

PUBLIC DISCLOSURE

June 10, 2013

COMMUNITY REINVESTMENT ACT (CRA)

PERFORMANCE EVALUATION

Northeast Bank
RSSD #468806

500 Canal Street
Lewiston, Maine 04240

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

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

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INSTITUTION RATING

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

The Lending Test is rated: Satisfactory.

The Community Development Test is rated: Satisfactory.

The major factors supporting this rating include:

Lending Test

- The average net loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution's size, financial condition and assessment area credit needs.
- A majority of loans and other lending related activities are in the institution's assessment area.
- The distribution of loans to borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different revenue sizes.
- The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area.
- There have been no complaints regarding the bank's CRA performance since the previous CRA evaluation.

Community Development Test

- The institution's community development performance demonstrates an adequate responsiveness to the community development needs of its assessment area through the provision of community development loans, qualified investments and community development services.

SCOPE OF EXAMINATION

Northeast Bank's ("Northeast" or "the bank") performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Intermediate Small Institution Examination Procedures. Intermediate small institutions are those with assets, as of December 31 of either of the prior two calendar years, of less than \$1.186 billion, but at least \$296 million. These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The data and applicable timeframes are discussed below.

The Lending Test focused on home mortgage and small business lending. These products were equally weighted. Home mortgage lending reviewed during this evaluation was obtained from Loan Application Registers (LARs), maintained by the bank pursuant to the Home Mortgage Disclosure Act (HMDA). The LARs contain data about home purchase loans, home improvement loans, and refinance loans, including one-to four-family and multi-family (five or more unit) properties. The bank's data is shown in conjunction with 2011 and 2012 aggregate data. Market information for residential lending aggregate data was obtained from the Federal Reserve System's CRA/HMDA Data Analysis Tool (CHAT). Aggregate data includes lending information from all HMDA reporters that originated or purchased home mortgage loans in the bank's assessment area.

Small business loans for the purpose of this evaluation include commercial real estate loans and commercial and industrial loans with original balances of \$1 million or less. The bank is not currently required to collect and report small business loans; however, the bank chose to report small business loan data. This evaluation, therefore, utilizes the bank's small business data, as reported for full years 2011 and 2012, and provides a comparison of the bank's small business lending activity to the 2011 and 2012 aggregate data. The bank's small business lending performance was also compared to pertinent demographic information obtained from Dun & Bradstreet, Inc. (D&B). The analysis of the bank's net LTD ratio represented the period since the prior examination.

Consumer lending was excluded from this analysis since it accounted for a minor portion of the bank's overall lending activity. Although both the number and dollar volume of the bank's small business and home mortgage loans were reviewed, the number of originations was weighed more heavily than the dollar volume in order to eliminate any factors which might have distorted results.

The Community Development Test included a review of community development loans, investments, and services for the period of April 11, 2011 through June 10, 2013. The Community Development Test is evaluated in the context of the community needs and the capacity of the bank.

In October 2011, the FFIEC released an updated list of Metropolitan Statistical Areas (MSAs), states, counties, and census tracts based on the information collected during the 2010 American Community Survey (ACS) and published by the United States (U.S.) Census Bureau. Beginning in 2012, institutions are required to collect 2012 HMDA data using updated 2010 census tract information. Therefore, this CRA evaluation provides a comparison of 2011 HMDA and 2011 aggregate data to 2000 U.S. Census data; and 2012 HMDA and 2012 aggregate data to the updated 2010 U.S. Census data.

As the bank's assessment area includes multiple MSAs, a review of the bank's operations in each MSA and the one Non-MSA was performed.

DESCRIPTION OF INSTITUTION

Northeast is a full-service community bank located in Lewiston, ME. In addition to its main office, the bank operates nine branch locations in Bethel, Harrison, South Paris, Buckfield, Poland, Portland, Brunswick, Augusta, and Auburn, ME. The bank is a subsidiary of Northeast Bancorp. Northeast also maintains a wholly owned subsidiary, Northeast Bank Insurance Group, for conducting its insurance activities. In addition to its branch locations, the bank operates 3 loan production offices, 14 insurance offices, and 5 investment services centers.

As of March 31, 2013, the bank's assets totaled, \$693.4 million, and deposits totaled \$532.3 million, or 76.8 percent, of total assets. The bank has historically had a diverse loan portfolio. At the time of the previous evaluation, 42.0 percent of the bank's loans were secured by 1-4 family residential properties, and 15.9 percent were consumer loans. Commercial related lending (commercial real-estate and commercial and industrial loans) represented 31.5 percent of the bank's loan portfolio at that time. The bank's portfolio has shifted since the previous evaluation, whereby commercial lending represents the majority of the bank's loan portfolio, at 51.6 percent. This shift is partially attributed to a change in the bank's business strategy, whereby the bank is currently selling the majority of its 1-4 family loans and purchasing commercial real estate products in diverse markets. The following table illustrates the breakdown of the bank's loan portfolio as of March 31, 2013.

Loan Type	Dollar Amount (000's)	Percent of Total Loans
Commercial Real Estate	182,429	46.9
Commercial and Industrial	18,171	4.7
1-4 Family Residential	105,193	27.0
Revolving 1-4 Family Residential	23,789	6.1
Multi-Family (5 or more) Residential	37,962	9.7
Consumer	14,667	3.8
Construction and Land Development	6,500	1.7
Obligations of states and political subdivision	329	0.1
Agricultural	189	0.0
Total Loans	389,229	100.0

Source: Report of Condition and Income

Though commercial lending accounts for a slight majority of loan portfolio, Northeast still offers a variety of residential, consumer, and commercial loan products to serve the local community and applications are easily accessible online. In addition, through the bank's website at www.northeastbank.com, customers can access online banking, which provides 24 hour access to pay bills online, transfer funds, and check balances at their convenience. Northeast also offers its customers telephone and mobile banking services.

Financial capacity, legal impediments, local economic conditions, demographics and market competition are all considered when examining the bank's CRA performance. Although there are no financial or legal impediments that would prevent it from fulfilling its responsibilities under the CRA, it is noted that Northeast operates in a competitive market.

According to the Federal Deposit Insurance Corporation (FDIC)'s Summary of Deposits, as of June 30, 2012, there were 32 FDIC-insured institutions operating 421 offices in the assessment area. Both local and non-local institutions have a strong presence, led by TD Bank, NA with 48 offices and 34.8 percent of the market share, followed by KeyBank NA, with 50 offices in this market and 10.7 percent of the deposit market share, Bank of America NA, with 33 offices and 7.7 percent, Bangor Savings Bank, which operates 45 offices within the assessment area and has 5.5 percent, and finally Camden National Bank, which operates 26 offices and controls 4.4 percent of the deposit market share. Northeast was ranked 18th with a deposit market share of 1.5 percent.

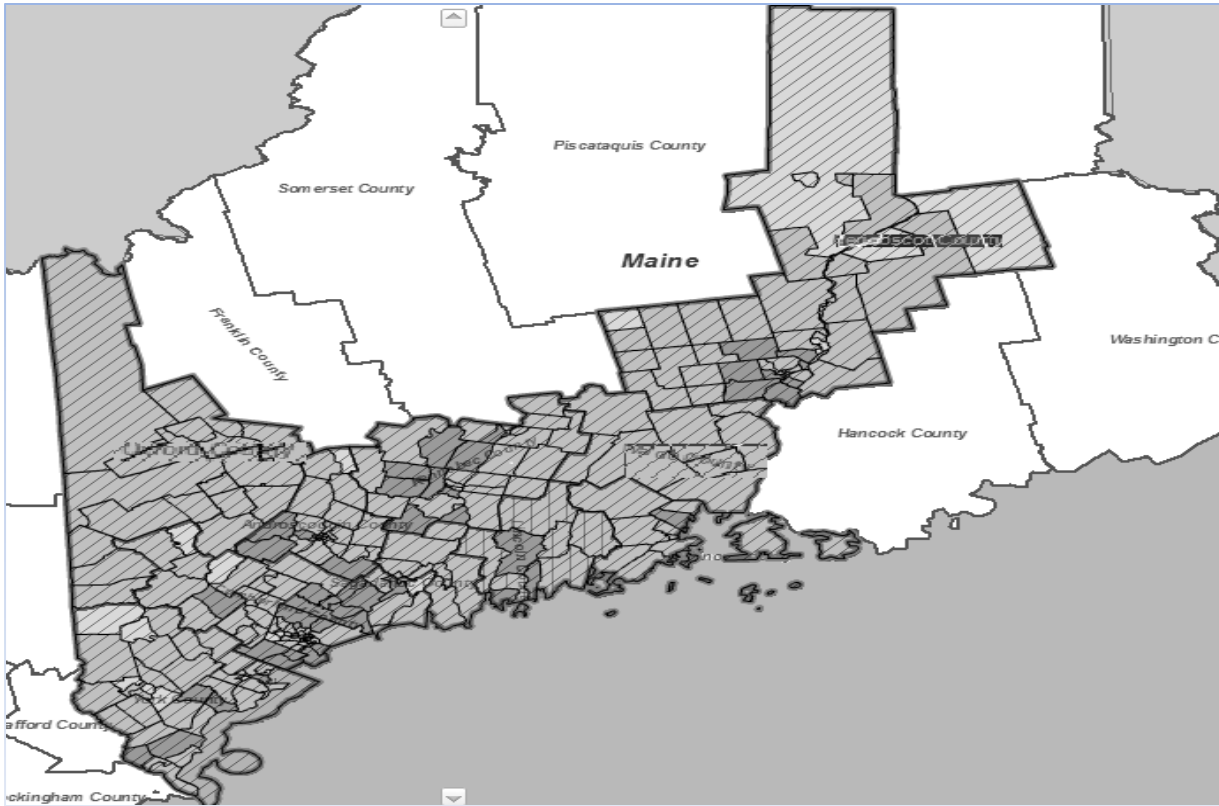
The bank also faces strong competition in terms of lending. According to HMDA Peer Market Share Reports, in 2012, 417 institutions originated or purchased a home mortgage loan in the bank's assessment area. The top ranking institutions were: Wells Fargo Bank NA, JPMorgan Chase Bank NA, Residential Mortgage Services, TD Bank NA and Bangor Savings Bank. There were 72 institutions reporting small business originations and purchases in that year, with Capital One NA, American Express Bank FSB, US Bank NA ND, CitiBank NA, and Capital One Bank USA NA ranking in the top five.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires a financial institution to define an assessment area within which its CRA performance will be evaluated based upon where it focuses its lending efforts. The majority of the evaluation is based upon activity within the defined assessment area.

In order to meet the technical requirements of the CRA regulation, an assessment area must consist of one or more political subdivisions and include the geographies where the bank has its main office, branches, and deposit-taking ATMs, as well as the surrounding geographies in which the institution originated a substantial portion of its loans, and consist of whole census tracts. The assessment area may not extend substantially beyond state boundaries, unless otherwise permitted, and may not reflect illegal discrimination or arbitrarily exclude low- and moderate-income areas. Northeast's assessment area was considered to meet the technical requirements of the regulation.

The bank has defined its assessment area as 10 counties located in Maine. The assessment area includes: Penobscot County, which is located in the Bangor, ME MSA; York, Cumberland and Sagadahoc Counties, which are located in the Portland-South Bedford, ME MSA; Androscoggin County, which is located in the Lewiston-Auburn, ME MSA; and Hancock, Kennebec, Knox, Lincoln, Oxford and Waldo Counties, which are located in a Non-MSA. While the assessment area is comprised of multiple MSAs, it is contiguous, as shown in the map below, and does not extend beyond the state boundary; therefore, for the purposes of this CRA evaluation, the entire assessment area is included in the overall analysis. Moreover, while geographically large, most of the assessment area's population density occurs in the southern portion; particularly southwest Maine, along the seacoast, and surrounding the metropolitan areas. Population density and the number of competing banks drop as one moves toward the northern portions of the assessment area.



Other pertinent demographic data for the bank's assessment area is presented below in two tables. The first table displays data based on the 2000 Census data, while the second table presents the updated data based on the 2010 Census. Key demographic and business information is based on D&B data for the respective year.

Table 2 Assessment Area Demographics 2000 Census									
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income		
	#	%	#	%	#	%	#	%	
Low-income	6	2.3	2,370	0.9	817	34.5	48,141	17.7	
Moderate-income	31	11.9	24,683	9.1	3,432	13.9	49,926	18.4	
Middle-income	184	70.5	203,214	74.8	13,548	6.7	65,522	24.1	
Upper-income	40	15.3	41,268	15.2	1,537	3.7	107,946	39.8	
Unknown-income	0	0	0	0	0	0	0	0	
Total Assessment Area	261	100.0	271,535	100.0	19,334	7.1	271,535	100.0	
	Housing Units by Tract	Housing Types by Tract							
		Owner-Occupied			Rental		Vacant		
		#	%	%	#	%	#	%	
Low-income	6,910	790	0.3	11.4	5,430	78.6	690	10	
Moderate-income	53,336	20,427	7	38.3	24,647	46.2	8,262	15.5	
Middle-income	366,303	222,576	76.6	60.8	79,061	21.6	64,666	17.7	
Upper-income	69,605	46,738	16.1	67.1	12,613	18.1	10,254	14.7	
Unknown-income	0	0	0	0	0	0	0	0	
Total Assessment Area	496,154	290,531	100.0	58.6	121,751	24.5	83,872	16.9	
	Total Businesses by Tract	Businesses by Tract & Revenue Size							
				Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported	
		#	%	#	%	#	%	#	%
Low-income	1,202	1.6	1,021	1.5	134	3.1	47	1.8	
Moderate-income	8,159	11.2	7,194	10.9	608	13.9	357	13.9	
Middle-income	51,603	70.8	46,845	71	2,936	67.2	1,822	71.1	
Upper-income	11,935	16.4	10,906	16.5	694	15.9	335	13.1	
Unknown-income	0	0	0	0	0	0	0	0	
Total Assessment Area	72,899	100.0	65,966	100.0	4,372	100.0	2,561	100.0	
	Percentage of Total Businesses:			90.5		6.0		3.5	

Source: 2000 U.S. Census Data and 2011 D&B data

The following table displays changes incorporated in the 2010 Census data.

Table 3 Assessment Area Demographics 2010 Census								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	6	2.3	2,113	0.7	916	43.4	53,973	19.1
Moderate-income	34	12.9	28,783	10.2	4,666	16.2	50,544	17.9
Middle-income	172	65.2	189,664	67.1	14,504	7.6	64,365	22.8
Upper-income	51	19.3	61,931	21.9	1,901	3.1	113,609	40.2
Unknown-income	1	0.4	0	0	0	0	0	0
Total Assessment Area	264	100.0	282,491	100.0	21,987	7.8	282,491	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied			Rental		Vacant	
		#	%	%	#	%	#	%
Low-income	7,021	836	0.3	11.9	5,280	75.2	905	12.9
Moderate-income	65,412	27,104	8.5	41.4	26,399	40.4	11,909	18.2
Middle-income	367,921	218,769	68.4	59.5	72,513	19.7	76,639	20.8
Upper-income	105,365	73,118	22.9	69.4	16,530	15.7	15,717	14.9
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	545,719	319,827	100.0	58.6	120,722	22.1	105,170	19.3
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	2,725	4.2	2,289	3.9	302	7.5	134	5.7
Moderate-income	6,436	9.9	5,636	9.6	491	12.1	309	13.2
Middle-income	41,200	63.5	37,370	63.9	2,367	58.5	1,463	62.3
Upper-income	14,533	22.4	13,203	22.6	887	21.9	443	18.9
Unknown-income	0	0	0	0	0	0	0	0
Total Assessment Area	64,894	100.0	58,498	100.0	4,047	100.0	2,349	100.0
	Percentage of Total Businesses:			90.1		6.2		3.6

Source: 2010 U.S. Census Data and 2012 D&B

As displayed in the tables above, the assessment area contains a total of six low-income census tracts; these represented approximately 2.3 percent of total tracts in each year under review. A low percentage of owner-occupied housing units are located in these tracts, which could inhibit the bank's ability to lend there. The number of moderate-income census tracts in the assessment area increased by three tracts between the Census years. Although not displayed in the tables, the assessment area contains underserved middle-income census tracts, where the population is so small and distant from a population center that the communities have difficulty financing essential community needs. These tracts represented 3.1 percent of total tracts in 2011. In 2012, when the number of underserved tracts was reduced from eight to six, the percentage changed to 2.3 percent.

There was an increase in the number of total housing units in the assessment area according to the Census updates. The number of owner-occupied units in the assessment area increased by 29,296 units; the percentage of owner-occupied units though, remained unchanged, at 58.6 percent. The number of rental units decreased by 1,029 units. The median home value in the assessment area was \$109,960 according to the 2000 Census. This figure increased significantly to \$191,576 based on 2010 data. The percentage of families residing below the poverty level also increased during the period from 7.1 percent to 7.8 percent. Though not included in the table, the rate of unemployment likewise increased from 4.3 percent to 6.3 percent.

The U.S. Department of Housing and Urban Development (HUD) adjusts the median family income (MFI) of metropolitan areas annually, based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. The following table displays the MFI incomes for the assessment area.

Table 4 Median Family Income Comparison					
Year	MSA	MFI	Year	MSA	MFI
2011	12620 - BANGOR, ME (MSA)	55,500	2012	12620 - BANGOR, ME (MSA)	56,300
2011	30340 - LEWISTON-AUBURN, ME (MSA)	57,600	2012	30340 - LEWISTON-AUBURN, ME (MSA)	57,600
2011	38860 - PORTLAND-SOUTH-PORTLAND-BIDDEFORD, ME (MSA)	70,100	2012	38860 - PORTLAND-SOUTH-PORTLAND-BIDDEFORD, ME (MSA)	71,100
2011	STATE OF MAINE	54,200	2012	STATE OF MAINE	54,900

The overall median-family income for the assessment area based on ACS 2010 Census information was \$60,743. As shown in the table above, the Portland-South Portland-Biddeford, ME MSA was much higher than those of the State of Maine and the remainder of the assessment area. While the evaluation will focus on activity in Northeast’s assessment area as a whole, separate analyses were conducted on the bank’s lending and community development within each MSA and the Non-MSA; any impact of the higher MFI will be addressed in this discussion.

Small Business

The tables reflect a reduction in the number of small businesses operating within the assessment area based on the D&B data, from 72,899 businesses in 2011, to 64,894 in 2012. The data indicates an increase in the number and percent of businesses operating within low-income census tracts. In both years, over 90 percent of assessment area businesses had gross annual revenues under \$1 million.

Maine’s Consensus Economic Forecasting Commission (CEFC) held a Data Gathering Session on September 29, 2011, with leaders of several business and industry groups. This report can be found at: <http://www.maine.gov/tools/whatsnew/attach.php?id=313422&an=1>. A survey presented at this session by the National Federation of Independent Business -Maine Director, polled small business owners about recent changes and future plans in the areas of employment and compensation levels, earnings, sales, pricing, borrowing, inventory, capital investment, and plans for expansion. The results of the survey are

included in the Small Business Optimism Index. The optimism index declined each month from March 2011 to July 2011. Although not exclusive factors, the decline in optimism during the core of evaluation time frame, particularly in the areas of borrowing and expansion, possibly impacted lenders' ability to make small business loans in the assessment area. Further, the report includes data obtained from the Maine Bankers Association. The statements, in part, suggested that while Maine's banking industry was in good condition, in terms of liquidity and capital, most banks in the state were shrinking. Bankers surveyed indicated loan demand is flat and quality loan applicants are limited. According to the report, bankers in Maine were concerned about regulation and competition, particularly from online banking.

Community Contact

As part of the evaluation process, third-parties, active in community affairs, are contacted to assist in developing a community profile, determining opportunities for participation by financial institutions in helping to meet local credit needs, and understanding perceptions of the performance of those financial institutions in helping to meet those credit needs. The organization contacted serves the State of Maine but is concentrated in Southeast Maine (specifically: Androscoggin County; Cumberland County; Kennebec County; Lincoln County; Oxford County, Sagadahoc County and York County). The contact stated that there is a lack of well-paying jobs in the State of Maine. In addition, the contact stated that the clients they serve are struggling to access capital to form start-up businesses. The contact felt that there was a need for local financial institutions to offer small start-up loans for new businesses.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS:

Loan-To-Deposit Ratio

This performance criterion determines the percentage of the bank’s deposit base that is reinvested in the form of loans, and evaluates its appropriateness. The bank’s loan-to-deposit (LTD) ratio is reasonable (considering seasonal variations and taking into account lending-related activities) given the institution’s size, financial condition, and assessment area credit needs.

The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses (ALLL) as a percentage of total deposits.

As of March 31, 2013, the bank’s LTD was calculated at 72.3 percent, which was the lowest LTD ratio during the time period under evaluation. The highest ratio was calculated at 87.7 percent as of December 31, 2011. The ratio fluctuated during the time period, but reflects an overall decrease. The decrease in the bank’s LTD reflects the growth in the bank’s deposits, from \$402 million to \$532 million (or 32.4 percent), outpacing the growth in net loans from \$313 million to \$381 million (or 21.7 percent). The following table provides a comparison of the bank’s average LTD over the past eight quarters under evaluation to similarly sized institutions operating within the assessment area. Despite having the lowest average LTD ratio, the bank’s performance is considered reasonable.

Table 5 Loan-to-Deposit Ratio Comparison		
<i>Institution</i>	<i>Total Assets* (000's)</i>	<i>Average LTD Ratio (%)**</i>
Kennebec Savings Bank	\$789,811	118.0
Mechanics Savings Bank	\$346,202	112.1
Androscoggin Savings Bank	\$746,250	108.4
Bangor Savings Bank	\$2,897,847	87.6
Northeast Bank	\$693,426	79.1

SOURCE: Report of Condition and Income (Call Reports) 6/31/2011 to current 3/31/2013.

The growth in the bank’s deposit base can be in part attributed to Northeast’s online banking division, *ableBanking*. According to the website, <http://www.ablebanking.com>, by operating online, branch and overhead costs are cut allowing online customers better rates and no fees. Another pertinent factor affecting the bank’s LTD ratio is the sale of loans on the secondary market. The bank sold 665 residential mortgage loans in 2011, totaling \$111,424,809; and in 2012, the bank sold 791 loans, totaling \$134,845,865.

Lending in Assessment Area

This criterion evaluates the concentration of loans originated by the bank within its assessment area. As shown below, the majority of loans and other lending related activities are located in the institution's assessment area. The following table presents the bank's levels of lending inside and outside the assessment area for 2011 and 2012.

Table 6 Lending Inside and Outside the Assessment Area										
Loan Type	Inside				Outside				Total	
	#	%	\$ (000's)	%	#	%	\$ (000's)	%	#	\$ (000's)
Residential Lending (2011)										
Home Improvement	9	90.0	974	74.7	1	10.0	330	25.3	10	1304
Home Purchase	378	84.4	59841	82	70	15.6	13098	18	448	72939
Multi-family	4	40.0	801	11.3	6	60.0	6289	88.7	10	7090
Refinancing	289	88.7	44146	79.3	37	11.3	11521	20.7	326	55667
Total RE (2011)	680	85.6	105,762	77.2	114	14.4	31,238	22.8	794	137,000
Residential Lending (2012)										
Home Improvement	18	85.7	2421	86.6	3	14.3	376	13.4	21	2797
Home Purchase	412	93.6	65798	92.3	28	6.4	5426	7.7	440	71224
Multi-family	0	0.0	0	0.0	27	100.0	29259	100.0	27	29259
Refinancing	320	88.6	54501	94.4	41	11.4	11617	17.6	361	66118
Total RE (2012)	750	88.3	122,720	72.4	99	11.7	46,678	27.6	849	169,398
Total Residential	1,430	87.0	228,482	74.6	213	13.0	77,916	25.4	1,643	306,398
Small Business (2011)	170	77.3	21,487	50.8	50	22.7	20,797	49.2	220	42,284
Small Business (2012)	73	32.3	10,742	14.1	153	67.7	65,272	85.7	226	76,014
Small Business Total	243	54.5	32,229	27.2	203	45.5	86,069	72.8	446	118,298
Grand Total	1,673	80.1	260,711	61.4	416	19.9	163,985	38.6	2,089	424,696

Source – HMDA and CRA data 2011 and 2012

Home Mortgage Lending

As displayed in the table above, a substantial majority of home mortgage loans were originated within the assessment area during each year under review. The bank also achieved high market ranks; according to HMDA Peer Market Share Reports, of 368 HMDA reporters that originated or purchased loans in the assessment area, Northeast was ranked 14th in lending in 2011. In 2012, of 417 HMDA reporters, Northeast was ranked 19th in lending within the assessment area. The bank's home mortgage lending was also reviewed by product type, as displayed above. The only anomaly noted was multi-family loans in 2011, as shown; only 40.0 percent of multifamily loans were originated within the assessment area in 2011. Given the small volume of lending; little emphasis is placed on this product.

Small Business Lending

Overall, the majority of small business loans, 54.5 percent, were originated within the assessment area during the review period. There was, however, a notable drop in the level of small business lending inside

the assessment area in 2012, resulting in a considerably smaller percentage of small business loans, at 32.3 percent, originated within the assessment area in that year. As discussed, the bank has engaged in a new strategy of purchasing commercial real estate loans across the country. This strategy has in part contributed to the decrease noted in small business lending within the assessment area. In 2011, the bank reported 220 small business loans, of which 187 were originations, and 170 of those were originated inside the bank's assessment area. The remaining 33 loans were purchases, all from outside the assessment area. During 2012, the bank reported 226 small business loans, only 84 of which were originations, 73 were originated inside the assessment area. The majority, 142, were purchased loans originated outside the assessment area.

Demographic and competitive factors have also affected the bank's ability to originate small business loans within the assessment area. As previously noted, the D&B data indicated an approximate 11.0 percent decrease in the number of small businesses operating within the assessment area from 72,899 businesses in 2011, to 64,894 in 2012. This reflects 8,005 fewer businesses and impacts the opportunities available for the bank to make small business loans.

As previously noted, based on the bank's asset size (\$693 million), Northeast is not required to report small business loan data. Thus, the majority of reporters which comprise the peer group for comparison are much larger institutions with Capital One NA, American Express Bank FSB and US Bank NA in the top three. Despite the decrease in lending, the bank achieved reasonable market ranks in 2012, according to CRA Market Peer Reports. Of the 72 institutions that reported small business loans, Northeast's 73 small business loans originated in the assessment area in 2012 still earned the bank a 32nd ranking in small business lending. The strong levels of competition, coupled with a flattened loan demand are also contributing factors to the decrease in the bank's small business lending within the assessment area.

Approximately 80.8 percent of the State of Maine's businesses are located within the bank's assessment area, which further illustrates the level of lending competition in this market. According to 2010 Census data, there were a total 80,337 small businesses within the State of Maine in 2012. Within the State, Northeast was also ranked 32nd with a total of 75 small business loans.

For comparison purposes, an adjusted aggregate was also developed to align the bank with small business lenders with assets under \$1 billion. In 2011, there were 13 lenders in this category; with 170 originated loans, Northeast was ranked 7th. In 2012, there were nine lenders in this category and despite the decrease in small business originations, Northeast was still ranked 7th. Moreover, as demonstrated in the below discussion of lending to businesses of different sizes, Northeast outperformed aggregate lenders in the assessment area with regard to small business loans to small businesses in both 2011 and 2012.

Lending to Borrowers of Different Incomes and to Businesses of Different Sizes

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of loans to borrowers reflects, given the demographics of the assessment area, excellent penetration among individuals of different income levels (including low- and moderate-income) and businesses of different sizes.

Home Mortgage Lending

The following table provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and peer data. The table further breaks out lending by the bank and aggregate group by loan type.

Table 8 Residential Loan Distribution by Borrower Income										
Borrower Income Level/ Loan Purpose	2011 % Of Families	2011 Peer Data	2011 Bank Data		2012 % Of Families	2012 Peer Data	2012 Bank Data		BANK TOTAL	
		% of #	#	%		% of #	#	%	#	%
LOW										
Home Purchase	----	7.5	34	9.0	----	7.5	38	9.2	72	9.1
Refinance	----	5.1	15	5.2	----	5.0	11	3.4	26	4.3
Home Improvement	----	10.6	1	11.1	----	8.5	1	5.6	2	7.4
Total Low	17.7	6.2	50	7.4	19.1	5.9	50	6.7	100	7.0
MODERATE										
Home Purchase	----	22.4	114	30.2	----	22.1	109	26.5	223	28.2
Refinance	----	14.7	49	17.0	----	13.9	69	21.6	118	19.4
Home Improvement	----	19.8	1	22.0	----	18.1	3	16.7	4	14.8
Total Moderate	18.4	17.4	164	24.1	17.9	16.6	181	24.1	345	24.1
MIDDLE										
Home Purchase	----	22.4	109	28.8	----	23.3	125	30.3	234	29.6
Refinance	----	21.2	82	28.4	----	21.5	71	22.2	153	25.1
Home Improvement	----	25.0	2	22.2	----	26.1	5	27.4	7	25.9
Total Middle	24.1	21.7	193	28.4	22.8	22.2	201	26.8	394	27.6
Upper										
Home Purchase	----	34.8	119	31.5	----	34.1	139	33.7	258	32.7
Refinance	----	43.0	138	47.8	----	43.6	160	50.0	298	48.9
Home Improvement	----	39.7	5	55.6	----	42.8	8	44.0	13	48.1
Total Upper	39.8	40.0	262	38.5	40.2	40.2	307	40.9	569	39.8
N/A										
Home Purchase	----	13.0	2	0.5	----	13.0	1	0.2	3	0.4
Refinance	----	16.0	5	1.7	----	16.5	9	2.8	14	2.3
Home Improvement	----	5.0	0	0.0	----	4.6	1	5.6	1	3.7
Multi-family	----	100.0	4	100.0	----	100.0	0	0.0	4	100.0
N/A	0.0	14.6	11	1.6	0.0	15.1	11	1.5	22	1.5
Grand Total	100.0	100.0	680	100.0	100.0	100.0	750	100.0	1430	100.0

Source: 2000 and 2010 U.S. Census, 2011 and 2012 Aggregate HMDA Data, 2011 and 2012 HMDA LARs.

As displayed in the table above, the bank exceeded the aggregate's percentage of lending to low-income borrowers in 2011, with 7.4 percent of loans originated to borrowers in that income category, compared to the aggregate at 6.2 percent. The bank fell below demographic indicators, as approximately 17.7 percent of assessment area families are low-income. It is not expected that the bank meet the percentage distribution of low-income families, because families with very low income levels may not qualify for a home mortgage loan. As previously presented, 7.1 and 7.8 percent of assessment area families had incomes below the poverty level, based on 2011 and 2012 demographic indicators, respectively.

The bank exceeded aggregate and demographic indicators in lending to moderate-income borrowers in both years under review. Based on the analysis, the bank showed excellent responsiveness to assessment area residential credit needs. This is further exemplified by the product offerings at Northeast for low- and moderate-income borrowers. The bank offers the following: Maine State Housing Authority (MSHA) loans, Federal Housing Authority (FHA) loans, Rural Development loans, Veterans Affairs (VA) loans and Finance Authority of Maine loans. Multiple loans were originated through each of these programs in both 2011 and 2012. The originations are captured in the above numbers and percentages.

As shown in the table above, additional analysis was conducted by loan purpose. While there is some variation by year and loan purpose, the distribution of loans to borrowers of different income levels by loan purpose represents an excellent distribution among individuals of different income levels.

Small Business Lending

The bank's commercial loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. A small business loan is defined as an originated commercial real estate or commercial and industrial loan with an original balance of \$1 million or less. The table below provides a comparison of the bank's lending to aggregate data and small businesses according to revenue size.

Table 9 Distribution of Small Business Loans By Gross Revenue of Business										
Gross Annual Revenues	2011 Businesses with revenues ≤ \$1MM	2011 Aggregate	2011 Bank		2012 Businesses with revenues ≤ \$1MM	2012 Aggregate	2012 Bank		Bank Total	
	%	%	#	%	%	%	#	%	#	%
≤ \$1MM	90.5	43.6	100	58.8	90.1	34.8	45	61.6	145	59.7
> \$1MM	6.0	56.4	70	41.2	6.1	65.2	28	38.4	98	40.3
N/A	3.5	0.0	---	0.0	3.6	0.0	0	0.0	0	0.0
Total	100.0	100.0	170	100.0	99.8	100.0	73	100.0	243	100.0

Source: Dunn and Bradstreet 2011&2012 Aggregate CRA Data, 2011 and 2012 Small Business Loan Registers

As exhibited above, D&B data indicates that in 2011, 90.5 percent of all local businesses have revenues that do not exceed \$1 million per year; this was adjusted to 90.1 percent in 2012. Aggregate lending data from 2011 indicates that 43.6 percent of reported small business loans were originated to businesses having annual revenues of \$1 million or less. The remaining loans were originated to businesses that had revenues exceeding \$1 million. During 2011, the bank extended 58.8 percent of its small businesses in this revenue category.

The bank also extended a high percentage of loans to businesses in this revenue category in 2012, with 61.6 percent of small business loans granted to business with gross annual revenues under \$1 million, exceeding the aggregate's 34.8 percent. The analysis suggests the bank is responsive to specific credit needs of smaller businesses within the assessment area. While it is noted that the bank's percentage was well below demographic indicators in both years, the aggregate's performance is often a better indicator of market activity than demographic data, as this is more indicative of demand. The following table displays the bank's small business lending based on loan size.

Table 10 Distribution of Small Business Loans by Loan Size								
Loan Size	2011	2011		2012	2012		Bank	
	Aggregate	Bank		Aggregate	Bank		Total	
	%	#	%	#	#	%	#	%
≤ \$100	90.2	107	62.9	92.0	46	63.0	153	63.0
> \$100 - ≤ \$250	5.6	39	22.9	4.3	15	20.5	54	22.2
> \$250 - ≤ \$1MM	4.2	24	14.2	3.7	12	16.5	36	14.8
Total	100.0	170	100.0	100.0	73	100.0	243	100.0

Source: 2011&2012 Aggregate CRA Data, 2011 and 2012 Small Business Loan Registers

The bank's record of extending small loans to businesses is evaluated assuming that loans of small dollar amounts are likely originated to very small businesses. As shown above, Northeast's percentage does not compare favorably against the aggregate lending performance in either year. However, aggregate data regarding loans under \$100,000 includes small dollar business lines of credit, including credit card loans, extended by large national financial institutions. As mentioned earlier in this report, while aggregate lending data is used for comparison, the institutions that comprise the aggregate are much larger institutions. Thus, a comparison of the bank's lending to all CRA reporters with assets under \$1 billion was reviewed to provide more accurate insight into Northeast's small business lending. In 2011, there were 13 lenders in this category, and there were 9 lenders in this category in 2012. As displayed in the following table, the distribution of the bank's lending by loan size aligns much more favorably with lenders in its peer group.

Table 11 Peer Group Comparison - Distribution of Small Business Loans by Loan Size								
Loan Size	2011	2011		2012	2012		Bank	
	Adjusted Aggregate	Bank		Adjusted Aggregate	Bank		Total	
	%	#	%	#	#	%	#	%
≤ \$100	65.7	107	62.9	64.6	46	63.0	153	63.0
> \$100 - ≤ \$250	20.7	39	22.9	20.2	15	20.5	54	22.2
> \$250 - ≤ \$1MM	13.6	24	14.2	15.2	12	16.5	36	14.8
Total	100.0	170	100.0	100.0	73	100.0	243	100.0

Source: 2011&2012 Aggregate CRA Data, 2011 and 2012 Small Business Loan Registers

Geographic Distribution of Loans

This performance criterion evaluates the bank's distribution of loans to geographies (census tracts) of all income levels. The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.

Home Mortgage Lending

The following table provides a comparison of the bank's lending by census tract income level to the aggregate lending data and demographics of the assessment area.

Table 12 Residential Loan Geographic Distribution										
Census Tract Income Level/ Loan Purpose	2011 % Of Owner Occupied Units	2011 Peer Data	2011 Bank Data		2012 % Of Owner Occupied Units	2012 Peer Data	2012 Bank Data		BANK TOTAL	
			% of #	#			%	#	%	#
LOW										
Home Purchase	----	0.5	0	0.0	----	0.4	1	0.2	1	0.1
Refinance	----	0.4	0	0.0	----	0.3	4	1.3	4	0.7
Home Improvement	----	0.4	0	0.0	----	0.5	0	0.0	0	0.0
Multi-family		12.1	0	0.0		7.7	0	0.0	0	
Total Low	0.3	0.4	0	0.0	0.3	0.3	5	0.7	5	0.3
MODERATE										
Home Purchase	----	7.2	26	6.9	----	8.6	26	6.3	52	6.6
Refinance	----	5.7	15	5.2	----	7.1	20	6.3	35	5.7
Home Improvement	----	6.4	1	11.1	----	8.3	0	0.0	1	3.7
Multi-family		28.0	2	50.0		25.9	0	0.0	2	50.0
Total Moderate	7.0	6.3	44	6.5	8.5	7.7	46	6.1	90	6.3
MIDDLE										
Home Purchase	----	75.4	293	28.8	----	65.3	294	71.4	587	74.3
Refinance	----	73.8	241	28.4	----	62.8	215	67.2	456	74.9
Home Improvement	----	75.2	5	22.2	----	65.2	12	66.7	17	63.0
Multi-family		54.5	2	50.0		45.6	0	0.0	2	50.0
Total Middle	76.6	74.3	541	79.5	68.4	63.6	521	69.5	1062	74.3
UPPER										
Home Purchase		16.9	59	15.6	----	25.7	91	22.1	150	19.0
Refinance	----	20.1	33	11.4	----	29.8	81	25.3	114	18.7
Home Improvement	----	17.9	3	33.3	----	26.0	6	33.3	9	33.3
Multi-family		5.3	0	0.0		20.9	0	0.0	0	0.0
Total Upper	16.1	18.9	95	14.0	22.8	28.4	178	40.9	273	19.1
Grand Total	100.0	100.0	680	100.0	100.0	100.0	750	100.0	1430	100.0

Source: 2000 and 2010 U.S. Census, 2011 and 2012 Aggregate HMDA Data, 2011 and 2012 HMDA LARs.

The bank originated no HMDA loans in low-income census tracts in 2011. As previously discussed, the assessment area contains only six low-income census tracts and the opportunity for lending within these tracts is limited. This is further demonstrated by the aggregate's performance. The bank was able to penetrate the assessment area's low-income census tracts in 2012. The bank originated 5 loans, or 0.7 percent, in low-income census tracts in that year, slightly exceeding the aggregate's 0.3 percent.

The bank originated 44, or 6.5 percent, in moderate-income census tracts in 2011, which compared favorably with the 6.3 percent extended by the aggregate. The bank's performance remained consistent in 2012, with 46 loans, or 6.1 percent, extended in these tracts. The aggregate was able to achieve a slightly higher penetration in 2012, with 7.7 percent of loans originated within moderate-income census tracts.

Underserved Census Tracts

In 2011, 10, or 1.5 percent, of the bank's HMDA loans were extended in underserved middle-income census tracts, areas where the population is small and distant from a population center, and where communities have difficulty financing essential community needs. The bank was ranked 17th of the 102 HMDA reporters who originated loans in these tracts. According to the 2000 census data, 3.5 percent of owner-occupied housing units in the assessment area were located in these census tracts. This figure shifted only slightly based on the 2010 Census updates to 3.2 percent. In 2012, 12, or 1.6 percent, of the bank's loans were originated in underserved middle-income census tracts. This earned the bank a market rank of 12th among the 104 reporters who originated home mortgage loans in those census tracts. Of the 12 loans, 8 were purchase loans.

The geographic distribution of HMDA loans was consistent across loan types and considered reasonable.

Small Business Lending

Please refer to the following table for further information regarding the distribution of small business loans by census tract income level.

Census Tract Income Level	2011 % Total Business by Tracts	2011 Aggregate	2011 Bank		2012 % Total Business by Tracts	2012 Aggregate	2012 Bank		Bank Total	
	%	%	#	%	%	%	#	%	#	%
Low	1.6	1.7	9	5.3	4.2	4.5	2	2.7	11	4.5
Moderate	11.2	11.1	24	14.1	9.9	8.4	5	6.9	29	11.9
Middle	70.8	66.6	124	72.9	63.5	58.2	54	74.0	178	73.3
Upper	16.4	17.3	13	7.7	22.4	23.1	12	16.4	25	10.3
N/A	0.0	3.3	0	0.0	0.0	5.8	0	0.0	0	0.0
Total	100.0	100.0	170	100.0	100.0	100.0	73	100.0	243	100.0

Source: Dunn and Bradstreet 2011&2012 Aggregate CRA Data, 2011 and 2012 Small Business Loan Registers

As displayed above, the bank originated nine small business loans, or 5.3 percent, in low-income census tracts in 2011, exceeding the aggregate's 1.7 percent. The bank extended 24 small business loans, or 14.1 percent, in moderate-income census tracts in that year, which exceeded the aggregate's 11.1 percent. The bank also exceeded demographic indicators in that year. There was a decline in the bank's performance in 2012, where the bank extended two small business loans, or 2.7 percent, in low-income census tracts, and 5, or 6.9 percent, in moderate-income census tracts. The bank was below both demographic and aggregate indicators in that year.

Underserved Census Tracts

The bank did not originate any business loans in the assessment area's underserved census tracts in 2011. According to the 2000 Census data 3.7 percent of assessment area businesses are located in these tracts. In 2012, one, or 1.4 percent, of the bank's small business loans was originated in an underserved middle-income census tract.

The updated Census data indicates less opportunity existed to make small business loans in those tracts in 2012, as the number of business located there dropped from 2,675 to 2,022.

While there was some inconsistency in performance noted across years, overall the geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area.

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified. Adequate policies, procedures, and training programs have been developed to support nondiscrimination in lending activities.

CONCLUSIONS: LENDING TEST

The bank's performance in meeting credit needs in the assessment area is demonstrated by its record of extending residential and commercial loans to businesses and borrowers of different incomes, especially low- and moderate-income borrowers and small businesses. The bank has also met the credit needs in its assessment area by making the majority of its loans within its assessment area. The bank exhibited a reasonable distribution of loans across census tract income levels and has maintained a reasonable LTD ratio. Given economic, demographic, and competitive conditions in the assessment area, the bank's lending levels reflect a reasonable level of responsiveness overall and therefore is rated Satisfactory for the Lending Test.

COMMUNITY DEVELOPMENT TEST

The Community Development¹ test measures an institution's assessment of the needs of its community, its engagement in different types of community development activities based on those needs and the institution's capacities, and its reasonable steps taken to apply its community development resources strategically to meet those needs.

Northeast's community development performance demonstrates adequate responsiveness to the community development needs of its assessment area(s) through community development loans, qualified investments, and community development services, as appropriate, considering the institution's capacity and the need and availability of such opportunities for community development in the institution's assessment area.

Community Development Loans

As defined in the CRA regulation, a community development loan has as its primary purpose community development and has not been reported as a home mortgage loan or small business loan, unless the loan is for a multi-family dwelling (five or more units), and benefits the bank's assessment area or a broader statewide area that includes the assessment area.

The institution's community development lending activities are evaluated pursuant to the following criteria: (1) the extent to which community development lending opportunities have been made available to the institution; and (2) the responsiveness of the institution's community development lending. Based on these criteria, the bank originated an adequate level of community development loans, considering the needs and opportunities in the community and the economic environment in which the bank was operating during the time period considered.

During the time period covered by this evaluation the bank extended 20 community development loans totaling \$5,166,965. While the bank made a good number of originations and renewals, the dollar volume is relatively low when compared to similarly situated institutions operating within the assessment area. Many of the bank's qualified community development loans would have been considered small business loans, as their original amounts were under \$1 million. However, intermediate small institutions have the option to have small business loans considered as community development loans, which in part explains the lower dollar volume. The bank also originated a number of multi-family loans which were for multi-family rental properties serving low- and moderate-income persons. The following provides a sampling of the bank's community development lending activity during the time period.

¹ **Community development:** All Agencies have adopted the following language. Affordable housing (including multifamily rental 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 lower moderate-income geographies. Effective September 1, 2005, the Board of Governors of the Federal Reserve System, Office of the

Office of Comptroller of the Currency, and the Federal Deposit Insurance Corporation have adopted the following additional language as part of the revitalize or stabilize definition of community development.

Activities that revitalize or stabilize-

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, based on
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

- In March of 2011, the bank extended a \$315,168 loan in conjunction with the Small Business Administration's (SBA) 504 Loan Program in Cumberland County. The 504 loan program is a long-term financing tool, designed to encourage economic development by acquiring, expanding or modernizing real estate and fixed assets and creating jobs. In December of 2012, the bank provided a \$1.6 million loan in conjunction with the program to a company in Western Maine.
- In September of 2011, the bank originated a \$75,000 loan to renovate a multi-family dwelling located in a low-income census tract.
- In December of 2011, the bank renewed a \$200,000 line of credit to support the sale and re-sale of mobile homes in a park located in Topsham, Maine. The mobile homes provide affordable housing for low- and moderate-income individuals.
- In January of 2012, the bank renewed a \$150,000 line of credit for a non-profit organization that provides services for mentally disabled individuals. Services are particularly tailored towards individuals who cannot afford private support.

Community Development Investments

The institution's record of meeting the credit needs of its assessment area through its use of qualified investments² that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area was considered. The following criteria were evaluated: (1) the dollar amount of qualified investments; and (2) the responsiveness of qualified investments to credit and community development needs. The bank has provided an adequate level of qualified investments.

In 2009, Northeast invested \$1.4 million in a proposed multi-unit elderly development in a low-income tract in conjunction with the City of Lewiston and the Northern New England Housing Investment Fund. The majority of the units were earmarked for households earning 50 percent or less of the MFI and the remaining for households earning 60 percent or less of the MFI. Half of these units will be based on Section 8 rental assistance for a period of five years beginning at initial occupancy. The book value of this investment as of the evaluation date is \$781,000.

The remainder of the bank's investments are qualified investments consisting solely of donations.

The following table displays the bank's qualified donations as well as a comparison to total donations and qualified donations as a percentage of the bank's pre-tax net operating income.

Year	Qualified Donations	% pre-tax net operating income	Total Donations	Qualified donations as a % of Total
2011	\$51,120	N/A	\$67,300	76.0%
2012	\$51,118	0.99%	\$63,100	81.0%
Total	\$102,238	---	\$130,400	78.4%

As indicated in the table above, a high percentage of the bank's donations, 78.4 percent, are considered CRA qualified. The majority of the bank's qualified donations were provided to community organizations or programs that provide community services specifically targeted to low- and moderate-income individuals. This is considered responsive to assessment area needs, given that 37.0 percent of

² A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

assessment area families are low- or moderate-income (based on the 2010 Census data).

The level of investments represents an increase from the prior evaluation when qualified donations stood at \$57,350. The following provides examples of organizations benefiting from the bank's donations:

- **Community Concepts:** Community Concepts offers a variety of housing, economic development and social services for the communities of Androscoggin, Franklin and Oxford counties of Maine. These services support both the basic needs of low-income families and promote self-sufficiency.
- **Lewiston High School STEP's To a Better Future Program:** The Lewiston High School STEP Program assists students who lack fixed/regular housing. Most of the students in the Program are homeless and have little support from family and friends.
- **Midcoast Hunger Prevention:** The mission of this organization is to reduce hunger by providing food assistance, sustainable living education and referral services to households living at or below poverty in the greater Brunswick area.
- **Oxford Food Pantry:** The Oxford Food Pantry was established in May of 2011 in partnership with the Town of Oxford to provide food and assistance to low-income families in the region.
- **Sandcastle Pre-School Program:** Sandcastle Clinical and Education Services is a Lewiston based organization that focuses on early childhood education and intervention. Approximately 90 percent of families served by the organization are on MaineCare.
- **SCORE:** SCORE is a nonprofit association dedicated to educating entrepreneurs and helping small businesses start, grow, and succeed nationwide. SCORE is a resource partner with the SBA and has been mentoring small business owners for more than forty years.
- **The Trinity Jubilee Center:** The Jubilee Center is located in Lewiston on Bates Street and operates a soup kitchen, warming shelter and refugee assistance program. It serves 100 - 150 people seven days a week.

Services

A Community Development Service has community development as its primary purpose and is generally related to the provision of financial services or technical services or assistance. The bank has shown a reasonable responsiveness to assessment area credit needs through its community development services activity.

Employee Services

Bank officers provide expertise to area organizations. The following is a summary of the organizations that benefit from employee involvement:

- The bank's president and chief executive officer served as a member of the board of directors of the Western Maine Economic Development Council (WMEDC). WMEDC's mission is to create economic opportunity and improve the quality of life in Western and Central Maine through diverse activities, including business lending, attracting local investment and higher wage jobs, and collaborating with communities to support and expand existing businesses. Preliminary areas of emphasis for regional development include: business lending, transportation infrastructure, business retention and promotion, work force development and effective advocacy for Oxford County.

- The bank's business development officer in Brunswick serves as a board member for the Oasis Health Network. The network's clinics offer free, quality health care services with dignity, confidentiality, respect and equal access to persons of limited means living in greater Bath-Brunswick.
- The bank's president and chief executive officer serves on the Androscoggin Valley Council of Governments (AVCOG) Loan Committee, which helps direct grants and other fund sources to area businesses. AVCOG provides assistance to Western Maine communities seeking financing through the Community Development Block Grant (CDBG) Program. Programs available through the CDBG program include Housing Assistance, Public Infrastructure, Public Facilities, Downtown Revitalization, Community Planning and more.
- A member of the bank's management team sits on the board as treasurer, of NAMI Maine. NAMI is non-profit organization which assists developmentally disabled individuals; services are particularly tailored towards individuals who cannot afford private support.
- A member of the bank's mortgage department teaches a financial services course for the Bangor Adult Education program.

CONCLUSIONS: COMMUNITY DEVELOPMENT TEST

The bank has made adequate efforts to ensure that community development needs are met in the assessment area. As such, this test is assigned an overall rating of Satisfactory.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS Portland-South Portland-Biddeford, ME MSA

The Portland-South Portland-Biddeford, ME MSA is comprised of York, Cumberland and Sagadahoc Counties. According to the 2010 census data, the area is comprised of 115 census tracts or 43.6 percent of the census tracts in the bank's assessment area. Of the 115 census tracts, 3, or 2.6 percent, are low-income census tracts, 18, or 15.7 percent, are moderate-income census tracts, 69, or 60.0 percent, are middle-income census tracts, 24, or 20.9 percent, are upper-income census tracts, and one tract has no income designation.

There are 135,937 families located in this portion of the assessment area, which is 48.1 percent of total families in the assessment area. According to the most recent census data, 19.0 percent are low-income, 18.2 percent are moderate-income, 23.6 percent are middle-income and 39.2 percent of families are upper-income. Owner-occupied housing units located in this portion of the assessment area total 151,579. Of these, 0.3 percent are located in low-income census tracts, 10.4 percent are located in moderate-income census tracts, 63.2 percent are located in middle-income census tracts, and 26.1 percent are located in upper income census tracts.

This portion of the assessment area also includes the majority of businesses at 32,351, or 49.9 percent, of total businesses in the assessment area. Of the businesses located within this portion of the assessment area, 7.1 percent are located in low-income census tracts, 10.5 percent are located in moderate-income census tracts, 57.5 percent are located in middle-income census tracts, and 24.9 percent are located in upper-income census tracts.

Three of the bank's nine branch locations are located in this MSA; these include the Harrison branch (moderate-income census tract), the Brunswick branch (middle-income census tract) and Portland branch (low-income census tracts).

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The bank extended 290 home mortgage loans within this portion of the assessment area in 2011 and 351 home mortgage loans within these counties in 2012. Home mortgage lending within these three counties accounts for 44.8 percent of all home mortgages loans in the assessment area. This is reasonable as 48.1 percent of the assessment area's families reside in this MSA. The largest portion of the bank's small business lending was also located in this MSA with 74 small business loans (43.5 percent) in 2011, and 25 (24.3 percent) in 2012.

The bank's record of lending to borrowers of different incomes and businesses of different revenue sizes within this MSA was reflective of its overall activity. The bank originated 28 loans, or 9.7 percent, to low-income borrowers in the Portland-South Portland-Biddeford, ME MSA in 2011. This exceeded the aggregate's 6.5 percent. The bank also outperformed the aggregate in lending to moderate-income borrowers, by extending 68 loans, or 23.4 percent, to moderate-income borrowers compared to the 17.6 percent extended by the aggregate. The bank's performance remained strong in 2012 whereby 31 loans, or 8.8 percent, were originated to low-income borrowers and 86 loans, or 24.5 percent, were originated to moderate-income borrowers. In 2012, aggregate reporters originated 6.7 percent of loans in this MSA to low-income borrowers and 17.5 percent to moderate-income borrowers.

The bank also exceeded the aggregate's percentages in lending to business of smaller revenue sizes. In 2011, the bank extended 41 loans, or 55.4 percent, of its small business loans to businesses with gross annual revenues (GARs) under \$1 million, the aggregate extended 41.4 percent of its loans to businesses in this revenue category. During 2012, the bank originated 15 loans, or 60.0 percent, to businesses with GARs under \$1 million.

The geographic distribution of loans across census tract income levels within the Portland-South Portland-Biddeford, ME MSA was found to be consistent with the bank's overall performance. The bank originated no home mortgage loans in the low-income census tracts in 2011, but extended 30 loans, or 10.3 percent, in moderate-income census tracts in that year. The bank's performance is reasonable given the aggregate originated 0.5 percent of home mortgage loans within the low-income census tracts and 7.2 percent within moderate-income census tracts.

The bank exceeded the aggregate's percentages in lending within both low- and moderate-income census tracts during 2012. The bank originated 3 loans, or 0.9 percent, of home mortgage loans extended in the MSA, in low-income census tracts, which compares favorably to the 0.5 percent achieved by the aggregate. The bank originated 33 home mortgage loans within moderate-income census tracts in that year, accounting for 9.4 percent of loans, above the aggregate's 8.7 percent.

Northeast's small business lending within the Portland-South Portland-Biddeford, ME MSA displayed a strong penetration among low- and moderate-income census tracts. In 2011, the bank originated 2 loans, or 2.7 percent, within the low-income census tracts, exceeding the 0.5 percent originated by the aggregate. Northeast extended 19 small business loans within moderate-income census tracts, which accounted for 25.7 percent of small business loans originated in the MSA in that year. This was well above the aggregate's percentage of 13.8 percent. In 2012, the bank originated one loan, or 4.0 percent, in a low-income census tract, lagging the 7.7 percent extended by the aggregate in that year. The bank originated 5 loans, or 20.0 percent, in moderate-income census tracts in 2012, outperforming the aggregate's 8.7 percent.

Community Development Loans

The bank's level of community development loans, investment and services within the MSA was consistent with its overall performance. Northeast extended a reasonable level of community development loans within this portion of the assessment area, at \$1,563,368. Donations which were provided to organizations that service this portion of the assessment area totaled \$26,150. The level of service activity in this portion of the assessment area was proportional to that of the assessment area on whole.

The bank's lending and community development performance in the area is consistent with the institution's lending and community development performance overall.

NONMETROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE NONMETROPOLITAN STATEWIDE AREA

This portion of the assessment area includes Hancock, Kennebec, Knox, Lincoln, Oxford and Waldo Counties. According to the 2010 census data, there are 75 census tracts in the Non-MSA, or 28.4 percent of the total tracts in the assessment area. Of the 75 census tracts, 0 are low-income, 2, or 2.7 percent, are moderate-income, 60, or 80.0 percent, are middle-income, and 13, or 17.3 percent, are upper-income census tracts. As discussed, based on the 2010 Census, the assessment area contained six underserved census tracts; these are located in Lincoln County within this portion of the assessment area.

There are 78,834 families residing in this portion of the assessment area, of which 18.0 percent are low-income, 17.6 percent are moderate-income, 22 percent are middle-income, and 42.5 percent are upper-income. Owner occupied units in this portion of the assessment area total 94,389. Of the owner-occupied units, 1.4 percent are located in moderate-income census tracts, 82.8 percent are located in middle-income census tracts and 15.8 percent are located in upper-income census tracts.

Small businesses operating in the Non-MSA total 18,498; this represents approximately 28.5 percent of total assessment area businesses. The majority of businesses, at 78.2 percent, are located in middle-income census tracts, while 4.4 percent are located in moderate-income census tracts, and 17.4 percent are located in upper-income census tracts.

The bank's Bethel branch is located in the Non-MSA, at 11 Main Street in Bethel, in a middle-income census tract. The Augusta branch office is also located in the Non-MSA at 235 Western Avenue, in a middle-income census tract. The Buckfield branch is located at 2 Depot Square, in a middle-income census tract.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

In 2011, 175 of the 680 home mortgage loans originated within the assessment area were located in the Non-MSA. The bank originated 205 home mortgage loans, or 27.3 percent, of all assessment area home mortgage loans within the Non-MSA in 2012. In terms of small business lending, the bank extended 49 loans, or 28.8 percent, of total assessment area small business loans within the Non-MSA in 2011, and 29 loans, or 39.7 percent, of small business loans within the Non-MSA 2012.

The bank's record of lending to borrowers of different incomes and businesses of different revenue size levels within the Non-MSA was reflective of its overall activity. In 2011, 10 home mortgage loans, or 5.7 percent, were originated to low-income borrowers, which was consistent with the 5.5 percent extended by the aggregate. The bank achieved a higher percentage of lending to moderate-income borrowers at 24.0 percent, which exceeded the aggregate's 15.7 percent. Of the 205 loans originated in the Non-MSA in 2012, 7, or 3.4 percent, were extended to low-income borrowers and 49, or 19.5 percent, were originated to moderate-income borrowers. The bank's percentages were below that of the 2012 aggregate's for lending to both low- and moderate-income borrowers, which were 5.1 percent and 15.2 percent, respectively.

Northeast vastly exceeded the aggregate in lending to small businesses in both years under review. In 2011, the bank extended 34 loans, or 69.4 percent, to businesses with GAR under \$1 million. In 2012,

the bank originated 25, or 86.2 percent, to businesses in this revenue category. In 2011 and 2012 the aggregate originated 50.2 percent and 39.7 percent, respectively, to businesses in this revenue category.

As previously mentioned, this portion of the assessment area contains no low-income census tracts. Northeast's geographic distribution of loans across the remaining census tract income levels was also consistent with the bank's overall performance. In 2011, the bank extended 4 loans, or 2.3 percent, of home mortgage loans in this portion of the assessment area in the moderate-income census tracts. The aggregate also achieved a limited penetration with 1.0 percent of its lending originated in these tracts. The bank extended 2 loans, or 1.0 percent, in moderate-income census tracts in 2012, which was in line with the 0.8 percent originated by the aggregate.

The bank's activity in the middle-income underserved census tracts was discussed in detail in the overall analysis. In 2011, 10 HMDA loans were extended in the underserved middle-income census tracts and 12 loans were originated in the underserved middle-income census tracts in 2012.

Northeast originated three small business loans, or 6.1 percent, within moderate-income census tracts in 2011, but did not make any small business loans within the moderate-income census tracts in 2012. This is reasonable given there are only two moderate-income census tracts in this portion of the assessment area. Further, the aggregate's percentages (at 3.6 percent in 2011, and 3.7 percent in 2012) indicate there are limited opportunities to make small business loans within these census tracts.

Community Development Test

The bank's level of community development loans, investments and services within the Non-MSA was found to be consistent with the bank's overall performance. A high level of the bank's community development loans were originated within these counties, at \$3,230,767. Donations specifically targeting organizations that service this portion of the assessment area totaled \$37,028. The level of service activity in this portion of the assessment area was proportionate to that of the assessment area on whole.

Northeast's lending and community development performance in the area is consistent with the institution's lending and community development performance overall.

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN THE LEWISTON- AUBURN, ME MSA

The Lewiston-Auburn, ME MSA includes Androscoggin County, and 28 of the assessment area's census tracts. According to the most recent census data, of the 28 census tracts, 2, or 7.1 percent, are low-income, 5, or 17.9 percent, are moderate-income, 16, or 57.1 percent, are middle-income, and 5, or 17.9 percent, are upper-income tracts. There are 28,250 families who reside in this portion of the assessment area, 20.1 percent are low-income families, 18.2 percent are moderate-income families, 22.1 percent are middle-income families and 39.6 percent are upper-income families. There are a total of 29,923 owner-occupied housing units within this portion of the assessment area. Of these, 0.8 percent are located in low-income census tracts, 7.4 percent are located in moderate-income census tracts, 67.2 percent are located in middle-income census tracts, and 24.7 percent are located in upper-income census tracts.

Only 5,358 or 8.3 percent of the businesses in the assessment area are located within this MSA. Of these businesses, 7.3 percent are located in low-income census tracts, 11.8 percent are located in moderate-income census tracts, 63.4 percent are located in moderate-income census tracts, and 17.5 percent are located in upper-income census tracts.

The bank's main branch office is located in this portion of the assessment area; in addition, the Auburn and Poland branches are located within this MSA. The main branch is located in a low-income census tract, the Auburn branch is located in a middle-income census tract and the Poland location is located in an upper-income census tract.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

In 2011, the bank extended 130 home mortgage loans in the Lewiston-Auburn, ME MSA, representing approximately 19.1 percent of home mortgage lending within the assessment area in that year. In 2012, the bank originated 118, or 15.7 percent, of its home mortgage loans in this MSA. In 2011, the bank originated 47 small business loans within this MSA, representing 27.7 percent of small business lending within the assessment area in that year. Of the 73 small business loans originated in the assessment area in 2012, 19, or 26.0 percent, were originated in this MSA.

The bank's record of lending to borrowers of different incomes and businesses of different revenue sizes within this MSA was reflective of its overall activity. In 2011, the bank originated 7 loans, or 5.4 percent, to low-income borrowers, slightly below the 2011 aggregate's 5.6 percent. The bank exceeded the aggregate's 20.9 percent of loans originated to moderate-income borrowers in that year, with 31 loans, or 23.8 percent, originated to moderate-income borrowers. The bank's percentage of lending to low- and moderate-income borrowers improved in 2012. The bank granted nine, or 7.6 percent, of loans to low-income borrowers in that year which exceeded the 5.5 percent originated by the aggregate. The bank also exceeded the aggregate in lending to moderate-income borrowers, with 31 loans, or 26.3 percent, originated to borrowers in this income category, compared to the aggregate's 19.4 percent.

The majority of the bank's loans in 2011, 53.2 percent, were originated to businesses with revenues under \$1 million. Aggregate data suggests Northeast was highly responsive to the credit needs of small businesses, as 35.5 percent of the aggregate's loans were originated to businesses with revenues under \$1 million. In 2012, 26.3 percent were originated to businesses with GAR under \$1 million, consistent with the 27.9 percent originated by the aggregate.

The geographic distribution of loans across census tract income levels within the Lewiston-Auburn, ME MSA, was also consistent with the bank's overall performance. There were no home mortgage loans originated within the low-income census tracts in 2011. Aggregate data suggests there are limited opportunities to lend in these census tracts, as only 1.7 percent of aggregate lending occurred here. The bank was able to penetrate the low-income census tracts in 2012, with 2 loans, or 1.7 percent, originated in those tracts. This was above the 0.4 percent of loans the 2012 aggregate originated in low-income census tracts. The bank lagged the aggregate in lending in moderate-income tracts, in both 2011 and 2012. In 2011 the bank extended 2 loans, or 3.0 percent, in those tracts in 2011, and 4 loans, or 3.4 percent, in 2012, compared to 5.6 percent and 6.5 percent, respectively.

The bank achieved a good penetration of lending to small businesses in low-income tracts in 2011. The bank originated 7 loans, or 14.9 percent, to businesses operating within low-income tracts, above the 9.3 percent extended by 2011 aggregate. In that year, Northeast originated 2 loans, or 4.3 percent, to businesses operating within moderate-income tracts, lagging the 7.6 percent extended by the aggregate. The bank originated one small business loan, or 5.3 percent, in a low-income census tract in 2012, and none in moderate-income census tracts. The aggregate attained a similar penetration in low-income census at 5.7 percent, but outperformed the bank in lending in moderate-income tracts, with 9.6 percent of small business loans in those tracts in 2012.

The bank's lending within the Lewiston-Auburn, ME MSA was consistent with its overall performance.

Community Development Test

The bank's level of community development loans, investments and services within the Lewiston-Auburn, ME MSA was also consistent with its overall performance. Approximately \$372,830 of community development lending specifically benefited Androscoggin County. CRA qualified donations which benefited Androscoggin County totaled \$52,660. Service activity was also consistent with the bank's overall performance.

Northeast's lending and community development performance in the area is consistent with the institution's lending and community development performance overall

METROPOLITAN AREA

DESCRIPTION OF INSTITUTION'S OPERATIONS IN BANGOR ME MSA

The Bangor, ME MSA includes Penobscot County, which was added to the assessment area as of May 2013; therefore, the bank's activity in this MSA is limited.

According to the 2010 Census data, the MSA accounts for 46, or 17.4 percent, of the assessment area's census tracts. Of these, 1, or 2.2 percent, are low-income, 9, or 19.6 percent, are moderate-income, 27, or 58.7 percent, are middle-income census tracts, and 9, or 19.6 percent, are upper-income census tracts.

In this portion of the assessment area, 21.2 percent of families are low-income, 17.1 percent, are moderate-income, 22.0 percent are middle-income and 39.7 percent are upper-income families. There are a total of 43,936 owner-occupied units located in this portion of the assessment area; 0.2 percent are located in low-income census tracts, 17.8 percent are located in moderate-income census tracts, 56.5 percent are located in middle-income census tracts, and 25.4 percent are located in upper-income census tracts.

Businesses located in this portion of the assessment area total 8,687. Of these, 0.3 percent are located in low-income census tracts, 18.3 percent are located in moderate-income census tracts, 54.6 percent are located in middle-income census tracts, and 26.7 percent are located in upper-income census tracts. None of the bank's branch offices are located within this portion of the assessment area.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Lending Test

The bank originated 85 home mortgage loans within the Bangor, ME MSA in 2011, representing 12.5 percent of total home mortgage lending within the assessment area. In 2012, approximately 10.1 percent of the bank's home mortgage lending within the assessment area occurred in this MSA. The bank originated no small business loans within this portion of the assessment area during the review period.

Northeast's record of lending to borrowers of different income levels within the MSA was reflective of its overall activity. The bank originated 5 loans, or 5.9 percent, to low-income borrowers in 2011, which was on par with the 6.0 percent the aggregate achieved. In 2012, the bank originated 3 loans, or 3.9 percent, to low-income borrowers, which was below the 6.5 percent achieved by the aggregate in that year. The bank displayed a strong performance in lending to moderate-income borrowers in both years under review. In 2011, the bank originated 23 loans, or 27.2 percent, to moderate-income borrower, which exceeded the aggregate's percentage of 16.9 percent. During 2012, the bank originated 24 loans, or 31.6 percent, to moderate-income borrowers, which was well above the 17.0 percent achieved by the aggregate.

The bank originated no home mortgage loans in low-income census tracts in 2011 and 2012. This is reasonable as there is only one low-income census tract. The bank originated 6 loans, or 7.1 percent, in moderate-income census tracts in 2011, and 7 loans, or 9.2 percent, within moderate-income census tracts in 2012, which compares reasonably to the 10.5 percent, and 13.5 percent, of originations by the 2011 and 2012 aggregates, respectively.

Community Development Test

CRA donations granted to organizations in this portion of the assessment area totaled \$500. It should be noted that overlap exists as many of the organizations the bank invests in and provides services for involve multiple MSAs within the state. So while not specifically targeted, the Bangor, ME MSA has benefited from the bank's CRA activity.

Northeast's lending and community development performance in the Bangor, ME MSA was generally below the institution's lending and community development performance overall; however, it does not affect the rating for the institution.