank of Maine was evaluated using Intermediate Small Bank CRA examination procedures, including a lending test (LT) and a community development (CD) test. The LT evaluates the Bank's record of meeting the credit needs of its AAs through its lending activities. The CD test evaluates the Bank's responsiveness to CD needs in its AAs through CD lending, qualified investments, and community development services. The evaluation period for the LT covers the Bank's performance from January 1, 2011, through September 30, 2013. For the period January 1, 2011, through December 31, 2011, the Bank's performance was compared to the 2000 U.S. Census data. For the period from January 1, 2012, through September 30, 2013, performance was compared to the 2010 U.S. Census data. The CD test evaluation period is July 26, 2010, the date of the last CRA examination, through November 25, 2013. CD loans, investments, and services submitted by management were verified to ensure they meet the regulatory definition for community development.

The Bank's primary loan products, based on loan originations during the evaluation period, are residential mortgages including home purchase, home refinance, and home improvement loans. Although the table on Page 3 shows that residential mortgage loans and home equity products represent 48% of the overall loan portfolio, the majority of the loans, 65%, originated during the evaluation period were residential mortgage loans. Home refinance loans comprised the majority, 65%, of loans originated, followed by home purchase loans, at 25%, and 10% in home improvement loans.

The Bank reports data under requirements of the Home Mortgage Disclosure Act (HMDA). As part of our evaluation, we reviewed the testing results of the Bank's HMDA data for residential real estate loans originated and found the data was reliable. All residential real estate loans originated during the evaluation period were included in our analysis of the Bank's lending.

Full scope reviews were performed on AA1 – non-metropolitan (non-MSA) areas and AA2 – Portland, Maine (ME) Metropolitan Statistical Area (MSA). Limited scope reviews were performed on AA3 – Penobscot County, ME, and AA4 – Rockingham County, New Hampshire (NH). Approximately 66% of branches/deposits are located in AA1, with 56% (by number) of residential mortgage loans originated in this AA. In AA2, there are approximately 31% of branches/deposits located here, and 43% of loans are made in the AA. Branches/deposits are about 3% in AA3, with 1% of loans attributed to this AA. The Bank made no loans in AA4 and there are no branches located there.

Description of Institution

The Bank of Maine is a federally chartered stock bank and as of September 30, 2013, the Bank had total assets of \$807 million. The Bank is wholly owned by SBM Financial, Inc., a federal savings bank holding company. The Bank has a long history in Maine and was organized in 1834 in Gardiner, Maine. In the past 30 years, the Bank grew rapidly merging with or acquiring community banks. In 2007 and 2008, these activities expanded the Bank's footprint into Aroostook, Washington, and York counties. In May 2011, the Bank changed its name from Savings Bank of Maine to The Bank of Maine, and in June 2011, opened its new headquarters office in Portland, Maine.

The Bank's operations are in the non-MSA areas of Kennebec, Aroostook, Lincoln, and Washington counties; Cumberland and Sagadahoc counties, and most of York County, all in the Portland, ME MSA; a small portion of Penobscot County; and the greater Portsmouth area in the bordering state of New Hampshire. The Bank has 33 branches, 22 in the non-MSA areas, 10 in the Portland MSA, and one in the Bangor, ME MSA in Penobscot County. There are no branches in NH.

The main office is open from 8:30 am to 5:00 pm, Monday through Friday. Lobby hours for the majority of the other branch locations are 8:30 am to 4:00 pm, Monday through Thursday, and lobby hours extended until 5:00 pm on Fridays. More than half of the branches are open on Saturdays from 9:00 am to 12:00 pm, and one branch has Sunday hours. All branches have automated teller machines (ATMs). During the evaluation period, The Bank of Maine opened two branches in the Portland MSA; one in Portland located in a low-income tract, and one in Falmouth located in an upper-income tract. The Bank closed a branch in Waterville, ME, in Kennebec County, located in a middle-income tract.

The Bank of Maine is a full service institution, offering a wide range of loan and deposit products to meet consumer and commercial banking needs. Retail loan products include residential mortgages, home equity lines of credit, and personal loans. Commercial loan products include commercial real estate loans, commercial and industrial loans, and lines and letters of credit. The Bank is recognized as a Preferred Lender with the U.S. Small Business

Administration. Standard deposit products for consumers and businesses, and online, mobile, and telephone banking services are offered. Detailed product information can be found on the Bank's Internet website, www.thebankofmaine.com. Bank management identified the need for increased micro loans for small businesses.

As of September 30, 2013, net tier one capital was \$75 million and total deposits were \$688 million. The loan portfolio totaled \$595 million, or 74% of total assets. The distribution of the Bank's loan portfolio is provided in the table below.

Loan Portfolio Summary by Loan Product as of September 30, 2013	
Loan Category	% of Gross Loans and Leases
1-4 Family Residential Mortgage – Closed End	35%
Home Equity	13%
Commercial & Industrial	20%
Other Real Estate	29%
Construction and Development	1%
Consumer	2%
Total	100%

Source: Federal Deposit Insurance Corporation (FDIC) Call Report

During the evaluation period, the Bank's ability to make commercial and residential loans was impacted by the terms of an agreement with its regulatory agency. The Bank of Maine was rated "Satisfactory" using intermediate small bank procedures at the last CRA examination dated July 26, 2010.

Description of Assessment Areas

The CRA requires a bank to define the AA in which it will be evaluated. The Bank of Maine has four AAs that include all branches, as well as the contiguous towns/cities around these offices. The Bank's AAs meet the requirements of the regulation and do not arbitrarily exclude any low- or moderate-income tracts.

Full Scope AA1 – non-metropolitan (Non-MSA) areas

AA1 consists of all census tracts in Kennebec, Aroostook, Lincoln, and Washington counties. All four counties are not located in a metropolitan statistical area. In 2011, AA1 was comprised of 79 census tracts. There were no low-income tracts, 13 moderate-income tracts, 57 middle-income tracts, and nine upper-income tracts. In 2012 and 2013, AA1 was comprised of 77 census tracts. There were no low-income tracts, 10 moderate-income tracts, 54 middle-income tracts, and 13 upper-income tracts.

As of July 1, 2012, of the middle-income tracts, 34, or 63%, are underserved nonmetropolitan middle-income geographies as designated by the Board of Governors of the Federal Reserve System, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation. This designation is based on rates of poverty, unemployment, or population loss; or

population size, density and dispersion. Twenty of the underserved middle-income tracts are in Aroostook County, eight are in Washington County, and six are in Lincoln County. During the evaluation period, approximately 66% of branches/deposits are located in AA1, with 56% in the number of residential mortgage loans attributed to this AA.

Refer to the tables below for additional information.

Demographic Information for The Bank of Maine AA1 2011					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	79	0%	16%	72%	12%
Population by Geography	258,609	0%	15%	77%	8%
Owner Occupied Housing by Geography	78,842	0%	14%	77%	9%
Family Distribution by Income Level	70,820	19%	19%	23%	39%
2000 Census Median Family Income (MFI)		\$40,084	2011 Median Sales Price*		\$119,250
HUD Updated MFI: 2011		\$54,200	Households Below Poverty Level		14%

Source: 2000 U.S. Census data

*Data from Maine Real Estate Information System, Inc.

Demographic Information for The Bank of Maine AA1 2012 & 2013					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	77	0%	13%	70%	17%
Population by Geography	261,334	0%	11%	71%	18%
Owner Occupied Housing by Geography	82,918	0%	10%	72%	18%
Family Distribution by Income Level	70,977	19%	18%	22%	41%
2010 Census Median Family Income (MFI)		\$51,782	2012 Median Sales Price*		\$125,225
HUD Updated MFI: 2012		\$54,900	Households Below Poverty Level		14%
		Unemployment Rate**			6.6%

Source: 2010 U.S. Census data

*Data from Maine Real Estate Information System, Inc.

** Data from Maine.gov/Department of Labor as of 10/31/2013. Rate is the average of the four counties.

The Federal Deposit Insurance Corporation's Deposit Share Report for June 30, 2013, indicates that 19 financial institutions operate within the non-MSA areas. At June 30, 2013, The Bank of Maine ranked fifth with 10% of the deposit market share.

Competition for the Bank's primary loan product is high, as many nationwide lenders are present in the Bank's lending market. Peer Mortgage 2012 Market Share data indicates that The Bank of Maine competes with 194 lenders within the non-MSA areas. The Bank ranks second with an impressive market share of 8%, behind Wells Fargo Bank.

The Bank's local competitors include Bangor Savings Bank, Camden National Bank, Kennebec Savings Bank, The First, Machias Savings Bank, TD Bank, and credit unions. Large national and regional financial institutions, as well as non-bank entities, including mortgage loan brokers,

finance companies, insurance companies, and money management firms, provide further competition for deposit and loan products.

Maine contains many diverse economies. Augusta, the state's capital located in Kennebec County, has some growth predominantly centered in the healthcare industry with the expansion of Maine General Health's Alford Center for Health and the expansion of the natural gas pipeline. Bath Iron Works is a major employer. Industries include hospitality, hospitals, construction trades, and local, county, and state government. The northern part of the state has not experienced economic growth in recent years.

Moody's Analytics report, dated September 2013, states that due to public sector cuts and an underperforming private sector, Maine will grow slowly over the next few years. Many long-term demographic challenges plague the state, such as slow population growth, high out-migration of younger residents, and a rapidly aging workforce. In the long term, healthcare and tourism are the only drivers that will expand at an average rate.

Based on Maine.gov/Department of Labor, in October 2013, the not seasonally adjusted unemployment rate for the state of Maine was 5.7%, below the national rate of 7.0%. The unemployment rate for the four counties in the AA averaged 6.6%. Rates were 7.3%, 5.6%, 5.2%, and 8.4% for Aroostook, Kennebec, Lincoln and Washington counties, respectively.

We reviewed a recent community contact that serves the state of Maine to identify the area's credit needs and the opportunities for financial institutions to assist in the community. The contact is a Community Development Financial Institution (CDFI) that focuses on providing financing for affordable housing development and community facilities in low-income communities throughout Maine. The CDFI states that housing affordability, unemployment, and foreclosures continue to be issues. Also, reductions in state financing and cuts to federal stimulus are making funding existing new programs increasingly difficult. The CDFI continually seeks investors to aid in its mission and in recent years has received support from local banks, both in investments and technical assistance. However, the CDFI states that there are fewer good investment opportunities than there have been in the past, and strong involvement from many local financial institutions makes securing good quality investments more competitive.

Full Scope AA2 – Portland MSA

AA2 is part of the Portland, ME MSA and is comprised of all of Cumberland and Sagadahoc counties, and most of York County. In 2011, AA2 was comprised of 103 census tracts, with three low-income, 14 moderate-income, 72 middle-income, and 14 upper-income tracts. In 2012 and 2013, AA2 was comprised of 108 census tracts, with three low-income, 15 moderate-income, 66 middle-income, and 24 upper-income tracts.

During the evaluation period, approximately 31% of branches/deposits are located in AA2, with 43% in the number of residential mortgage loans attributed to this AA.

Refer to the tables on the next page for additional information.

Demographic Information for The Bank of Maine AA2 2011					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	103	3%	13%	70%	14%
Population by Geography	464,002	1%	12%	73%	14%
Owner Occupied Housing by Geography	129,502	<1%	8%	75%	16%
Family Distribution by Income Level	122,504	17%	19%	25%	39%
2000 Census Median Family Income (MFI)		\$52,773	2011 Median Sales Price*		\$198,166
HUD Updated MFI: 2011		\$70,100	Households Below Poverty Level		8%

Source: 2000 U.S. Census data

*Data from Maine Real Estate Information System, Inc.

Demographic Information for The Bank of Maine AA2 2012 & 2013					
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #
Geographies (Census Tracts)	108	3%	14%	61%	22%
Population by Geography	487,875	2%	11%	62%	25%
Owner Occupied Housing by Geography	143,463	<1%	9%	62%	28%
Family Distribution by Income Level	128,961	19%	18%	23%	40%
2010 Census Median Family Income (MFI)		\$67,971	2012 Median Housing Value*		\$204,166
HUD Updated MFI: 2012		\$71,100	Households Below Poverty Level		10%
		Unemployment Rate**			4.8%

Source: 2010 U.S. Census data

*Data from Maine Real Estate Information System, Inc.

** Data from Maine.gov/Department of Labor as of 10/31/2013. Rate is the average of the three counties.

The Federal Deposit Insurance Corporation's Deposit Share Report for June 30, 2013, indicates that 20 financial institutions operate within the Portland MSA. At June 30, 2013, The Bank of Maine ranked 15th with less than a 1% of the market share. The Bank's local competitors include Bangor Savings Bank, Camden National Bank, Kennebunk Savings Bank, and TD Bank.

Competition for the Bank's primary loan product is high, as many nationwide lenders are present in the Bank's lending market. These lenders include Wells Fargo Bank, JPMorgan Chase Bank, Residential Mortgage Services, TD Bank, US Bank, and Bank of America. Peer Mortgage 2012 Market Share data indicates that The Bank of Maine competes with 368 lenders within the Portland MSA, and the top six lenders control the market with an overall market share of 32%. The Bank of Maine ranks 24th with a market share of 1.4%.

Moody's Analytics report, dated September 2013, states that the Portland MSA economy will grow slowly over the next few years due to housing headwinds and public sector, but will benefit from the improving national rebound. The tourism, financial, and professional services industries will lead the recovery, as reasonable costs coupled with an educated workforce will generate business investment.

Maine Medical Center, Bath Iron Works, LL Bean Inc., and The Portsmouth Shipyard are major employers. Based on Maine.gov/Department of Labor, in October 2013, the not seasonally adjusted unemployment rate for the state of Maine was 5.7%, below the national rate of 7.0%. The unemployment rate for the three counties in the AA averaged 4.8%. Rates were 4.6%, 4.6%, and 5.3% for Cumberland, Sagadahoc, and York counties, respectively.

We reviewed a recent community contact made in the Portland MSA. The contact is the Chief Executive Officer of a community-based organization with the mission of helping people and families to build better communities. Their programs provide services such as early education and childcare, advocacy, information and referral, mental health and substance abuse treatment, as well as basic needs for people living in poverty. The contact discussed that local financial institutions have an opportunity to increase their participation in finding solutions to the problems of the rural communities, such as homelessness and substance abuse, as well as, improving needed services, transportation, and youth programs. The community contact stated overall performance of the local financial institutions is very good, including The Bank of Maine.

Limited Scope AA3 – Penobscot County

AA3 comprises a small portion of Penobscot county and is part of the Bangor, ME MSA. In 2011, AA3 was comprised of 11 census tracts, with two moderate-income and nine middle-income tracts. In 2012 and 2013, AA3 was comprised of 11 census tracts, with four moderate-income and seven middle-income tracts. During the evaluation period, approximately 3% of branches/deposits are located in AA3, with 1% of the number of residential mortgage loans attributed to this AA.

Limited Scope AA4 – Rockingham County

AA4 is part of the Rockingham County-Strafford County, NH Metropolitan Division and the Portsmouth, NH-ME Metropolitan New England City and Town Area, and consists of a very small portion, four census tracts, of Rockingham County. In 2011, 2012 and 2013, AA4 was comprised of four middle-income census tracts. The Bank has no branches and made no loans in this AA; therefore, we will not be performing an analysis of this limited scope AA.

Conclusions with Respect to Performance Tests

LENDING TEST

The Bank of Maine's performance under the lending test is Satisfactory. The Bank's loan-to-deposit ratio is more than reasonable and a substantial majority of loans are originated inside the Bank's AAs. The distribution of loans among borrowers of different income levels is reasonable. The geographic distribution of loans in the low- and moderate-income census tracts is reasonable.

Loan-to-Deposit Ratio

The Bank's net loan-to-deposit (LTD) ratio is more than reasonable given the Bank's size, AA credit needs, and economic factors. The quarterly ratio averaged 89% over the last 13 quarters since the previous CRA examination dated July 26, 2010. During the period since the last examination, the LTD ranged from a quarterly low of 85% to a high of 97%.

Lending in Assessment Area

A substantial majority of The Bank of Maine's primary loan product was originated inside the assessment areas. The Bank originated 84% by number and 74% by dollar amount of loans in the AAs.

The following table details the Bank's lending within its AAs by number and dollar amount of loans.

Lending in The Bank of Maine's AAs (000's)										
Loan Type	Number of Loans					Dollars of Loans				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		\$	%	\$	%	
Home Purchase	503	82%	110	18%	613	\$96,572	74%	\$33,781	26%	\$130,353
Home Refinance	1,265	83%	253	17%	1,518	\$231,888	73%	\$87,935	27%	\$319,823
Home Improvement	205	94%	12	6%	217	\$30,436	90%	\$3,368	10%	\$33,804
Totals	1,973	84%	375	16%	2,348	\$358,896	74%	\$125,084	26%	\$483,980

Source: HMDA reported data from 1/1/2011-9/30/2013

Lending to Borrowers of Different Incomes

The distribution of home loans among borrowers of different income levels is reasonable.

Conclusion for Full Scope AA1 – Non-MSA areas

There is reasonable distribution of home loans to borrowers of different income levels for loans originated in 2011.

The percent of home purchase loans made to moderate-income borrowers exceeds the percent of aggregate lending data, which is our primary comparator, and significantly exceeds the percent of moderate-income families in the AA. The percent of home purchase loans made to low-income borrowers exceeds the percent of aggregate lending data, but is lower than the percent of low-income families in the AA.

The percent of home improvement loans made to moderate-income borrowers is near the percent of aggregate lending data, and exceeds the percent of moderate-income families in the AA. The

percent of home improvement loans made to low-income borrowers exceeds the percent of aggregate lending data, but is lower than the percent of low-income families in the AA.

The percent of home refinance loans made to moderate-income borrowers is lower than the percent of aggregate lending data, and is significantly below the percent of moderate-income families in the AA. The percent of home refinance loans made to low-income borrowers is near the aggregate lending data, but is significantly below the percent of low-income families in the AA.

The strong market competition for mortgage loans further supports reasonable performance. Peer Mortgage 2011 Market Share data indicates that The Bank of Maine competes with 190 lenders within the non-MSA areas. The Bank ranks fourth with an impressive market share of 7%, behind three large regional lenders.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA1 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	9%	12%	24%	25%	27%	30%	40%	33%
Home Improvement	12%	16%	25%	23%	26%	28%	37%	33%
Home Refinance	6%	5%	14%	8%	25%	27%	55%	60%

Borrower Distribution of Residential Real Estate Loans in AA1 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	19%	12%	19%	25%	23%	30%	39%	33%
Home Improvement	19%	16%	19%	23%	23%	28%	39%	33%
Home Refinance	19%	5%	19%	8%	23%	27%	39%	60%

Source: HMDA reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data

There is reasonable distribution of home loans to borrowers of different income levels for loans originated in 2012 and 2013.

The percent of home purchase loans made to moderate-income borrowers is lower than the percent of aggregate lending data, which is our primary comparator, and exceeds the percent of moderate-income families in the AA. The percent of home purchase loans made to low-income borrowers exceeds the percent of aggregate lending data, but is lower than the percent of low-income families in the AA.

The percent of home improvement loans made to moderate-income borrowers is lower than both the percent of aggregate lending data and the percent of moderate-income families in the AA. The percent of home improvement loans made to low-income borrowers is near the percent of aggregate lending data, but is significantly below the percent of low-income families in the AA.

The percent of home refinance loans made to moderate-income borrowers exceeds the percent of aggregate lending data and is near the percent of moderate-income families in the AA. The percent of home refinance loans made to low-income borrowers is near the percent of aggregate lending data, but is significantly below the percent of low-income families in the AA.

The strong market competition for mortgage loans further supports reasonable performance. Peer Mortgage 2012 Market Share data indicates that The Bank of Maine competes with 194 lenders within the non-MSA areas. The Bank ranks second with an impressive market share of 8%, behind a nationwide bank.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA1 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	9%	11%	26%	22%	28%	32%	37%	35%
Home Improvement	8%	7%	19%	12%	29%	28%	44%	53%
Home Refinance	5%	3%	15%	17%	25%	28%	55%	52%

Borrower Distribution of Residential Real Estate Loans in AA1 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	19%	11%	18%	22%	22%	32%	41%	35%
Home Improvement	19%	7%	18%	12%	22%	28%	41%	53%
Home Refinance	19%	3%	18%	17%	22%	28%	41%	52%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Full Scope AA2 – Portland MSA

There is reasonable distribution of home loans to borrowers of different income levels for loans originated in 2011.

The percent of home purchase loans made to moderate-income borrowers exceeds both the percent of aggregate lending data, which is our primary comparator, as well as the percent of moderate-income families in the AA. The percent of home purchase loans made to low-income borrowers is lower than the percent of aggregate lending data, and is significantly below the percent of low-income families in the AA.

The percent of home improvement loans made to moderate-income borrowers is lower than both the percent of aggregate lending data and the percent of moderate-income families in the AA. The percent of home improvement loans made to low-income borrowers exceeds the percent of aggregate lending data, but is lower than the percent of low-income families in the AA.

The percent of home refinance loans made to moderate-income borrowers is near both the percent of aggregate lending data and the percent of moderate-income families in the AA. The percent of home refinance loans made to low-income borrowers is lower than aggregate lending data, and is significantly below the percent of low-income families in the AA.

The Bank's performance is reasonable with consideration of demographic factors, including the cost of housing compared to median family income and strong market competition for mortgage lending. Sale prices in Cumberland and York counties are the highest in the state. According to the Maine Real Estate Information System Inc., median sales prices for Cumberland, Sagadahoc and York counties averaged \$198,166. Housing costs are high relative to the HUD adjusted median family income of \$70,100. A low-income family earns \$35,050 or less. Qualifying for a conventional mortgage, without spending more than 28% of income to purchase a home, would be very challenging for a low-income borrower. Additionally, moderate-income families also could encounter difficulty qualifying for mortgage loans with an income range of \$35,050 to a maximum income of \$56,080.

Competition for home mortgage loans is significant. Peer Mortgage 2011 Market Share data indicates The Bank of Maine competes with 322 lenders within the Portland MSA. The top nine are nationwide lenders and dominate the market with an overall market share of 44%. The Bank of Maine ranks 35th with a market share of 0.73%.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA2 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	8%	4%	25%	26%	26%	18%	41%	52%
Home Improvement	10%	12%	18%	13%	29%	6%	43%	69%
Home Refinance	7%	3%	18%	17%	25%	17%	50%	63%

Borrower Distribution of Residential Real Estate Loans in AA2 (2011)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	17%	4%	19%	26%	25%	18%	39%	52%
Home Improvement	17%	12%	19%	13%	25%	6%	39%	69%
Home Refinance	17%	3%	19%	17%	25%	17%	39%	63%

Source: HMDA reported data from 1/1/2011-12/31/2011; 2000 U.S. Census data

There is reasonable distribution of home loans to borrowers of different income levels for loans originated in 2012 and 2013.

The percent of home purchase loans made to moderate-income borrowers is significantly below the percent of aggregate lending data, which is our primary comparator, and is near the percent of moderate-income families in the AA. The percent of home purchase loans made to low-income borrowers is lower than the percent of aggregate lending data, and is significantly below the percent of low-income families in the AA.

The percent of home improvement loans made to moderate-income borrowers is near both the percent of aggregate lending data and the percent of moderate-income families in the AA. The

percent of home improvement loans made to low-income borrowers is lower than the percent of aggregate lending data, and is significantly below the percent of low-income families in the AA.

The percent of home refinance loans made to moderate-income borrowers is lower than both the percent of aggregate lending data and the percent of moderate-income families in the AA. The percent of home refinance loans made to low-income borrowers exceeds the aggregate lending data, but is significantly below the percent of low-income families in the AA.

The Bank's performance is considered reasonable given the cost of housing compared to median family income and market competition. Median sales prices in 2012, for Cumberland, Sagadahoc and York counties, averaged \$204,166. Housing costs are high relative to the HUD adjusted median family income of \$71,100. A low-income family earns \$35,550 or less. Qualifying for a conventional mortgage, without spending more than 28% of income to purchase a home, would be very challenging for a low-income borrower. Additionally, moderate-income families also could encounter difficulty qualifying for mortgage loans with an income range of \$35,550 to a maximum income of \$56,880.

As discussed previously, competition is high. Peer Mortgage 2012 Market Share data indicates that The Bank of Maine competes with 368 lenders within the Portland MSA, and the top six lenders control the market with an overall market share of 32%. The Bank of Maine ranks 24th with a market share of 1.4%.

The following tables show the aggregate lending data for HMDA reporters within the Bank's AA, as well as the distribution of home loan products among borrowers of different income levels compared to the percent of families in each income category.

Aggregate Lending Data for Borrower Distribution in AA2 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans	% Aggregate Data	% of Number of Loans
Home Purchase	8%	4%	24%	17%	27%	24%	41%	55%
Home Improvement	9%	5%	17%	15%	27%	25%	47%	55%
Home Refinance	6%	7%	17%	13%	26%	23%	51%	57%

Borrower Distribution of Residential Real Estate Loans in AA2 (2012 & 2013)								
Borrower Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans	% of Families	% of Number of Loans
Home Purchase	19%	4%	18%	17%	23%	24%	40%	55%
Home Improvement	19%	5%	18%	15%	23%	25%	40%	55%
Home Refinance	19%	7%	18%	13%	23%	23%	40%	57%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA3 – Penobscot County

Based on a limited scope review, the Bank's performance for 2011 in AA3 is inconsistent with the Bank's performance in the full scope areas. No loans were made to low-or moderate-income borrowers. The Bank made only one home mortgage origination during the evaluation period in this AA; therefore, this performance carries little weight.

Based on a limited scope review, the Bank's performance for 2012 and 2013 in AA3 is not inconsistent with the Bank's performance in the full scope areas. A small number of home mortgage originations were made during the evaluation period in this AA; therefore, this performance did not weigh heavily.

Geographic Distribution of Loans

The geographic distribution of loans reflects reasonable distribution in the low- and moderate-income tracts. We found no conspicuous gaps or areas of low penetration in the Bank's lending patterns.

Conclusion for Full Scope AA1 – Non-MSA areas

The Bank of Maine's geographic distribution of home loans in 2011 reflects reasonable distribution in the moderate-income tracts. There are no low-income tracts in the non-MSA AA. The percent of home purchase loans originated is lower than the percent of aggregate lending data, and is significantly below the percent of owner occupied housing in the moderate-income geographies. The percent of home improvement loans made is significantly below both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies. The percent of lending for home refinance loans is lower than the percent of aggregate lending data, and is significantly below the percent of owner occupied housing in the moderate-income geographies.

The Bank's performance is considered reasonable based on demographic factors. The percentage of individuals below poverty levels is high at 14%. Of the middle-income tracts, 34, or 63%, are underserved nonmetropolitan middle-income tracts. The mortgage lending market is highly

competitive. Based on Peer Mortgage 2011 Market Share data, 71 lenders made loans in the moderate-income tracts. The Bank of Maine ranks 10th with a 2.6% market share.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA1 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0%	0%	11%	3%	80%	91%	9%	6%
Home Improvement	0%	0%	14%	2%	80%	76%	6%	22%
Home Refinance	0%	0%	9%	5%	79%	81%	12%	14%

Geographic Distribution of Residential Real Estate Loans in AA1 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	14%	3%	77%	91%	9%	6%
Home Improvement	0%	0%	14%	2%	77%	76%	9%	22%
Home Refinance	0%	0%	14%	5%	77%	81%	9%	14%

Source: HMDA reported data from 1/1/2011 to 12/31/2011; 2000 U.S. Census data

The Bank of Maine's geographic distribution of home loans in 2012 and 2013 reflects reasonable distribution in the moderate-income tracts. There are no low-income tracts in the non-MSA AA. The percent of home purchase loans made is lower than both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies. The percent of home improvement loans made is significantly below both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies. The percent of lending for home refinance loans is near the percent of aggregate lending data, and is lower than the percent of owner occupied housing in the moderate-income geographies.

The Bank's performance is considered reasonable based on demographic factors. The percentage of individuals below poverty levels is high at 14%. Of the middle-income tracts, 34, or 63%, are designated as underserved nonmetropolitan middle-income tracts. The mortgage lending market is highly competitive. Based on Peer Mortgage 2012 Market Share data, 56 lenders made loans in the moderate-income tracts. The Bank of Maine ranks eighth with a 3.7% market share.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA1 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	0%	0%	8%	5%	69%	71%	23%	24%
Home Improvement	0%	0%	11%	1%	74%	73%	15%	26%
Home Refinance	0%	0%	7%	4%	70%	67%	23%	29%

Geographic Distribution of Residential Real Estate Loans in AA1 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	0%	0%	10%	5%	72%	71%	18%	24%
Home Improvement	0%	0%	10%	1%	72%	73%	18%	26%
Home Refinance	0%	0%	10%	4%	72%	67%	18%	29%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Full Scope AA2 – Portland MSA

The Bank of Maine's geographic distribution of home loans in 2011 reflects reasonable distribution in the low- and moderate-income tracts. The percent of home purchase loans made exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. This performance is notable as the percent of owner occupied housing in the low-income tracts is very low, at 0.33%. The Bank made no home purchase loans in the moderate-income geographies.

The percent of home improvement loans originated exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies. The Bank made no home improvement loans in the low-income geographies.

The percent of home refinance loans originated exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. This performance is notable as the percent of owner occupied housing in the low-income tracts is very low, at 0.33%. The percent of lending for home refinance loans is lower than both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA2 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	<1%	2%	8%	0%	75%	68%	16%	30%
Home Improvement	<1%	0%	8%	12%	74%	63%	17%	25%
Home Refinance	<1%	3%	6%	1%	72%	65%	21%	31%

Geographic Distribution of Residential Real Estate Loans in AA2 (2011)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	<1%	2%	8%	0%	75%	68%	16%	30%
Home Improvement	<1%	0%	8%	12%	75%	63%	16%	25%
Home Refinance	<1%	3%	8%	1%	75%	65%	16%	31%

Source: HMDA reported data from 1/1/2011 to 12/31/2011; 2000 U.S. Census data

The Bank of Maine's geographic distribution of home loans in 2012 and 2013 reflects reasonable distribution in the low- and moderate-income tracts. The percent of home purchase loans made exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. This performance is notable as the percent of owner occupied housing in the low-income tracts is very low, at 0.36%. The percent of lending for home purchase loans is near both the percent of aggregate lending data and the percent of owner occupied housing in the moderate-income geographies.

The percent of home improvement loans made exceeds both the percent of aggregate lending data and the percent of owner occupied housing in the low-income geographies. This performance is notable as the percent of owner occupied housing in the low-income tracts is very low, at 0.36%. The Bank made no home improvement loans in the moderate-income geographies.

The percent of home refinance loans originated is near the percent of aggregate lending data, and is lower than the percent of owner occupied housing in the moderate-income geographies. The Bank made no home refinance loans in the low-income geographies; however, lending opportunities are limited with a very low percent of owner occupied housing located there.

The following tables detail the lending data for all HMDA reporters within the Bank's AA as well as the Bank's performance compared to the percent of owner occupied housing units in each census tract income level.

Aggregate Lending Data for Geographic Distribution in AA2 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans	% Aggregate Lending Data	% of Number of Loans
Home Purchase	<1%	1%	9%	8%	62%	55%	28%	36%
Home Improvement	<1%	3%	7%	0%	62%	63%	31%	34%
Home Refinance	<1%	0%	7%	5%	59%	49%	33%	46%

Geographic Distribution of Residential Real Estate Loans in AA2 (2012 & 2013)								
Census Tract Income Level	Low		Moderate		Middle		Upper	
Loan Type	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans	% of AA Owner Occupied Housing	% of Number of Loans
Home Purchase	<1%	1%	9%	8%	62%	55%	28%	36%
Home Improvement	<1%	3%	9%	0%	62%	63%	28%	34%
Home Refinance	<1%	0%	9%	5%	62%	49%	28%	46%

Source: HMDA reported data from 1/1/2012-9/30/2013; 2010 U.S. Census data

Conclusion for Limited Scope AA3 – Penobscot County

Based on a limited scope review, the Bank's performance for 2011 in AA3 is inconsistent with the Bank's performance in the full scope areas. The AA has no low-income tracts and contains two moderate-income tracts. No loans were made in the low- or moderate-income tracts. The Bank made only one home mortgage origination during the evaluation period in this AA; therefore, this performance carries little weight.

Based on a limited scope review, the Bank's performance for 2012 and 2013 in AA3 is inconsistent with the Bank's performance in the full scope areas. The AA has no low-income tracts and contains four moderate-income tracts. Performance is stronger than the full scope areas because lending in this AA reflects excellent distribution in the moderate-income geographies. However, due to the small number of home mortgage originations made during the evaluation period in this AA, this performance did not weigh heavily.

Responses to Complaints

There were no CRA complaints received by the Bank or the OCC during the evaluation period.

COMMUNITY DEVELOPMENT TEST

The Bank's performance under the community development (CD) test is Outstanding. The Bank of Maine demonstrates excellent responsiveness to the community development needs in its assessment areas through CD loans, investments, and services. The following qualified loans, investments, and services reflect the Bank's effort to enhance the credit availability within its AAs.

Number and Amount of Community Development Loans

Conclusion for Full Scope AA1 – Non-MSA areas

The Bank of Maine originated a high level of CD loans during the evaluation period and represents excellent responsiveness. The Bank originated seven loans totaling \$3.3 million during the evaluation period that qualified as CD loans. The CD loans made by the Bank provided financing for organizations that provide affordable housing and services targeted towards low- and moderate-income (LMI) individuals, both identified needs in the AA.

The highlights of the Bank's CD loans are as follows:

- Two commercial real estate loans, totaling \$1.5 million, to a local organization located in a moderate-income tract, which provides medical/health services to LMI individuals.
- A \$965,000 commercial real estate loan to refinance and for renovations to a 20 unit affordable housing project located in a middle-income underserved tract.
- Four commercial real estate loans totaling \$820,000 over the evaluation period to a local organization that provides homeless, substance abuse, and mental health services to LMI youth and adults in the AA.

Conclusion for Full Scope AA2 – Portland MSA

The Bank of Maine did not originate any community development loans in AA2. There is strong competition for CD loans with many longstanding and nationwide banks in the AA seeking these loans. The Bank's recent entrant in 2008 within the Portland market and its small footprint poses further challenges.

Conclusion for Limited Scope AA3 – Penobscot County

Based on a limited scope review, The Bank of Maine's CD loans in AA3 is not inconsistent with the Bank's overall performance in the full scope AA1. The Bank made a \$361,000 commercial real estate loan to refinance an 11 unit elderly affordable housing project located in a moderate-income tract.

Number and Amount of Qualified Investments

Conclusion for Full Scope AA1 – Non-MSA areas

The level of CD investments and donations is adequate considering the Bank's capacity and limited opportunities for investments in the non-MSA areas. There are fewer good investment opportunities than there have been in the past and strong involvement from many local financial institutions makes securing good quality investments more competitive. There were no current or prior period investments. Qualifying donations total 32 for \$75,000 benefiting 22 different CD organizations in AA1. The majority of the grants and donations, including two each over \$10,000, were targeted towards organizations that provide services targeted towards LMI individuals, an identified need. While the actual level of Bank donations made was higher, these donations met the definition of community development.

Conclusion for Full Scope AA2 – Portland MSA

The level of CD investments and donations is adequate considering the Bank's capacity and the competition in the Portland market. There were no current or prior period investments. Qualifying donations total 12 for \$22,000 benefiting nine different CD organizations in AA2. The majority of the grants and donations were targeted towards organizations that provide services targeted towards LMI individuals, an identified need. While the actual level of Bank donations made was higher, these donations met the definition of community development.

Conclusion for Limited Scope AA3 – Penobscot County

Based on a limited scope review, The Bank of Maine's investments and donations in AA2 is not inconsistent with the Bank's overall performance in the full scope areas.

Extent to Which the Bank Provides Community Development Services

Conclusion for Full Scope AA1 – Non-MSA areas

The Bank's level of CD services in AA1 is excellent. The Bank has 22 full service branches located within AA1. One branch is located in a moderate-income tract, and of the branches located in middle-income tracts, 50% of those are in underserved/distressed tracts.

The Bank provides a high level of community development services and is responsive to the needs of the community. During the evaluation period, 17 bank officers/employees provided financial expertise and/or leadership services to 18 community development organizations serving the AA. Many of these services provided needed assistance to LMI as well as assisting small business owners, both identified needs.

Highlights of CD services include:

- A senior bank officer serves on the board of two organizations. One organization aids small businesses and the other organization provides health care to LMI, both located in middle-income underserved tracts.
- Another senior bank officer serves as trustee and treasurer of an organization that provides periodic financial assistance for rent, food, utilities, and clothing for LMI residents.
- A senior bank officer serves on the board/loan committee of a revolving loan fund for LMI small business owners.
- Another bank employee serves on the board of an after school program that provides subsidized childcare for LMI families.

Conclusion for Full Scope AA2 – Portland MSA

The Bank's level of CD services in AA2 is excellent. The Bank has 10 full service branches located within AA2. The main office in Portland is located within a low-income tract, or 10% of the total branches, and well exceeds the 2% of the population living there. Another branch is located in a moderate-income tract and is near the percent of the population residing there.

The Bank provides an adequate level of community development services and is responsive to the needs of the community. During the evaluation period, five bank officers/employees provided financial expertise and/or leadership services to five community development organizations serving the AA. Many of these services provided needed assistance to LMI as well as assisting small business owners, both identified needs.

Highlights of CD services include:

- A senior bank officer serves as a member of a revolving loan fund committee aiding LMI small business owners.
- Another senior bank officer serves as a trustee for a mental health organization that provides counseling services for LMI individuals.

Conclusion for Limited Scope AA3 – Penobscot County

Based on a limited scope review, The Bank of Maine's CD services in AA3 is inconsistent with the Bank's overall performance in the full scope areas. The Bank has a limited presence in this AA, with only one branch location. However, the one branch is located in a moderate-income tract.

Responsiveness to Community Development Needs

Conclusion for Full Scope AA1 – Non-MSA areas

Considering the Bank's capacity, the need, and the availability of CD opportunities, The Bank of Maine's performance, through CD loans, investments, and services, demonstrates excellent responsiveness to the needs of AA1.

Conclusion for Full Scope AA2 – Portland MSA

Considering the Bank's capacity, the need, and the availability of CD opportunities, The Bank of Maine's performance, through CD loans, investments, and services, demonstrates adequate responsiveness to the needs of AA2.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 195.28(c), in determining a Federal Savings Association's (FSA) CRA rating, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the FSA, or in any assessment area by an affiliate whose loans have been considered as part of the FSA's lending performance. We found no evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs.