Bangor Bancorp, MHC and its Subsidiary

BANGOR SAVINGS BANK

Consolidated Financial Statements
March 31, 2021 and 2020

Bangor Savings Bank

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Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Table of Contents
March 31, 2021 and 2020

Page(s)

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INDEPENDENT AUDITOR'S REPORT

The Board of Trustees
Bangor Bancorp, MHC

We have audited the accompanying consolidated financial statements of Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank (the Company), which comprise the consolidated balance sheets as of March 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, changes in capital, and cash flows for the years then ended, and the related notes to the consolidated financial statements. We also have audited the Company's internal control over financial reporting, including controls over the preparation of regulatory financial statements in accordance with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C), as of March 31, 2021 based on criteria established in the *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP); this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment about the effectiveness of internal control over financial reporting, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of consolidated financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of consolidated financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risk that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control over Financial Reporting

A company's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with GAAP. Because management's assessment and our audit were conducted to meet the reporting requirements of Section 112 of the Federal Deposit Insurance Corporation Improvement Act, our audit of the Company's internal control over financial reporting included controls over the preparation of financial statements in accordance with GAAP and with the instructions to the Consolidated Financial Statements for Bank Holding Companies (Form FR Y-9C). A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the consolidated financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the consolidated financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank, as of March 31, 2021 and 2020, and the results of their operations and their cash flows for the years then ended in accordance with GAAP. Also in our opinion, Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank, maintained, in all material respects, effective internal control over financial reporting as of March 31, 2021 based on criteria established in the *Internal Control—Integrated Framework* issued by COSO.

Other Matter

We did not perform auditing procedures on Management's Assessment of Compliance with Designated Laws and Regulations, included in the accompanying Management Report Regarding Statement of Management's Responsibilities, Compliance with Designated Laws and Regulations, and Management's Assessment of Internal Control Over Financial Reporting, and accordingly, we do not express an opinion or provide any assurance on it.

Berry Dunn McNeil & Parker, LLC

Portland, Maine
June 7, 2021

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Balance Sheets
March 31, 2021 and 2020

(in thousands of dollars)	2021	2020
Assets		
Cash and due from banks	$ 69,292	$ 70,276
Investment securities available for sale at fair value (amortized cost of $1,730,002 and $1,063,894, respectively)	1,731,525	1,102,893
Equity securities	11,287	9,976
Federal Home Loan Bank of Boston stock	6,826	9,696
Loans	3,955,248	3,299,258
Less allowance for loan losses	48,736	34,178
Net loans	3,906,512	3,265,080
Premises and equipment, net	191,436	172,364
Bank owned life insurance	108,727	105,137
Goodwill	71,607	53,335
Other assets	81,241	73,069
Total assets	**$ 6,178,453**	**$ 4,861,826**
Liabilities and capital		
Liabilities		
Deposits	$ 4,963,917	$ 3,659,045
Borrowed funds	614,237	612,264
Other liabilities	80,206	81,689
Total liabilities	**5,658,360**	**4,352,998**
Capital		
Retained earnings	519,942	479,915
Accumulated other comprehensive income	151	28,913
Total capital	**520,093**	**508,828**
Total liabilities and capital	**$ 6,178,453**	**$ 4,861,826**

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Income
Years Ended March 31, 2021 and 2020

(in thousands of dollars)	**2021**	**2020**
Interest and dividend income		
Interest on loans	$ 146,102	$ 133,170
Interest and dividends on investment securities	26,755	26,635
Total interest and dividend income	**172,857**	**159,805**
Interest expense		
Interest on deposits	11,488	25,057
Interest on borrowed funds	1,991	8,948
Total interest expense	**13,479**	**34,005**
Net interest income	**159,378**	**125,800**
Provision for loan losses	**19,000**	**1,800**
Net interest income after provision for loan losses	**140,378**	**124,000**
Non-interest income		
Mortgage sales	41,724	14,546
Card services	19,557	18,885
Payroll services	10,501	10,668
Deposit and branch services	8,592	10,898
Wealth management services	7,476	6,590
Bank owned life insurance	2,810	2,826
Loan services	2,821	2,695
Other fees and income	1,196	3,265
Total non-interest income	**94,677**	**70,373**
Net gain (loss) on sales of investment securities	**124**	**(117)**
Non-interest expense		
Compensation and benefits	119,999	94,069
Occupancy and equipment	20,820	19,356
Data and card processing	13,884	13,081
Community support and marketing	5,637	6,015
Customer ATM rebates	2,923	3,616
Regulatory assessments	2,558	725
Other expenses	19,719	15,347
Total non-interest expense	**185,540**	**152,209**
Income before income tax expense	**49,639**	**42,047**
Income tax expense	**9,612**	**6,581**
Net income	**$ 40,027**	**$ 35,466**

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Comprehensive Income
Years Ended March 31, 2021 and 2020

(in thousands of dollars)	**2021**	**2020**
Net income	$ 40,027	$ 35,466
Other comprehensive (loss) income :		
Unrealized (losses) gains on securities available for sale:		
Unrealized (losses) gains on securities available for sale, net of tax of $7,844 and ($8,717), respectively	(29,508)	32,791
Reclassification adjustment for realized (gains) losses on securities sold included in net income, net of tax of $26 and ($25), respectively [1]	(98)	92
Unrealized (losses) gains on postretirement plans, net of tax of $16 and ($62), respectively	(60)	232
Unrealized gains (losses) on interest rate swaps, net of tax of ($240) and $733, respectively	904	(2,760)
Other comprehensive (loss) income	(28,762)	30,355
Total comprehensive income	$ 11,265	$ 65,821

[1] Classified in the consolidated statements of income in net gain (loss) on sales of investment securities.

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Changes in Capital
Years Ended March 31, 2021 and 2020

(in thousands of dollars)	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total
Balance, March 31, 2019	$ 444,903	$ (1,896)	$ 443,007
Net income	35,466	-	35,466
Other comprehensive income (loss)			
Unrealized gains on securities available for sale	-	32,883	32,883
Unrealized gains on postretirement plans	-	232	232
Unrealized losses on interest rate swaps	-	(2,760)	(2,760)
Total comprehensive income	35,466	30,355	65,821
Reclassification adjustment for effect of change in accounting principle upon adoption of ASU No. 2016-01	(454)	454	-
Balance, March 31, 2020	479,915	28,913	508,828
Net income	40,027	-	40,027
Other comprehensive income (loss)			
Unrealized losses on securities available for sale	-	(29,606)	(29,606)
Unrealized losses on postretirement plans	-	(60)	(60)
Unrealized gains on interest rate swaps	-	904	904
Total comprehensive income	40,027	(28,762)	11,265
Balance, March 31, 2021	$ 519,942	$ 151	$ 520,093

The accompanying notes are an integral part of these consolidated financial statements.

Bangor Bancorp, MHC and its Subsidiary, Bangor Savings Bank
Consolidated Statements of Cash Flows
Years Ended March 31, 2021 and 2020

(in thousands of dollars)	**2021**	**2020**
Cash flows from operating activities		
Net income	$ 40,027	$ 35,466
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation of premises and equipment	10,533	9,663
Amortization of intangible assets	468	554
Provision for loan losses	19,000	1,800
Increase in cash surrender value of bank owned life insurance	(2,810)	(2,826)
Net (gains) losses on sales of investment securities	(124)	117
Net recognized gain on equity securities	(21)	(219)
Net amortization of premiums on securities available for sale	7,378	8,139
Loans originated for resale	(868,147)	(446,584)
Proceeds from sales of loans	904,724	421,900
Net gain on sale of loans, net of value of servicing rights retained	(2,262)	(1,231)
Net (gains) losses on sales of premises and equipment	(270)	258
Deferred income tax (benefit) provision	(4,564)	3,579
Net increase in other assets	(8,292)	(176)
Net increase in other liabilities	9,898	1,630
Net cash provided by operating activities	105,538	32,070
Cash flows from investing activities		
Proceeds from sales and calls of securities available for sale	69,256	119,856
Proceeds from sales and calls of equity securities	143	79
Proceeds from maturities and prepayments of securities available for sale	236,355	167,161
Purchases of securities available for sale	(946,557)	(365,869)
Net proceeds from redemptions (purchases) of Federal Home Loan Bank of Boston stock	3,105	(3,001)
Net increase in loans	(587,491)	(233,793)
Purchases of premises and equipment	(24,448)	(19,194)
Proceeds from sales of bank premises and equipment	443	472
Cash received in acquisition of Damariscotta Bankshares Inc., net of cash paid	26,878	-
Net cash used by investing activities	(1,222,316)	(334,289)
Cash flows from financing activities		
Net increase in deposits	1,113,821	208,293
Net increase in short-term borrowed funds	2,493	114,845
Long-term borrowed funds repaid	(520)	(2,126)
Net cash provided by financing activities	1,115,794	321,012
Net (decrease) increase in cash and cash equivalents	(984)	18,793
Cash and cash equivalents at beginning of year	70,276	51,483
Cash and cash equivalents at end of year	$ 69,292	$ 70,276
Supplemental disclosures of cash flow information		
Cash paid during the year for		
Interest	$ 14,426	$ 34,090
Income taxes	10,737	960
Noncash transactions		
Transfer from loans to other real estate owned	$ -	$ 141
Premises and equipment included in accounts payable	113	396

The accompanying notes are an integral part of these consolidated financial statements.

(in thousands of dollars)

1. Summary of Significant Accounting Policies

Basis of Presentation
Bangor Bancorp, MHC (the Company) is a mutual holding company and the parent of Bangor Savings Bank (the Bank), a wholly-owned Maine-chartered stock universal bank.

The accounting and reporting policies of the Company conform to accounting principles generally accepted in the United States of America (GAAP) and to general practice within the banking industry. The accompanying consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, the Bank. All significant intercompany balances and transactions have been eliminated in consolidation. In preparing the consolidated financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and income and expenses for the period. Material estimates that are particularly susceptible to change in the near term relate to the determination of the allowance for loan losses (ALL), the value of loan servicing rights, classification of unrealized losses on investment securities, other real estate owned, allocation of consideration in acquisitions, and goodwill and intangible asset valuations.

Business
The Company is subject to supervision and examination by the Board of Governors of the Federal Reserve System (the Federal Reserve). It files reports with the Federal Reserve on a quarterly basis.

The Bank is subject to supervision and examination by the Federal Deposit Insurance Corporation (the FDIC) and the State of Maine Bureau of Financial Institutions. It files reports with the FDIC on a quarterly basis.

The Company provides various services to individuals, including checking, NOW, savings, money market, and time deposit accounts; debit cards; electronic, digital, and mobile banking; secured and unsecured consumer and personal loans; mortgage loans; other credit services; investment management and trust services; brokerage services; and insurance services.

The Company provides various services to businesses and governmental units, including demand, savings, money market, and time deposit accounts; electronic, digital, and mobile banking; merchant card services; payroll services; cash management and payment solution services; investment management and trust services; brokerage services; insurance services; and also originates commercial real estate and other types of commercial and municipal loans.

The Company's primary market area covers the States of Maine and New Hampshire.

Bangor Wealth Management of New Hampshire, LLC (WM-NH), a wholly-owned subsidiary of the Bank, is a state chartered trust company incorporated in April 2020 and headquartered in Concord, New Hampshire. WM-NH is engaged to act as investment advisor, trustee, and named custodian for customers of the Bank.

Cash and Cash Equivalents
The Company's cash and due from bank accounts, at times, may exceed federally insured limits. Pursuant to Regulation F issued by the Federal Reserve, the Company monitors the financial health

(in thousands of dollars)

and capital ratios of all of its correspondent banks and believes it is not exposed to any significant risk on cash and cash equivalents. The Company has not experienced any losses in such accounts to date.

The Company, from time to time, is required to maintain reserves of vault cash or deposits with the Federal Reserve Bank (FRB). There was no reserve requirement as of March 31, 2021 and 2020.

Investment Securities

Debt securities are classified in three categories and accounted for as follows: debt securities that the Company has the positive intent and ability to hold to maturity are classified as held to maturity and reported at amortized cost; debt securities that are bought and held principally for the purpose of selling them in the near term are classified as trading and reported at fair value with unrealized gains and losses included in earnings; and debt securities not classified as either held to maturity or trading are classified as available for sale and reported at fair value with unrealized gains and losses excluded from earnings and reported as other comprehensive income (loss), net of tax.

Equity securities are carried at estimated fair value with changes in fair value and realized gains and losses reported in non-interest income in the consolidated statements of income. Prior to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2016-01, *Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities*, changes in fair value of equity securities were reported in other comprehensive income (loss).

Premiums and discounts on investment securities are amortized or accreted to income over the expected life of the investment using a method that approximates the level yield method. Gains and losses on the sale of securities are recognized on a specific identification basis. Prior to the adoption of ASU No. 2016-01, declines in the fair value of individual equity securities that were deemed to be other than temporary were reflected in earnings when identified. For individual debt securities where the Company does not intend to sell the security and it is more likely than not that the Company will not be required to sell the security before recovery of its amortized cost basis, the other-than-temporary decline in the fair value of the debt security related to 1) credit loss is recognized in earnings and 2) other factors is recognized in other comprehensive income or loss. Credit loss is deemed to exist if the present value of expected future cash flows is less than the amortized cost basis of the debt security. For individual debt securities where the Company intends to sell the security or more likely than not will be required to sell the security before recovery of its amortized cost, the other-than-temporary impairment is recognized in earnings equal to the entire difference between the security's cost basis and its fair value at the balance sheet date.

Derivative Instruments and Hedging Activities

The Company records all derivatives on the balance sheet at fair value. The accounting for changes in the fair value of derivatives depends on the intended use of the derivative and the resulting designation. Derivatives used to hedge the exposure to variability in expected future cash flows, or other types of forecasted transactions, are considered cash flow hedges.

For derivatives designated as cash flow hedges, the gain or loss on the derivative is recorded in other comprehensive income (loss) and subsequently reclassified into interest expense in the same period(s) during which the hedged transaction affects earnings. Amounts reported in accumulated

(in thousands of dollars)

other comprehensive income (loss) related to derivatives will be reclassified to interest expense as interest payments are made on the Company's borrowings.

The Company's objective in using derivatives is to add stability to interest income and to manage its exposure to adverse interest rate movements or other identified risks. To accomplish this objective, the Company periodically uses interest rate caps, floors, and swaps as part of its cash flow hedging strategy. Interest rate caps, floors, and swaps designated as cash flow hedges protect the Company against movements in interest rates above or below the instruments' strike rates over the life of the agreements. As of March 31, 2021, other derivatives that are not designated as cash flow hedges because they do not meet strict hedge accounting requirements are likewise used to manage the Company's exposure to interest rate movements and other identified risks, and are not speculative. The Company does not use derivatives for trading or speculative purposes.

The Company enters into commitments to originate loans whereby the interest rate on the loan is determined prior to funding (rate lock commitments). Rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives. Accordingly, such commitments, along with any related fees received from potential borrowers, are recorded at fair value in derivative assets or liabilities, with changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on fees currently charged to enter into similar agreements, and for fixed-rate commitments also considers the difference between current levels of interest rates and the committed rates.

During the period from the rate lock commitment date to the ultimate sale of the loan, the Company is subject to the risk of interest rate changes. In an effort to mitigate such risk, the Company enters into forward sale commitments in the secondary markets, which are considered to be derivatives. Accordingly, such commitments are recorded at fair value in derivative assets or liabilities, with the changes in fair value recorded in the net gain or loss on sale of mortgage loans. Fair value is based on quoted market prices for similar instruments in the secondary markets.

Commitments to Extend Credit
In the ordinary course of business, the Company has entered into commitments to extend credit. Except as disclosed above, such financial instruments are recorded in the financial statements when they are funded.

Loans Held for Sale
Residential mortgage loans originated for sale are classified as held for sale. These loans are specifically identified and carried at lower of cost or fair value as of each balance sheet date. The fair value includes the servicing value of the loans as well as any accrued interest. Gains and losses from sales of residential mortgages held for sale are recognized on the trade date and recorded as mortgage sales in non-interest income.

Loans
Loans are reported at their principal amount outstanding, net of any unearned discount or deferred loan fees and costs.

Interest on loans is taken into income using methods which report income earned in relation to the balances of loans outstanding. The accrual of interest income on problem loan accounts ceases when

(in thousands of dollars)

collectability within a reasonable period of time becomes doubtful. Cash payments received on non-accrual loans, which includes impaired loans, are applied to reduce the loan's principal balance until the remaining principal is deemed collectible, after which interest is recognized when collected. Nonaccrual loans may be returned to accrual status when principal and interest payments are not delinquent and the risk characteristics of the loan have improved to the extent that there no longer exists a concern as to the collectability of principal.

Loan origination fees and certain direct origination costs are deferred and recognized in interest income as an adjustment to the yield over the life of the related loans. The Company amortizes these amounts using the effective yield method. When loans are sold or paid off, the remaining unamortized fees and costs are transferred to interest income.

Allowance for Loan Losses
The ALL is maintained at a level determined to be adequate by management to absorb future charge-offs of loans previously deemed partially or wholly uncollectible. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed.

Arriving at an appropriate level of ALL necessarily involves a high degree of judgment. The main considerations in this evaluation are prior loan loss experience, the characteristics and size of the loan portfolio, business and economic conditions and trends in loan delinquencies, and net charge-offs. Although management uses available information to establish the ALL on loans, future additions to the allowance may be necessary based on estimates that are susceptible to significant change as a result of changes in economic conditions and other factors. In addition, periodic review of the Company's ALL is performed by various regulatory agencies as part of their examination process. These agencies may require the Company to recognize additions to the allowance based on their judgments about information available to them at the time of their examination.

Impaired loans are commercial, commercial real estate, and individually significant residential mortgage and consumer loans for which it is probable that the Company will not be able to collect all amounts due according to the contractual terms of the loan agreement or the loan is delinquent 90 days or more. Loans less than 90 days delinquent are deemed to have an insignificant delay in payment and are generally not considered impaired based on their delinquent status. Loans more than 30 days past due are considered delinquent. Creditors are generally required to account for impaired loans, except those loans that are accounted for at fair value or at lower of cost or fair value, at the present value of the expected future cash flows discounted at the loan's effective interest rate or the fair market value of collateral. If appropriate, a valuation reserve is established to recognize the difference between the recorded investment and the present value. Impairment of troubled debt restructurings is measured using the rate of interest of the original loan.

Purchased credit-impaired loans are initially carried at fair value with no ALL. The estimated fair value contains both accretable and nonaccretable components. The accretable component is amortized as an adjustment to the related loan yield over the average life of the loan. The nonaccretable component represents a probable loss due to credit risk and is reviewed by management periodically and adjusted as deemed necessary to reflect changes in the present value of expected cash flows. If the present value of expected cash flows is less than the carrying amount,

(in thousands of dollars)

a loss is recorded as a provision for loan losses. If the present value of expected cash flows is greater than the carrying amount, it is recognized as part of future interest income.

Premises and Equipment
Premises and equipment are stated at cost less accumulated depreciation. Buildings, leasehold improvements, equipment, and furniture and fixtures are depreciated under the straight-line method over the estimated lives of the assets.

Expenditures for premises, equipment, renewals, and betterments that extend the useful life of assets are capitalized. Expenditures for maintenance and repairs are charged to expense. When items are disposed, the cost and accumulated depreciation are eliminated and gains or losses are included in income.

Bank Owned Life Insurance (BOLI)
BOLI represents life insurance on the lives of certain employees who have provided positive consent allowing the Company to be the primary beneficiary of such policies. Increases in the cash value of the policies, net of insurance costs, as well as net insurance proceeds received, are recorded in non-interest income, and are not subject to income taxes.

Goodwill
In connection with acquisitions of other companies, the Company records as an asset on its financial statements goodwill, an intangible asset which is equal to the excess of the purchase price which it pays for another company over the estimated fair value of the net assets acquired. The Company records any other acquired intangible asset apart from goodwill if that asset arises from contractual or other legal rights. The Company does not amortize goodwill, but rather tests it for impairment at least annually, or whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Intangible Assets
The Company records acquired intangible assets (other than goodwill) with finite lives as an asset on its financial statements. These intangible assets include customer relationships acquired in connection with the acquisition of other companies. The value of identifiable intangible assets is determined using historical financial results, estimated valuation multiple factors, and other management estimates, all of which are subject to change based on changes in economic conditions and other factors. Intangible assets are amortized to expense under the straight-line method over their estimated economic useful lives ranging from 5 to 15 years, and are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be fully recoverable.

Loan Servicing Rights
Loan servicing rights are initially recorded at fair value and amortized in proportion to, and over the period of, estimated net servicing revenues. Impairment of loan servicing rights is assessed based on the fair value of those rights. Fair values are estimated using a discounted cash flow model based on a current market interest rate. For purposes of measuring impairment, the rights are stratified by institutional investor, and valued taking into consideration the following predominant risk characteristics of the underlying loans: interest rate, term, period of origination, and prepayment speed. The most recent valuation model utilizes a discount rate of 12% and prepayment assumptions

(in thousands of dollars)

based on Bloomberg long-term projections as of March 31, 2021. The amount of impairment recognized is the amount by which the capitalized loan servicing rights for a stratum exceed their fair value.

Other Real Estate Owned (OREO)
OREO is comprised of properties or other assets acquired through (i) foreclosure proceedings, or (ii) acceptance of a deed or title in lieu of foreclosure. OREO is initially recorded at fair value of the collateral less estimated costs to sell. Losses arising from the acquisition of such properties are charged against the ALL. Expenses incurred in connection with maintaining these assets, subsequent write-downs, and gains or losses recognized upon sale are included in non-interest income or non-interest expense.

Securities Sold Under Agreements to Repurchase
Securities sold under agreements to repurchase are treated as collateralized financing transactions and are reported at the amounts at which the securities will be subsequently repurchased, plus accrued interest. The value of securities is monitored, and additional collateral may be pledged when considered appropriate to protect Company creditors against credit exposure.

Income Taxes
The Company recognizes taxes under the asset and liability method of accounting. Under the asset and liability method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. Deferred tax assets are reduced by a valuation allowance if, based on the weight of available evidence, it is more likely than not that some portion or all of the deferred tax assets will not be realized. The Company releases income tax effects from accumulated other comprehensive income when the associated transaction is recognized in earnings.

Postretirement Benefits
The Company accrues for postretirement benefits other than pensions during the years that employees render service, instead of when benefits are paid.

Consolidated Statements of Cash Flows
For purposes of the consolidated statements of cash flows, the Company considers cash on hand, amounts due from banks, federal funds sold, and other short-term investments as cash and cash equivalents. Generally, federal funds are purchased and sold for one-day periods.

Legal Contingencies
Various legal claims may arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements
In January 2016, FASB issued ASU No. 2016-01, "Financial Instruments-Overall: Recognition and Measurement of Financial Assets and Financial Liabilities." The ASU was issued to enhance the reporting model for financial instruments to provide users of financial statements with more decision-useful information. This ASU changes how entities account for equity investments that do not result

(in thousands of dollars)

in consolidation and are not accounted for under the equity method of accounting. The ASU exempts all entities that are not public business entities from disclosing fair value information for financial instruments measured at amortized cost. The ASU is effective for fiscal years beginning after December 15, 2018. Early adoption is permitted for the exemption from financial instrument fair value disclosure requirements for entities that are not public entities. The recognition for the change in fair value within net income was applied prospectively, and the Company recorded a cumulative-effect adjustment as of April 1, 2019, for its equity securities to reclassify the unrealized loss, net of tax, of $454 previously recognized within accumulated other comprehensive income (loss) to retained earnings.

In February 2016, the FASB issued ASU No. 2016-02, "Leases (Topic 842)." The ASU was issued to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. In June 2020, the FASB issued ASU No. 2020-05, which delays the effective date of this ASU to fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. The Company is evaluating the potential impact of the ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." Under the new guidance, which will replace the existing incurred loss model of recognizing credit losses, banks and other lending institutions will be required to recognize the full amount of expected credit losses. The new guidance, which is referred to as the current expected credit loss model, requires that expected credit losses for financial assets held at the reporting date that are accounted for at amortized cost be measured and recognized based on historical experience and current and reasonably supportable forecasted conditions to reflect the full amount of expected credit losses. A modified version of these requirements also applies to debt securities classified as available for sale. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The Company is evaluating the potential impact of the ASU on its consolidated financial statements and anticipates the ASU may have a material impact. The Company has formed an implementation committee and to date has participated in educational seminars on the new standard, has begun the process of identifying historical data sets that will be necessary to implement the new standard, and has selected a third-party vendor for modeling and calculation.

In March 2017, the FASB issued ASU No. 2017-08, "Receivables-Non-refundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities." The ASU was issued to shorten the amortization period for certain callable debt securities purchased and carried at a premium, by requiring the premium to be amortized to the earliest call date of the debt security. The ASU is effective for fiscal years beginning after December 15, 2019. Early adoption is permitted, including adoption in an interim period. Adoption of this ASU did not have a material effect on the Company's consolidated financial statements.

In July 2018, the FASB issued ASU No. 2018-11, "Leases – Targeted Improvements," to provide entities with relief from the costs of implementing certain aspects of the new leasing standard, ASU No. 2016-02. Specifically, under the amendments in this ASU: (1) entities may elect not to recast the comparative periods presented when transitioning to the new leasing standard, and (2) lessors may elect not to separate lease and non-lease components when certain conditions are met. The

(in thousands of dollars)

amendments have the same effective date as ASU No. 2020-05. The adoption of this ASU is not expected to have a material effect on the Company's consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-03, "Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement." This ASU eliminates, adds, and modifies certain disclosure requirements for fair value measurements. Among the changes, entities will no longer be required to disclose the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, but will be required to disclose the range and weighted average used to develop significant unobservable inputs for Level 3 fair value measurements. This ASU is effective for interim and annual reporting periods beginning after December 15, 2019; early adoption is permitted. Entities are also allowed to elect early adoption of the new disclosure requirements until their effective date. This ASU only revises disclosure requirements, and did not have a material impact on the Company's consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting" This ASU provides temporary optional expedients and exceptions to GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens of the expected market transition from the London Inter-bank Offering Rate (LIBOR) and other interbank offered rates to alternative reference rates, such as Secured Overnight Financing Rate (SOFR). For instance, companies can elect not to apply certain modification accounting requirements to contracts affected by reference rate reform, if certain criteria are met. A company that makes this election would not have to re-measure the contracts at the modification date or reassess a previous accounting determination. Companies can also elect various optional expedients that would allow them to continue applying hedge accounting for hedging relationships affected by reference rate reform, if certain criteria are met. Finally, companies can make a one-time election to sell and/or reclassify held-to-maturity debt securities that reference an interest rate affected by reference rate reform. This ASU is effective for all entities as of March 12, 2020 through December 31, 2022. The Company is currently evaluating all of its contracts, hedging relationships, and other transactions that will be affected by reference rates that are being discontinued and determining which elections need to be made.

Risks and Uncertainties
Local, U.S., and world governments have encouraged self-isolation to curtail the spread of the global pandemic, coronavirus disease (COVID-19), by mandating the temporary shut-down of business in many sectors and imposing limitations on travel and size and duration of group meetings. Most industries are experiencing disruption to business operations and the impact of reduced consumer spending. There is unprecedented uncertainty surrounding the duration of the pandemic, its potential economic ramifications, and any government actions to mitigate them. Accordingly, while management expects this matter may have a financial impact on the Company's financial position and results of future operations, such potential impact cannot be reasonably estimated as of June 7, 2021.

Subsequent Events
For purposes of the preparation of these financial statements in conformity with GAAP, the Company has considered transactions or events occurring through June 7, 2021, which was the date the financial statements were available to be issued.

(in thousands of dollars)

2. Acquisitions

Damariscotta Bankshares, Inc.

On December 1, 2020, the Company completed a previously announced merger with Damariscotta Bankshares, Inc., parent company of Damariscotta Bank and Trust Company. Shareholders of Damariscotta Bankshares, Inc. received $27.00 per share in cash in exchange for 1,304,676 shares of Damariscotta Bankshares, Inc. common stock owned, which totaled $35,226.

The merger was undertaken with the objective of expanding the Company's business, both geographically and through product offerings, as well as realizing continued synergies and economies of scale. The merger complements the Company's long-term vision to provide highly accessible and trusted local financial services to more customers in northern New England.

Acquisition-date estimated fair values of assets acquired and liabilities assumed were as follows:

			Amortization	
	Fair Value	Fair Value Adjustment To Be Amortized	Term in Months	Method
Assets				
Cash and due from banks	$ 62,104	$ -	N/A	N/A
Investment securities available for sale	26,733	-	N/A	N/A
Loans	113,505	(4,210)	30 - 171	Level yield
Core deposit intangible	225	225	76	Sum of years' digits
Premises and equipment	5,330	1,712	180 - 468	Straight-Line
Bank owned life insurance	780	-	N/A	N/A
Other assets	1,419	-	N/A	N/A
Total assets	**210,096**			
Liabilities				
Non-maturity deposits	159,431	-	N/A	N/A
Time deposits	24,856	14	19	Sum of years' digits
IRA certificates	6,763	(58)	21	Sum of years' digits
Other liabilities	2,092	-	N/A	N/A
Total liabilities	**193,142**			
Net fair value	**$ 16,954**			
Goodwill	**$ 18,272**	**-**	**N/A**	**N/A**

The Company recognized a core deposit intangible of $225 as a result of the acquisition. The core deposit intangible, which is amortizable and deductible for tax purposes, is evaluated for impairment whenever circumstances warrant. Amortization expense was $18 during the fiscal year ended March 31, 2021.

(in thousands of dollars)

As of March 31, 2021, estimated amortization expense for each of the five succeeding years and in total for the core deposit intangible is as follows:

2022	$ 66
2023	53
2024	41
2025	28
2026	19
	$ 207

On December 11, 2020, the Company completed a divestiture of a portion of the assets and liabilities acquired from Damariscotta Bankshares, Inc. as a required condition for approval of their merger by the Federal Reserve Board. This was due to the high concentration of banking assets held by the Company in this particular geographic region. The acquired assets and liabilities were sold to First National Bank, a subsidiary of The First Bancorp, Inc. for cash compensation of $6,060.

Divestiture-date fair values of assets and liabilities included in the transaction were as follows:

Assets	
Cash and due from banks	$ 381
Loans	22,976
Premises and equipment	696
Other assets	50
Total assets	**$ 24,103**
Liabilities	
Non-maturity deposits	$ 15,460
Time deposits	2,583
Total liabilities	**$ 18,043**
Net sale proceeds received	**$ 6,060**

First Colebrook Bancorp, Inc.

On April 6, 2018, the Company recognized a core deposit intangible of $2,152 and goodwill of $23,702 as a result of the acquisition of First Colebrook Bancorp, Inc. The Company evaluated its goodwill as of March 31, 2021 and determined there was no impairment. The core deposit intangible, which is amortizable and deductible for tax purposes, is evaluated for impairment whenever circumstances warrant. Amortization expense was $419 and $524 during the fiscal years ended March 31, 2021 and 2020, respectively.

(in thousands of dollars)

As of March 31, 2021 estimated amortization expense for each of the four succeeding years and in total for the core deposit intangible is as follows:

2022	$	313
2023		207
2024		102
2025		11
	$	633

3. Investment Securities

A summary of investment securities available for sale as of March 31, 2021, follows:

		Amortized Cost		Unrealized Gains		Unrealized Losses		Fair Value
U.S. government and government sponsored enterprise (GSE) obligations								
Maturing within 1 year	$	2,998	$	41	$	-	$	3,039
Maturing after 1 year but within 5 years		11,300		-		(269)		11,031
Maturing after 5 years but within 10 years		117,763		2		(5,875)		111,890
Maturing after 10 years but within 20 years		4,899		-		(301)		4,598
Other bonds and obligations								
Maturing within 1 year		6,243		54		-		6,297
Maturing after 1 year but within 5 years		26,882		547		(7)		27,422
Maturing after 5 years but within 10 years		34,660		906		(141)		35,425
Maturing after 10 years but within 20 years		48,550		311		(1,618)		47,243
Mortgage-backed securities								
Government and GSE issued and guaranteed		1,476,707		31,967		(24,094)		1,484,580
	$	1,730,002	$	33,828	$	(32,305)	$	1,731,525

The amortized cost and fair value of debt securities are shown by contractual maturity. Issuers may have the right to call or prepay obligations with or without call or prepayment penalties. This right may cause actual maturities to differ from the contractual maturities summarized above. As of March 31, 2021, the amortized cost of the Company's investment securities with call or prepayment features was $1,662,940. Actual maturities may differ from contractual maturities on agency MBS because the mortgages underlying the securities may be prepaid, usually without any penalties. Therefore, these agency MBS are shown separately and not included in the contractual maturity categories in the above maturity summary.

Within the available for sale investment securities portfolio, net proceeds from the sales and calls of investment securities for the year ended March 31, 2021, were $69,256. The resulting realized gains and losses for the year ended March 31, 2021, were $128 and $4, respectively.

(in thousands of dollars)

As of March 31, 2021, securities with an amortized cost of $636,616 were pledged to secure borrowed funds, public deposits, and for other purposes as compared with $558,919 as of March 31, 2020.

As of March 31, 2021, investments with unrealized losses and the length of time they have been in a continuous loss position are as follows:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	$ 120,516	$ (6,445)	$ -	$ -
Other bonds and obligations	51,069	(1,766)	-	-
Mortgage-backed securities	685,868	(23,408)	43,531	(686)
	$ 857,453	$ (31,619)	$ 43,531	$ (686)

The aggregate decline in the market value of these securities has been deemed temporary due to factors supporting the recoverability of the respective investments. Factors considered include changes in market interest rates, credit ratings, overall financial health of the investee and other pertinent information.

A summary of investment securities available for sale as of March 31, 2020, follows:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Fair Value
U.S. government and government sponsored enterprise (GSE) obligations				
Maturing within 1 year	$ 37,962	$ 49	$ (21)	$ 37,990
Maturing after 1 year but within 5 years	2,993	113	-	3,106
Maturing after 5 years but within 10 years	7,000	29	-	7,029
Other bonds and obligations				
Maturing within 1 year	3,448	13	-	3,461
Maturing after 1 year but within 5 years	20,233	287	-	20,520
Maturing after 5 years but within 10 years	20,209	764	(205)	20,768
Maturing after 10 years but within 20 years	18,939	198	(296)	18,841
Mortgage-backed securities				
Government and GSE issued and guaranteed	953,110	38,918	(850)	991,178
	$ 1,063,894	$ 40,371	$ (1,372)	$ 1,102,893

Within the available for sale investment securities portfolio, net proceeds from the sales and calls of investment securities for the year ended March 31, 2020, were $119,856. The resulting realized gains and losses for the year ended March 31, 2020, were $152 and $269, respectively.

(in thousands of dollars)

As of March 31, 2020, investments with unrealized losses and the length of time they have been in a continuous loss position are as follows:

	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government and GSE obligations	$ 34,938	$ (21)	$ -	$ -
Other bonds and obligations	23,851	(501)	-	-
Mortgage-backed securities	10,460	(28)	47,191	(822)
	$ 69,249	$ (550)	$ 47,191	$ (822)

The aggregate decline in the market value of these securities has been deemed temporary due to factors supporting the recoverability of the respective investments. Factors considered include changes in market interest rates, credit ratings, overall financial health of the investee and other pertinent information.

4. Loans

A summary of the composition of the loan portfolio as of March 31 follows:

	2021	2020
Residential real estate	$ 1,430,114	$ 1,053,863
Commercial real estate	1,286,360	1,221,469
Commercial	799,332	503,653
Consumer installment	33,013	33,317
Consumer revolving	421,588	485,142
Total loans	3,970,407	3,297,444
Net deferred (fees) costs and unearned discounts	(15,159)	1,814
	$ 3,955,248	$ 3,299,258

The Company grants residential, commercial and consumer loans to customers located primarily throughout Maine and New Hampshire. Collateral on these loans typically consists of residential or commercial real estate, or personal property. Although the loan portfolio is diversified, the ability of the Company's customers to honor their contracts is largely dependent on economic conditions in the area, especially in the real estate sector.

Certain trustees and officers of the Company, including their related interests, are borrowers of the Company. Such loans are made in the ordinary course of business at the Company's normal credit terms, including interest rates and collateralization.

(in thousands of dollars)

An analysis of aggregate loan activity to these related parties for the years ended March 31 follows:

	2021	2020
Beginning balance	$ 33,790	$ 63,593
Loans made/advanced and additions	15,079	3,104
Repayments and reductions	(1,062)	(32,907)
Ending balance	$ 47,807	$ 33,790

As of March 31, 2021, all loans to related parties were performing in accordance with their contractual terms.

Information on the past-due status of loans as of March 31, 2021, is presented in the following table:

	30 - 59 days Past Due	60 - 89 days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
Residential real estate	$ 3,122	$ -	$ 931	$ 4,053	$ 1,426,061	$ 1,430,114	$ -	$ 1,689
Commercial real estate	6,410	1	6,263	12,674	1,273,686	1,286,360	-	8,070
Commercial	760	580	1,550	2,890	796,442	799,332	-	3,948
Consumer installment	64	27	50	141	32,872	33,013	-	71
Consumer revolving	498	367	649	1,514	420,074	421,588	-	1,267
Total	$ 10,854	$ 975	$ 9,443	$ 21,272	$ 3,949,135	$ 3,970,407	$ -	$ 15,045

Information on the past-due status of loans as of March 31, 2020, is presented in the following table:

	30 - 59 days Past Due	60 - 89 days Past Due	90 Days and Greater	Total Past Due	Current	Total Loans Outstanding	Loans > 90 Days Past Due and Accruing	Non-Accrual Loans
Residential real estate	$ 4,774	$ -	$ 782	$ 5,556	$ 1,048,307	$ 1,053,863	$ -	$ 1,429
Commercial real estate	244	11	3,187	3,442	1,218,027	1,221,469	-	4,183
Commercial	884	706	1,706	3,296	500,357	503,653	-	3,718
Consumer installment	380	14	56	450	32,867	33,317	-	81
Consumer revolving	1,152	261	411	1,824	483,318	485,142	-	829
Total	$ 7,434	$ 992	$ 6,142	$ 14,568	$ 3,282,876	$ 3,297,444	$ -	$ 10,240

At the acquisition date, the fair value of the loans acquired in the acquisition of Damariscotta Bankshares, Inc. resulted in an accretable loan discount of $4,210, plus a nonaccretable credit risk component of $1,438. The net carrying amounts of the acquired loans was $86,828 as of March 31, 2021, and is included in loan balances above. The balance of the accretable loan discount was $3,820 at March 31, 2021, after accretion of $390 for the year ended March 31, 2021.

At the acquisition date, the fair value of the loans acquired in the acquisition of First Colebrook Bancorp, Inc. resulted in an accretable loan discount of $2,036, plus a nonaccretable credit risk component of $1,248. The net carrying amounts of the acquired loans were $98,097 and $126,335

(in thousands of dollars)

as of March 31, 2021 and 2020, respectively, and are included in loan balances above. The balance of the accretable loan discount was $1,188 and $1,396 at March 31, 2021 and 2020, respectively, after accretion of $208 and $366 for the years ended March 31, 2021 and 2020, respectively.

The Coronavirus Aid, Relief, and Economic Security Act (CARES Act), signed into law on March 27, 2020, introduced the Paycheck Protection Program (the PPP) with an initial $439 billion in funding and the goal of preventing job loss and small business failure due to losses caused by the COVID-19 pandemic. After exhausting the funding within two weeks, on April 24, 2020, the Paycheck Protection Program and Health Care Enhancement Act added $310 billion of funding for loans to be made under the PPP, $60 billion of which is set aside for PPP loans from small banks, community financial institutions, and credit unions. As of March 31, 2021, the Company has originated $600 million in PPP loans to borrowers, with unpaid principal balances remaining of $331 million. These loans are classified with Commercial loans.

As of March 31, 2021, the Bank had PPP loan deferred origination fees of $12,727 recorded in loans receivable on the consolidated balance sheet. In 2021, the Bank recognized income of $12,579 of PPP loan origination fees. This income is recorded in loan interest income on the consolidated statements of income.

A breakdown of impaired loans by category as of March 31, 2021, follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With recorded allowance					
Residential real estate	$ 815	$ 875	$ 100	$ 897	$ 27
Commercial real estate	4,820	4,882	268	7,045	19
Commercial	2,082	2,420	1,705	1,345	26
Consumer installment	163	163	109	164	18
Consumer revolving	235	234	50	250	-
Ending balance	8,115	8,574	2,232	9,701	91
With no recorded allowance					
Residential real estate	2,777	3,222	-	2,562	144
Commercial real estate	3,317	4,193	-	2,986	56
Commercial	2,700	3,643	-	3,202	146
Consumer revolving	379	686	-	391	7
Ending balance	9,173	11,744	-	9,141	354
Total impaired loans	$ 17,288	$ 20,318	$ 2,232	$ 18,843	$ 445

(in thousands of dollars)

A breakdown of impaired loans by category as of March 31, 2020, follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With recorded allowance					
Residential real estate	$ 791	$ 848	$ 96	$ 2,048	$ 148
Commercial real estate	1,111	1,212	537	893	48
Commercial	738	832	478	618	155
Consumer installment	164	164	114	393	14
Consumer revolving	161	161	4	375	1
Ending balance	2,965	3,217	1,229	4,327	366
With no recorded allowance					
Residential real estate	2,657	3,074	-	1,378	-
Commercial real estate	3,445	3,671	-	2,439	-
Commercial	4,091	5,136	-	3,756	-
Consumer installment	151	151	-	76	-
Consumer revolving	427	714	-	250	-
Ending balance	10,771	12,746	-	7,899	-
Total impaired loans	$ 13,736	$ 15,963	$ 1,229	$ 12,226	$ 366

As of March 31, 2021 and 2020, there were 5 and 8 loans, respectively, collateralized by residential real estate in the process of foreclosure with a total balance of $209 and $788, respectively.

5. Allowance for Loan Losses

The allowance consists of specific, general and unallocated components. The specific component relates to loans that are classified as Substandard or Doubtful and are impaired. An allowance is established when the discounted cash flows or collateral value of the impaired loan is less than the carrying value of that loan. The general component covers classified loans based on a thirty-six month rolling historical loss experience and non-classified loans, both adjusted for qualitative factors. An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses and reflects the margin of imprecision inherent in the underlying assumptions used to estimate specific and general losses in the portfolio.

The qualitative factors are determined based on the various risk characteristics of each portfolio segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate: All loans in this segment are collateralized by owner occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing price, will have an effect of the credit quality of this segment.

Commercial real estate: Loans in this segment are primarily income producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are

(in thousands of dollars)

adversely impacted by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Commercial: Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and a resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer: Repayment of the loans in this segment is generally dependent on the credit quality of the individual borrower.

The following table presents the activity in the ALL and select loan information by portfolio segment for the year ended March 31, 2021:

ALL:	**Residential Real Estate**	**Commercial Real Estate**	**Commercial**	**Consumer Installment**	**Consumer Revolving**	**Unallocated**	**Total**
Beginning balance	$ 10,195	$ 9,595	$ 4,239	$ 851	$ 7,561	$ 1,737	34,178
Loans charged off	(9)	(3,735)	(796)	(335)	(436)	-	(5,311)
Recoveries	82	94	229	288	176	-	869
Provision (credit) for loan and credit losses	1,552	14,319	3,713	40	(3,440)	2,816	19,000
Ending balance	11,820	20,273	7,385	844	3,861	4,553	$ 48,736
Ending balance: Individually evaluated for impairment	100	268	1,705	109	50	-	2,232
Ending balance: Collectively evaluated for impairment	11,720	20,005	5,680	735	3,811	4,553	46,504
Loans:							
Ending balance: Individually evaluated for impairment	3,592	8,137	4,782	163	614	-	17,288
Ending balance: Collectively evaluated for impairment	1,372,918	1,193,826	769,589	27,227	410,625	-	3,774,184
Ending balance: Acquired loans	53,604	84,397	24,961	5,623	10,349	-	178,935
Loans ending balance:	$ 1,430,114	$ 1,286,360	$ 799,332	$ 33,013	$ 421,588	$ -	$ 3,970,407

As of March 31, 2021, loans acquired in the acquisition of First Colebrook Bancorp, Inc. had a balance of $1,304 in the ALL.

(in thousands of dollars)

The following table presents the activity in the ALL and select loan information by portfolio segment for the year ended March 31, 2020:

ALL:	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Unallocated	Total
Beginning balance	$ 9,015	$ 8,812	$ 4,000	$ 1,202	$ 7,727	$ 1,537	$ 32,293
Loans charged off	(19)	(1)	(394)	(649)	(346)	-	(1,409)
Recoveries	224	329	279	500	162	-	1,494
Provision (credit) for loan and credit losses	975	456	353	(201)	16	201	1,800
Ending balance	10,195	9,596	4,238	852	7,559	1,738	$ 34,178
Ending balance: Individually evaluated for impairment	96	537	478	114	4	-	1,229
Ending balance: Collectively evaluated for impairment	10,099	9,059	3,760	738	7,555	1,738	32,949
Loans:							
Ending balance: Individually evaluated for impairment	3,448	4,556	4,829	315	588	-	13,736
Ending balance: Collectively evaluated for impairment	1,037,122	1,136,073	467,533	31,034	482,174	-	3,153,936
Ending balance: Acquired loans	13,293	80,840	31,291	1,968	2,380	-	129,772
Loans ending balance:	$ 1,053,863	$ 1,221,469	$ 503,653	$ 33,317	$ 485,142	$ -	$ 3,297,444

Risk Characteristics

The Company focuses on maintaining a well-balanced and diversified loan portfolio. Despite such efforts, it is recognized that credit concentrations may occasionally emerge as a result of economic conditions, changes in demand, loan growth, and runoff. To ensure that credit concentrations can be identified and monitored, all loans are assigned North American Industry Classification System Codes, and state and county codes. Shifts in concentrations are monitored by management.

To further identify loans with similar risk profiles, the Company categorizes each portfolio segment into classes by credit risk characteristic and applies a risk rating. Residential real estate consists primarily of conventional, first mortgages on residential properties in Maine, New Hampshire, and Massachusetts. The Company strives to underwrite all residential mortgage loans to secondary market standards. Commercial real estate is comprised of loans to Maine and New Hampshire businesses, primarily collateralized by owner-occupied real estate, while Commercial is primarily comprised of loans to Maine and New Hampshire businesses collateralized by accounts receivable, inventory, equipment, and other non-real estate assets. Commercial real estate loans typically have a maximum loan-to-value of 80% based upon current appraisal values at the time the loan is made. Consumer loans (installment and revolving) consist primarily of home equity lines of credit and loans on residential properties in Maine and New Hampshire.

The process of establishing the allowance for the Commercial portfolios begins when a loan officer initially assigns each loan a risk rating, using established credit criteria. Approximately 63% of Commercial outstandings and commitments are subject to review and validation annually by an

(in thousands of dollars)

independent consulting firm as well as periodically by the Company's loan committees and credit review function. The process of establishing the allowance for Residential and Consumer portfolios begins at origination when a risk rating is assigned based on the general characteristics of the loan. Risk ratings are changed in accordance with borrower performance, considering the impact of current and anticipated economic conditions on the borrower's overall financial condition considering the types of borrowers and/or lines of business. In determining the ability to collect certain loans, the Company considers the fair value of underlying collateral.

Risk ratings are assigned for all loans. Risk ratings are specifically used to provide a risk profile of the loan portfolio to identify trends, the relative levels of risk, and to support the development of strategic initiatives related to credit risk; to identify deteriorating loans, lending relationships and/or industries; and to reflect the probability that a specific loan customer may default on its obligation. The Company uses the following definitions when assessing risk:

1 Superior
Credits rated "1" are characterized by borrowers fully responsible for the loans with superior capacity to pay principal and interest. Loans rated "1" are typically secured by properly margined liquid collateral.

2 Excellent
Credits rated "2" are characterized by borrowers with strong capacity to pay principal and interest. Borrowers have strong levels of liquidity, earnings, and cash flow and consistent records of strong performance.

3 Very Good
Credits rated "3" are characterized by borrowers that exhibit very good credit strength and capacity to pay principal and interest.

4 Above Average
Credits rated "4" demonstrate above average credit strength with better than average and stable repayment sources.

5 Average
Credits rated "5" represent borrowers of more risk than loans rated 1-4, but borrowers that are considered average risk based on general credit worthiness.

6 Acceptable
Credits rated "6" represent borrowers that are generally acceptable but do not qualify for more favorable risk ratings. Borrowers may be more susceptible to adverse economic trends and cash flow is generally adequate to pay debt service.

7 Special Mention
Credits rated "7" represent loans of increasing risk that have developed a degree of uncertainty, expected to be temporary, but are potentially weak if the circumstances are not improved or the situation corrected.

8 Substandard
Loans in this category have a well-defined weakness such as deficit cash flow or operating losses that have affected, or may affect, the paying capacity of the borrower. Payment in full may rely on secondary repayment sources such as collateral liquidation or guarantor and the Company may incur some loss in the future if circumstances are not improved.

(in thousands of dollars)

9 Doubtful

Loans in this category have the same weaknesses as those classified Substandard but collection in full is highly improbable based on current facts and circumstances. The probability of loss is high but because of certain important and specific pending factors that may work to the advantage and strengthening of the asset, its classification as loss is deferred until its more exact status may be determined.

The following table summarizes the risk ratings for the loan portfolio by portfolio segment, as of March 31, 2021:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	$ 1,419,656	$ 1,214,988	$ 779,911	$ 32,486	$ 418,645	$ 3,865,686
Special mention (Grade 7)	3,282	27,076	5,408	78	481	36,325
Substandard (Grade 8)	7,176	44,296	13,986	449	2,462	68,369
Doubtful (Grade 9)	-	-	27	-	-	27
Total	$ 1,430,114	$ 1,286,360	$ 799,332	$ 33,013	$ 421,588	$ 3,970,407

The following table summarizes the risk ratings for the loan portfolio by portfolio segment, as of March 31, 2020:

	Residential Real Estate	Commercial Real Estate	Commercial	Consumer Installment	Consumer Revolving	Total
Pass (Grades 1-6)	$ 1,042,846	$ 1,193,346	$ 486,959	$ 32,573	$ 482,269	$ 3,237,993
Special mention (Grade 7)	4,363	3,965	4,794	140	860	14,122
Substandard (Grade 8)	6,654	24,158	11,889	604	2,013	45,318
Doubtful (Grade 9)	-	-	11	-	-	11
Total	$ 1,053,863	$ 1,221,469	$ 503,653	$ 33,317	$ 485,142	$ 3,297,444

The Company works proactively with borrowers experiencing financial difficulty to assist with loan repayments, accommodations, or modifications. In certain instances, the Company extends a troubled debt restructure (TDR) where the Company, for economic or legal reasons related to the borrower's financial difficulties, grants a concession to the borrower that it would not otherwise consider. To determine whether or not a loan should be characterized as a TDR, management evaluates the circumstances of the loan by considering: past due status with any of its debt; whether the borrower has declared, or is in the process of declaring bankruptcy; if there is doubt that the borrower will continue as a "going concern"; and/or if the borrower is unable to refinance with another lender, and after consideration of these factors, grants a concession. Common types of concessions include maturity date extensions, payment deferral, and/or interest rate adjustment to below market pricing. Once a loan has been restructured as a TDR, it remains a restructured loan until paid in full. The Company applies the same interest accrual policy to TDRs as it does for all classes of loans. TDRs involve modifications or a reduction of either interest or principal.

On March 22, 2020, federal banking regulators issued an Interagency Statement providing guidance on accounting for loan modifications in light of the economic impact of the COVID-19 pandemic. On March 27, 2020, the CARES Act was enacted. Both the Interagency Statement and the CARES Act provided an exemption for qualified modifications from TDR designation. The Company has

(in thousands of dollars)

adopted the TDR guidance and during the year ended March 31, 2021 granted short term concessions and/or modifications within the terms of this guidance. As of March 31, 2021, modifications under the terms of this guidance to 44 borrowers having an aggregate balance of approximately $142,000 were outstanding. These loans may bear a higher risk of default in future periods.

The following table summarizes TDRs as of March 31, 2021:

	Number of Contracts	Current Balance	Specific Reserves
Residential real estate	35	$ 3,499	$ 100
Commercial real estate	8	1,236	-
Commercial	17	1,037	248
Consumer installment	6	269	108
Consumer revolving	14	612	50
Total	80	$ 6,653	$ 506

The following table summarizes TDRs as of March 31, 2020:

	Number of Contracts	Current Balance	Specific Reserves
Residential real estate	35	$ 3,448	$ 96
Commercial real estate	12	1,423	402
Commercial	24	2,080	46
Consumer installment	6	316	114
Consumer revolving	12	588	4
Total	89	$ 7,855	$ 662

The following table shows loans placed on TDR status during the year ended March 31, 2021, by loan segment and the associated specific reserve included in the allowance for loan losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Residential real estate	3	$ 396	$ 414	$ 408	$ -
Commercial	1	25	25	25	-
Consumer installment	2	23	22	21	-
Consumer revolving	1	47	47	57	47
Total	7	$ 491	$ 509	$ 510	$ 47

(in thousands of dollars)

The following table shows loans placed on TDR status during the year ended March 31, 2020, by loan segment and the associated specific reserve included in the allowance for loan losses:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Commercial real estate	1	$ 447	$ 447	$ 447	$ -
Commercial	4	483	483	232	29
Consumer revolving	3	355	351	314	1
Total	8	$ 1,285	$ 1,281	$ 993	$ 30

The following table shows a TDR loan that defaulted during the year ended March 31, 2021, that was modified as a TDR within the 12 months prior to the payment default:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Consumer revolving	1	$ 60	$ 60	$ 57	$ 1
Total	1	$ 60	$ 60	$ 57	$ 1

The following table shows TDR loans that defaulted during the year ended March 31, 2020, that were modified as TDRs within the 12 months prior to the payment default:

	Number of Contracts	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment	Current Balance	Specific Reserves
Commercial	4	$ 394	$ 394	$ 85	$ 24
Consumer revolving	1	60	60	60	1
Total	5	$ 454	$ 454	$ 145	$ 25

6. Loan Servicing

The components of capitalized loan servicing rights as of March 31 are as follows:

	2021	2020
Beginning balance	$ 2,478	$ 1,820
Net additions	6,236	1,129
Amortization	(3,149)	(471)
Ending balance	$ 5,565	$ 2,478

Loans serviced for others are not included on the accompanying consolidated balance sheets of the Company. The unpaid principal balance of loans serviced for others was $779,403 and $367,630 as of March 31, 2021 and 2020, respectively.

(in thousands of dollars)

Custodial escrow balances, including those maintained in connection with the foregoing loan servicing, were $6,409 and $3,838 as of March 31, 2021 and 2020, respectively, and are included in savings accounts.

7. Premises and Equipment

Premises and equipment consists of the following as of March 31:

	2021	2020
Land	$ 16,390	$ 14,577
Premises	167,454	151,527
Furniture and equipment	49,683	44,216
Leasehold improvements	7,303	7,303
Construction-in-progress	15,602	9,422
Total premises and equipment	256,432	227,045
Less accumulated depreciation	64,996	54,681
	$ 191,436	$ 172,364

8. Lease Commitments

The Company is obligated under a number of non-cancelable operating leases for branch and operations locations. Total rent expense incurred under all operating leases for the years ended March 31, 2021 and 2020, was $1,793 and $1,920, respectively.

A schedule by year of approximate future minimum rental payments required under non-cancelable operating leases as of March 31, 2021, is as follows:

2022	$ 1,733
2023	1,660
2024	1,657
2025	1,581
2026	1,590
Thereafter	25,641
	$ 33,862

The rental agreements provide for renewal options upon expiration of the initial lease term. Additionally, the leases provide that the Company pay taxes, maintenance, insurance, and certain other operating expenses for the leased premises. Management expects that, in the normal course of business, leases that expire will be renewed or replaced by other leases.

(in thousands of dollars)

9. Intangible Assets

The following table shows identifiable intangible asset balances, net of amortization, included in other assets as of March 31:

	2021	2020	Estimated Amortization Period (in Years)
Customer relationships	$ 2,464	$ 2,239	7-15
Intellectual property	88	88	7
Noncompete agreements	25	25	5
Accumulated amortization	(1,675)	(1,207)	
	$ 902	$ 1,145	

Amortization expense of intangibles included in other expenses for the years ended March 31, 2021 and 2020, was $468 and $554, respectively. For the intangible assets as of March 31, 2021, the approximate annual future amortization expense is estimated to be $406 in 2022, $286 in 2023, $153 in 2024, $39 in 2025, and $15 in 2026. The customer relationships include the core deposit intangibles related to the acquisitions disclosed in Note 2.

10. Deposits

The following table shows deposit balances as of March 31:

	2021	2020
Demand deposit accounts	$ 1,537,027	$ 935,325
NOW accounts	843,235	660,157
Savings accounts	988,597	669,808
Money market accounts	1,060,229	750,705
Time deposits - under $250,000	422,159	383,879
Time deposits - $250,000 or more	112,670	259,171
	$ 4,963,917	$ 3,659,045

Included within the table above are brokered deposits of $140,037 and $201,226 as of March 31, 2021 and 2020, respectively.

(in thousands of dollars)

The following table summarizes time deposits by maturity as of March 31:

	2021	2020
Within 1 year	$ 371,464	$ 448,750
1 to 2 years	84,170	106,632
2 to 3 years	50,460	40,097
3 to 4 years	17,640	32,691
4 to 5 years	11,095	14,880
	$ 534,829	$ 643,050

11. Borrowed Funds

Short-term borrowed funds consist of Federal funds purchased from correspondent banks as well as all advances from the Federal Home Loan Bank of Boston (FHLBB) and securities sold under agreements to repurchase (repurchase agreements) that have original maturities of less than one year. Typically, customer repurchase agreements have maturities of 30 days or less and are collateralized by mortgage-backed securities and U.S. Government obligations. Long-term borrowed funds represent long-term advances from the FHLBB with original maturities dates over one year.

The FHLBB advances were collateralized by all of the Company's FHLBB stock, a blanket pledge of certain eligible first lien mortgages against real property, and all funds placed in deposit accounts at the FHLBB.

The following table shows borrowed funds as of March 31:

	2021		2020	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Short-term borrowed funds				
Customer repurchase agreements	$ 559,614	0.11 %	$ 460,121	0.95 %
Short-term advances from FHLBB	20,000	0.34	42,000	0.74
Daily cash manager from FHLBB	14,000	0.37	89,000	0.37
	593,614	0.12	591,121	0.85
Long-term borrowed funds				
Long-term advances from FHLBB	20,623	1.65	21,143	1.34
	20,623	1.65	21,143	1.34
Total borrowed funds	$ 614,237	0.17 %	$ 612,264	0.87 %

(in thousands of dollars)

Long-term borrowed funds consisted of the following maturities as of March 31:

	2021		2020	
	Amount	Weighted Average Rate	Amount	Weighted Average Rate
Payable during year ending March 31,				
2021	$ -	- %	$ 8,073	1.02 %
2022	6,452	1.84	6,258	1.85
2023	459	1.50	262	1.35
2024	466	1.52	265	1.37
2025	472	1.53	269	1.39
2026	481	1.55	273	1.41
Beyond 2026	12,293	1.57	5,743	1.23
	$ 20,623	1.65 %	$ 21,143	1.34 %

Based upon Company loans pledged to the FHLBB as of March 31, 2021, the Company has additional borrowing capacity with the FHLBB of up to $598,708 subject to the purchase of up to $17,961 of additional FHLBB stock. In addition, the Company had in place $200,000 in unsecured Federal funds lines of credit with correspondent banks, of which $200,000 was unused and available for use, and a credit facility of $239,393 with the Federal Reserve Bank of Boston using commercial loans and municipal bonds as collateral, of which $239,393 was unused and available for use.

12. Financial Instruments with Off-Balance-Sheet Risk

In the normal course of business, the Company is party to financial instruments with off-balance-sheet risk to meet the financing needs of its customers and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to originate and sell loans, commercial and standby letters of credit, interest rate cap contracts, and swap agreements entered into for the benefit of commercial customers. The instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amounts recognized in the consolidated balance sheets. The contractual or notional amounts of those instruments reflect the extent of involvement the Company has in particular classes of financial instruments.

The Company's exposure to credit loss in the event of nonperformance by the other party to the above financial instruments is represented by the contractual amounts of the instruments. The Company uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

(in thousands of dollars)

Approximate contractual or notional amounts of financial instruments with off-balance-sheet risk as of March 31 are as follows:

	2021	2020
Commitments to originate loans	$ 306,376	$ 282,076
Unused lines of credit		
Commercial	495,783	493,395
Home equity	388,667	341,649
Consumer/Standby	23,713	22,492
Overdraft protection	39,251	36,747
Commercial letters of credit	2,344	2,995
Financial standby letters of credit	3,529	3,894
FHLBB letters of credit	256,885	102,185
Performance standby letters of credit	4,436	4,503
Gross notional amounts of swap contracts	533,050	356,174
Business credit card recourse agreements	280	355
Derivative mortgage interest rate lock commitments	108,238	113,652
Derivative mortgage loan sale commitments	186,526	155,598

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by the Company upon the credit extension, is based on management's credit evaluation of the counterparty. Collateral held varies but may include residential and commercial real estate and, to a lesser degree, personal property, business inventory, and accounts receivable.

Commercial letters of credit are commitments to make payment on behalf of a customer. Financial standby letters of credit are conditional commitments issued by the Company to guarantee the performance of a customer to a third party. FHLBB letters of credit are guarantees issued by FHLBB to qualified public entities in lieu of deposit insurance for balances in excess of $250. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Interest rate lock commitments are agreements to extend credit to borrowers at a specified rate for generally a 30-day or 60-day period for the origination and/or purchase of loans. Unfunded loans for which commitments have been entered into are called “pipeline loans.” Some of these rate lock commitments will ultimately expire without being completed. To the extent that a loan is ultimately granted and the borrower ultimately accepts the terms of the loan, these rate lock commitments expose the Company to variability in their fair value due to changes in interest rates. If interest rates increase, the value of these rate lock commitments decreases. Conversely, if interest rates decrease, the value of these rate lock commitments increases.

(in thousands of dollars)

13. Employee Benefits

Defined Contribution Pension Plan
The Company has a defined contribution pension plan which covers substantially all employees. The total expense associated with this plan for the years ended March 31, 2021 and 2020, was $6,129 and $4,209, respectively.

Incentive Compensation Plan
The Company has an incentive compensation plan that covers substantially all employees. Bonuses are awarded to employees based on pre-established financial performance goals. The expense associated with this plan for the years ended March 31, 2021 and 2020, was $12,652 and $8,620, respectively.

Supplemental Retirement Plan
In 2003, the Company established an unfunded, nonqualified supplemental retirement plan for certain key officers. The plan was primarily designed to offset the impact of contribution thresholds in the Company's defined contribution pension plan that statutorily limit the benefits for highly paid employees under qualified pension plans. The plan will generally provide the participants a benefit payable upon retirement, disability, or death, disbursed over either a 20-year period or life-certain, as selected by the participant. The expense associated with this plan for the years ended March 31, 2021 and 2020, was $1,566 and $1,840, respectively.

Postretirement Benefits
The Company sponsors a defined benefit postretirement plan that provides limited postretirement medical and life insurance benefits to certain full-time employees who retire after the age of 55 and have 10 years of service or age 60 with 5 years of service. The plan is noncontributory. The Company's policy is to fund the cost of postretirement benefits in amounts determined at the discretion of management.

The estimated funded status of the plan for years ended March 31 is as follows:

	2021	2020
Reconciliation of Benefit Obligation		
Obligation at April 1,	$ 820	$ 1,140
Service cost	32	28
Interest cost	23	44
Benefit payments	(63)	(77)
Actuarial loss (gain)	56	(315)
Obligation and funded status at March 31,	$ 868	$ 820
Net Periodic Postretirement Benefit Cost		
Service cost	$ 32	$ 28
Interest cost	23	44
Amortization of prior service credit	(20)	(20)
Net periodic postretirement benefit cost	$ 35	$ 52

(in thousands of dollars)

Assumptions used in determining the actuarial present value of the benefit obligation and net periodic postretirement benefit cost were as follows:

	2021	2020
Discount Rate		
For measuring benefit obligation	2.68%	2.88%
For measuring net periodic postretirement benefit cost	2.88%	4.00%

For measurement purposes, a 5.00% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2021, and was assumed to remain at that level thereafter. Other information regarding the plan is as follows:

	2021	2020
Employer contribution	$ 63	$ 77
Benefits paid	63	77

Expected benefit payments for the ten years following March 31, 2021, are as follows:

2022	$ 83
2023	55
2024	48
2025	57
2026	70
2027-2031	231

Management expects the Company’s contribution to the plan in 2022 will approximate $83.

Amounts not yet reflected in net periodic benefit cost and included in accumulated other comprehensive income (loss) at March 31 are as follows:

	2021	2020
Net unrecognized actuarial (loss) gain	$ (8)	$ 48
Unamortized prior service credit	136	156
	$ 128	$ 204

The following amount was recognized in other comprehensive income (loss) in 2021 and 2020:

	2021	2020
Net actuarial loss (gain)	$ 56	$ (314)
Amortization of prior service credit	20	20
	$ 76	$ (294)

(in thousands of dollars)

The reclassification of amortization of the net actuarial loss (gain) and of prior service credit included in net periodic benefit credit is reflected in the consolidated statements of income in compensation and benefits expense.

In 2022, $20 is expected to be reclassified from accumulated other comprehensive income (loss) and recognized in net periodic benefit cost.

14. Income Taxes

A summary of income taxes applicable to income before income tax expense for the years ended March 31 follows:

	2021			2020		
	Federal	State	Total	Federal	State	Total
Current	$ 12,885	$ 1,291	$ 14,176	$ 2,145	$ 857	$ 3,002
Deferred	(4,564)	-	(4,564)	3,579	-	3,579
	$ 8,321	$ 1,291	$ 9,612	$ 5,724	$ 857	$ 6,581

The effective federal income tax rate differed from the statutory rate as follows:

	2021	2020
Statutory rate	21.0 %	21.0 %
Differences resulting from		
Net earnings on bank owned life insurance contracts	(1.2)	(1.4)
Municipal income	(0.8)	(1.4)
Tax credits, net of amortization	(1.9)	(3.1)
State income taxes, net of federal tax benefit	2.1	1.6
Merger expenses	0.2	0.2
Qualified transportation fringe benefits	0.1	0.1
Other	(0.1)	(1.3)
Effective rate	19.4 %	15.7 %

(in thousands of dollars)

A summary of the tax effects of temporary differences that give rise to significant portions of deferred tax assets and deferred tax liabilities as of March 31 follows:

	2021	2020
Deferred tax assets		
Allowance for loan losses	$ 10,164	$ 7,084
Accrued benefit and compensation costs	3,125	3,014
Deferred compensation	2,799	1,525
Accrued expenses	1,384	1,021
Unrealized losses on equity securities	74	72
Other	102	746
Tax credits	304	545
Fair value adjustments from acquisition	894	347
Paycheck Protection Program service fees	2,537	-
Gross deferred tax assets	21,383	14,354
Deferred tax liabilities		
Premises and equipment	(9,155)	(8,517)
Unrealized gains on investment securities available for sale	(323)	(8,190)
Loan origination costs	(2,741)	(2,360)
Intangibles/goodwill	(4,628)	(4,667)
Loan servicing rights	(1,169)	(520)
Gross deferred tax liabilities	(18,016)	(24,254)
Net deferred tax asset (liability)	$ 3,367	$ (9,900)

The allocation of deferred tax expense involving items allocated to current year income and items allocated directly to capital (related solely to other comprehensive income) for the years ended March 31 follows:

	2021	2020
Deferred tax cost allocated to capital	$ (7,643)	$ 8,079
Deferred tax cost allocated to operations	(4,563)	3,579
Total deferred tax cost	$ (12,206)	$ 11,658

The Company will only recognize a deferred tax asset when, based upon available evidence, realization is more likely than not.

For the years prior to 1996, the Bank used the percentage of income bad debt deduction to calculate its bad debt expense for tax purposes as was permitted by the Internal Revenue Code. The cumulative effect of this deduction of approximately $13,773 is subject to recapture, if used for purposes other than to absorb loan losses. Deferred taxes of $2,892 have not been provided on this amount because the Company does not intend to use the tax reserve other than to absorb loan losses.

(in thousands of dollars)

15. Regulatory Capital Requirements

The Company is subject to various regulatory capital requirements administered by federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Effective January 1, 2015, the Company implemented the Basel III regulatory capital framework. These new rules and framework revised minimum capital requirements and adjusted prompt corrective action thresholds. Under the Basel III regulatory capital framework, the quantitative measures established to ensure capital adequacy require the Company to maintain minimum amounts and ratios of total, Tier 1 capital, and common equity Tier 1 (as defined) to risk-weighted assets (as defined), and of Tier 1 capital to average assets, or leverage ratio (as defined). These guidelines apply to the Company on a consolidated basis. In addition to these requirements, the banking organization must maintain a 2.5% capital conservation buffer consisting of common tier 1 equity. As of March 31, 2021, the Company had a capital conservation buffer of 5.3%, which was in excess of the regulatory requirement of 2.5%. As of March 31, 2021, management believes that the Company meets all capital adequacy requirements to which it is subject.

As of March 31, 2021, the most recent notification from the FDIC categorized the Company as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Company must maintain minimum total risk-based, Tier 1 risk-based, common equity Tier 1 risk-based, and Tier 1 leverage ratios as set forth in the table. There are no conditions or events since that notification that management believes would cause a change in the Company's categorization.

(in thousands of dollars)

The Company's actual capital amounts and ratios are presented in the following table:

	Actual		For Capital Adequacy Under Basel III		To be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of March 31, 2021						
Total capital (to risk-weighted assets)	$ 498,929	13.30%	$ 393,799	10.50 %	$ 375,047	10.00 %
Tier 1 capital (to risk-weighted assets)	452,061	12.05	318,790	8.50	300,037	8.00
Common equity tier 1 (to risk-weighted assets)	452,061	12.05	262,533	7.00	243,780	6.50
Tier 1 leverage capital (to average assets)	452,061	7.53	240,070	4.00	300,088	5.00
As of March 31, 2020						
Total capital (to risk-weighted assets)	$ 464,279	13.86 %	$ 351,744	10.50 %	$ 334,994	10.00 %
Tier 1 capital (to risk-weighted assets)	430,101	12.84	284,745	8.50	267,996	8.00
Common equity tier 1 (to risk-weighted assets)	430,101	12.84	234,496	7.00	217,746	6.50
Tier 1 leverage capital (to average assets)	430,101	9.23	186,440	4.00	233,050	5.00

The Bank's regulatory capital requirements approximate those of the Company.

The Bank, through WM-NH, is subject to capital guidelines as required by the New Hampshire State Banking and Trust department. Under established capital adequacy guidelines and per the WM-NH capital policy, the Bank must maintain $750 segregated for regulatory purposes in two accounts: one with $500 and another with $250. The $500 is considered required capital under RSA 383-C:5-502. The $250 is considered a liquidation pledge under RSA 383-C:5-503. For the year ended March 31, 2021, the Bank maintained the two segregated accounts in the amounts of $500 and $250 in accordance with regulatory guidelines. As of March 31, 2021, the Bank, through WM-NH, held capital in the amount of approximately $2,750 of which the two segregated balances were a component.

16. Fair Value

Fair value is the exchange price that would be received for an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability. Fair value is best determined using quoted market prices. However, in many instances, quoted market prices are not available. In such instances, fair values are determined using various valuation techniques. Various assumptions and observable inputs must be relied upon in applying these techniques. GAAP establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs when measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data

(in thousands of dollars)

obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions that the market participants would use in pricing the asset or liability based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

Level 1 — Valuation is based on quoted prices in active markets for identical assets and liabilities.

Level 2 — Valuation is determined from quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar instruments in markets that are not active or by model-based techniques in which all significant inputs are observable in the market.

Level 3 — Valuation is derived from model-based and other techniques in which at least one significant input is unobservable and which may be based on the Company's own estimates about the assumptions that market participants would use to value the asset or liability.

The following describes the methods and assumptions used by the Company in estimating its fair value measurements:

Investment Securities
Fair values of investment securities are based on quoted bid market prices, where available. Where quoted market prices for an instrument are not available, fair values are based on quoted market prices of similar instruments, adjusted for differences between the quoted instruments and the instruments being valued. As such, the Company classifies investment securities as Level 2, except for equity securities and certain U. S. government obligations which are classified as Level 1.

Loans
Fair values of impaired loans, if collateral dependent, are discounted to the appraised value of the collateral, less costs to sell. As such, the Company classifies impaired loans as Level 2.

Loans Held For Sale
The fair value of loans held for sale is determined on an individual loan basis using quoted secondary market prices and is classified as Level 2.

Loan Servicing Rights
The fair values of loan servicing rights are estimated using discounted cash flows based on a current market interest rate. As such, the Company classifies loan servicing rights as Level 2.

Derivative Financial Instruments
The fair values of interest rate swaps are based on observable market prices for similar instruments or observable market interest rates. Fair values for on-balance sheet commitments to originate loans held for sale are based on quoted market prices for similar instruments in the secondary markets. As such, the Company classifies these instruments as Level 2.

OREO
Fair values of OREO are estimated using the market method, based on appraised value of the collateral, less cost to sell. As such, the Company classifies OREO as Level 2.

(in thousands of dollars)

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	$ -	$ 130,558	$ -	$ 130,558
Other bonds and obligations	-	116,387	-	116,387
Mortgage-backed securities	-	1,484,580	-	1,484,580
Equity securities	11,287	-	-	11,287
Mortgage loans held for sale	-	79,028	-	79,028
Interest rate lock commitments	-	2,665	-	2,665
Forward sale commitments	-	2,933	-	2,933
Interest rate swaps	-	1,430	-	1,430
Liabilities				
Forward sale commitments	-	92	-	92
Interest rate swaps	-	2,890	-	2,890

The following table summarizes financial assets and financial liabilities measured at fair value on a recurring basis as of March 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Securities available for sale				
U.S. government and GSE obligations	$ -	$ 48,125	$ -	$ 48,125
Other bonds and obligations	-	63,590	-	63,590
Mortgage-backed securities	-	991,178	-	991,178
Equity securities	9,976	-	-	9,976
Mortgage loans held for sale	-	43,500	-	43,500
Interest rate lock commitments	-	2,875	-	2,875
Forward sale commitments	-	447	-	447
Interest rate swaps	-	14,174	-	14,174
Liabilities				
Forward sale commitments	-	1,476	-	1,476
Interest rate swaps	-	16,779	-	16,779

The following table summarizes financial assets and financial liabilities measured at fair value on a non-recurring basis as of March 31, 2021:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	$ -	$ 5,565	$ -	$ 5,565
Impaired loans	-	5,883	-	5,883
Other real estate owned	-	122	-	122

(in thousands of dollars)

The following table summarizes financial assets and financial liabilities measured at fair value on a non-recurring basis as of March 31, 2020:

	Level 1	Level 2	Level 3	Total
Assets				
Loan servicing rights	$ -	$ 2,478	$ -	$ 2,478
Impaired loans	-	1,736	-	1,736

17. Interest Rate Swaps

The Company enters into interest rate swap agreements executed with commercial banking customers to facilitate customer risk management strategies. In addition to the swap agreement with the borrower, the Company enters into a second “back-to-back” swap agreement with a third party; the general terms of this swap mirror those of the first swap agreement. In entering into this transaction, the Company has offset its interest rate risk exposure to the swap agreement with the borrower. All interest rate swaps are valued at observable market prices for similar instruments or observable market interest rates.

The following table presents summary information regarding the value of customer related interest rate swaps, which are included in other assets (liabilities) as of March 31:

	2021 Net Asset (Liability)	2020 Net Asset (Liability)
Swaps receive fixed	$ 1,430	$ 14,174
Swaps pay fixed	(1,430)	(14,174)
Net customer related swaps	$ -	$ -

The outstanding notional amounts of interest rate swaps entered into on behalf of customers at March 31 were as follows:

	2021	2020
Swaps receive fixed	$ 186,525	$ 119,587
Swaps pay fixed	186,525	119,587

The Company also uses receive variable/pay fixed interest rate swaps to hedge variable rate liabilities in an effort to strategically manage interest rate sensitivity. The Company entered into interest rate swap agreements with other parties to exchange net payment streams on specified notional principal amounts, whereby the Company receives the floating variable rate and pays the fixed rate. At March 31, 2021 and 2020, the Company had notional amounts totaling $160,000 and $117,000, respectively, in such interest rate swap agreements. As each instrument qualifies as a highly effective cash flow hedge, the change in fair value of the interest rate swaps was recorded in other comprehensive income (loss), net of tax.

(in thousands of dollars)

The terms of the interest rate swap agreements at March 31, 2021, were as follows:

Notional Amount	Fixed Rate	Variable Rate	Maturity Date	Fair Value
$ 15,000	1.04 %	0.07 %	6/24/2021	$ (29)
25,000	1.86	0.14	7/26/2021	(132)
25,000	1.82	0.14	1/26/2022	(333)
25,000	0.13	0.40	4/8/2022	(13)
25,000	0.10	0.40	4/16/2022	(5)
25,000	0.45	0.09	3/31/2023	(82)
10,000	1.89	0.34	6/14/2024	(433)
10,000	1.89	0.34	6/14/2024	(433)

The terms of the interest rate swap agreements at March 31, 2020, were as follows:

Notional Amount	Fixed Rate	Variable Rate	Maturity Date	Fair Value
$ 7,000	1.39 %	1.80 %	10/20/2020	$ (19)
25,000	1.91	1.77	01/26/2021	(241)
15,000	1.04	1.23	06/24/2021	(94)
25,000	1.86	1.77	07/26/2021	(423)
25,000	1.82	1.77	01/26/2022	(602)
10,000	1.89	0.89	06/14/2024	(613)
10,000	1.89	0.89	06/14/2024	(613)