

PUBLIC DISCLOSURE

January 10, 2005

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

**Bow Mills Bank and Trust
27437**

**503 South Street
Bow, New Hampshire 03304**

**Federal Deposit Insurance Corporation
15 Braintree Hill Office Park
Braintree, Massachusetts 02184**

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 Community Reinvestment Act (CRA) performance of **Bow Mills Bank and Trust** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 10, 2005**. The agency rates the CRA performance of an institution consistent with the provisions set forth in Appendix A to 12 CFR Part 345.*

INSTITUTION RATING

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

Bow Mills Bank and Trust has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities. Small bank CRA evaluation procedures were utilized, which consist of a review of five lending criteria: Loan-to-Deposit Ratio; Lending in the Assessment Area; Borrower Profile; Geographic Distribution of Loans; and response to CRA complaints, if applicable. Bank management also requested that the optional Investment and Services Tests be reviewed. The rating is supported by the following conclusions:

- The average loan-to-deposit ratio is reasonable (considering seasonal variations and taking into account lending related activities) given the institutions size, financial condition, and assessment area credit needs.
- A majority of the bank's residential and commercial loans were extended within its assessment area.
- The geographic distribution of residential real estate and business loans reflects a reasonable dispersion throughout the assessment area based on 2000 United States census data. There were no conspicuous lending gaps noted during the evaluation period, although not all geographies reflected an originated loan.
- The distribution of loans originated to borrowers of different incomes and businesses of different sizes, given the demographics of the assessment area, reflects an adequate penetration among individuals and businesses of different income levels (including low- and moderate-income). The conclusions were determined utilizing bank collected data.
- There were no CRA-related complaints received during the examination period and there was no evidence of discriminatory acts or practices detected during a fair lending review.
- The Investment Test reflects one equity qualified investment, and some charitable contributions. The conclusions from this test did not affect the CRA rating.
- The Services Test reflects that the bank is adequately servicing its delineated assessment area given the institution's size, financial condition, and assessment area needs.
- The bank's delivery systems are accessible to essentially all portions of the institution's assessment area. There are three branches to service the entire assessment area and no off premises ATMs; however, the bank has implemented a number of alternative delivery systems which enhance credit availability within the assessment area. The institution's business hours do not vary in a way that inconveniences portions of the assessment area.
- A Fair Lending review did not reveal any evidence of discriminatory acts or practices.

DESCRIPTION OF INSTITUTION

Bow Mills Bank and Trust (BMBT) is a \$117.9 million independent, state-chartered, commercial financial institution established in 1987, headquartered in Bow, New Hampshire. In addition to the main office located at 503 South Street, BMBT operates branch offices located at 190 North Main Street in Concord and 35 Kearsarge Avenue in Contoocook, New Hampshire. Each office maintains a drive-up ATM and the bank is a member of the SUM Network. The Contoocook office opened on November 22, 2003. The main office is located in an upper-income geography and the two branch offices are located in middle-income geographies. The bank has not closed or relocated any offices.

BMBT offers various types of residential, commercial, and consumer loan products. The bank's primary business focus is commercial lending which comprises 47.6% of the loan portfolio. Residential real estate loans comprise approximately 42.3% of the loan portfolio. Table 1 reflects the breakdown of the entire loan portfolio as of September 30, 2004. Also, BMBT reported a total of \$84,268,000 in net loans and \$109,090,000 in deposits as of that date. A detailed listing of the bank's lending and deposit products is appropriately maintained in the CRA Public File.

Table 1 - Loan Distribution as of 09/30/2004		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	3,692	4.3
1-4 Family Residential	36,098	42.3
Multi-Family (5 or more) Residential	135	0.2
Commercial	30,413	35.7
Total Real Estate Loans	70,338	82.5
Commercial and Industrial	10,176	11.9
Consumer	4,342	5.1
Other	575	0.6
Less: Unearned Income	<121>	<0.1>
Total Loans	85,310	100.0

Source: Report of Condition

There are no legal, financial, or other impediments that would adversely impact the bank's performance pursuant to CRA guidelines. The bank received a CRA rating of *Satisfactory*, as a result of the previous FDIC CRA performance evaluation conducted on October 28, 1999. The preceding rating is indicative of a satisfactory record of meeting the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

According to management, the bank's primary loan competitors are Merrimack County Savings Bank headquartered in Concord, New Hampshire, Laconia Savings Bank headquartered in Laconia, New Hampshire, The First Colebrook Bank Headquartered in Colebrook, New Hampshire, and several local credit unions. CRA regulations mandate the identification and comparison of lending records to a *similarly situated* financial institution(s). The First Colebrook, although headquartered in Northern New Hampshire, does have a branch in the BMBT assessment area and is a similarly sized commercial institution. Additionally, it is the only similarly situated bank in the assessment area (note that The First Colebrook Bank assessment area is not the exact same as BMBT's assessment area) thus, it will be utilized for comparable purposes when applicable.

DESCRIPTION OF ASSESSMENT AREA

The Community Reinvestment Act (CRA) requires a financial institution to define an assessment area, or areas within which it will concentrate its lending efforts. Predicated on the preceding criteria, BMBT has established or delineated one contiguous assessment area consisting of 25 census tracts including Allenstown, Bow, Boscawen, Canterbury, Chichester, Concord, Dunbarton, Epsom, Henniker, Hooksett, Hopkington, Loudon, Pembroke, Pittsfield, Warner, Webster (all in Merrimack County), and Weare (in Hillsborough County). In 2003, Allenstown, Hooksett, and Weare were located within the Manchester Metropolitan Statistical Area (Manchester-MSA). A realignment of the Manchester-MSA in 2004 resulted in Weare being the only town, in the bank's assessment area, that is now located in the Hillsborough-MSA. Also in 2003 the bank's assessment area consisted of 25 census tracts classified as 2 moderate-, 16 middle-, and 7 upper-income. In 2004 there remain 25 census tracts, however; some of the census tracts were re-designated, slightly shifting the make-up to 1 moderate-, 16 middle-, and 8 upper-income census tracts. The two moderate-income census tracts in 2003 were both located in Concord, the single moderate-income census tract in 2004 is also located in Concord, and there are no low-income geographies.

According to 2000 United States Census data, the population of the assessment area was 115,779 containing 43,514 households, of which 30,207 are considered family households. The majority of the population is located in Concord equating to 40,687 or approximately 35.1%. Other major population centers in the assessment area include Hooksett at 11,721 or 10.1%, Weare at 7,776 or 6.7%, and Bow at 7,138 or 6.2%. Predicated on the 2000 United States Census data, households by income reflect: 17.3% are low-income (36.4% of the low-income population or 6.3% of the entire population is considered to be below the poverty level), 15.6% are moderate-income, 21.0% are middle-income, and 46.1% are upper-income.

Based on the 2000 United States Census information the assessment area contained 45,516 housing units. Included in the housing stock are 66.3% owner-occupied, 29.1% occupied rental units, and 4.6% vacant units. A further analysis of housing stock reveals that 76.6% represent 1-4 family units, 15.0% multifamily units, and 8.4% represent mobile homes and other types of units. The relatively high owner occupancy rate presents significant opportunities for purchase money, refinance, and home improvement lending. As noted previously, 6.3% of the total households are living below the poverty level, making it significantly more difficult to support the debt obligations required to purchase a house, relative to the median housing values in the moderate-, middle-, and upper-income geographies. Compared to the 1990 census the population has grown approximately 16.2% and housing units have increased 14.0% suggesting significant construction opportunities. Home values have increased at a similar rate especially in the past five years making home ownership difficult for low- and moderate-income individuals/families.

Table 2 details the Non-MSA median family incomes utilized in analyzing the bank’s lending data over the review period, years 2003 and 2004. The 2000 Non-MSA income figures were utilized to determine the income level category for each geography located in the assessment area. Median Family Income levels for individuals are determined by utilizing annually adjusted estimates provided by the Department of Housing and Urban Development (HUD). Income levels are determined as follows: low-income individuals equal to or less than 50% of median family income; moderate-income persons greater than 50% to equal to or less than 80% of median family income; middle-income individuals greater than 80% to equal to or less than 120% of median family income; and upper-income individuals are equal to or greater than 120% of median family income. As noted previously, 4 of the 25 geographies in 2003 (Weare, 2 in Hooksett, and Allenstown) and 1 (Weare) in 2004 are located within Hillsborough County which constitutes the Manchester-Nashua NH MSA. Due to the limited lending activity in those areas and because it is contiguous with the Non-MSA portion of the assessment area the MSA will *not* be discussed separately but will be included in the overall discussion.

Table 2 – Median Family Income 2003 and 2004 New Hampshire Non -Metropolitan Statistical Area	
<u>Median Family Income</u>	
1990 Median Family Income (*)	\$36,623
2003 Estimated Median Family Income (*)	\$58,400
2004 Estimated Median Family Income (*)	\$59,600

**Figures are based on estimates provided by the Department of Housing and Urban Development (HUD).*

The assessment area’s main employment and retail center is Concord, the State Capitol. The largest employer is the state government with several large private employers including Concord Hospital, Steeplegate Regional Mall, and Jefferson-Pilot Financial. Outside of Concord, but in the assessment area, major employers include General Electric, Oxford Health, Globe Manufacturing Co., and the NH International Speedway.

The New Hampshire economy has been strong with an unemployment rate of 3.5%, the second lowest in New England. Housing trends are strong with existing housing sales rising by 22% in the second quarter of 2004. Housing permits in Merrimack County for 2003 totaled 618 with 458 being for single-family units and 160 for 5+ multi-family structures. In 2004, permits increased to 822 with 750 for single-family units, 54 for 5+ multi-family structures, 14 for 3-4 family structures, and 4 for 2-unit family structures. This trend is expected to slow, as is building, due to the housing market catching up with demand.

The absence of a state income tax and a very low sales tax burden makes New Hampshire an appealing destination for businesses to develop and this projects continued growth for the Merrimack County area. The retail growth is visually apparent from Hooksett, which is south of Concord, to Concord along Interstate 93 with new shopping areas including Target, Kohl’s, and Home Depot. Additionally, The Steeplegate Mall area in Concord has substantially increased the number of franchise restaurants.

Community Contact

A community contact was not conducted during this evaluation, rather a recent prior contact found in the FDIC CRA Community Contact data base was utilized to assist in assessing the housing and business needs of the bank's assessment area. Relevant information from this contact assisted in determining whether local financial institutions are responsive to the credit needs of the community, and what further opportunities, if any are available. The contact mentioned that BMBT is a good partner and is responsive in terms of providing housing and small business related financing and aggressively seeks opportunities for involvement.

CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

LENDING TEST

This analysis will focus on BMBT mortgage and small business loans extended in 2003 and 2004 using small bank CRA evaluation procedures. The bank is not a Home Mortgage Disclosure Act (HMDA) or Small Business CRA reporter. The review is limited to loan originations inside the assessment area since the bank does not purchase loans. The bank maintains accurate internal records for both mortgage and commercial loans thus; those records will be utilized in this evaluation.

Loan-to-Deposit Ratio

BMBT's loan-to-deposit ratio (LTD) is considered reasonable and meets the standards for satisfactory performance. The conclusion is based upon current economic conditions in the assessment area, types of loan products offered, the bank's current loan-to-deposit ratio, and the bank's size and financial condition. The loan-to-deposit performance factor is generally assigned the least weight in assessing overall performance; it is primarily utilized as a reference to determine whether an institution is lending to a reasonable degree, in terms of reinvesting deposited funds back into the community.

The bank's average loan-to-deposit ratio for the past 21 quarters (September 1999 to September 2004) is 75.1%. The ratio has remained relatively stable peaking out at 84.3% in September 2000; the lowest ratio of 65.5% occurred in March 2004. Deposits experienced a steady growth rate of 70.4% during the evaluation period. Loans increased approximately 75.0% during the evaluation period, indicative of the bank's desire to reinvest deposited funds back into the community.

Bank Name	Total Assets \$(000)	Gross Loans \$(000)	Total Deposits \$(000)	Current Loan-to- Deposit Ratio
Bow Mills Bank & Trust	117,907	84,268	109,090	77.3
The First Colebrook Bank	135,611	98,385	118,196	83.2

As Table 3 illustrates, BMBT's performance relative to LTD ratio reflects a satisfactory effort to lend in accordance with its resources, capabilities, and assessment area needs. As noted, the bank's loan to deposit ratio is slightly less than the similarly situated bank, The First Colebrook Bank (FCB). It should also be noted that BMBT sells residential mortgage loans to the secondary market. Approximately \$24 million in residential mortgage loans were sold in the secondary market in 2003 and 2004. If the preceding originations were retained in BMBT's loan portfolio, the bank's LTD ratio would have reflected an increase.

Lending In the Assessment Area

The examination was conducted on-site utilizing small bank CRA evaluation procedures. BMBT is not a Home Mortgage Disclosure Act (HMDA) or CRA small business reporter thus home mortgage and small business data could not be utilized in determining this factor. BMBT maintains internal documentation which was sampled for accuracy and utilized to analyze the bank's residential mortgage and commercial lending for 2003 and 2004.

The bank's performance, relative to this component, is considered adequate with a majority of residential mortgage loans originated within its delineated assessment area. While this factor is not given significant weight in determining an overall composite rating, it is a measure of whether the institution is actively lending within its delineated assessment area.

Table 4 details the distribution of the bank's residential mortgage and commercial loans within and outside of its delineated assessment area. As illustrated, a majority of the bank's loans were extended within its assessment area.

Table 4 - Distribution of Loans Inside and Outside of the Assessment Area										
Loan Category or Type	Number of Loans					Dollars in Loans (000s)				
	Inside		Outside		Total	Inside		Outside		Total \$000
	#	%	#	%		\$000	%	\$000	%	
Residential Mortgage										
2003	149	85.1	26	14.9	175	\$17,144	83.8	\$3,321	16.2	\$20,465
2004	64	79.0	17	21.0	81	\$8,078	80.1	\$2,009	19.9	\$10,087
Commercial Loans										
2003	62	88.6	8	11.4	70	\$9,751	77.6	\$2,808	22.4	\$12,559
2004	70	79.5	18	20.5	88	\$12,605	61.3	\$5,067	38.7	\$17,672
Total	345	83.3	69	16.7	414	\$47,578	78.3	\$13,205	21.7	\$60,783

Source: Bank records. Total loan numbers are approximates; home equity lines of credit loans are not included in residential totals.

BMBT's assessment area reports 298 HMDA reporting financial institutions that have made at least one residential loan in the assessment area; note that there are numerous financial institutions lending in the assessment area that are not HMDA reporters, each competing for residential real estate loans. BMBT can not be equitably measured against the HMDA lenders to determine market share for lending activity in 2003, however; for general comparison BMBT would fall in the top 25 of the HMDA reporters within the assessment area. The 2004 aggregate HMDA data is not yet available. A significant number of the competing financial institutions operating in the bank's delineated assessment area are considerably larger, in terms of total assets compared to BMBT. In 2004, BMBT reflects similar percentages of residential real estate loans however the number and dollar volume decreased substantially compared to 2003. The decrease in mortgage lending activity is attributed to rising home values, a slow down in refinance requests, the loss of one of the three mortgage originators, and the perceived increase of mortgage rates.

The small business lending activity is fairly consistent between the two review years with a slight increase in 2004 in both number and dollar volume, also reflecting adequate lending in the assessment area.

Geographic Distribution of Loans

The geographic distribution of loans reflects a reasonable dispersion throughout the assessment area, with no conspicuous lending gaps noted. The main focus of this analysis is the loan distribution among the various geographic income levels, particularly to the low- and moderate-income geographies. As stated earlier, BMBT's 2003 delineated assessment area contained 2 moderate-, 16 middle-, and 7 upper-income geographies; however, the geographies were realigned in 2004 thus, the assessment area now is made-up of 1 moderate-, 16 middle-, and 8 upper-income geographies; there is no low-income geography in the assessment area.

Geographic Income Level	% of Total Owner-Occupied Housing Units		Aggregate Lending Data* (% of #)		2003		2004		Total	
	2003	2004	2003	2004	#	%	#	%	#	%
Low	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Moderate	4.3	4.3	4.3	N/A	5	3.4	4	6.3	9	4.2
Middle	60.2	60.2	62.4	N/A	74	49.6	23	35.9	97	45.6
Upper	35.5	35.5	33.3	N/A	70	47.0	37	57.8	107	50.2
Total	100.0	100.0	100.0	N/A	149	100.0	64	100.0	213	100.0

Source: Aggregate HMDA data for 2003 per PCI Services, Inc. CRA WIZ

As Table 5 reflects, BMBT is in-line with aggregate for 2003 in residential lending in the two moderate-income geographies. The number of loans originated by the bank in 2004 is approximately the same but the percentage increased due to fewer total loans originated. 2004 aggregate is not yet available for comparison. Also note that these figures do not include originations that were sold, particularly those originations made through the New Hampshire Housing Finance Authority (NHHFA).

Year	Total Small Loans to Businesses		Moderate-Income Geography	Middle-Income Geography	Upper-Income Geography	Aggregate Lending (%) by Tract Income			
	#	% of Total				Low	Moderate	Middle	Upper
2003	62	100	16.1%	53.3%	30.6%	N/A	12.6%	59.9%	27.5%
2004	70	100	5.7%	62.2%	32.1%	N/A	N/A	N/A	N/A
Total	132	100	10.9%	60.1%	29.0%	-	-	-	-

Based on 2003 aggregate small business data and bank records

Table 6 reflects that BMBT's percentage of lending in the moderate-income geography for 2003 is slightly higher than aggregate CRA reporters. The 2004 percentage is substantially lower than the 2003 percentage, but again the 2004 geographic income re-classification resulted in the elimination of two of the moderate-income geographies causing the percentage decrease. This decrease is expected.

Lending to Borrowers of Different Incomes and Businesses of Different Sizes

The bank's performance relative to the distribution of residential mortgage borrowers reflects, considering the demographics of the assessment area, an adequate penetration among individuals of different income levels (including low- and moderate-income). *This component is assigned the most weight relative to ascertaining an overall composite rating.*

Table 7 – Distribution of Residential Mortgage Loans by Borrower Income										
Borrower Income Level	% of Total House-holds		Aggregate Lending Data (% of #)		2003		2004		Total	
	2003	2004	2003	2004	#	%	#	%	#	%
Low	17.3	17.3	3.5	N/A	5	3.4	4	6.3	9	4.2
Moderate	15.6	15.6	14.8	N/A	21	14.1	3	4.7	24	11.3
Middle	21.0	21.0	27.7	N/A	39	26.2	7	10.9	46	21.6
Upper	46.1	46.1	36.2	N/A	82	55.0	49	76.5	131	61.5
\$0/NA Income	N/A	N/A	17.8	N/A	2	1.3	1	1.6	3	1.4
Total*	100	100	100	N/A	149	100	64	100	213	100

Source: 2000 U.S. Census data and bank records.

As Table 7 reflects the bank's residential lending percentage is consistent with the 2003 aggregate HMDA reporters within the assessment area. The percentage of loans to low-income borrowers in 2003 is well below the percentage of low-income households, however; it is important to recall that 6.3% of the households are below the poverty level and generally would not request a residential loan. Although, taking the poverty percentage into account, the bank is still well below the low-income household percentage but, the same is true of aggregate thus, the data is not considered derogatory. The 2004 HMDA aggregate data is not available for comparison. BMBT's residential lending activity decreased substantially, as discussed above, in 2004 with a decrease in the number of loans originated in each income category. The percentage of residential loans to low-income borrowers was slightly higher and the moderate-income lending percentage decreased substantially, but without comparable aggregate data a conclusion regarding the moderate-income percentage decrease cannot be drawn. Again note that these figure do not include originations that were sold, particularly those first-time home buyer originations made through the New Hampshire Housing Finance Authority (NHHFA).

Small Business Lending

The distribution of the bank's 2003 small business loan originations within the assessment area among businesses of different revenue sizes shows that BMBT originates more loans to smaller businesses than the aggregate market. BMBT originations to businesses that had revenues of \$1 million or less represented 80.6% of all small business loans reported by BMBT for the 2003, and aggregate data for 2003 reflects 35.0% of small business loans in the assessment area to business with \$1 million in revenues or less. In 2004, BMBT originations to businesses with revenues of \$1 million or less reflected 72.9% of the business loans originated.

Small business loan originations were also analyzed by loan size as proxy for the size of the businesses receiving financing. The distribution among different loan sizes reflects that BMBT is serving small- and medium-sized businesses. Approximately 92.4%, by number, of loans were originated to businesses less than \$250,000 in size which is an excellent reflection of meeting the need of small business borrowers. Table 8 reflects the breakdown of the loans in this category for 2003 and 2004.

Table 8 Small Commercial Loans Originated Regardless of Business Size					
Loan Amount	2003 Loans		2004 Loans		Aggregate Percentage for 2003
	Number	Percentage	Number	Percentage	
To \$100,000	36	58.1	32	45.7	93.9
\$100,001-\$250,000	12	19.4	26	37.1	3.2
\$250,001-\$1 Million	14	22.5	12	17.2	2.9
Total	62	100	70	100	100

Source: bank records.

Innovative and Flexible Lending

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria:

- 1) the degree to which these loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution;*
- 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.*

Overall, BMBT demonstrated flexible lending practices throughout its assessment area during the evaluation period that served the credit needs of the communities it serves. While not necessarily innovative, the bank offered a variety of loan products which, although standard to the industry, in some respects, allowed bank management to exhibit flexibility in underwriting criteria and application procedures to reach a broader customer base. Such efforts include first-time homebuyer mortgages made through the New Hampshire Housing Finance Authority (NHHFA), through which the bank originated 56 loans for \$7,374,013 for the examination period and the Federal Housing Authority (FHA) through which the bank originated 8 loans for

\$1,051,312 during the examination period. These programs typically benefit low- and moderate-income borrowers. The bank also originated three Veterans Administration (VA) mortgage loans totaling \$563,852 during the examination period. To assist small business, the bank is a Small Business Administration (SBA) Lender; and, under that program originated 15 loans for \$1,004,135 during the examination period.

INVESTMENT TEST

The investment and services test is a requirement for the evaluation under Large Bank CRA guidelines, however; the tests are optional for small institutions. BMBT management has elected to have their investments and services reviewed.

SCOPE OF TEST

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria:

- 1) the dollar amount of qualified investments; qualified investments are investments that have community development as their primary purpose;*
- 2) the innovativeness or complexity of qualified investments;*
- 3) the responsiveness of qualified investments to credit and community development needs; and*
- 4) the degree to which the qualified investments are not routinely provided by private investors.*

BMBT had a low level of qualified investments. They reported one qualified community development investment during the evaluation period with no reportable prior investments. The qualified investment is discussed below.

Willow Crossing, Limited Partnership

Established in 2002, this housing project is known as The New Hampshire Equity Fund 2002 Limited Partnership was initiated and managed by Concord Area Trust for Community Housing (CATCH). The project purpose was to facilitate the build out and subsequent management of 24 low-income housing units in the Penacook, NH. BMBT is a 10% partner investing \$285,700 plus \$20,023 for structuring the deal and on-going management and \$1,850 in legal fees. In 2003 BMBT fully funded its obligation. The investment will be reduced annually by losses generated from the operation of the project. BMBT will derive a tax benefit for its share of these losses. Additionally, tax credits would be granted to the bank for the first ten years of the project, which reduces the bank's tax liability.

Grants and Donations

The bank began maintaining a record of donations and grants in 2004, thus there are no prior qualified donations or grants reported. BMBT donated \$20,086 in 2004, of which \$2,000 or approximately 10% were considered “qualified” donations as defined by the CRA. The following is a representative sample of the organizations that are recipients of qualified grants and donations from the bank. Note that although not all donations and grants given by the bank are considered qualified, the bank is commended for its generosity and time with endeavors that have a positive impact on the communities and surrounding areas that the bank serves.

- **Salvation Army**
This organization provides support programs primarily for low-income individuals.
- **The Hopkinton Food Pantry**
This organization provides food and supplies to low- and moderate-income individuals and families.
- **Friendly Kitchen**
This is an operation located in Concord, NH that provides hot meals to the homeless, low-, and moderate-income individuals.
- **The Boys and Girls Club of Concord and Hopkinton**
This organization provides a safe, fun, and educational structure for at risk children and children that would otherwise be alone after school and weekend days and/or evenings.
- **Child and Family Services**
This organization supports low- and moderate-income families in Merrimack County. It provides at risk children the opportunity to attend a two week summer camp program, as well as family counseling, housing for runaway children, and transitional living and life-skills development for homeless youth (ages 18-21).
- **The Children’s Place**
This Merrimack County organization assists single parents, parents, and grandparents caring for children who need day care financial assistance.

SERVICE TEST

SCOPE OF TEST

The service test evaluates the institution’s record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution’s systems for delivering retail banking services and the extent and innovativeness of its community development services.

The institution's retail banking services are evaluated pursuant to the following criteria:

- 1) the distribution of the institution's branches among geographies of different income levels;*
- 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals;*
- 3) the availability and effectiveness of alternate systems for delivering retail banking services;*
- 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.*

In addition, the institution's community development services are evaluated pursuant to the following criteria:

- 1) the extent of community development services offered and used;*
- 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served;*
- 3) the degree to which they serve low- and moderate-income areas or individuals; and*
- 4) their responsiveness to available opportunities for community development services.*

Retail Services

The bank's retail services and alternative delivery systems are provided and made accessible to essentially all segments of the assessment area. Services, including business hours, do not vary in a way that inconveniences any portion of the assessment area or any group of individuals. Branch hours are generally considered convenient and are comparable to other local financial institutions. The Concord Branch Office on North Main Street is the only BMBT branch that does not have Saturday hours.

On-site lending services offer a wide array of financial products. In the deposit arena, the bank provides several low-cost alternatives that benefit customers of limited means. One such product is the Basic Checking account which has no minimum to open and no minimum balance. Thereafter, there is a low \$2.00 monthly service fee which allows for 10 checks per statement cycle and there is a \$0.10 fee assessed for each check over 10. Another free checking account is the "ONLINE FREe Checking" requiring direct deposit and maintaining a \$500 average monthly balance. Also the bank offers a free checking account to individuals who are 59 years or older. Additionally, consumers receive a free ATM/debit card, free internet banking, free check imaging, a monthly statement, and an optional bill pay feature which contains a \$6.95 monthly fee.

Accessibility of Delivery Systems and Alternative Delivery Systems

BMBT's regular and alternative delivery systems are accessible to essentially all portions of the assessment area. Loan services do not vary from location to location as all branches offer the institution's complete line of loan products. ATMs are located at each of the branch offices

providing 24-hour account service. All ATMs are associated on one level or another with various systems and networks that include Star, NYCE, Master Card, Cirrus, American Express, Discover, VISA, Plus, and Maestro. In addition, the bank is a member and participant of the SUM Network, which provides customers with access to hundreds of ATM's throughout New Hampshire and the East Coast with no surcharge fee.

Other alternative delivery systems include telephone banking known as *BankLine*, which allows a customer to obtain balances, move internal funds to different account, make internal loan payments, and review check clearing. Also available is *Bow Mills Online*, Internet banking, which allows the same services as telephone banking but also includes a bill paying feature. Finally, the bank has a night depository located at each branch location.

Commercial services include a Bank-at-Work program for employees of participating BMBT business customers. The bank also has a commercial cash management service and Internet banking.

Reasonableness of Business Hours and Services in Meeting Assessment Area Needs

Overall, business hours vary slightly between branches but not in a way that inconveniences any segment of the assessment area. Each branch lobby is open at 8:30 AM until 5:00 PM Monday through Friday. Saturday lobby hours of 9:00 AM until 12:00 PM are available at the Bow and Contoocook Office. The Bow office Drive-up is open Monday through Thursday 8:00 AM to 5:30 PM, Friday 8:00 AM to 6:00 PM, and Saturday 8:00 AM to 12:00 PM. The Concord Drive-up is open Monday through Thursday 8:00 AM to 5:30 PM and Friday 8:00 AM to 6:00 PM; there are no Saturday hours. The Contoocook Drive-up is open at 7:30 AM to 5:00 PM Monday through Friday and 9:00 AM to 12:00 PM on Saturday.

Community Development Services

In 2004, BMBT began recording bank officer and employee community service activity, thus there is no prior record of employee service involvement. For 2004, the institution provided an adequate level of community development services. Within their respective communities and as part of providing community development services, bank officers and employees provided a number hours of expertise to organizational activities that qualify as community development. The following examples represent some of the community development services provided by various officers and employees of the bank.

- One Officer is on the United Way Board of Directors and Allocation Committee.
- One Officer is on the board and gives first-time homebuyer classes through Concord Area Trust for Community Housing (CATCH).
- An Officer is on the Board of Families in Transition a non-profit organization providing affordable housing and comprehensive social services to individuals and families who are homeless or at risk of becoming homeless, enabling them to gain self-sufficiency and respect. The organization manages 16 apartments in this effort.

- An employee is on the Board of Fellowship Housing Opportunities a non-profit organization that provides support and affordable housing options for low-income individuals living with mental illness.

Innovative Community Development Services

- The bank applied to the Federal Home Loan Bank of Boston and received a \$1,000 grant which was awarded to the Concord Area Trust for Community Housing (CATCH) a local organization that assists low- and moderate-income individuals and families find housing.
- The bank is an active participant and leadership bank in the Interest on Lawyers Trust Accounts (IOLTA) program. BMBT generated \$13,600 in interest from June 1, 2003 to May 31, 2004. This program provides critical legal services for low-income individuals and civic education in New Hampshire schools and larger communities. Being a leadership bank means the account is free of fees and returns a 2% interest rate.
- BMBT is an active participant and advocate for the FIDC Money Smart Program, becoming an Alliance member in 2003. This educational program is geared to the underbanked populace to assist those in understanding banking in general and associated financial services.

Response to Complaints

There were no CRA-related complaints submitted to the bank during the evaluation period.

COMPLIANCE WITH ANTIDISCRIMINATION LAWS

A review of FDIC records, as well as the bank's CRA Public File, did not reveal any complaints relating to the bank's CRA performance since the prior evaluation. Also a review of the bank's Fair Lending policies and procedures did not uncover any discriminatory practices.

APPENDIX C - GENERAL DEFINITIONS

GEOGRAPHY TERMS

Block: Small areas bounded on all sides by visible features such as streets, roads, streams or rail road tracks, and invisible features like city or town boundaries or property lines. Blocks are subdivisions of census tracts or block numbering areas (BNA), and are assigned a unique three-digit number.

Block Group: Clusters of blocks within a census tract or BNA, having a four-digit number and a three-digit suffix. The four-digit number corresponds to the same number given to the census tract or BNA in which it is located.

Block Numbering Areas (BNAs): Statistical subdivisions of a county for grouping and numbering blocks in non-metropolitan counties where local census statistical area committees have not established census tracts. BNAs do not cross county lines.

Census Tract: Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

Metropolitan Area (MA): One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

Metropolitan Statistical Area (MSA): One or more metropolitan areas that have economic and social ties.

Primary Metropolitan Statistical Area (PMSA): A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

Consolidated Metropolitan Statistical Area (CMSA): The larger area of which PMSAs are component parts.

Non-Metropolitan Area: All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural

classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in: places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin) but excluding the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.

Rural Area: Territories, populations and housing units that are not classified as urban.

HOUSING TERMS

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Household: Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

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

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

INCOME TERMS

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

Area Median Income: The median family income for the MSA, if a person or geography is located in an MSA; or the statewide non-metropolitan median family income, if a person or geography is located outside an MSA.

Family Income: Includes the income of all members of a family that are age 15 and older.

Household Income: Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

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

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Upper-Income: Individual income that is more than 120 percent of the area median income, or a median family income that is more than 120 percent in the case of a geography.

HUD Adjusted Income Data: The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

OTHER TERMS

Home Mortgage Disclosure Loan Application Register (HMDA LAR): The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

APPENDIX D - INVESTMENT DEFINITIONS

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. The equity investments are subject to limits specified by the bank's regulator. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community as well as to the financial and marketing needs of the bank. A CDC may purchase, own, rehabilitate, construct, manage and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization. Any real estate ownership should generally be temporary, with ownership reverting to members or organizations in the community.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. They procure loans and investments that conventional financial institutions are unable to invest in, and they link financing to other developmental activities. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. CDFIs share a common mission and can be chartered as a credit union or bank. CDFIs can also be unregulated nonprofit institutions that gather private capital from a range of social investors for community development lending or investing. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, microenterprise funds, and community development venture capital funds. A certified CDFI must meet eligibility requirements, which include: having a primary mission of promoting community development; serving an investment area or target population; providing development services; maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means; and not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Low Income Housing Tax Credits: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended, which is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department, through the Internal Revenue Service, distributes low-income housing tax credits to housing credit agencies. The housing agencies allocate tax credits on a competitive basis. Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits or sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains in place throughout the compliance period, usually 30 years.

Qualified Investments: A qualified investment is defined as any lawful investment, deposit, membership share, or grant that has as its primary purpose community development to support the following endeavors: 1) affordable housing; 2) community services targeting low- and moderate-income individuals; 3) activities that promote economic development by financing small farms and small businesses; and 4) activities that revitalize or stabilize low- and moderate-income geographies.

APPENDIX E - STANDARD PE LANGUAGE

LENDING TEST

Scope of Test

The lending test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by considering an institution's home mortgage, small business, small farm, and community development lending. The institution's lending performance is evaluated pursuant to the following criteria: 1) the volume of lending activity; 2) the proportion of lending within the assessment area(s); 3) the dispersion of loans and the number and amount of loans in low-, moderate-, middle- and upper-income geographies in the assessment area(s); 4) the distribution of loans among borrowers of low-, moderate-, middle- and upper-income levels and businesses (including farms) of different sizes; 5) the distribution of small business and small farm loans by loan amount at origination; 6) the volume of community development lending; and 7) the use of innovative or flexible lending practices. Performance under the lending test is weighted more heavily than the investment and service tests when arriving at an overall rating.

Community Development Lending:

Performance Criteria

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; 2) the responsiveness of the institution's community development lending; and 3) the extent of leadership the institution has demonstrated in community development lending.

Innovative and Flexible Lending Practices:

Performance Criteria

The institution's innovative and flexible lending practices are evaluated pursuant to the following criteria: 1) the degree to which the loans serve low- and moderate-income creditworthy borrowers in new ways or serve groups of creditworthy borrowers not previously served by the institution; and 2) the success of each product serving low- and moderate-income borrowers, including the number and dollar volume of loans originated during the review period.

INVESTMENT TEST

Scope of Test

The investment test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) through its use of qualified investments that benefit the assessment area(s) or a broader statewide or regional area that includes the institution's assessment area(s). Activities considered under the lending or service test may not be considered under the investment test. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

SERVICE TEST

Scope of Test

The service test evaluates the institution's record of helping to meet the credit needs of its assessment area(s) by analyzing both the availability and effectiveness of the institution's systems for delivering retail banking services and the extent and innovativeness of its community development services. The institution's retail banking services are evaluated pursuant to the following criteria: 1) the distribution of the institution's branches among geographies of different income levels; 2) the record of opening and closing branches, particularly branches located in low- and moderate-income geographies or that primarily serve low- or moderate-income individuals; 3) the availability and effectiveness of alternate systems for delivering retail banking services; and 4) the range of services provided in low-, moderate-, middle-, and upper-income geographies and the degree to which the services are tailored to meet the needs of those geographies.

In addition, the institution's community development services are evaluated pursuant to the following criteria: 1) the extent of community development services offered and used; 2) the innovativeness of community development services, including whether they serve low- and moderate-income customers in new ways or serve groups of customers not previously served; 3) the degree to which they serve low- and moderate-income areas or individuals; and 4) their responsiveness to available opportunities for community development services.