



LARGE BANK

Comptroller of the Currency
Administrator of National Banks

Washington, DC 20219

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Community Reinvestment Act Performance Evaluation

Peoples Heritage Bank, NA
Charter Number: 24096

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Office of the Comptroller of the Currency

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NOTE: This evaluation is not, and should not 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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General Information

The Community Reinvestment Act (CRA) requires each federal financial supervisory agency to use its authority, when examining financial institutions subject to its supervision, to assess the 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. Upon conclusion of such examination, the agency must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

*This document is an evaluation of the CRA performance of **Peoples Heritage Bank, NA** prepared by the **Office of the Comptroller of the Currency (OCC)**, the institution's supervisory agency, as of **July 9, 2001**. The agency evaluates performance in assessment area(s), as they are delineated by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 25.*

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this Performance Evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate - Any company that controls, is controlled by, or is under common control by another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Block Numbering Area (BNA) - Statistical subdivisions of counties in which census tracts have not been established. BNAs have been established by the United States Census Bureau in conjunction with state agencies.

Census Tract (CT) - Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per ten year census and an average population of 4,000.

Community Development (CD) - Affordable housing for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low- or moderate-income geographies.

Community Reinvestment Act (CRA) - The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

Full-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed considering fully understood performance context, quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution) and qualitative factors (e.g., innovation, complexity).

Geography - A census tract or a block numbering area 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 (e.g., approved, denied, withdrawn).

Home Mortgage Loans - Such loans include home purchase and home improvement loans, as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwellings loans, loans for the purchase of manufactured homes and refinancing of home improvement and home purchase loans.

Limited-Scope Review - Performance under the Lending, Investment and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, total number and dollar amount of investments, branch distribution).

Low-Income - Income levels that are less than 50% of the median family income.

Median Family Income (MFI) - The median income determined by the United States Census Bureau every ten years and used to determine the income level category of geographies. Also, the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of individuals. For any given area, the median is the point at which half of the families have income above it and half below it.

Metropolitan Statistical Area (MSA) - Area defined by the Director of the United States Office of Management and Budget. MSAs consist of one or more counties, including large population centers and nearby communities that have a high degree of interaction.

Middle-Income - Income levels that are at least 80% and less than 120% of the MFI.

Moderate-Income - Income levels that are at least 50% and less than 80% of the MFI.

Small Business Loans - Loans with original amounts of \$1 million or less that are: (1) secured by nonfarm nonresidential properties; or (2) commercial and industrial loans to U.S. addresses.

Small Farm Loans - Loans with original amounts of \$500 thousand or less that are: (1) secured by farmland; or (2) to finance agricultural production and other loans to farmers.

Tier 1 Capital - The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries.

Upper-Income - Income levels that are 120% or more of the MFI.

Overall CRA Rating

Institution's CRA Rating: This institution is rated " **Outstanding.**"

The following table indicates the performance level of **Peoples Heritage Bank, NA** (PHB) with respect to the Lending, Investment, and Service Tests:

| Performance Levels | Peoples Heritage Bank Performance Tests | | |
|---------------------------|---|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | X | | X |
| High Satisfactory | | X | |
| 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 major factors that support this rating include:

- < Lending levels that reflect an excellent responsiveness by PHB to the credit needs of its assessment areas (AA);
- < The large majority of the number (94%) and dollar volume (93%) of loans were made within the bank's assessment area;
- < An overall excellent distribution of home mortgage loans and loans to businesses with incomes of \$1 million or less in all geographies;
- < An overall excellent distribution of home mortgage loans to borrowers of different incomes;
- < A high level of qualified community development investments that had a positive impact on the lending test;
- < An excellent service delivery system that is very accessible to geographies and individuals of different income levels in its assessment area; and,
- < An excellent record of providing community development services.

Description of Institution

Peoples Heritage Bank, NA (PHB) is a mid-sized bank headquartered in Portland, ME. PHB is a wholly owned subsidiary of Banknorth Group, Inc., an \$18 billion multi-state holding company also headquartered in Portland, ME. PHB is an intrastate bank with 61 full-service branches serving the majority of the population of the state of Maine. Excluded from the bank's assessment areas are Piscataquis county, Washington county, Lincoln county and the thinly populated geographies of Maine's other thirteen counties. PHB does not have branches in the three excluded counties.

Banking operations have evolved through merger and acquisition. Operations originated with Portland Savings Bank, founded in 1869. In 1983 Portland Savings Bank acquired Peoples Savings Bank of Lewiston, ME and changed its name to Peoples Savings Bank. In 1985, Peoples Savings Bank acquired Heritage Savings Bank of Bangor and changed its name to Peoples Heritage Savings Bank. During the next eleven years, Peoples Heritage Savings Bank continued to acquire small banks and branches of larger banks. In 1997, Peoples Heritage Savings Bank acquired Atlantic Bancorp, a \$463 million bank holding company conducting business through Atlantic Bank, NA. MPN Holdings, the holding company of Morse, Payson, and Noyes, an insurance brokerage firm founded in 1910, was acquired in 1997.

PHB is a full-service lender offering various loan and deposit products. Operations are focused on being a one-stop financial resource. Residential mortgage and small business loan products are offered through all branches and approved in a centralized loan-processing center.

As of December 31, 2000, PHB had assets of \$4.4 billion, Tier 1 capital of \$260 million, deposits of \$2.93 billion, and total gross loans of \$2.53 billion. Loans comprise 58% of bank assets. Real estate loans make up 71% of the portfolio, loans to individuals equal 11%, commercial/industrial loans equal 15%, and other loans are 3%.

In Maine, a greater proportion of the population own homes than in any other state in the United States. The bank's business strategy calls for statewide leadership in 1-4 family residential mortgages and loans to small business. In Maine's top agricultural county, PHB seeks to be a leader in small farm loans. As well, community development lending is a high priority. PHB has demonstrated success meeting these strategies. In the two full-scope assessment areas (AA), PHB is the number one home purchase lender. Despite adverse performance context in the form of stable interest rates in the first six months of 1999 and dramatically increasing interest rates over the next 12 months, PHB is the number one home refinance lender.

As well, PHB is number one in serving low- and moderate-income geographies and number one in serving low- and moderate-income

individuals with home purchase and refinance loans. PHB is number two in home improvement lending. In a similar comparison, the bank is the number one local small business lender and number one local lender to businesses with revenue of \$1 million or less. Community development lending evidences successes as well; volume in the evaluation period was \$20.4 million compared to \$11.5 million in the prior evaluation.

PHB has seven wholly owned subsidiaries. Four Eighty-one Corp. was formed to hold Other Real Estate Owned (OREO) property and certain limited partnership interests that qualify for tax credits. Total equity at March 31, 2001 was \$8 million. Apex, Inc. and Apex Heritage Property, Inc. were formed to hold real estate acquired through deed in lieu of foreclosure. Total equity at March 31, 2001 in Apex was \$6 million; total equity in Apex Heritage Property, Inc. was \$100 thousand. Morse, Payson & Noyes Insurance (MPN) was acquired in 1997. MPN is engaged as agent in selling property, casualty, life, employee benefit and title insurance. Total equity in MPN was \$37 million on March 31, 2001. Banknorth Investment Planning Group, Inc. was established to provide financial planning, securities brokerage services, mutual funds and annuities. Total equity at March 31, 2001 was \$800 thousand. Banknorth Leasing Corp. was formed to originate and service commercial and municipal leases. Total equity at March 31, 2001 was \$24 million. Peoples Heritage Mortgage Corporation was formed to originate and service residential mortgages. Operations have been shifted to First Massachusetts Bank, NA. Total equity at March 31, 2001 was \$0. There were no mergers or acquisitions during the evaluation period. The operations of these subsidiaries were not considered in the analysis of performance in this evaluation.

There are no legal, financial, or other factors that impede the bank's ability to help meet the credit needs of its assessment areas. Competition is very strong as provided by longstanding local banks headquartered in all of the five AAs in which PHB operates, two banks with regional presence, two nationally known mortgage underwriting and servicing companies, and four leading small business lenders with national orientations.

PHB 's prior CRA Performance Evaluation dated September 28, 1998 rated bank performance as " Outstanding."

Scope of the Evaluation

Evaluation Period/Products Evaluated

With the exception of community development (CD) loans, investments, and services, the evaluation period is July 1, 1998 through December 31, 2000. For CD loans, the Investment Test, and the Service Test, the evaluation period is July 1, 1998 through July 9, 2001. The prior examination dated September 28, 1998 did not include data after June 30, 1998.

For the Lending Test, PHB's origination or purchase of home mortgage loans, small loans to businesses, small loans to farms, and CD loans were evaluated. The peer comparisons in this Evaluation include only lenders who were required to file HMDA and Small Business Reports for 1999. Small business reporting is required of bank and thrift institutions with assets of \$250 million or more as of December 31 of the prior two calendar years preceding the reporting year, or an affiliate of a holding company with \$1 billion or more in assets during the same time periods.

Data Integrity

As part of this CRA Evaluation, PHB's publicly filed information on home mortgage loans and small loans to businesses was tested for accuracy. Testing included an evaluation of PHB's processes to ensure that data are reliable.

No significant errors were found in either reported home mortgage data or small loans to businesses. As a result, this Evaluation is based on accurate data.

CD loans, investments, and services submitted by PHB management were verified to ensure that they met regulatory definitions for CD. Upon further consideration all loans and investments met the definition or purpose of CD.

Selection of Areas for Full-Scope Review

For purposes of this Evaluation, the Portland MSA AA received a full-scope review. It is the source of 39% of total deposits and includes 33% of total branches. As well, the non-metropolitan areas of Maine selected by PHB for inclusion in its overall assessment were combined and received a full-scope review. The counties and geographies surrounding other MSA are geographically proximate with similar performance contexts. This Non-MSA AA generates 42% of deposits and includes 46% of branches.

The Lewiston Auburn MSA, Bangor MSA, and portion of the Portsmouth, NH MSA in Maine were selected for limited scope reviews. They generate 11%, 5%, and 3% of deposits, respectively. Similarly, they include 11%, 7%, and 3% of total branches.

Please refer to Appendix A for further information.

Ratings

The bank's overall rating is based primarily on those areas that received full-scope reviews.

PHB's overall ratings under each test are consolidated conclusions reached for each full-scope AA. When consolidating AA conclusions into overall ratings, slightly more weight is given to the Non-MSA AA. This weighting is based on deposit significance. Within each AA, HMDA loans were given more weight in our analysis due to representing 73% of bank lending in the evaluation period. Home purchase loans were weighted most heavily in the HMDA categories due to representing more than one-half of all HMDA loans originated.

Other

Three community contacts were made during this review. All are statewide agencies with offices in the Portland MSA. Each contact represents a community-based development or financial intermediary. The primary credit need is affordable housing, either for first-time homebuyers or for affordable rental units in developed facilities. The need for affordable housing is significant due to a shortage of suitable housing stock and a significant population with income less than the statewide median income. Contacts pointed out the two distinct housing circumstances in Maine. First, where population levels are low, ownership is high. However, housing stock quality is often substandard and extended families occupy single-family dwellings. Second, where population levels are high, market rents are no longer affordable for many low- and moderate-income families. At the same time, housing for those with mental illnesses is no longer provided by state agencies. Affordable housing and small loan needs to businesses that relate to lending, investment, and services were considered in our evaluation of PHB's performance under Lending, Investment, and Service Tests. Refer to Market Profiles in Appendix B of this Evaluation for more information.

Fair Lending Review

An analysis of most recent HMDA, Small Business, and Small Farm lending data, public comments and consumer complaint information was performed according to the OCC's risk-based fair lending approach. Analysis of this data reveals no basis for OCC to conduct a comprehensive fair lending examination in connection with the CRA Evaluation this year. Federal Deposit Insurance Corporation examiners performed the latest comprehensive fair lending examination. That examination was before PHB's conversion to a national charter. No violations of the substantive provisions of the anti-discrimination laws and regulations were identified.

Conclusions with Respect to Performance Tests

LENDING TEST

The bank's performance under the Lending Test is rated "Outstanding."

Conclusions for Areas Receiving Full-Scope Reviews

Based on full-scope reviews, the bank's performance in the Portland MSA AA and Non-MSA AA is excellent.

Lending Activity

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's lending activity. Overall, lending activity is excellent. Based on full-scope reviews, the bank's lending activity is excellent in both the Non-MSA AA and the Portland MSA.

This evaluation considers home mortgage loans as reported on the bank's HMDA Loan Application Register and small loans to businesses as reported on the Small Business Register. As well, small loans to farms were considered in the Non-MSA AA and in the Portland MSA AA. During the evaluation period, home mortgage loans account for 74% of origination or purchases, small loans to businesses account for 24%, and small loans to farms account for 2%. Within home mortgage loan origination or purchases, 52% are home purchase loans, 36% are home mortgage refinance loans, and 12% are home improvement loans.

In the Non-MSA AA, PHB's home mortgage lending ranked first in 1999 with a market share of 15%. The bank ranked third overall, but first among local lenders, in small business lending with a 1999 market share of nine percent. PHB ranked third in small loans to farms in 1999 with a market share of 16%. In terms of deposits, PHB ranked first overall for the 27 FDIC insured financial institutions reporting deposits in the Non-MSA AA as of June 30, 2000. PHB's deposit market share was 26%. The primary reason supporting a lower loans market share than deposit market share is strong competition from banks and mortgage companies who do not gather deposits and whose strategy it is to only make loans.

In the Portland MSA AA, PHB home mortgage lending ranked first in 1999 with a market share of 14%. In low- and moderate-income geographies PHB is a market leader; PHB's mortgage lending in low-income geographies ranked first with a 33% market share. PHB recorded 75 transactions while the number two lender had 11. The bank's mortgage lending in moderate-income geographies also ranked first with an 18% market share. PHB's 163 transactions were 100 more than the second place lender. The bank, with a

fourth-place ranking in Table 5, is actually tied for second-place with the second- and third-place ranked institutions in small business lending; all have a 1999 market share of 15%. PHB ranked second in small loans to farms in 1999 with a market share of 29%. In terms of deposits, PHB ranked first overall for the 29 FDIC insured financial institutions reporting deposits in the Portland MSA AA as of June 30, 2000. PHB's deposit market share was 28%. The primary reason supporting a lower loans market share than deposit market share is strong competition from banks and mortgage companies who do not gather deposits and whose strategy it is to only make loans.

Distribution of Loans by Income Level of the Geography

After reviewing home mortgage and small loans to businesses and farms, PHB's overall geographic distribution of loans is excellent. The bank's lending performance is excellent in the Non-MSA AA and in the Portland MSA AA. The overall distribution of home purchase, home improvement, refinance, and small loans to farms is excellent, and for small loans to businesses, performance is good.

The Non-MSA AA does not have low-income geographies. The Portland MSA AA has five low-income geographies. However, occupied home ownership is less than 10% of total units. Nevertheless, PHB has focused on these geographies and has earned a 48% market share in this evaluation period.

Home Mortgage Loans

Home Purchase Loans

Refer to Table 2 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home purchase loan originations. PHB's overall geographic distribution of home purchase loans by income level of census tracts is excellent.

In the Non-MSA AA, the geographic distribution of home purchase loans is excellent. The percentage of home purchase loans in moderate-income tracts is greater than the percentage of owner-occupied units in these areas. The bank's market share in moderate-income areas is significantly greater, more than double, the bank's overall market share for home purchase loans. In addition, PHB's market rank is first both overall and in moderate-income geographies.

In the Portland MSA AA, the geographic distribution of home purchase loans is excellent. The percentage of home purchase loans in low-income tracts is significantly greater than the percentage of owner-occupied units in these areas. As well, the percentage of home purchase loans in moderate-income tracts is significantly greater than the percentage of owner-occupied units

in these areas. The bank's market share in low-income areas is significantly greater, three times, the bank's overall market share for home purchase loans. Also, the bank's market share in moderate-income areas is significantly greater than the bank's overall market share for home purchase loans. In addition, PHB's market rank is first, overall and in both low- and moderate-income geographies.

Home Improvement Loans

Refer to Table 3 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's home improvement loan originations. PHB's overall geographic distribution of home improvement loans by income level of census tracts is excellent.

In the Non-MSA AA, the geographic distribution of home improvement loans is excellent. The percentage of home improvement loans in moderate-income tracts is significantly greater than the percentage of owner-occupied units in these areas. The bank's market share in moderate-income areas is significantly greater, three times, the bank's overall market share for home improvement loans. In addition, PHB's market rank is first in moderate-income geographies.

In the Portland MSA AA, the geographic distribution of home improvement loans is excellent. The percentage of home improvement loans in low-income tracts is significantly greater than the percentage of owner-occupied units in these areas. As well, the percentage of home improvement loans in moderate-income tracts is significantly greater than the percentage of owner-occupied units in these areas. The bank's market share in low-income areas is significantly greater than, more than 400% of, the bank's overall market share for home improvement loans. Also, the bank's market share in moderate-income areas is significantly greater than the bank's overall market share for home improvement loans. In addition, PHB's overall market rank is second among local lenders, and first and second respectively for low- and moderate-income geographies.

Refinance Loans

Refer to Table 4 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's refinance loan originations. PHB's overall geographic distribution of refinance loans by income level of census tracts is excellent.

In the Non-MSA AA, the geographic distribution of refinance loans is excellent. The percentage of refinance loans in moderate-income tracts is greater than the percentage of owner-occupied units in these areas. The bank's market share in moderate-income areas is significantly greater, more than two times, the bank's overall market share for refinance loans. In addition, PHB's

market rank is first overall and first in moderate-income geographies.

In the Portland MSA AA, the geographic distribution of refinance loans is excellent. The percentage of refinance loans in low-income tracts is equal to the percentage of owner-occupied units in these areas. As well, the percentage of refinance loans in moderate-income tracts is greater than the percentage of owner-occupied units in these areas. The bank's market share in low-income areas is slightly less than the bank's overall market share for home improvement loans. However, the bank's market share in moderate-income areas is greater than the bank's overall market share for refinance loans. In addition, PHB's market rank is first overall and first in both low- and in moderate-income geographies.

Small Loans to Businesses

Refer to Table 5 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to businesses. PHB's overall distribution of small loans to businesses by income level of geography is excellent.

In the Non-MSA AA, the geographic distribution of small loans to businesses is excellent. In moderate-income areas, the distribution of loans is significantly greater than the percentage of businesses located in these areas. In addition, PHB's market share in moderate-income areas is well above the bank's overall market share.

In the Portland MSA AA, the geographic distribution of small loans to businesses is good. PHB's distribution of loans in low-income areas is near the percentage of businesses located in those areas. In moderate-income areas, PHB's distribution of loans is somewhat less than the percentage of businesses located in those areas. The bank's market share in low-income areas substantially meets the bank's overall market share; market share in moderate-income areas substantially meets the bank's overall market share. Nevertheless, while PHB has an overall fourth place market share, it is tied for first among local lenders. As well, in both low- and moderate-income areas, it is ranked first among local lenders.

Small Loans to Farms

Refer to Table 6 in Appendix C for the facts and data used to evaluate the geographic distribution of the bank's origination/purchase of small loans to farms. PHB's overall distribution of small loans to farms by income level of geography is excellent.

In the Non-MSA AA, the geographic distribution of small loans to

farms is excellent. In moderate-income areas, the distribution of loans is significantly greater than the percentage of businesses located in these areas. In addition, PHB's market share in moderate-income areas is well above the bank's overall market share.

In the Portland MSA AA, the geographic distribution of small loans to farms is good. PHB's absence of loans in low-income areas reflects limited opportunities comprised of specialized, fishing industry, lending. This is an industry in which PHB does not have well known skills. As a result, it does not enjoy a strong lending reputation. In moderate-income areas, PHB's distribution of loans is equal to the percentage of farms located in those areas. The bank's overall market rank is second, but first among local lenders, while market share in moderate-income areas is equal to the bank's overall market share.

Lending Gap Analysis

There are no conspicuous or inappropriate gaps found in PHB's geographic loan distribution. In the Non-MSA AA, we identified six block-numbering areas where the bank did not originate any loans. However, all six areas contain no owner-occupied housing units and no businesses. In the Portland MSA AA, we identified two census tracts where the bank did not originate any loans. However, there are not people residing or businesses located in these census tracts.

Outside / Inside Ratio

PHB has a strong record of lending within combined AAs. The bank made a substantial majority, 93% by number and 94% by dollar volume, of loans inside the AA. PHB made 93% by number of its HMDA loans and 95% by dollar volume within the combined AAs. Small business loans reflect 93% by number and 94% by dollar volume inside combined AAs, and loans to small farms were made at the rate of 95% by number and 96% by dollar volume inside the combined AAs. The in/out analysis is performed at the bank level, as opposed to the individual assessment area level, and includes bank origination and purchases only. This performance is a positive factor in the overall analysis of the geographic distribution of lending by income level of geography.

Distribution of Loans by Income Level of the Borrower

After reviewing overall distribution of home mortgage, business loans, and farm loans to borrowers of different income levels, PHB's performance is excellent. The bank's lending performance is excellent in both the Non-MSA AA and the Portland MSA AA. The overall distribution of home purchase, home improvement, and loans to small farms is excellent, while distribution of refinance loans is good and loans to small businesses is adequate.

Home Mortgage Loans

Home Purchase Loans

Refer to Table 7 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's home purchase loan origination and purchases. PHB's overall distribution of home purchase loans by income level of borrower is excellent.

In the Non-MSA AA, the distribution of home purchase loans by income level of borrower is excellent after considering the performance context. Specifically, lack of in-town building sites, cold weather and weather related building codes impede construction of affordable housing. As well, high median housing costs \$83,745 compared to the wages of low-income individuals were considered. A low-income family earns less than \$18,800, based on HUD's updated median family income (MFI). Additionally, 12% of households in the AA live below the poverty level. It is difficult for low-income persons to purchase a home in this AA. All these factors were considered performance context impediments to purchasing a house. The percentage of home purchase loans to low-income borrowers is significantly less than the percentage of low-income families. However, PHB's market share for low-income borrowers exceeds the bank's overall market share. As well, PHB ranks first in lending to low-income borrowers and first in overall lending. This evidences continuation of the bank's leadership profile. The percentage of home purchase loans to moderate-income borrowers is greater than the percentage of moderate-income families, and PHB's home purchase loan market share for moderate-income borrowers is greater than its overall market share. Again the bank ranks first in lending to moderate-income borrowers.

In the Portland-MSA AA, the distribution of home purchase loans by income level of borrower is excellent after considering the performance context. Specifically, zoning constraints impede construction of affordable-housing as do high median housing costs of \$118,526 compared to the wages of low-income families. Low-income families earn less than \$24,500 based on HUD's updated MFI. Additionally, 9% of households in the AA live below the poverty level. It is difficult for low-income families to purchase a house in this AA. The percentage of home purchase

loans to low-income borrowers is significantly less than the percentage of low-income families. However, PHB's market share for low-income borrowers is significantly greater than the bank's overall market share. As well, PHB ranks first in lending to low-income borrowers and first in overall lending. This evidences continuation of the bank's leadership profile. The percentage of home purchase loans to moderate-income borrowers is greater than the percentage of moderate-income borrowers, and PHB's home purchase loan market share for moderate-income borrowers exceeds its overall market share. Again the bank ranks first in lending to moderate-income borrowers.

Performance in AAs receiving limited-scope reviews is not inconsistent with performance evidenced in full-scope AAs.

Home Improvement Loans

In the Non-MSA AA, the distribution of home improvement loans by income level of borrower is excellent after considering performance context; primarily the difficulty low-income families have affording a house in the AAs. As discussed above, low- and moderate-income family impediments to owning a house limit their opportunities for home improvement loans. The percentage of home improvement loans to low-income borrowers is less than the percentage of low-income families. However, PHB's market share for low-income borrowers exceeds the bank's overall market share.

PHB's second place ranking in lending to low-income borrowers is near to the first place lender. Both lenders share a leadership position in lending to low-income borrowers. The percentage of home improvement loans to moderate-income borrowers is greater than the percentage of moderate-income families, and PHB's home improvement loan market share for moderate-income borrowers is greater than its overall market share. Again the bank ranks second, but a close first, in lending to moderate-income borrowers.

In the Portland-MSA AA, the distribution of home improvement loans by income level of borrower is excellent after considering the performance context including the high costs of rehabilitation and the difficulty low-income families have affording a house in the AA, as discussed above. The percentage of home improvement loans to low-income borrowers is significantly less than the percentage of low-income families. However, PHB's market share for low-income borrowers is significantly greater than the bank's overall market share. As well, PHB ranks first in lending to low-income borrowers and second in overall lending. The significant margin by which it holds first place in lending to low-income borrower evidences a leadership position. The percentage of home improvement loans to moderate-income borrowers is greater than the percentage of moderate-income families, and PHB's home improvement loan market share for moderate-income borrowers exceeds its overall market share. Again the bank ranks first, by a wide margin, in lending

to moderate-income borrowers.

Refinance Loans

In the Non-MSA AA, the distribution of refinance loans by income level of borrower is good after considering performance context including significantly increasing interest rates over much of the evaluation period. Home mortgage interest rates were either stable or increasing for all of the evaluation period except for the final six months. As both low- and moderate-income borrowers typically enjoy favorable lending terms, the absence of a decreasing rate scenario for most of the evaluation period is a major impediment to loan refinancing. Further, the difficulty low-income families have affording a house in this AA, as discussed above, limit opportunities for home refinance loans. Therefore, the numerical conclusion of adequate that one might reach is increased to good based upon performance context. The percentage of home refinance loans to low-income borrowers is significantly less than the percentage of low-income families. As well, PHB's market share for low-income borrowers is less than the bank's overall market share. Nevertheless, PHB ranks first in lending to low-income borrowers and first in overall lending. This evidences continuation of the bank's leadership profile. The percentage of home refinance loans to moderate-income borrowers is also significantly less than the percentage of moderate-income families. However, PHB's home refinance loan market share for moderate-income borrowers substantially meets its overall market share. Again the bank ranks first in lending to moderate-income borrowers. PHB approved more than twice the number of loans approved by the second place lender.

In the Portland MSA AA, the distribution of refinance loans by income level of borrower is good after considering performance context including significantly increasing interest rates over much of the evaluation period. Home mortgage interest rates were either stable or increasing for all of the evaluation period except for the final six months. As both low- and moderate-income borrowers typically enjoy favorable lending terms, the absence of a decreasing rate scenario for most of the evaluation period is a major impediment to loan refinancing. Further, the difficulty low-income families have affording a house in this AA, as discussed above, limit opportunities for home refinance loans. Therefore, the numerical conclusion of adequate that one might reach is increased to good based upon performance context. The percentage of home refinance loans to low-income borrowers is significantly less than the percentage of low-income families. As well, PHB's market share for low-income borrowers is less than the bank's overall market share. Nevertheless, PHB ranks first in lending to low-income borrowers and first in overall lending. This evidences continuation of the bank's leadership profile. The percentage of home refinance loans to moderate-income borrowers is also significantly less than the percentage of moderate-income families, and PHB's home refinance loan market

share for moderate-income borrowers is less than its overall market share. Again the bank ranks first in lending to moderate-income borrowers.

Small Loans to Businesses

Refer to Table 10 in Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to businesses. PHB's overall record of making loans to businesses with gross annual revenues of \$1 million or less, or small businesses, and small size loans to businesses is adequate.

In the Non-MSA AA, the distribution of loans to small size businesses and small size loans (i.e., loans for less than \$100 thousand) is good. The bank makes 75% of its business loans to small size businesses compared to 88% of all businesses in the Non-MSA AA that are small businesses. In 1999, PHB's 9% market share for loans to businesses with annual revenues of \$1 million or less was equal to its 9% market share for all small business loans. Among local lenders, PHB ranked first in lending to businesses with incomes of \$1 million or less. A significant majority of PHB's business loans, roughly 77%, were for amounts less than \$100 thousand. Small businesses generally seek loans of less than \$100 thousand.

In the Portland MSA AA, the distribution of loans to small size businesses and small size loans is adequate. PHB makes 65% of its business loans to small size businesses compared to 84% of all businesses in the Non-MSA AA that are small. In 1999, PHB's 17% market share for loans to businesses with annual revenues of \$1 million or less was greater than its 15% market share for all small business loans. Among local lenders, PHB ranked first in lending to businesses with incomes of \$1 million or less. A majority of PHB's business loans, roughly 66%, were for amounts less than \$100 thousand. Small businesses generally seek loans of less than \$100 thousand.

Small Loans to Farms

Refer to Table 11 in the Appendix C for the facts and data used to evaluate the borrower distribution of the bank's origination/purchase of small loans to farms. PHB's overall record of making loans to farms with gross revenues of \$1 million or less, or small farms, and small size loans to farms is excellent.

In the Non-MSA AA, the distribution of loans to small size farms and small size loans, i.e., loans for less than \$100 thousand is excellent. The bank makes 95% of its farm loans to small size farms, and 95% of all farms in the Non-MSA AA are small farms. In 1999, PHB's 17% market share for loans to farms with annual

revenues of \$1 million or less was equal to its 17% market share for all small farm loans. Among local lenders, PHB ranked third in lending to businesses with incomes of \$1 million or less. Both the first and second ranked banks earned their ranking by lending to seafood operations while PHB is primarily an agricultural, crop-producing, lender. A significant majority of PHB's farm loans, roughly 84%, were for amounts less than \$100 thousand. Small farms generally seek loans of less than \$100 thousand.

In the Portland MSA AA, the distribution of loans to small size farms and small size loans (i.e., loans for less than \$100 thousand) is also excellent. PHB's makes 100% of its farm loans to small size farms, and 93% of all farms in the Portland MSA AA are small. In 1999, PHB's 31% market share for loans to farms with annual revenues of \$1 million or less was greater than its 29% market share for all small farm loans. Among local lenders, PHB ranked first in lending to farms with incomes of \$1 million or less. A very significant majority of PHB's farm loans, roughly 92%, were for amounts less than \$100 thousand. Small farms generally seek loans of less than \$100 thousand.

Community Development Lending

Refer to Table 1 in Appendix C for the facts and data used to evaluate the bank's level of community development lending.

CD lending has a very positive impact on the Lending Test for both the Non-MSA AA and the Portland MSA AA. Lending volume is identified by assessment area using locations where proceeds were expended.

During the evaluation period, PHB originated 23 loans totaling \$6.3 million in the Non-MSA AA. This represents 6% of Tier 1 capital allocated to this area based upon the percentage of bank deposits originating in this assessment area. Seventeen credit facilities, 74% of the number and 85% of funds, were used in the development of affordable housing for low- and moderate-income families, the primary need identified by community contacts for this area. This AA does not have low-income geographies; however, three loans totaling \$400 thousand were made in moderate-income geographies for affordable housing for LMI individuals. In the Portland MSA AA, PHB originated 11 loans totaling \$11.1 million. This is 12% of Tier 1 capital allocated to this area based upon the percentage of bank deposits originating from this area. Six credit facilities, 55% of the number and 72% of funds, were used in the development of affordable housing for low- and moderate-income individuals, the primary need identified by community contacts in the area. Two loans totaling \$500 were made in low-income geographies and five loans totaling \$8.1 million were made in moderate-income geographies for affordable housing for LMI individuals.

The following are examples of CD lending.

- Non-MSA AA. A construction loan for \$1.2 million was originated to provide housing for twenty low- and very low-income families. This was a complex credit facility incorporating funds and resources from the Rural Development Agency and the Maine Housing Investment Fund. This facility is in a rural section of the state; it will need its own water and sewer systems, which complicates design, construction and financing. There is a cash flow deficit from anticipated rents projected in the first four years of operation. This condition to repayment, which is not standard, requires creative financing terms. By structuring and supporting complex facilities like this one, that other banks are unwilling to underwrite, PHB demonstrates leadership in originating housing loans for low- and moderate-income families.
- Portland MSA AA. A combination construction and bridge loan for \$9 million was originated to provide congregate housing and care to 123 low- and moderate-income elderly people. This was a complex credit facility in which PHB was lead bank.

Funding came from multiple sources including equity investors, the City of South Portland, South Portland Housing Authority, and the Maine Housing Authority. This facility is in a moderate-income geography.

- Non MSA AA and Portland MSA AA. Several years ago the state of Maine decided to get out of the institutionalization and care of mentally ill people. Unfortunately, private facilities did not exist, and private sector financial leadership would be necessary, in this scenario, to help construct them. PHB adopted a leadership role, in response to the identified need, to develop and fund credit facilities statewide that provide private care for the mentally ill, former wards of the state. In this evaluation period, nine credit facilities originated for \$675 thousand provide housing and care for more than 30 low- and very low-income, mentally ill persons.
- Non MSA AA. A \$4 million construction loan for renovating the former Augusta City Hall into low-income housing. This credit facility is both innovative and complex. The innovative aspect involves converting historical municipal buildings that are no longer functional due to asbestos, faulty wiring/plumbing, and poor circulation into affordable housing. There are only two such projects in the state. PHB participated in the first and is the only bank in this one. The complexity is evidenced in establishing permanent funding using tax credits, federal and state historical renovation credits, and equity participation.

Product Innovation and Flexibility

Product innovation and flexibility have a positive impact on Lending Test conclusions. CD lending performance and its performance to low- and moderate-income geographies and individuals are considered positive.

PHB offers a full array of standard loan programs and products.

The bank's innovative spirit is evidenced in CD Lending. PHB advances two specific programs. One is an unlimited commitment of funds and staff expertise to originating care facilities for low- and very low-income, mentally ill, and disabled persons. The other is converting former municipal buildings statewide into affordable housing. As stated above nine facilities and \$675 thousand in funding were provided in mental health programs and one facility and \$4 million in funding was provided disabled persons in the evaluation period.

Flexible mortgage loan programs offered by PHB include Maine State Housing Authority and Rural Development (Rural Housing) programs. Maine Housing Authority mortgage loan programs are available for first-time homebuyers who meet specific income and

other guidelines. These mortgages offer below market rates, grants or assistance with closing costs, waiving of certain lender fees, and flexible underwriting and documentation standards. Rural Development program loans are available for homebuyers that meet income limit guidelines, are unable to qualify for conventional financing, and satisfy other program requirements. Mortgages offered under this program provide waiving of certain lender fees, flexible underwriting guidelines, and no down payments. Number and dollar amount of loans by borrower are not available.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews, the bank's performance under the Lending Test in the Lewiston-Auburn MSA, Bangor MSA, and Portsmouth MSA is not as strong as the bank's overall "Lending Test rating" and performance under the Lending Test. Performance is good in the limited scope AAs and does not adversely impact the bank's overall performance. Refer to Tables 1 through 11 in Appendix C for the facts and data that support these conclusions.

INVESTMENT TEST

Conclusions for Areas Receiving Full-Scope Reviews

Peoples Heritage Bank's performance under the Investment Test is rated "**High Satisfactory.**" Based on full-scope reviews, the bank's performance in both the Non-MSA AA and the Portland MSA AA is good. We included assessment of community development opportunities as provided by bank management and community contacts. The level of opportunity in each assessment area is low in number of opportunities and moderate in dollar volume. At the same time, there is heavy competition for these limited opportunities.

Critical to PHB's rating is a thorough understanding of the performance context and PHB's response to it. With respect to context needs, bank managers and community contacts agree that affordable housing and small business development are the first and second priorities in both assessment areas. Organizationally, professional managers are in place to address these needs. The context of meeting needs is through large projects in which financing is not in doubt. Leadership banks, of which PHB is one, make large, legally binding commitments to investment fund managers who are addressing housing and business development needs. Financial commitments are only the first step, but they are the most important one in the process. Community contacts said that without virtually blind commitments, fund managers cannot search-out building sites nor engage developers in preliminary discussions. Without commitments, fund managers cannot pursue economic growth opportunities. Affordable housing and economic growth opportunities take time to develop

and time to complete. As a result, PHB's investments, in total and individually, are committed, partially drawn down, and then fully drawn. In our Tables, PHB investments are spread across the spectrum of prior-period, current period, and future commitment. This is the performance context in which PHB effectively meets priority needs in its assessment areas.

Refer to Table 12 in Appendix C for the data used to evaluate the bank's level of qualified investments and performance under the Investment Test. Investments that benefited a broad geographical area that included MSA and/or Non-MSA areas are distributed based upon the following criteria. (1) Where information is available detailing which area(s) an investment benefited, the distribution is based on the proportion of benefit each received. (2) Where detailed information is not available, distributions are based on the percentage of bank deposits generated in each MSA or Non-MSA AA.

Non-MSA AA

PHB's investment performance in the Non-MSA AA is good. This conclusion is based on the level of investments compared to investment opportunities and capacity of the bank. During the evaluation period, PHB made seven investments that benefited the Non-MSA AA or a broader area that included the Non-MSA AA. Four were made in projects that supported affordable housing initiatives. One supported the formerly identified mental health focus and initiative. Two were made in Small Business Investment Corporations (SBICs) in support of economic development and redevelopment. Also included in investments are 17 grants, six of which relate directly to affordable housing for low- and moderate-income individuals. Others relate to community development-related organizations providing community services targeted to low- and moderate-income individuals or promoting economic development for small businesses.

PHB's 24 investments and grants in the current period total \$1.4 million. PHB also had \$1.1 million outstanding in qualified investments that were made in the prior evaluation period. In aggregate, current period investments and outstanding prior period investments total \$2.5 million. PHB also has formal commitments totaling an additional \$5.4 million in existing community development investments in the Non-MSA AA.

The following are examples of investments benefiting the Non-MSA AA or larger statewide areas.

- PHB made an investment that enhanced its \$4 million construction loan for renovating the former Augusta City Hall into low-income housing. There are only two such projects in the state involving conversion of municipal buildings to affordable housing. As an example of innovative investments, PHB participated in the first conversion project and is the

only bank in this one. Financial complexity is evidenced in establishing permanent funding using tax credits, federal and state historical renovation credits, and equity participation.

- PHB made a \$3 million investment commitment, with partial funding, in a housing equity fund during this evaluation period that followed a similar investment in a prior period. The focus is affordable housing, the state's primary credit need. This is the organization to which senior bank managers have also given time and expertise to enhance construction financing controls. The nature of the investment vehicle is such that all funds will not be fully used in this evaluation period.
- PHB made a grant to a community action program that paid the interest on the promissory note for construction of Head Start classroom.

Prior period investments consist of three affordable housing projects, two SBICs, two Community Development Corporations (CDCs), and a low-income, mental health facility. All of these endeavors initiated by prior period investments continue to have a positive impact on the assessment area and reflect positively upon PHB.

Portland MSA AA

PHB's investment performance in the Portland MSA AA is good. This conclusion is based on the level of investments compared to investment opportunities and capacity of the bank. During the evaluation period, PHB made seven investments that benefited the Portland MSA AA or a broader area that included the Portland MSA AA. Four were made in projects that supported affordable housing initiatives. One supported the formerly identified mental health focus and initiative. Two were made in Small Business Investment Corporations (SBICs) in support of economic development and redevelopment. Also included in investments are 20 grants and donations during the evaluation period to community development related organizations that serve the Portland MSA AA. The organizations' activities provide affordable housing for low- and moderate-income families, community services targeted to low- and moderate-income individuals, or promote economic development for small businesses.

PHB's 27 investments and grants in the current period total \$1.5 million. PHB also had \$1.4 million outstanding in qualified investments that were made in the prior evaluation period. In aggregate, current period investments and outstanding prior period investments total \$2.9 million. PHB also has formerly committed an additional \$4.1 million in existing community development investments in the Portland MSA AA.

The following are examples of investments benefiting the Portland MSA AA.

- PHB made an investment in a venture capital investment fund specializing in affordable housing and economic development through services to small businesses. From the legally binding \$1.2 million commitment, \$300 thousand has been drawn and used to develop and expand small businesses in a low-income geography. For PHB's part, they received a US Treasury Bank Enterprise Award of \$180 thousand.
- PHB made three significant three-year grants. One supports an economic development center affiliated with the City of Portland Resource HUB program. Another helps fund a childcare program for LMI families. The third was part of the capital campaign for a summer camp for girls from LMI families.
- PHB made a \$237 thousand investment in affordable housing for LMI families.

Prior period investments consist of three affordable housing projects, two SBICs, two Community Development Corporations (CDCs), and a low-income, mental health facility. All of these endeavors initiated by prior period investments continue to have a positive impact on the assessment area and reflect positively upon PHB.

Conclusions for Area Receiving Limited-Scope Reviews

Based on limited-scope reviews and extent of market penetration, the bank's performance under the Investment Test in the Lewiston-Auburn MSA, Bangor MSA, and Portsmouth MSA is not inconsistent with the bank's overall performance under the Investment Test. Refer to Table 12 in Appendix C for the facts and data that support these conclusions.

SERVICE TEST

Conclusions for Areas Receiving Full-Scope Reviews

The bank's performance under the Service Test is rated "**Outstanding.**" Based on full-scope reviews, the bank's performance in both the Non-MSA and the Portland MSA assessment areas is excellent. Overall 11 branches, or 18% of the total, are inside supermarkets. Eleven more, and an additional 18% of the total, are located in shopping plazas. In total, 36% of all branches are strategically located to provide longer hours of service to individuals of all income levels. All supermarket branches and nearly all shopping plaza branches offer extended daily service hours as well as service seven days a week.

As an alternative delivery system of retail services, PHB operates 24 Automated Teller Machines (ATMs) off site from its

branches. This number expands service facilities by 39%. Fourteen or 58% are located in retail businesses thereby facilitating the extension of services to individuals of all income levels.

Retail Banking Services

Refer to Table 13 in Appendix C for more facts and data used to evaluate the distribution of the bank's branch delivery system and branch openings and closings.

PHB's delivery systems provide excellent access to geographies and individuals of different income levels in its AAs.

Branch offices are readily accessible to geographies and individuals of different income levels throughout the Non-MSA area. PHB operates 28 branches throughout the Non-MSA area of which four are supermarket and two are shopping plaza branches. PHB's distribution of offices located in LMI geographies, as shown in Table 13, is very near the distribution of the population living in such geographies.

In addition, one small town branch is located on the middle-income geography side of the line separating a moderate-income area from its adjacent middle-income geography. In a second small town, a branch located in a moderate-income geography, is less than one-third mile from the center of an adjacent second moderate-income geography. Therefore, Table 13's picture of service-accessibility, namely seven percent of the branches located in moderate-income geographies while eight percent of the population lives in moderate-income geographies, is significantly enhanced through service-accessibility provided by these two additional branches. Overall, the distribution of branches is excellent.

Branch offices provide good access to geographies and individuals of different income levels throughout the Portland MSA. PHB operates 20 branches throughout the Portland MSA of which four are supermarket and two are shopping plaza branches. PHB does not have branches in the five low-income geographies. Only four percent of the population, four percent represents approximately 9000 persons, live in those low-income geographies. However, PHB has circled those low-income census tracts with branches that provide easy accessibility and services to the population of the low-income geographies. Two branches in adjacent moderate-income geographies and one branch in a middle-income geography are less than one-half mile from the center of each of the five low-income geographies. As well, PHB's distribution of branches in moderate-income geographies exceeds the population proportion living in those geographies.

On a net basis, branch closures and openings had no affect on the

accessibility of retail delivery systems to low- and moderate-income individuals and geographies in the two full scope assessment areas.

Branch hours are designed to provide conveniences to individuals of all income levels throughout both Non-MSA and Portland MSA geographies. Overall, 33 branch offices have early drive-up window hours, usually one full hour ahead of branch lobby hours.

The 22 supermarket and shopping center branches have extended hours beyond those of stand-alone branches. There are no material differences in services provided throughout both full-scope branch networks. Branch offices hours and days of operation vary based on the convenience and needs of each branch's area. In general, conventional branch hours range from 8:30 or 9:00am to 4:00pm, Monday through Thursday, with closings at 5:00 or 6:00pm Thursday and Friday. Nearly all are open Saturday morning until noon. The 22 supermarket and shopping plaza branch hours range from 9:00 or 10:00am to 7:00 or 8:00pm Monday through Friday. The supermarket and nearly all shopping plaza branches are open 9:00am to 4:00 or 5:00pm on Saturdays and generally 9:00am to 2:00pm on Sunday.

PHB's ATM network offers an excellent alternative delivery system for teller-based services to LMI geographies and LMI individuals.

ATM accessibility is excellent in both the Non MSA AA and in the Portland MSA. PHB's distribution of ATMs located in LMI geographies exceeds the distribution of the population living in such geographies in both full-scope AAs. All ATMs offer 24-hour service. PHB customers are also given free access to all 412 Banknorth Group ATMs located throughout New England and New York.

Other alternative delivery systems include telephone banking and special assistance for sight and hearing impaired. The "Direct Banking Center" provides toll-free telephone access to customers seven days a week. The center is operational Monday through Friday from 7:00am to 9:00pm, Saturday from 8:00am to 5:00pm, and Sunday from 10:00am to 3:00pm. Center employees assist customers with their deposit and loan accounts, open new accounts, and accept consumer and home equity applications. "Direct 24" is an automated response unit of the "Direct Banking Center." Using "Direct 24", customers can access account balances, obtain information on status of deposits and withdrawals, and make transfers to other PHB accounts. Other services offered by the bank include banking by mail and direct deposit. In evaluating the bank's services, no significant weight was given to these systems since the bank does not track how well these services reach low- and moderate-income people and geographies, or small businesses.

PHB offers "SimplyFree Checking", an affordable product tailored to the needs of low- and moderate-income people. The account requires no monthly maintenance fee, no minimum balance,

no transaction fees, and only a \$25 minimum opening balance.

Community Development Services

PHB provides an excellent level of community development services. Management is a leader in providing community development services. Management leads by supporting a high number of statewide organizations, including those in the bank's AAs, that are involved in community development initiatives including affordable housing for LMI individuals, services to low- and moderate-income individuals, and economic revitalization. Support is provided in a number of ways including making a high number of employees available, (1) to teach first-time home-buyer seminars and (2) to use their financial expertise to support and provide training for community development groups that provide services for low- and moderate-income individuals. PHB's efforts are highly responsive to affordable housing needs in both full-scope MSAs. Following are examples of the community development services provided by PHB during this evaluation period.

With management support, PHB employees presented 15 first-time homebuyer seminars in the Non-MSA AA and 28 first-time homebuyer seminars in the Portland MSA sponsored by organizations dedicated to affordable housing to low- and moderate-income individuals and families. Due to the rural nature of the Non-MSA AA, seminars were held in locations most advantageous to the greatest number of LMI individuals. In the Portland MSA AA where LMI geographies are clustered, 15 first-time homebuyer seminars were held in low-income geographies, and six were held in moderate-income geographies. In the Portland MSA, 75% of PHB's first-time homebuyer seminars were held in LMI geographies.

PHB has taken a leadership position in supporting the Maine Housing Equity Fund, by providing a senior bank officer to serve as Investment Officer and Treasurer. PHB's Executive Vice President for Commercial Lending served on the initial task force that founded the organization. This fund fosters development of affordable housing statewide through third-party investments, based largely on available tax credits. The availability of expertise and knowledge from PHB officers has sustained the success of this fund for many years.

PHB management co-founded the Maine Community Reinvestment Corporation to meet an identified safe, affordable, housing need for mental health consumers. PHB officers have or are serving as President, Treasurer, and Loan Committee Chair. Founding this organization helped meet identified community credit needs for LMI mental health consumers. A PHB officer chaired the initial organization committee to write a needs assessment. A PHB officer was the corporation's first president. The bank provided grant monies to cover consultation costs and to fund the initial loan pool. PHB officers write servings contracts and investment

criteria.

Non-MSA AA

An employee serves as Board Member on a municipal economic development council, and Board Member of her regional development council. Four other employees serve as Directors of their respective committees on local economic growth. Another is Loan Committee Chair in his local downtown development association. An employee serves on the economic development committee of her local chamber of commerce. Another employee serves on the Board of her local job-start program.

An employee serves as Vice Chair of a municipal housing authority. Another is on the local housing authority Board of Commissioners. Both organizations routinely address needs of low- and moderate-income family affordable housing.

An employee serves as Treasurer of a non-profit regional health organization whose majority clients are Medicaid recipients.

Four employees serve as Treasurers of their local Salvation Army units. Another is Assistant Treasurer. In a sixth location, another serves as an Advisory Board member. Another is a local Board member. These Salvation Army units spend the majority of their time and financial resources addressing needs of homeless and very low-income individuals.

An employee serves on the Board of the local Soup Kitchen. This organization prepares and serves food in a shelter for homeless individuals.

An employee serves on the Finance Committee of Good Will Hinckley, a home for boys and girls. Members of this home are without income and live as wards of the State.

Two employees serve on their respective United Way Board of Directors. Another serves as Chair of the Executive Committee of his local United Way Board. Each of the three Boards has documented that 60% of receipts go to individuals and families at or below moderate-income levels.

An employee serves as Treasurer of her local Big Brother/Big Sister organization. This entity coordinates and monitors mentoring programs for children from low-income and at-risk families.

Portland MSA AA

An employee serves as Vice Chair of her town's Planning Board. The primary task of this Board is economic stabilization.

An employee serves on an oversight sight committee of a local non-profit affordable housing agency serving low- and moderate-income families.

An employee serves as Vice President of his local municipal small business association. The primary objective of this organization is small business development.

Four employees serve as members of their local Habitat for Humanity organizations.

An employee serves as Commissioner of her town's housing authority. This entity routinely reviews low- and moderate-income affordable housing initiatives.

An employee serves on the Steering Committee of the local United Way. Another serves on an Allocations Committee. A third is Vice Chair of her UW Allocations Committee. Two more are on their UW Finance Committees. Three others are Team Captains; three more are at-large committee members. Another is Treasurer. Another is Vice Chair of the Investment Committee. The Executive Director of United Way for Greater Portland has stated that 60% of the UW agencies serve primarily low- and moderate-income qualified community members.

An employee is President of a statewide non-profit SBIC. An employee serves on the Advisory Committee of a regional SBIC. Another is member of a regional economic development commission.

An employee is Board member of a consumer credit counseling service providing first-time homebuyer and family budgeting services to low- and moderate-income individuals and families.

An employee serves as a tutor in a local housing authority's community education program to its primarily low- and moderate-income residents.

Maine wide including the bank's AAs

PHB participates in an Interest On Lawyer's Trust Accounts (IOLTA) program. Through this program, PHB waives fees and pays interest premiums on lawyers' trust accounts. Earnings from these accounts are used to provide legal services to low- and moderate-income individuals throughout Maine. In 1999 and 2000, more than \$590 thousand was contributed providing legal services to low- and moderate-income individuals throughout Maine.

PHB participates in a Realtors Escrow Trust Account (RETA) program. Through this program, PHB waives fees and pays interest premiums on realtors' trust accounts with earnings going to an organization dedicated to supporting affordable housing to low- and moderate-income individuals throughout Maine. In 1999 and

2000, more than \$109 thousand was made available to support construction of affordable housing in Maine.

PHB is a leader in statewide Junior Achievement programs. The focus of PHB's involvement is Economics education to sixth grade students by bank officers and managers. Thirty-seven classroom sessions have been held in 21 different middle schools. While not all sessions or schools qualify as a Community Development Service, four schools have a majority of students participating in a free school lunch program; ten more have more than one-third of their enrollment participating in subsidized lunch programs.

Conclusions for Areas Receiving Limited-Scope Reviews

Based on limited-scope reviews and level of market penetration, the bank's performance under the Service Test in the Lewiston-Auburn MSA, Bangor MSA, and Portsmouth MSA is not inconsistent with the bank's overall performance under the Service Test. Refer to Table 13 in Appendix C for the facts and data that support these conclusions.

Appendix A: Scope of Evaluation

The following table identifies the time period covered in this evaluation, affiliate activities that were reviewed, and loan products considered. The table also reflects the metropolitan and nonmetropolitan areas that received comprehensive examination review (designated by the term Full-Scope) and those that received a less comprehensive review (designated by the term Limited-Scope).

| | | |
|--|---|--------------------------|
| Time Period Reviewed | Lending Test (excludes CD Loans): 07/01/98 to 12/31/00) Investment and Service Tests and CD Loans: (07/01/98 to 07/09/11) | |
| Financial Institution | Products Reviewed | |
| Peoples Heritage Bank (PHB) Portland, Maine | Home purchase, home improvement, and refinance loans reported on the HMDA loan application register and small business loans reported on the small business register. CD loans. | |
| Affiliate(s) | Affiliate Relationship | Products Reviewed |
| None included | | |
| List of Assessment Areas and Type of Examination | | |
| Assessment Area | Type of Exam | Other Information |
| Non-MSA Portland MSA #6400 Lewiston Auburn MSA #4240 Bangor MSA #0730 Portsmouth MSA #6450 | Full-scope Full-scope Limited-scope Limited-scope Limited-scope | |

Appendix B: Market Profiles for Full-Scope Areas

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Market Profiles for Areas Receiving Full-Scope Reviews
Combined Non-metropolitan Area.....B-1
Portland MSAB-4

Combined Non-metropolitan Area

| Demographic Information for Full-Scope Area: Combined Non- MSA | | | | | | |
|---|------------|----------------------|-----------------|---------------|--------------|------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 152 | 0 | 9 | 72 | 14 | 5 |
| Population by Geography | 548,348 | 0 | 8 | 75 | 17 | 0 |
| Owner-Occupied Housing by Geography | 257,138 | 0 | 6 | 75 | 19 | 0 |
| Businesses by Geography | 23,346 | 0 | 7 | 74 | 19 | 0 |
| Farms by Geography | 1,068 | 0 | 10 | 77 | 13 | 0 |
| Family Distribution by Income Level | 148,976 | 18 | 18 | 25 | 39 | 0 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 54,132 | 0 | 11 | 78 | 11 | 0 |
| Median Family Income | | Median Housing Value | | = \$83,745 | | |
| HUD Adjusted Median Family Income for 2000 | = \$30,719 | Unemployment Rate | | = 3% | | |
| Households Below the Poverty Level | = \$37,660 | | | | | |
| | = 12% | | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census, and 2000 HUD updated MFI.

The Non-MSA AA is the bank's largest in terms of area, number of geographies, population, deposits generated and loans extended. It includes vast regions of rural Maine and geographies stretching 350 miles north-to-south and 200 miles east-to-west. It includes 152 census tracts encompassing parts of Aroostook, Penobscot, and Somerset counties across the northern one-half of Maine. In the southern one-half of the Non-MSA AA, the census tracts include parts of Oxford, Franklin, Hancock, Kennebec, Knox, Sagadahoc, Waldo, and York counties. The area is predominately, 72%, comprised of middle-income tracts. There are six "NA" geographies in the assessment area. A through review identifies them as islands and land "slivers" between county lines with no population. Maine is the most heavily wooded state in the country; many census tracts in the AA share this characteristic. Centers of populations are a series of small towns, many with less than five thousand people, separated by 20, 30, or 40 miles. The two largest towns have populations of about 15 thousand, and they are more than 200 miles

apart.

PHB has a significant presence with 28 branches and 35 ATMs and it ranks first in deposit market share at 26% as of June 30, 1999. Major mortgage loan competitors include Conseco Financial Servicing Corp., Fleet Bank, Key Bank, FEC Mortgage, Northeast Bank FSB, Advanta National Bank, The Money Store, and Countrywide Home Loan. American Express, Capital One, and Key Bank are major small business loan competitors.

The business focus of the Non-MSA AA is characterized by a combination of declining agricultural interests, uncertainty in paper manufacturing activities, stable ocean-related businesses, and strong, but seasonable tourist service industries. Seasons and weather influence economic conditions. Employment opportunities are weak in northern and western census tracts, but stronger in southern census tracts where tourist activity is higher. Overall the economy of this area is stabilized by services such as regional school administration districts, regional medical facilities, and community public works departments. The unemployment rate of 3% is close to the state's average of 3.5%.

There is no comparative population data for the Non-MSA AA. However, community contacts estimate the census tracts of northern and western counties saw net reductions while those in southern Maine experienced net increases during the evaluation period. Contacts also say community credit needs vary, but affordable housing is the primary need. Secondarily, small business lending is important. Maine has the highest home ownership rate in the nation, but many southern census tracts reflect more than 50% rental levels. Many owner-occupied homes reflect both extended family occupancy and deferred maintenance. Meanwhile market rental rates of southern census tracts have reached levels that low- and moderate-income families find difficult to pay.

As the largest depository institution in the area, PHB has initiated a number of programs aimed at addressing community needs. First and foremost is its overall home mortgage loan objective to meet the needs of all families and all geographies.

Its overall market-share and performance with low- and moderate-income families and geographies demonstrates success with this objective. As well, PHB made 23 CD loans in the Non-MSA, totaling more than \$6.3 million. PHB was the only bank originating and leading the effort to convert the former Augusta City Hall into affordable housing. PHB has also identified other opportunities to expand the bank's presence in home mortgage markets through locating and maintaining branches in locations conducive to low- and moderate-income individuals and in conducting numerous first-time homebuyer seminars.

The level of investment opportunity in the assessment area is low in number of opportunities and moderate in dollar volume. At the same time, there is heavy competition for these limited opportunities.

Portland Metropolitan Area

| Demographic Information for Full-Scope Area: Portland MSA | | | | | | |
|---|------------|----------------------|-----------------|---------------|--------------|-------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts/BNAs) | 62 | 8 | 15 | 61 | 13 | 3 |
| Population by Geography | 221,295 | 4 | 10 | 72 | 14 | 0 |
| Owner-Occupied Housing by Geography | 99,134 | 1 | 6 | 75 | 18 | 0 |
| Businesses by Geography | 12,254 | 6 | 18 | 63 | 13 | 0 |
| Farms by Geography | 311 | 2 | 8 | 71 | 19 | 0 |
| Family Distribution by Income Level | 58,106 | 17 | 20 | 26 | 37 | 0 |
| Distribution of Low- and Moderate-Income Families throughout AA Geographies | 21,386 | 6 | 13 | 72 | 9 | 0 |
| Median Family Income | | Median Housing Value | | | | = \$118,526 |
| HUD Adjusted Median Family Income for 2000 | = \$39,346 | Unemployment Rate | | | | = 3% |
| Households Below the Poverty Level | = 9% | | | | | |

(*) The NA category consists of geographies that have not been assigned an income classification.
 Source: 1990 U.S. Census and 2000 HUD updated MFI.

The Portland MSA is located in southern Maine along the Atlantic coast. It is comprised of the counties of Cumberland and York and includes the entire metropolitan area. There are two "NA" geographies in the assessment area; one is in Portland, the other

in South Portland. Both are coastal harbor land "spits" with no population. Portland is the largest city in the state with a population during the evaluation period estimated at 221 thousand. The area is predominantly comprised of middle-income tracts with some low-income tracts in the heart of the city. PHB has a significant presence with 20 branches and 32 ATMs, and it ranks first in deposit share at 28% as of June 30, 1999. Major home mortgage lending competitors include Fleet Bank, Key Bank, Downeast Mortgage, Norwest Mortgage, and Town & Country Credit Union. American Express and Key Bank are the major small business lending competitors.

A diversification of economic activity has led to above average job and income growth. Much of this diversification has been fueled by expansion of the wholesale trade sector and a booming regional economy. Major employers include the Maine Medical Center, UNUM Insurance Company, Shaw's Supermarkets, Inc., Manpower Temporary Services, and L.L. Bean, Inc. The unemployment rate for 2000 in the Portland MSA was 1.7%, well below the state average of 3.5% and the national average of 4%.

Portland's population growth of 5.8% between 1990 and 1999 exceeded the rate of growth for the State of Maine. Families and households in search of more affordable standard of living than in other metropolitan areas such as Boston, MA and Manchester, NH have migrated to Portland. Home values increased 30% over the last decade, but remained 50% lower than other metropolitan areas in New England, particularly the Boston corridor from Cape Cod to New Hampshire. However, there is a shortage of LMI housing, with only 9.85% of owner-occupied units located in low-income tracts and 28.25% of owner-occupied units in moderate-income tracts as of the most recent census data (1990). Community contacts provided insight to affordable housing needs. Specifically they explained that low home ownership rates, 56% overall, and much lower rates in LMI geographies, demonstrate how rental units become the home of choice to those moving into the area with or looking for new jobs. In response to demand, market rents move upward. In this way economic growth and population growth adversely impact LMI families whose first participation in the phenomenon is higher rent fees.

As the largest depository institution in the area, PHB has initiated a number of programs aimed at addressing community needs. First and foremost is its overall home mortgage loan objective to meet the needs of all families and all geographies. Its overall market-share and performance with low- and moderate-income families and geographies demonstrates success with this objective. As well, PHB made eleven CD loans in Portland, totaling more than \$11 million. PHB was one of the originating members of the Maine Housing Equity Fund. Beyond financial contributions, PHB has provided financial leadership and skills to enhance this organization's continued viability. PHB has also identified other opportunities to expand the bank's presence in home mortgage markets through locating and maintaining branches in locations conducive to low- and moderate-income individuals and in conducting numerous first-time homebuyer seminars.

The level of investment opportunity in the assessment area is low in number of opportunities and moderate in dollar volume. At the same time, there is heavy competition for these limited opportunities.

Appendix C: Tables of Performance Data

Content of Standardized Tables

References to the bank include activities of any affiliates that the bank provided for consideration (refer to Appendix A: Scope of the Evaluation). For purposes of reviewing the Lending Test tables, the following are applicable: purchased loans are treated as originations/purchases; market rank is based on the number of loans originated and purchased by the bank as compared to all other lenders in the MSA/assessment area; and market share is the number of loans originated and purchased by the bank as a percentage of the aggregate number of reportable loans originated and purchased by all lenders in the MSA/assessment area.

The following is a listing and brief description of the tables:

Table 1. Lending Volume - Presents the number and dollar amount of reportable loans originated and purchased by the bank over the evaluation period by MSA/assessment area.

Table 2. Geographic Distribution of Home Purchase Loans - Compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of owner-occupied housing units throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 3. Geographic Distribution of Home Improvement Loans - See Table 2.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans - See Table 2.

Table 5. Geographic Distribution of Small Loans to Businesses - The percentage distribution of the number of small loans (less than or equal to \$1 million) to businesses originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of businesses (regardless of revenue size) throughout those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

Table 6. Geographic Distribution of Small Loans to Farms - The percentage distribution of the number of small loans (less than or equal to \$500,000) to farms originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies compared to the percentage distribution of farms (regardless of revenue size) throughout

those geographies. The table also presents market rank and market share information based on the most recent aggregate market data available.

- Table 7. Borrower Distribution of Home Purchase Loans** - Compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage distribution of families by income level in each MSA/assessment area. The table also presents market rank and market share information based on the most recent aggregate market data available.
- Table 8. Borrower Distribution of Home Improvement Loans** - See Table 7.
- Table 9. Borrower Distribution of Home Mortgage Refinance Loans** - See Table 7.
- Table 10. Borrower Distribution of Small Loans to Businesses** - Compares the percentage distribution of the number of small loans (less than or equal to \$1 million) originated and purchased by the bank to businesses with revenues of \$1 million or less to the percentage distribution of businesses with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the business. Market share information is presented based on the most recent aggregate market data available.
- Table 11. Borrower Distribution of Small Loans to Farms** - Compares the percentage distribution of the number of small loans (less than or equal to \$500 thousand) originated and purchased by the bank to farms with revenues of \$1 million or less to the percentage distribution of farms with revenues of \$1 million or less. In addition, the table presents the percentage distribution of the number of loans originated and purchased by the bank by loan size, regardless of the revenue size of the farm. Market share information is presented based on the most recent aggregate market data available.
- Table 12. Qualified Investments** - Presents the number and dollar amount of qualified investments made by the bank in each MSA/AA. The table separately presents investments made during prior evaluation periods that are still outstanding and investments made during the current evaluation period. Prior period investments are reflected at their book value as of the end of the evaluation period. Current period investments are reflected at their original investment amount even if that amount is greater than the current book value of the investment. The table also presents the number and dollar amount of unfunded qualified investment commitments. In order to be included, an unfunded

commitment must be legally binding and tracked and recorded by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings - Compares the percentage distribution of the number of the bank's branches in low-, moderate-, middle- and upper-income geographies to the percentage of the population within each geography in each MSA/AA. The table also presents data on branch openings and closings in each MSA/AA.

Table 14. Geographic and Borrower Distribution of Consumer Loans (OPTIONAL) - For geographic distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank in low-, moderate-, middle- and upper-income geographies to the percentage distribution of the population within each geography. For borrower distribution, the table compares the percentage distribution of the number of loans originated and purchased by the bank to low-, moderate-, middle- and upper-income borrowers to the percentage of households by income level in each MSA/assessment area.

Table 1. Lending Volume

| LENDING VOLUME | | | | | | | | | | | | | State: Maine | Evaluation Period: July 1, 1998 To December 31, 2000 | |
|----------------------|-------------------------------------|-----------------|------------|-----------------------------|------------|------------------------|------------|--------------------------|------------|----------------------|------------|------------------------------------|--------------|--|--|
| MSA/Assessment Area: | % of Rated Area Deposits in MSA/AA* | Home Mortgage** | | Small Loans to Businesses** | | Small Loans to Farms** | | Community Development*** | | Total Reported Loans | | % of Rated Area Loans(#) in MSA/AA | | | |
| | | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | | | | |
| Full-Scope: | | | | | | | | | | | | | | | |
| Combined Non-MSA | 42 | 4,936 | 341,579 | 1,689 | 156,288 | 282 | 15,954 | 23 | 6,336 | 6930 | 520,633 | 46 | | | |
| Portland MSA | 39 | 4,144 | 455,615 | 1,256 | 174,915 | 13 | 550 | 11 | 11,098 | 5424 | 642,171 | 37 | | | |
| Limited-Scope: | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 11 | 573 | 38,391 | 342 | 48,276 | 2 | 96 | 3 | 1,745 | 920 | 88,508 | 6 | | | |
| Bangor MSA | 5 | 863 | 64,586 | 156 | 22,476 | 0 | 0 | 3 | 736 | 1,022 | 87,798 | 7 | | | |
| Portsmouth MSA | 3 | 547 | 66,808 | 65 | 7,945 | 1 | 16 | 2 | 537 | 615 | 75,306 | 4 | | | |

(*) Deposit data as of June 30, 1999.

(**) The evaluation period for Home Mortgage Loans, Small Loans to Businesses and Small Loans to Farms is July 1, 1998 to December 31, 2000.

(***) The evaluation period for Community Development Loans is September 28, 1998 to July 9, 2001.

Table 2. Geographic Distribution of Home Purchase Loans

| Geographic Distribution: HOME PURCHASE | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | | | | | | | | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--|--------------------------|--------------|----------------------|----------------------------|-----|-----|-----|-----|---------------------------|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | | | Total Home Purchase Loans | |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| Full-Scope: | | | | | | | | | | | | | | | | |
| Combined Non-MSA | NA | NA | 6 | 7 | 75 | 71 | 19 | 22 | 1 | 14 | NA | 35 | 14 | 11 | 2,230 | 39 |
| Portland MSA | 1 | 5 | 6 | 11 | 75 | 67 | 18 | 17 | 1 | 16 | 49 | 21 | 15 | 17 | 2,505 | 44 |
| Limited-Scope: | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 0 | 0 | 5 | 6 | 85 | 87 | 10 | 7 | 4 | 5 | 0 | 5 | 5 | 6 | 223 | 4 |
| Bangor MSA | NA | NA | 7 | 11 | 86 | 79 | 7 | 10 | 3 | 13 | 0 | 15 | 12 | 25 | 513 | 9 |
| Portsmouth MSA | NA | NA | NA | NA | 100 | 100 | NA | NA | 1 | 9 | 0 | 0 | 9 | 0 | 204 | 4 |

(*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 3. Geographic Distribution of Home Improvement Loans

| Geographic Distribution: HOME IMPROVEMENT | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | | | Market Share by Geography* | | Total Home Improvement Loans | | | |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--|--------------------------|--------------|----------------------|---------|----------------------------|-----|------------------------------|-----|-----|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | | | | | | | | |
| Full-Scope: | | | | | | | | | | | | | | | | |
| Combined Non-MSA | NA | NA | 6 | 16 | 75 | 77 | 19 | 7 | 2 | 18 | NA | 56 | 17 | 7 | 913 | 68 |
| Portland MSA | 1 | 3 | 6 | 9 | 75 | 80 | 18 | 8 | 3 | 9 | 40 | 13 | 9 | 3 | 234 | 18 |
| Limited-Scope: | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 0 | 0 | 5 | 3 | 85 | 90 | 10 | 7 | 3 | 10 | 0 | 0 | 11 | 5 | 92 | 7 |
| Bangor MSA | NA | NA | 7 | 2 | 86 | 97 | 7 | 1 | 5 | 8 | 0 | 5 | 9 | 0 | 59 | 4 |
| Portsmouth MSA | NA | NA | NA | NA | 100 | 100 | NA | NA | 6 | 4 | 0 | 0 | 4 | 0 | 35 | 3 |

(*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 4. Geographic Distribution of Home Mortgage Refinance Loans

| Geographic Distribution: HOME MORTGAGE REFINANCE | | | | | | | | | | | | | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|----------------------------|-----|-----|-----|-----|-------------------------------------|--------------|--|--|--|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | | | Total Home Mortgage Refinance Loans | | | | |
| | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | % Owner Occ Units | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | | | |
| Combined Non-MSA | NA | NA | 6 | 7 | 75 | 73 | 19 | 20 | 1 | 14 | NA | 31 | 15 | 10 | 1,748 | 44 | | | |
| Portland MSA | 1 | 1 | 6 | 7 | 75 | 69 | 18 | 23 | 1 | 13 | 11 | 15 | 12 | 13 | 1,361 | 35 | | | |
| Limited-Scope: | | | | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 0 | 0 | 5 | 3 | 85 | 91 | 10 | 6 | 2 | 8 | 0 | 3 | 8 | 5 | 238 | 6 | | | |
| Bangor MSA | NA | NA | 7 | 11 | 86 | 85 | 7 | 4 | 2 | 10 | 0 | 12 | 10 | 7 | 284 | 7 | | | |
| Portsmouth MSA | NA | NA | NA | NA | 100 | 100 | NA | NA | 1 | 16 | 0 | 0 | 16 | 0 | 304 | 8 | | | |

(*) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(**) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 5. Geographic Distribution of Small Loans to Businesses

| Geographic Distribution: SMALL LOANS TO BUSINESSES | | | | | | | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | | |
|--|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|--------------|----------------------|----------------------------|-----|--|-----|-----|----------------------------|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | | | Total Small Business Loans | |
| | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | % of Businesses | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| Full-Scope: | | | | | | | | | | | | | | | | |
| Combined Non-MSA | NA | NA | 7 | 15 | 74 | 74 | 19 | 11 | 3 | 9 | NA | 16 | 9 | 5 | 1,689 | 48 |
| Portland MSA | 6 | 5 | 18 | 15 | 63 | 65 | 13 | 15 | 4 | 15 | 14 | 13 | 16 | 16 | 1,256 | 36 |
| Limited-Scope: | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 8 | 5 | 13 | 9 | 73 | 79 | 6 | 7 | 2 | 15 | 13 | 12 | 16 | 0 | 342 | 10 |
| Bangor MSA | 0 | 0 | 21 | 14 | 72 | 84 | 7 | 2 | 5 | 8 | 0 | 2 | 10 | 0 | 156 | 4 |
| Portsmouth MSA | 0 | 0 | 0 | 0 | 100 | 100 | 0 | 0 | 2 | 20 | 0 | 0 | 20 | 0 | 65 | 2 |

(*) Based on 1999 Aggregate Small Business Data only. Market rank is for all income categories combined.

(**) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 6. Geographic Distribution of Small Loans to Farms

| Geographic Distribution: SMALL LOANS TO FARMS | | | | State: Maine | | | | Evaluation Period: July 31, 1998 To December 31, 2000 | | | | | | | | |
|---|------------------------|--------------|-----------------------------|--------------|---------------------------|--------------|--------------------------|---|----------------------|----------------------------|-----|-----|-----|-----|------------------------|--------------|
| MSA/Assessment Area: | Low-Income Geographies | | Moderate-Income Geographies | | Middle-Income Geographies | | Upper-Income Geographies | | Overall Market Rank* | Market Share by Geography* | | | | | Total Small Farm Loans | |
| | % of Farms | % BANK Loans | % of Farms | % BANK Loans | % of Farms | % BANK Loans | % of Farms | % BANK Loans | | Overall | Low | Mod | Mid | Upp | # | % of Total** |
| Full-Scope: | | | | | | | | | | | | | | | | |
| Combined Non-MSA | NA | NA | 10 | 23 | 77 | 76 | 13 | 0 | 3 | 17 | NA | 24 | 16 | 9 | 282 | 97 |
| Portland MSA | 2 | 0 | 8 | 8 | 71 | 77 | 19 | 15 | 2 | 29 | 0 | 29 | 32 | 25 | 13 | 3 |
| Limited-Scope: | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 0 | 0 | 0 | 0 | 89 | 100 | 11 | 0 | 2 | 13 | 0 | 0 | 13 | 0 | 2 | 0 |
| Bangor MSA | 0 | 0 | 21 | 0 | 72 | 0 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Portsmouth MSA | 0 | 0 | 0 | 0 | 100 | 100 | 0 | 0 | 4 | 10 | 0 | 0 | 11 | 0 | 1 | 0 |

(*) Based on 1999 Aggregate Small Farm Data only. Market rank is for all income categories combined.

(**) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 7. Borrower Distribution of Home Purchase Loans

| Borrower Distribution: HOME PURCHASE | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | | | Market Share by Borrower Income** | | | | | Total Home Purchase Loans | |
|--------------------------------------|----------------------|---------------|---------------------------|---------------|-------------------------|--|------------------------|---------------|-----------------------|---------|-----------------------------------|-----|-----|-----|-------|---------------------------|--|
| MSA/Assessment Area: | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall Market Rank** | Overall | Low | Mod | Mid | Upp | # | % of Total*** | |
| | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | | | | | | | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | |
| Combined Non-MSA | 18 | 6 | 18 | 20 | 25 | 28 | 39 | 46 | 1 | 14 | 19 | 16 | 12 | 11 | 2,230 | 39 | |
| Portland MSA | 17 | 9 | 20 | 25 | 26 | 26 | 37 | 40 | 1 | 16 | 31 | 23 | 14 | 13 | 2,505 | 44 | |
| Limited-Scope: | | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 19 | 8 | 17 | 20 | 26 | 27 | 38 | 45 | 4 | 5 | 8 | 5 | 4 | 4 | 223 | 4 | |
| Bangor MSA | 19 | 6 | 18 | 21 | 25 | 28 | 38 | 45 | 3 | 13 | 10 | 12 | 13 | 10 | 513 | 9 | |
| Portsmouth MSA | 14 | 3 | 19 | 18 | 30 | 26 | 37 | 49 | 1 | 9 | 2 | 9 | 7 | 9 | 204 | 4 | |

(*) As a percentage of loans with borrower income information available. No information was available for 10% of loans originated and purchased by the bank.

(**) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home purchase loans originated and purchased in the MSA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8. Borrower Distribution of Home Improvement Loans

| Borrower Distribution: HOME IMPROVEMENT | | | | | | | | | | | | | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | |
|---|----------------------|---------------|---------------------------|---------------|-------------------------|---------------|------------------------|---------------|-----------------------|-----------------------------------|-----|-----|-----|-----|------------------------------|---------------|--|--|--|
| MSA/Assessment Area: | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall Market Rank** | Market Share by Borrower Income** | | | | | Total Home Improvement Loans | | | | |
| | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | | Overall | Low | Mod | Mid | Upp | # | % of Total*** | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | | | |
| Combined Non-MSA | 18 | 13 | 18 | 22 | 25 | 30 | 39 | 35 | 2 | 18 | 28 | 26 | 19 | 15 | 913 | 68 | | | |
| Portland MSA | 17 | 11 | 20 | 24 | 26 | 31 | 37 | 34 | 3 | 9 | 14 | 17 | 9 | 6 | 234 | 18 | | | |
| Limited-Scope: | | | | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 19 | 16 | 17 | 17 | 26 | 24 | 38 | 43 | 3 | 10 | 23 | 18 | 8 | 8 | 92 | 7 | | | |
| Bangor MSA | 19 | 3 | 18 | 17 | 25 | 36 | 38 | 44 | 5 | 8 | 0 | 7 | 10 | 10 | 59 | 4 | | | |
| Portsmouth MSA | 14 | 6 | 19 | 20 | 30 | 29 | 37 | 45 | 1 | 22 | 17 | 16 | 5 | 3 | 35 | 3 | | | |

(*) As a percentage of loans with borrower income information available. No information was available for 1% of loans originated and purchased by the bank.

(**) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home improvement loans originated and purchased in the MSA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9. Borrower Distribution of Home Mortgage Refinance Loans

| Borrower Distribution: HOME MORTGAGE REFINANCE | | | | | | | | | | | | | | | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | |
|--|----------------------|---------------|---------------------------|---------------|-------------------------|---------------|------------------------|---------------|-----------------------|-----------------------------------|-----|-----|-----|-----|-------------------------------------|---------------|--|--|--|
| MSA/Assessment Area: | Low-Income Borrowers | | Moderate-Income Borrowers | | Middle-Income Borrowers | | Upper-Income Borrowers | | Overall Market Rank** | Market Share by Borrower Income** | | | | | Total Home Mortgage Refinance Loans | | | | |
| | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | % of Families | % BANK Loans* | | Overall | Low | Mod | Mid | Upp | # | % of Total*** | | | |
| Full-Scope: | | | | | | | | | | | | | | | | | | | |
| Combined Non-MSA | 18 | 4 | 18 | 12 | 25 | 24 | 39 | 60 | 1 | 14 | 9 | 12 | 11 | 14 | 1,748 | 44 | | | |
| Portland MSA | 17 | 4 | 20 | 15 | 26 | 26 | 37 | 55 | 1 | 13 | 10 | 10 | 11 | 14 | 1,361 | 35 | | | |
| Limited-Scope: | | | | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 19 | 3 | 17 | 11 | 26 | 26 | 38 | 60 | 2 | 8 | 5 | 4 | 7 | 8 | 238 | 6 | | | |
| Bangor MSA | 19 | 4 | 18 | 10 | 25 | 27 | 38 | 59 | 2 | 10 | 6 | 4 | 9 | 9 | 284 | 7 | | | |
| Portsmouth MSA | 14 | 7 | 19 | 13 | 30 | 30 | 37 | 50 | 1 | 16 | 6 | 12 | 14 | 14 | 304 | 8 | | | |

(*) As a percentage of loans with borrower income information available. No information was available for 16% of loans originated and purchased by the bank.

(**) Based on 1999 Aggregate HMDA Data only. Market rank is for all income categories combined.

(***) Home mortgage refinance loans originated and purchased in the MSA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10. Borrower Distribution of Small Loans to Businesses

| Borrower Distribution: SMALL LOANS TO BUSINESSES | | State: Maine | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | | | |
|--|---|----------------|--|--|---------------------------|-----------------|-------------------------|---------------------------------|----------------|
| MSA/Assessment Area: | Businesses with Revenues of \$1 million or less | | Loans by Original Amount Regardless of Business Size | | | Market Share*** | | Total Small Loans to Businesses | |
| | % of Businesses* | % BANK Loans** | \$100,000 or Less | >\$100,000 to \$250,000 | >\$250,000 to \$1,000,000 | All | Rev \$1 million or less | # | % of Total**** |
| Full-Scope: | | | | | | | | | |
| Combined Non-MSA | 88 | 75 | 77 | 14 | 9 | 9 | 9 | 1,689 | 48 |
| Portland MSA | 84 | 65 | 66 | 19 | 15 | 15 | 17 | 1,256 | 36 |
| Limited-Scope: | | | | | | | | | |
| Lewiston Auburn MSA | 85 | 54 | 65 | 20 | 15 | 15 | 13 | 342 | 10 |
| Bangor MSA | 86 | 71 | 67 | 16 | 16 | 8 | 8 | 156 | 4 |
| Portsmouth MSA | 88 | 72 | 69 | 18 | 12 | 10 | 10 | 65 | 2 |

(*) Businesses with revenues of \$1 million or less as a percentage of all businesses.

(**) Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 1% of small loans to businesses originated and purchased by the bank.

(***) Based on 1999 Aggregate Small Business Data only.

(****) Small loans to businesses originated and purchased in the MSA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

Table 11. Borrower Distribution of Small Loans to Farms

| Borrower Distribution: SMALL LOANS TO FARMS | | | | | | | | | |
|---|--|----------------|--|-------------------------|-------------------------|--|-------------------------|------------------------|----------------|
| | | | State: Maine | | | Evaluation Period: July 1, 1998 To December 31, 2000 | | | |
| MSA/Assessment Area: | Farms with Revenues of \$1 million or less | | Loans by Original Amount Regardless of Farm Size | | | Market Share*** | | Total Small Farm Loans | |
| | % of Farms* | % BANK Loans** | \$100,000 or Less | >\$100,000 to \$250,000 | >\$250,000 to \$500,000 | All | Rev \$1 million or less | # | % of Total**** |
| Full-Scope: | | | | | | | | | |
| Combined Non-MSA | 95 | 95 | 84 | 13 | 3 | 17 | 17 | 282 | 97 |
| Portland MSA | 93 | 100 | 92 | 8 | 0 | 29 | 31 | 13 | 3 |
| Limited-Scope: | | | | | | | | | |
| Lewiston Auburn MSA | 96 | 50 | 100 | 0 | 0 | 13 | 13 | 2 | 0 |
| Bangor MSA | 90 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Portsmouth MSA | 93 | 100 | 100 | 0 | 0 | 20 | 20 | 1 | 0 |

(*) Farms with revenues of \$1 million or less as a percentage of all farms.

(**) Small loans to farms with revenues of \$1 million or less as a percentage of all loans reported as small loans to farms. No information was available for 0% of small loans to farms originated and purchased by the bank.

(***) Based on 1999 Aggregate Small Farm Data only.

(****) Small loans to farms originated and purchased in the MSA/AA as a percentage of all small loans to farms originated and purchased in the rated area.

Table 12. Qualified Investments

| QUALIFIED INVESTMENTS | | | | | | | | | |
|-----------------------|---------------------------|--------------|----------------------------|--|-------------------|------------|-----------------|------------------------|------------|
| | | State: Maine | | Evaluation Period: July1, 1998 To May 31, 2001 | | | | | |
| MSA/Assessment Areas: | Prior Period Investments* | | Current Period Investments | | Total Investments | | | Unfunded Commitments** | |
| | # | \$ (000's) | # | \$ (000's) | # | \$ (000's) | % of Total \$-s | # | \$ (000's) |
| Full-Scope: | | | | | | | | | |
| Combined Non-MSA | 8 | 1,107 | 24 | 1,383 | 32 | 2,490 | 38 | 6 | 5,385 |
| Portland MSA | 8 | 1,423 | 27 | 1,455 | 35 | 2,879 | 43 | 5 | 4,056 |
| Limited-Scope: | | | | | | | | | |
| Lewiston Auburn MSA | 8 | 290 | 12 | 365 | 20 | 665 | 10 | 5 | 1,305 |
| Bangor MSA | 8 | 131 | 11 | 328 | 10 | 459 | 7 | 5 | 591 |
| Portsmouth MSA | 8 | 79 | 6 | 81 | 14 | 160 | 2 | 5 | 352 |

(*) Prior Period Investments means investments made in a previous evaluation period that are outstanding as of the examination date.

(**) Unfunded Commitments means legally binding investment commitments that are tacked and reported by the bank's financial reporting system.

Table 13. Distribution of Branch Delivery System and Branch Openings/Closings

| DISTRIBUTION OF BRANCH DELIVERY SYSTEM AND BRANCH OPENINGS/CLOSINGS | | | | | | | | State: Maine | Evaluation Period: July 1, 1998 To May 31, 2000 | | | | | | | | |
|---|------------------------------------|------------------------------|---|-----|-----|-----|----------------------|--------------------------|---|-----|-----|------------|---|-----|-----|-----|----|
| MSA/Assessment Area: | Deposits | Branches | | | | | | Branch Openings/Closings | | | | Population | | | | | |
| | % of Rated Area Deposits in MSA/AA | # of BANK Branches in MSA/AA | Location of Branches by Income of Geographies | | | | # of Branch Closings | # of Branch Openings | Net Change in Location of Branches (+ or -) | | | | % of the Population within Each Geography | | | | |
| | | | Low | Mod | Mid | Upp | | | Low | Mod | Mid | Upp | Low | Mod | Mid | Upp | |
| Full-Scope: | | | | | | | | | | | | | | | | | |
| Combined Non-MSA | 42 | 28 | 46 | 0 | 7 | 82 | 11 | 0 | 0 | NA | NA | NA | NA | 0 | 8 | 75 | 17 |
| Portland MSA | 39 | 20 | 33 | 0 | 15 | 75 | 10 | 0 | 0 | NA | NA | NA | NA | 4 | 10 | 72 | 14 |
| Limited-Scope: | | | | | | | | | | | | | | | | | |
| Lewiston Auburn MSA | 11 | 7 | 11 | 14 | 29 | 57 | 0 | 0 | 0 | NA | NA | NA | NA | 2 | 14 | 76 | 8 |
| Bangor MSA | 5 | 4 | 7 | 0 | 50 | 50 | 0 | 0 | 0 | NA | NA | NA | NA | 0 | 14 | 74 | 12 |
| Portsmouth MSA | 3 | 2 | 3 | 0 | 0 | 100 | 0 | 0 | 0 | NA | NA | NA | NA | 0 | 0 | 100 | 0 |