

Public Disclosure

December 1, 1997

Community Reinvestment Act Performance Evaluation

**Farmington National Bank
Charter No. 13764**

**8 Central Street, P.O. Box 487
Farmington, New Hampshire 03535**

**The Office of the Comptroller of the Currency
150 Federal Street, Second Floor
Boston, Massachusetts 02110**

NOTE: 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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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 *Farmington National Bank* prepared by *The Office of the Comptroller of the Currency*, the institution's supervisory agency, as of *December 1, 1997*. 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 C.F.R. Part 25.

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

Factors supporting Farmington National Bank's overall rating include:

- ▶ a good percentage (80%) of home mortgage and small business loans are made within the assessment area;
- ▶ good geographic distribution of all loans within the assessment area. Four percent of the number and dollar volume of mortgage-related loans and 12% of the number and 9% of the dollar volume of small business loans were originated during the evaluation period in moderate-income census tracts;
- ▶ good distribution of loans among borrowers of different incomes, with 35% of the number and 27% of the dollar volume of loans originated to low- and moderate-income (LMI) individuals, and to businesses of different sizes, with 92% of the number and 87% of the dollar volume of originations to businesses with revenues less than \$1 million;
- ▶ market share of loans to low- and moderate-income borrowers, at 9.63% and 4.22% respectively, significantly exceeds overall market share of 3.26%;
- ▶ good use of flexible lending practices in order to serve assessment area credit needs;
- ▶ a good level of qualified investments; and
- ▶ good access to delivery systems for all segments of the assessment area.

Table 1 indicates the performance level of *Farmington National Bank* with respect to the lending, investment, and service tests.

Table 1

| Performance Levels | Farmington National Bank Performance Tests | | |
|---------------------------|---|-----------------|--------------|
| | Lending Test* | Investment Test | Service Test |
| Outstanding | | | |
| High satisfactory | X | | X |
| Low satisfactory | | X | |
| Needs to improve | | | |
| Substantial noncompliance | | | |

* Note: The lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Description of Institution

Farmington National Bank (FNB), located in New Hampshire, is a subsidiary of the North American Bank Corporation which is wholly owned by Banknorth Group, Inc. (BNG). BNG is a seven bank, \$2.9 billion holding company located in Burlington, Vermont.

FNB is a full service institution focusing on gathering deposits from the public and using deposits to originate and purchase residential real estate mortgages, commercial and commercial real estate loans, and consumer loans. FNB operates six full-service banking offices throughout its assessment area (AA). There are five drive up facilities and five branches with automatic teller machine (ATM) access (one branch has two ATMs).

As of September 30, 1997, FNB's total assets were \$261 million. The bank offers a wide range of loan products, including commercial loans, residential real estate mortgages and consumer loans. Net loans comprise 48% of total assets. The loan portfolio is primarily real estate related at 78% total loans. The real estate portion is divided into 47% residential and 31% commercial real estate. Commercial loans total 17% with the remainder of the portfolio consisting of consumer loans (4%) and municipal loans (1%). There are no financial or legal impediments that would prevent FNB from helping to meet the credit needs of its community.

FNB operates in a fairly competitive banking environment with competition for deposit and loan business coming from both small, locally owned institutions as well as larger state and regional institutions. Primary competitors are Community Bank and Trust of Wolfboro, Citizen's Bank, Fleet Bank and Bank of New Hampshire.

Description of Assessment Area

FNB has defined two assessment areas within the state of New Hampshire. The first consists of a portion of the Portsmouth/Rochester Metropolitan Statistical Area (MSA) in Strafford county. The non-MSA area consists of portions of Belknap, Carroll, and Strafford counties.

As noted in table 2, the majority of the census tracts/block numbering areas (CTs) are middle income geographies. There are four moderate and two upper income tracts. There are no low income tracts in the assessment area. The AA meets regulatory guidelines and does not arbitrarily excluded any low- or moderate-income (LMI) geographies. LMI is referred throughout this document to describe low- and moderate-income individuals and/or geographies. The LMI census tracts are located in the New Hampshire towns of Dover, Rochester and Ossipee.

Table 2

| ASSESSMENT AREA DEMOGRAPHICS | | | |
|------------------------------|--|-------------------|-------------------------------------|
| Designation | # CTs | % of Total Tracts | % of Households Residing in the CTs |
| Low | Not applicable - no low-income CTs in AA | | |
| Moderate | 4 | 13 | 13 |
| Middle | 24 | 80 | 82 |
| Upper | 2 | 7 | 5 |
| Total | 30 | 100% | 100% |

The AA is populated by 127 thousand individuals. The Housing and Urban Development (HUD) median family income (MFI) for the Portsmouth/Rochester MSA is \$48 thousand. The statewide non metropolitan MFI for the non MSA portion of the AA is \$43 thousand. The Housing and Urban Development (HUD) median family income (MFI) for the Portsmouth/Rochester MSA is \$48 thousand. As reflected in table 2, 13% of the households in the AA reside in moderate income areas. The median housing value is \$118 thousand and the median age of the housing stock is 32 years. Total occupied housing units is 76%, with owner occupied housing at 51% and rental occupied housing at 25%. Vacant housing units in the AA are high at 24%.

The economic condition of the AA is generally stable. The major employer in Farmington is Davidson Rubber (a division of Textron). Other large employers in the AA are Cabletron Systems in Rochester, Liberty Mutual Insurance in Dover, and hospitals in both Rochester and Dover. The New Hampshire state unemployment rate as of September 1997 was 2.6%. The unemployment rate in the Portsmouth-Rochester MSA was slightly better than the state average at 2.2% as of September 1997.

credit need in the community. The discussions with the community contact revealed that FNB's support of and performance in the community is positive.

Conclusions with Respect to Performance Tests

Scope of Review

This review covered the time period from January 1, 1996 through September 30, 1997 for all Home Mortgage Disclosure Act (HMDA), small business and community development loans. HMDA loans consist of home purchase, home improvement and mortgage refinancing loans. Investments purchased over the time period and services provided by FNB were also reviewed.

LENDING TEST

Performance Criteria

Lending Activity

FNB's lending reflects a good level of activity in their assessment area. During the evaluation period, FNB originated 96 HMDA reportable loans for \$3.9 million, and purchased an additional 70 loans for \$6.4 million from BNG's affiliate Banknorth Mortgage Company (BMC). Of these loans, 134 were in the assessment area at \$5.6 million. Market share information is indicative of FNB's commitment to lending to borrowers with low- and moderate-incomes, as indicated in table 3. With only 13% of households residing in moderate-income census tracts, opportunities to lend in these tracts are somewhat limited.

Table 3

| Market Share | | | | |
|-----------------|-----------|------|----------------|-------|
| | Rank | | % Market Share | |
| | Borrowers | CT's | Borrowers | CT's |
| Overall | 10 | 10 | 3.26% | 3.26% |
| Low Income | 2 | N/A | 9.63% | N/A |
| Moderate Income | 7 | 18 | 4.22% | 1.36% |
| Combined | 3 | 18 | 5.41% | 1.36% |

the assessment area at \$18.6 million. This volume of small business loan originations demonstrates a positive response to the credit needs in the area.

FNB's net loan to deposit ratio averaged 66.5% for the time period between December 31, 1995 through September 30, 1997. The average loan to deposit ratio for banks in New Hampshire with total assets less than \$350 million ranged from 32.5% to 89.8% for the same time period.

Lending Concentration

As indicated in table 4, FNB demonstrated a good level of lending within the assessment area. An analysis of all loan originations and purchases from January 1, 1996 through September 30, 1997 indicated that 80% of the number and 60% of the dollar volume of home mortgage related and small business loans were made inside the assessment area.

Table 4

| HMDA and Small Business Loan Originations January 1, 1996 through September 30, 1997 | | | | | | | | |
|---|------------------------|-----|-----------|-----|-------------------------|-----|-----------|-----|
| <i>Loan Type</i> | Inside Assessment Area | | | | Outside Assessment Area | | | |
| | # Loans | % | \$ Amount | % | # Loans | % | \$ Amount | % |
| HMDA Loans | 134 | 81% | 5,595 | 54% | 32 | 19% | 4,705 | 46% |
| Small Business | 236 | 80% | 18,569 | 62% | 58 | 20% | 11,431 | 38% |
| Total | 370 | 80% | 24,164 | 60% | 90 | 20% | 16,136 | 40% |

Source: CRA Data Listing Report, HMDA Loan Application Register (LAR); dollar amounts are in 000's

Geographic Distribution

Home Mortgage Lending

The review of FNB's geographic distribution of HMDA reported loans reflects a reasonable dispersion throughout its assessment area. During the evaluation period, 4% of the number and dollar volume of originations were in moderate-income census tracts. Demographic data for FNB's assessment area shows a modest level of owner occupied housing in moderate income census tracts at 9%. Table 5 describes FNB's distribution of HMDA loans by census tract.

| Geographic Distribution of HMDA Loans | | | | | |
|--|---|----------|------------------|----------|--|
| <i>Census Tracts</i> | January 1, 1996 through September 30, 1997 | | | | <i>% owner-Occupied Households In AA</i> |
| | <i># loans</i> | <i>%</i> | <i>\$ Amount</i> | <i>%</i> | |
| Low | Not applicable--no low-income census tracts in the AA | | | | -- |
| Moderate | 6 | 4% | 237 | 4% | 9% |
| Middle | 127 | 95% | 5,210 | 93% | 87% |
| Upper | 1 | 1% | 148 | 3% | 4% |
| Total | 134 | 100% | 5,595 | 100% | 100% |

Source: HMDA - LAR, dollar amounts are in 000's

Small Business Lending

FNB's lending to small businesses is reasonable. On a combined basis for the evaluation period, 12% of the loans by number and 9% by dollar volume were originated in moderate-income census tracts. This level of lending to small businesses corresponds fairly closely to the number of businesses located in moderate-income census tracts. Table 6 illustrates the geographic distribution of small business loans by census tracts.

Table 6

| Geographic Distribution of Small Business Loans | | | | | |
|--|---|----------|------------------|----------|---|
| <i>Census Tract Income Level</i> | January 1, 1996 through September 30, 1997 | | | | <i>% of small Businesses in each Census Tract</i> |
| | <i># Loans</i> | <i>%</i> | <i>\$ Amount</i> | <i>%</i> | |
| Low | Not applicable--no low-income census tracts in the AA | | | | -- |
| Moderate | 29 | 12% | 1,662 | 9% | 16% |
| Middle | 207 | 88% | 16,907 | 91% | 78% |
| Upper | 0 | -- | 0 | -- | 6% |
| Total | 236 | 100% | 18,569 | 100% | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

Home Mortgage Loans

FNB's overall HMDA lending to borrowers of different income levels is good. During the evaluation period, 16% of the number of originations and 7% of the dollar amount of mortgage loans were to low income borrowers. This compares favorably to the 18% of the area's low income families. Additionally, 19% of the number of originations and 20% of the dollar volume of loans were to moderate income borrowers. This is a favorable comparison as 22% of the area's families are at a moderate income level. Table 7 details the lending to borrowers with different income levels by HMDA product type.

| Borrower Characteristics of HMDA Loans | | | | | |
|---|-------------------------------|-------------|------------------|-------------|--|
| Borrower Income Level | 1/1/96 through 9/30/97 | | | | % of Families within each Income Category |
| | # Loans | % | \$ Amount | % | |
| Home Purchase | | | | | |
| Low | 5 | 15% | 171 | 7% | 18% |
| Moderate | 5 | 15% | 296 | 13% | 22% |
| Middle | 10 | 31% | 758 | 33% | 29% |
| Upper | 9 | 27% | 763 | 33% | 31% |
| Income N/A | 4 | 12% | 333 | 14% | -- |
| Total | 33 | 100% | 2,321 | 100% | 100% |
| Home Improvement | | | | | |
| Low | 9 | 17% | 26 | 8% | 18% |
| Moderate | 10 | 18% | 52 | 16% | 22% |
| Middle | 25 | 46% | 102 | 31% | 29% |
| Upper | 8 | 15% | 145 | 43% | 31% |
| Income N/A | 2 | 4% | 7 | 2% | -- |
| Total | 54 | 100% | 332 | 100% | 100% |
| Refinance | | | | | |
| Low | 8 | 17% | 205 | 7% | 18% |
| Moderate | 11 | 23% | 751 | 25% | 22% |
| Middle | 14 | 30% | 949 | 32% | 29% |
| Upper | 13 | 28% | 1,022 | 35% | 31% |
| Income N/A | 1 | 2% | 15 | 1% | -- |
| Total | 47 | 100% | 2,942 | 100% | 100% |

Source: HMDA - LAR, dollar amounts are in 000's.

Small Business Loans

FNB's distribution of lending to small businesses by revenue size reflects a good penetration of lending to smaller businesses. On a combined basis for the evaluation period, 92% by number of originations and 87% by dollar volume were to businesses with revenues less than \$1 million. Table 8 shows the distribution of small business loans by revenue size within the assessment area, based upon the number of origination and volume, during 1996 through September 30, 1997.

Table 8

| Distribution of Small Business Loans by Size | | | | |
|---|---|------|-----------|------|
| <i>Business Revenue Size</i> | January 1, 1996 through September 30, 1997 | | | |
| | # Loans | % | \$ Amount | % |
| 0 < \$1 Million | 217 | 92% | 16,124 | 87% |
| > \$1 Million | 17 | 7% | 1,990 | 11% |
| Income NA | 2 | 1% | 455 | 2% |
| Totals | 236 | 100% | 18,569 | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

The distribution of small business loans by origination amount represents a good distribution of loans with small dollar amounts. On a combined basis for the evaluation period, 80% of the number of originations and 30% of the dollar volume consisted of loans originated at or below \$100 thousand. Table 9 shows the distribution of small business loans by origination amount within the assessment area.

Table 9

| Distribution of Small Business Loans by Origination Amount | | | | |
|---|---|------|-----------|------|
| <i>Origination Amount</i> | January 1, 1996 through September 30, 1997 | | | |
| | # Loans | % | \$ Amount | % |
| < \$100 | 189 | 80% | 5,595 | 30% |
| \$100-250 | 25 | 11% | 3,584 | 19% |
| \$250-1,000 | 22 | 9% | 9,390 | 51% |
| Totals | 236 | 100% | 18,569 | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

FNB originated an adequate number of community development loans during the evaluation period. Community development loans are those loans that do not meet the definition of home mortgage or small business loans but do meet the definition of community development contained in the CRA regulation [12 CFR 25.12(h)]. The regulation defines community development as “affordable housing; community services targeted to low- or moderate-income individuals; activities that promote economic development...; or activities that revitalize or stabilize low- or moderate-income geographies.” Based on a review of files and bank generated reports, FNB originated ten loans to seven borrowing entities totaling \$619 thousand since the last examination. Six of the loans are to fund the creation or renovation of affordable housing for low- and moderate-income people, and one loan funds community health services to a moderate-income community targeted to low-and moderate-income people.

Innovative or Flexible Lending Practices

FNB uses flexible lending practices to address the credit needs of LMI individuals and geographies. FNB provides mortgage related lending programs with flexible underwriting standards via participation in the *Community Housing Program*. This program was developed by Banknorth Mortgage Company, an affiliate, to provide mortgage financing to borrowers who do not qualify for conventional mortgage loans.

Additionally, FNB participates in the *New Hampshire Housing Finance Authority Affordable Mortgage Program*. This program is specifically targeted to low- and moderate-income home buyers. Features of the program include a low interest rate, low down payment, and closing cost assistance.

FNB participates in the *Rural Economic Community Development Program*. This is a federally-funded program which allows borrowers to obtain 100% financing.

FNB’s participates in the *Banknorth Mortgage Company Construction Loan Program*, which benefits first time homebuyers.

INVESTMENT TEST

During the evaluation period, \$619 thousand in qualified investments were committed to, of which \$229 thousand has been funded. The remaining funds will be disbursed over the next three years. The project is an equity investment in a limited partnership located within the assessment area in the town of Rochester. The project qualifies for low income housing tax credits. The partnership acquired four houses and renovated the interiors into 12 units of affordable housing.

SERVICE TEST

FNB’s delivery systems are accessible to all portions of the assessment area. During the evaluation period, FNB improved accessibility of branch services by opening a branch in a moderate-income census tract. No branches have been closed in the past two years. Branch hours are reasonable. In addition to traditional branches, FNB provides 24 hour ATM access through more than 118 ATM machines in NH, VT and MA through a consortium of 13 banks that provide free ATM access to members’ account holders.

As reflected in table 10, 83% of the branches are located in middle income census tracts with 17% of the branches located in moderate income census tracts.

Table 10

| Distribution of Delivery systems (Branches and Remote ATM Facilities) | | | |
|--|----------|----------------------------------|---|
| Census Tracts | Branches | Proprietary ATM Facilities | Number and % of Census Tracts in AA |
| | # / % | # / % | |
| Low | 0 / 0% | 0 / 0% | 0 / 0% |
| Moderate | 1 / 17% | 1 / 17% | 4 / 13% |
| Middle | 5 / 83% | 5 / 83% | 24 / 80% |
| Upper | 0 / 0% | 0 / 0% | 2 / 7% |
| Totals | 6 / 100% | 6 / 100% | 30 / 100% |

Source: Internal bank reports

FNB offers a Basic Checking product with low cost for customers requiring fewer checking transactions, as well as point-of-sale terminals. FNB also offers a Senior Complimentary Checking product that has no fees, and a Small Business Checking Product specifically designed for small businesses, non-profits, and sole proprietorships which have low to moderate account activity and want a low monthly fee.

Community Development Services

FNB provides a good level of community development services in their assessment area. Its primary service consists of providing financial services and technical assistance for customers, small businesses and nonprofit, community development organizations. The following is a

listing of some of the community development services provided in the assessment area.

Strafford Economic Development Association - Part of this organization’s activities include the

administration of a loan fund targeted to small businesses. A bank officer provides technical expertise to this nonprofit development corporation through his involvement on the loan committee.

Wentworth Economic Development Corporation - This is a nonprofit regional development corporation that assists businesses in the eastern lakes region. The organization administers a loan fund. A bank officer provides his technical expertise by participating in the loan committee's credit decision process.

New Hampshire Housing Equity Fund - This new statewide organization was formed to provide pools of investors to take equity positions in affordable housing projects geared toward low and moderate income individuals. A bank officer is a member of the investment committee. The committee considers applications to the Fund and makes decisions on the projects.

Greater Seacoast Banking Council - This banking consortium provides funding for affordable housing. Loans typically have below market rates and flexible terms. A bank officer is a member of the loan origination committee. His role is to review applications to the Council and make a credit decision on the applications.

Rochester Job Loan Committee - This organization administers Community Development Block Grants for the city of Rochester. Grants are typically for job creation and retention purposes. The Job Loan Committee provides below market financing to local businesses that is typically combined with a form of bank debt. A bank officer is on the Board of Directors and uses his technical expertise to evaluate applications to the committee for financing.

Fair Lending Examination

A concurrent fair lending review did not identify any violations of the various anti-discrimination laws and regulations. FNB has an effective system in place to comply with fair lending regulations.

Metropolitan Statistical Areas

Conclusions with Respect to Performance Tests in portions of the Portsmouth/Rochester MSA (MSA 6450)

The overall performance in this MSA is consistent with the performance of FNB's overall performance.

Assessment Area - Portsmouth/Rochester MSA

Full banking is provided throughout this portion of the assessment area. FNB includes portions of this MSA in their assessment area. The portion served was determined based on the location of the bank's branch system within the MSA. Three of the six branches (50%) are located within the MSA. The area within the MSA includes three of the four moderate income census tracts. Those tracts are located in Dover and Rochester. FNB's business focus in the MSA is consistent throughout the assessment area.

Table 11

| Assessment Area Demographics Portsmouth/Rochester MSA 6450 | | | |
|---|---|--------------------------|--|
| <i>Designation</i> | <i># Census Tracts</i> | <i>% of Total Tracts</i> | <i>% of Households Residing in the Census Tracts</i> |
| Low | Not applicable - no low-income census tracts. | | |
| Moderate | 3 | 14% | 12% |
| Middle | 16 | 76% | 82% |
| Upper | 2 | 10% | 6% |
| Total | 21 | 100% | 100% |

Source: 1990 Census Data, U.S. Bureau of the Census.

One hundred and one thousand individuals populate the MSA. The median family income is \$48 thousand and median housing value is \$117 thousand. The median age of housing is thirty-five years. Total occupied housing is 89%, with 57% owner-occupied, 32% renter-occupied, and 11% vacant. As reflected in table 11, 12% of households in the MSA reside in moderate-income tracts.

The economic condition of the communities in the MSA is generally stable. The major employer in Farmington is Davidson Rubber (a division of Textron). Other large employers in the MSA are Cabletron Systems in Rochester, Liberty Mutual Insurance in Dover and hospitals in both Rochester and Dover. The New Hampshire state unemployment rate as of September 1997 totaled 2.6%. The unemployment rate in the Portsmouth-Rochester MSA was slightly better than

the state average at 2.2% as of September 1997.

Lending Test - Portsmouth / Rochester MSA 6450

During the evaluation period, 41% of the number and 18% of the dollar volume of all of FNB’s HMDA loans were originated in MSA 6450. Forty-nine percent of the number and 34% of the dollar volume of small business loans were originated in MSA 6450.

Table 12 reflects that FNB’s geographic distribution of HMDA loans during the evaluation period closely approximates that of owner-occupied housing in the MSA. On a combined basis for the evaluation period, while there were no originations in low income census tracts, 7% of the number and 11% of the dollar volume of originations were in moderate income census tracts. Demographic data for the MSA shows a modest level of owner occupied housing in moderate income census tracts at 8%.

Table 12

| Geographic Distribution of HMDA Loans Portsmouth-Rochester MSA 6450 | | | | | |
|--|--|----------|------------------|----------|---|
| <i>Census Tracts</i> | January 1, 1996 through September 30, 1997 | | | | <i>% owner- Occupied Households In AA</i> |
| | <i># loans</i> | <i>%</i> | <i>\$ Amount</i> | <i>%</i> | |
| Low | Not applicable--no low-income census tracts in MSA | | | | -- |
| Moderate | 5 | 7% | 204 | 11% | 8% |
| Middle | 62 | 91% | 1,516 | 81% | 86% |
| Upper | 1 | 2% | 148 | 8% | 6% |
| Total | 68 | 100% | 1,868 | 100% | 100% |

Source: HMDA - LAR, dollar amounts are in 000's

Small Business Lending

FNB’s lending to small businesses in MSA 6450 is good. On a combined basis for the evaluation period, 14% of the loans by number and dollar volume were originated in moderate- income census tracts. This level of lending to small businesses corresponds closely to the number of businesses located in moderate-income census tracts. Table 13 illustrates the geographic distribution of small business loans by census tracts.

Table 13

| Geographic Distribution of Small Business Loans Portsmouth-Rochester MSA 6450 | | | | | |
|--|--|----------|------------------|----------|---|
| <i>Census Tract Income Level</i> | January 1, 1996 through September 30, 1997 | | | | <i>% of Businesses in each Census Tract</i> |
| | <i># Loans</i> | <i>%</i> | <i>\$ Amount</i> | <i>%</i> | |
| Low | Not applicable--no low-income census tracts in MSA | | | | 0% |
| Moderate | 20 | 14% | 1,381 | 14% | 15% |
| Middle | 125 | 86% | 8,677 | 86% | 78% |
| Upper | 0 | -- | 0 | -- | 7% |
| Total | 145 | 100% | 10,058 | 100% | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

Borrower Characteristics

Home Mortgage Loans

FNB's overall HMDA lending to borrowers of different income levels is good. During the evaluation period, 25% of the number of originations and 16% of the dollar amount of mortgage loans were to low income borrowers. This compares favorably to the 18% of the area's low income families. Additionally, 15% of the number of originations and 17% of the dollar volume of loans were to moderate income borrowers. This is a favorable comparison as 22% of the area's families are at a moderate income level. Table 14 details the lending to borrowers with different income levels.

| Borrower Characteristics of HMDA Loans Portsmouth-Rochester MSA 6450 | | | | | |
|---|-------------------------------|----------|------------------|----------|--|
| Borrower Income Level | 1/1/96 through 9/30/97 | | | | % of Families within each Income Category |
| | # Loans | % | \$ Amount | % | |
| Home Purchase | | | | | |
| Low | 3 | 38% | 87 | 21% | 18% |
| Moderate | 1 | 12% | 69 | 16% | 22% |
| Middle | 1 | 12% | 13 | 3% | 29% |
| Upper | 3 | 38% | 255 | 60% | 31% |
| Income N/A | 0 | -- | 0 | -- | -- |
| Total | 8 | 100% | 424 | 100% | 100% |
| Home Improvement | | | | | |
| Low | 7 | 20% | 24 | 9% | 18% |
| Moderate | 5 | 14% | 29 | 11% | 22% |
| Middle | 15 | 43% | 60 | 24% | 29% |
| Upper | 6 | 17% | 133 | 53% | 31% |
| Income N/A | 2 | 6% | 7 | 3% | -- |
| Total | 35 | 100% | 253 | 100% | 100% |
| Refinance | | | | | |
| Low | 7 | 28% | 187 | 16% | 18% |
| Moderate | 14 | 16% | 224 | 19% | 22% |
| Middle | 10 | 40% | 552 | 46% | 29% |
| Upper | 3 | 12% | 213 | 18% | 31% |
| Income N/A | 1 | 4% | 15 | 1% | -- |
| Total | 25 | 100% | 1,191 | 100% | 100% |

Source: HMDA - LAR, dollar amounts are in 000's.

Small Business Loans

FNB's distribution of lending to small businesses by revenue size within the MSA reflects a good penetration of lending to smaller businesses. On a combined basis for the evaluation period, 92% by number of originations and 91% by dollar volume were to businesses with revenues less than \$1 million. Table 15 shows the distribution of small business loans by revenue size within the MSA.

Table 15

| Distribution of Small Business Loans by Size within Assessment Area Portsmouth-Rochester MSA 6450 | | | | |
|--|---|----------|------------------|----------|
| <i>Business Revenue Size</i> | January 1, 1996 through September 30, 1997 | | | |
| | # Loans | % | \$ Amount | % |
| 0 < \$1 Million | 133 | 92% | 9,103 | 91% |
| > \$1 Million | 11 | 7% | 650 | 6% |
| Income N/A | 1 | 1% | 305 | 3% |
| Totals | 145 | 100% | 10,058 | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

The distribution of small business loans by origination amount represents a good distribution of loans with small dollar amounts. On a combined basis for the evaluation period, 80% of the number of originations and 33% of the dollar volume consisted of loans originated at or below \$100 thousand. Table 16 shows the distribution of small business loans by origination amount within the assessment area.

Table 16

| Distribution of Small Business Loans by Origination Amount | | | | |
|---|---|----------|------------------|----------|
| <i>Origination Amount</i> | January 1, 1996 through September 30, 1997 | | | |
| | # Loans | % | \$ Amount | % |
| < \$100 | 116 | 80% | 3,357 | 33% |
| \$100-250 | 18 | 12% | 2,484 | 25% |
| \$250-1,000 | 11 | 8% | 4,217 | 42% |
| Totals | 145 | 100% | 10,058 | 100% |

Source: CRA Data Listing Report, dollar amounts are in 000's

Community Development Lending

FNB originated a very good level of community development loans within the MSA. During the evaluation period, FNB originated loans to three borrowing entities totaling \$537 thousand. All of the loans were to fund the creation or renovation of affordable housing.

INVESTMENT TEST

FNB's qualified investment directly impacts the city of Rochester which is part of the MSA. Performance is considered to be consistent with the overall performance under this test. Refer to the Investment Test section of the main portion of this Performance Evaluation for details.

SERVICE TEST

As mentioned previously, three of the six branches (50%) are located in the MSA. Of these branches, one is located in a moderate income census tract. FNB's delivery system within the MSA is reasonable.

Community Development Services

FNB's level of community development services within the MSA is reasonable and consistent with overall performance. Primary services include standard financial planning, credit counseling, and technical assistance on credit matters. Services include those targeted or accessible to low- and moderate-income individuals and small businesses. For a more detailed listing and description of services offered, see **Community Development Services** in the overall section of this Performance Evaluation.

Appendix

| | | | |
|---|---|-------------------------|---|
| Time Period Reviewed | 1/1/96 to 9/30/97 | | |
| Financial institution Farmington National Bank | | | Products reviewed Mortgage-related loans, Small business. |
| Affiliate(s) | Affiliate relationship | | Products reviewed |
| Howard Bank, N.A. | Holding Co. Subsidiary-- affiliate national bank. | | Mortgage-related loans, Small business. |
| Woodstock National Bank | Holding Co. Subsidiary-- affiliate national bank. | | Mortgage-related loans, Small business. |
| Banknorth Mortgage Company | Holding Co. Subsidiary | | Mortgage-related loans sold to FNB. |
| List of Assessment Areas and Type of Examination | | | |
| Assessment Areas | Type of Exam | Branches Visited | Other Information |
| New Hampshire MSA 6450 Portsmouth-Rochester Non-MSA rural New Hampshire | on-site on-site | | |