

# **PUBLIC DISCLOSURE**

**January 31, 2005**

## **COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**Rivergreen Bank  
57467**

**36 Portland Road  
Kennebunk, Maine 04043**

**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 **Rivergreen Bank** prepared by the **Federal Deposit Insurance Corporation**, the institution's supervisory agency, as of **January 31, 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**.

Rivergreen Bank's CRA performance depicts a satisfactory record of helping to meet the credit needs of the small businesses in its assessment area, including the moderate-income geographies, 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; Geographic Distribution of Loans; Borrower Profile; and response to CRA complaints, if applicable. 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 institution's size, financial condition, time in existence, and the assessment area's credit needs.
- A majority of the bank's commercial loans were extended within its assessment area.
- The geographic distribution of 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 businesses of different sizes, given the demographics of the assessment area, reflects an adequate penetration among businesses of different income levels. 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.

## DESCRIPTION OF INSTITUTION

Rivergreen Bank (RB) is a \$51 million State/Universal, single branch, bank established in 2003 headquartered at 36 Portland Road in Kennebunk, Maine, a middle-income geography. The branch provides checking and savings products, installment loans, home equity lines of credit, home improvement loans, and a complete line of commercial products. Additionally, the bank has Internet and telephone banking. The bank does not maintain any remote service facilities (RSFs) and does not originate home purchase or refinance mortgage loans. RB has no proprietary ATM's; however, through an agreement with KeyBank, N.A. of Cleveland, Ohio, RB customers enjoy full ATM privileges at any KeyBank, N.A. ATM with no service charge or usage fee.

RB's primary lending focus is small business and commercial loans, which comprise approximately 67.5% of the total loan portfolio. Table 1 reflects the breakdown of the entire loan portfolio as of September 30, 2004. Also, RB reported a total of \$35,235,000 in net loans and \$40,871,000 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 09/30/04		
Loan Type	Dollar Amount (000s)	Percent of Total Loans (%)
Construction and Land Development	1,707	4.8
Revolving, open-end secured by 1-4 family residential	3,341	9.4
Closed-end loans secured by 1-4 family residential first liens	709	2.0
Multi-Family (5 or more) Residential	5,261	14.7
Secured by non-farm non-residential properties	17,305	48.5
<b>Total Real Estate Loans</b>	<b>28,323</b>	<b>79.4</b>
Commercial and Industrial	6,772	19.0
Consumer	635	1.8
Less: Unearned Income	<72>	<0.2>
<b>Total Loans</b>	<b>35,658</b>	<b>100.0</b>

*Source: Report of Condition*

There are no legal, financial, or other impediments that would adversely impact the bank's performance pursuant to CRA guidelines. This is the bank's first full CRA evaluation resulting in a rating. A limited initial CRA assessment was conducted on January 5, 2004 with no rating assigned.

Bank management considers its primary competitors to be Kennebunk Savings Bank, Ocean National Bank, Peoples Heritage, and several local credit unions.

## 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, RB has established or delineated one contiguous assessment area for year 2004, consisting of 23 census tracts in York County within the Portland-South Portland Metropolitan Statistical Area (MSA). The assessment area includes the Cities of Saco and Biddeford and the Towns of Old Orchard Beach, Dayton, Lyman, Arundel, Kennebunkport, Kennebunk, Alfred, Sanford, Wells, and Ogunquit. The 23 census tracts include 4 moderate- (2 in Biddeford and 2 in Sanford), 16 middle-, and 3 upper-income tracts. There are no low-income geographies in the assessment area. Due to a realignment of census tracts and census tract income classifications, the bank's 2004 assessment area experienced a significant change from that of 2003. In 2003, only Old Orchard Beach was located in a MSA; now, as stated above, the entire assessment area is in Portland-South Portland MSA. Also in 2003, the bank's assessment area had one moderate-income census tract and now it has four, although the total number of census tracts remained the same.

The assessment area, as currently defined, meets the technical requirements of the CRA since it (1) consists of one or more political subdivisions, (2) includes 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, (3) consists of whole census tracts or block numbering areas, (4) does not extend beyond state boundaries, (5) does not reflect illegal discrimination, and (6) does not arbitrarily exclude low- and moderate-income areas.

The bank is a commercial lender with limited residential mortgage involvement; thus, this evaluation will concentrate on commercial small business lending in 2004 and any demographic data utilized will be from the 2000 U.S. Census.

According to 2000 United States Census data, the population of the assessment area was 103,916. Between 1990 and 2000, Kennebunk's population grew 30.5% and York County increased by 13.5%. As noted in Table 2, the unemployment rates for York County and the State of Maine have experienced incremental decreases over a one year period. Total housing permits in York County increased 4.5% from the third quarter of 2004 compared to the third quarter 2003. Multi-family permits in York County experienced a significant decrease for the same time period.

<b>Table 2 – Unemployment</b>		
<b>Location</b>	<b>Third Quarter 2003</b>	<b>Third Quarter 2004</b>
York County	4.5%	3.2%
State of Maine	4.4%	3.8%
United States	6.0%	5.4%

Source: Bureau of Labor Statistics

The assessment area is located in a coastal resort region between Boston, Massachusetts and Portland, Maine and attracts a significant hospitality and tourist business, as well as commuters to these adjacent financial centers. York County's three major industries are service, retail trade,

and construction, and a significant majority of business establishments have fewer than 50 employees each. Tourism and hospitality have been positively affected by the widening of the southern section of the Maine turnpike and new passenger rail service, connecting the area to both Boston and Portland. The largest non-government employers in the assessment include Interstate Brands Corp., Southern Maine Medical Center, and the University of New England. The assessment area is also home to several of the state's largest business and industrial parks.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE CRITERIA

### Loan-to-Deposit Ratio

RB'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, limited time in existence, financial condition, and assessment area credit needs. 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 five quarters (September 2003 to September 2004) is 96.3%. The ratio has remained relatively stable, peaking out at 105.0% in September 2003; the lowest ratio of 86.2% occurred in September 2004. Deposits experienced a steady growth rate of 57.7% during the evaluation period. Loans increased approximately 48.6% during the evaluation period, indicative of the bank's desire to reinvest deposited funds back into the community.

### Lending in Assessment Area

The bank's performance, relative to this component, is considered reasonable 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 3 details the distribution of the bank's small business loans for 2004, within and outside of its delineated assessment area. As illustrated, a majority of the bank's loans, by number and dollar amount, were extended to small businesses within its assessment area.

Table 3 - 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	%	
Small Business Loans 2004	73	57.5	54	42.5	127	\$12,477	56.5	\$9,625	43.5	\$22,101

*Source: Bank Records. Total loan numbers are approximates.*

## **Geographic Distribution**

The geographic distribution of small business loans reflects a reasonable dispersion throughout the assessment area, with no conspicuous lending gaps noted. The main focus of this analysis is to determine the loan distribution among the various geographic income levels, particularly to the low- and moderate-income geographies. To reiterate, the bank's delineated assessment area contains no low-income geographies but does include 4 moderate-income geographies. The remaining 19 geographies are either middle- or upper-income.

According to bank records in 2004, the bank originated 6 or 8.2% of its small business loans, for \$801,250 or 6.4%, in the moderate-income geographies within the assessment area. At least one loan was originated in each of the moderate-income geographies. Aggregate data for 2004 is not yet available to compare with this lending performance. Also, due to the substantial geographic income realignment, an analysis of 2003 data is of little benefit. The only city or town where a small business loan was not originated in 2004 is the Town of Alfred, but there is limited opportunity for small business lending and it is heavily banked by institutions in the nearby Town of Sanford.

## **Lending to Borrowers of Different Incomes**

The bank's performance relative to the distribution of borrowers reflects, considering the demographics of the assessment area, a reasonable penetration among businesses of different annual revenue levels. *This component is assigned the most weight relative to ascertaining an overall composite rating.*

RB originated 73 small loans in the assessment area and of those, 56 or 76.7%, were originated to small businesses. A small business is defined as having gross annual revenues of \$1 million or less. The remaining 17, or 23.3%, of the loans originated in the assessment area were to businesses with gross annual revenues over \$1 million. There is no 2004 comparable data.

Small business loan originations were also analyzed, utilizing bank records, by loan size as a proxy for the size of the businesses receiving financing. The distribution among different loan sizes reflects that RB is serving small- and medium-sized businesses. Approximately 79.5%, by number, of originated loans were in a dollar amount of \$250,000 or less and all loans originated in the assessment area were in the amount of \$1 million or less, which is an excellent reflection of meeting the needs of small borrowers. The loan origination breakdown reflects that 35 or 48.0% of the loans were for \$100,000 or less, 23 or 31.5% were between \$100,001 to 250,000, and the remaining 15 originations, or 20.5%, were between 250,001 and \$1 million. Again, there is no 2004 aggregate comparable data.

**Response to Complaints**

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

**Compliance with Anti-Discrimination Laws and Regulations**

There were no violations of the substantive provisions of the anti-discrimination laws or regulations identified during the examination.