

PUBLIC DISCLOSURE

February 6, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Franklin Savings Bank
Certificate Number: 17951

387 Central Street
Franklin, New Hampshire 03235

Federal Deposit Insurance Corporation
Division of Depositor and Consumer Protection
New York Regional Office

350 Fifth Avenue, Suite 1200
New York, New York 10118

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

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INSTITUTION RATING

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

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans in the assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA related complaints since the previous evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Satisfactory.

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

DESCRIPTION OF INSTITUTION

Background

Franklin Savings Bank is an independent community bank wholly owned by Franklin Bancorp, Mutual Holding Company. The bank operates in portions of Belknap, Grafton, Hillsborough, and Merrimack Counties in New Hampshire (NH). Franklin Savings Bank offers investment, insurance, and financial planning services through its wholly owned subsidiary, Independence Financial Advisors, LLC. The FDIC assigned Franklin Savings Bank a Satisfactory rating at its previous CRA Performance Evaluation, dated October 21, 2019, based on the Interagency Intermediate Small Institution (ISI) Examination procedures.

Operations

Franklin Savings Bank operates eight full-service offices including the main office at 387 Central Street, Franklin, NH. Branches are located in Bristol (Grafton County), Boscawen and Franklin (Merrimack County), Tilton and Gilford (Belknap County), and Merrimack and Goffstown (Hillsborough County). Each branch provides lobby, drive-up, and 24-hour ATM service. Franklin Savings Bank provides customers 24-hour cash access, free-of-charge, at any location. The bank also maintains a commercial loan production office in Bedford (Hillsborough County). Franklin Savings Bank offers commercial and residential loan products, business and personal banking, and investment services. The bank continues to focus primarily on growing business banking relationships. Commercial loan products include commercial mortgages, lines of credit, and construction and equipment loans. The bank also offers letters of credit. Business banking services include checking and savings, cash management, and various business services such as online cash management and debit and credit cards. Personal loan products include residential mortgages, home equity lines of credit, and consumer loans. Personal banking services include checking, savings, certificates of deposit, and individual retirement accounts; debit and credit cards; and online deposit capture. The bank also offers on-line and mobile banking, bill pay, person-to-person payments, and overdraft forgiveness.

The bank did not open any branches and was not involved in any merger or acquisition activities since the prior evaluation.

Ability and Capacity

As of December 31, 2022, deposits totaled approximately \$671 million and assets totaled approximately \$762 million, including total loans of \$533 million and securities of \$165 million. Assets increased by approximately \$242 million, or 46.7 percent since June 30, 2019, (the last quarter utilized at the prior evaluation). An increase in the loan and securities portfolios drove asset growth. Total loans increased approximately \$190 million, or 55.3 percent, and securities increased by approximately \$62 million, or 59.6 percent. Loan growth is primarily attributable to commercial loan originations. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 12/31/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	39,953	7.5
Secured by Farmland	0	0.0
Secured by 1-4 Family Residential Properties	206,650	38.8
Secured by Multifamily (5 or more) Residential Properties	42,043	7.9
Secured by Nonfarm Nonresidential Properties	209,571	39.3
Total Real Estate Loans	498,217	93.5
Commercial and Industrial Loans	21,098	4.0
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	1,648	0.3
Obligations of State and Political Subdivisions in the U.S.	7,552	1.4
Other Loans	0	0.0
Lease Financing Receivable (net of unearned income)	4,054	0.8
Less: Unearned Income	0	0.0
Total Loans	532,569	100.0
<i>Source: Reports of Condition and Income</i>		

The bank provides for the credit needs of its communities in a manner consistent with its size, financial condition, resources, and local economic conditions. Although examiners did not identify any financial or legal impediments that affect the bank’s ability to meet the assessment areas’ credit needs, several economic and demographic indicators, such as COVID-19, low interest rates, and economic relief packages affected lending opportunities.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Franklin Savings Bank designated two non-contiguous assessment areas: the NH Non-Metropolitan Statistical Area (Non-MSA) assessment area and the Manchester-Nashua, NH MSA assessment area.¹ The combined assessment area includes portions of Belknap, Grafton, and Merrimack Counties within the Non-MSA and portions of Hillsborough County in the Manchester-Nashua, NH MSA. Franklin Savings Bank has not changed its assessment areas since the prior evaluation. Please refer to the full-scope assessment area sections of this evaluation for additional demographic information on each assessment area.

¹ This document refers to these areas collectively as the combined assessment area.

SCOPE OF EVALUATION

General Information

The evaluation covers the period from the prior evaluation dated October 21, 2019, to the current evaluation dated February 6, 2023. Examiners used the ISI Examination Procedures to evaluate Franklin Savings Bank’s CRA performance. As described in the Appendices, these procedures include the Lending Test and Community Development Test. Banks must achieve at least a satisfactory rating under each test to obtain an overall “Satisfactory” rating.

Examiners obtained demographic and economic information referenced in the evaluation from the 2015 ACS, 2020 United States (U.S.) Census Bureau, D&B, Moody’s Analytics, the U.S. Bureau of Labor Statistics, and FDIC data. Examiners also obtained information from the December 31, 2022 Report of Income and Condition (Call Report).

Examiners evaluate factors such as lending volume, deposit activity, and branch presence when determining which assessment area will receive the most weight when assigning the overall rating. As shown in the following table, the Non-MSA assessment area has a majority of lending, deposits, and branch activity; therefore, examiners gave the most weight to the bank’s performance in the Non-MSA assessment area. The Manchester-Nashua, NH MSA assessment area received less weight as it accounts for a smaller portion of the bank’s lending, deposit, and branch activities. Examiners conducted full-scope reviews of both assessment areas to assess the bank’s ability to serve the combined assessment area. Examiners conducted a full-scope review of the Non-MSA assessment area as the vast majority of the bank’s lending, deposits, and branches are in the Non-MSA assessment area. Examiners conducted a full-scope review of the Manchester-Nashua MSA assessment area to determine if the bank’s community development performance improved since the prior evaluation.

Assessment Area Breakdown of Loans, Deposits, and Branches						
Assessment Area	Loans		Deposits		Branches	
	\$(000s)	%	\$(000s)	%	#	%
Non-MSA	101,858	91.7	613,768	91.5	6	75.0
Manchester-Nashua, NH MSA	9,170	8.3	57,005	8.5	2	25.0
Total	111,028	100.0	670,773	100.0	8	100.0
<i>Source: Bank Data; FDIC Summary of Deposits (06/30/2022)</i>						

Activities Reviewed

Examiners determined that the bank’s major product lines are home mortgage and small business loans. This conclusion considered the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period. Examiners did not review consumer loans, as they did not represent a major product line. Examiners did not review small farm loans, as the bank does not originate small farm loans. As consumer loans provided no material support for conclusions or ratings, examiners did not present them.

Examiners considered all home mortgage loans reported on the bank's 2019, 2020, and 2021 Home Mortgage Disclosure Act Loan Application Registers. The bank reported 121 loans totaling \$34.7 million in 2019, 225 loans totaling \$64.9 million in 2020, and 207 loans totaling \$87.4 million in 2021. Aggregate data and 2015 American Community Survey (ACS) census data provided a standard of comparison for home mortgage loans.

As an ISI, Franklin Savings Bank is not required to and does not report small business loans. However, the bank voluntarily collected all required data; therefore, examiners considered and analyzed all small business loans originated in 2019, 2020, and 2021. The bank originated 94 small business loans totaling \$16.4 million in 2019, 355 loans totaling \$33.2 million in 2020, and 248 loans totaling \$31.2 million in 2021. The large increases in small business lending is due to the bank's involvement in the Small Business Administration's (SBA) Paycheck Protection Program (PPP). PPP was part of the Coronavirus Aid, Relief, and Economic Security Act of 2020 and was designed to promote businesses with access to low-interest forgivable loans. Loan proceeds assisted with payroll and other business-related costs during the COVID-19 pandemic. SBA discontinued the PPP in mid-2021. As the bank did not elect to report small business data, examiners did not use aggregate data as a standard of comparison. D&B data for 2019, 2020, and 2021 provided a standard of comparison for small business lending.

For the Lending Test, examiners analyzed the number and dollar volume of home mortgage and small business loans. Although the tables throughout this evaluation present both the number and dollar volume of loans, examiners emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. When arriving at overall Lending Test conclusions, examiners placed more weight on home mortgage loans than small business loans.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior evaluation date of October 21, 2019, to the current evaluation date of February 6, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Franklin Savings Bank demonstrated reasonable performance under the Lending Test. Excellent performance under the Geographic Distribution criterion and reasonable performance under the Assessment Area Concentration and Borrower Profile criteria support this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the bank's size, financial condition, and credit needs. The bank's average net LTD ratio for the past 14 calendar quarters (beginning with quarter-end September 30, 2019, through December 31, 2022), was 75.5 percent, as illustrated in the following table. The table also reflects comparable institutions' LTD ratios over the same timeframe. Examiners selected these institutions for comparison based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 12/31/2022 (\$000s)	Average Net LTD Ratio (%)
Franklin Savings Bank	761,892	75.5
Primary Bank	653,939	87.8
Woodsville Guarantee Savings Bank	648,071	85.8
<i>Source: Reports of Condition and Income 09/30/2019 -12/31/2022</i>		

During the evaluation period, the bank’s quarterly LTD ratio varied from a low of 69.2 percent on September 30, 2021, to a high of 81.2 percent on December 31, 2019. The bank’s LTD ratio has increased gradually since September 30, 2021.

Assessment Area Concentration

Franklin Savings Bank originated a majority of loans by number within the combined assessment area. However, by dollar, the bank originated a majority of loans outside of the combined assessment area. This is due to several large mortgage loans secured by multi-family dwellings located outside the assessment area. Home mortgage lending volume generally increased over the period of 2019 to 2021, with a peak in 2020. Sustained low mortgage interest rates and increased home sales during the evaluation period contributed to the increase. The substantial increase in small business lending volume in 2020 and 2021 was due to the bank’s significant involvement in the PPP.

Lending Inside and Outside of the Assessment Area Assessment Area: Combined										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2019	65	53.7	56	46.3	121	11,018	31.7	23,725	68.3	34,743
2020	119	52.9	106	47.1	225	26,082	40.2	38,842	59.8	64,924
2021	109	52.7	98	47.3	207	28,043	32.1	59,350	67.9	87,394
Subtotal	293	53.0	260	47.0	553	65,144	34.8	121,917	65.2	187,060
Small Business										
2019	61	64.9	33	35.1	94	10,714	65.5	5,647	34.5	16,361
2020	268	75.5	87	24.5	355	21,075	63.4	12,145	36.6	33,220
2021	165	66.5	83	33.5	248	14,096	45.1	17,161	54.9	31,257
Subtotal	494	70.9	203	29.1	697	45,885	56.8	34,953	43.2	80,838
Total	787	63.0	463	37.0	1,250	111,029	41.4	156,870	58.6	267,898
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

Overall, the geographic distribution of loans reflects excellent dispersion of home mortgage and small business loans throughout the combined assessment area. Excellent performance in the Non-MSA assessment area supports this conclusion. The Manchester-Nashua, NH assessment area does not include any low- or moderate-income geographies, and a review of the Geographic Distribution criterion would not result in meaningful conclusions. Therefore, the Geographic Distribution analysis only considered the bank's performance in the Non-MSA assessment area. Tables illustrating the geographic distribution for the Non-MSA assessment area are included within that section.

Borrower Profile

Overall, the distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes. Reasonable performance in the Non-MSA and Manchester-Nashua, NH MSA assessment areas support this conclusion. Tables illustrating the borrower profile distribution for each assessment area are included within the respective assessment area sections.

Response to Complaints

The bank has not received any CRA-related complaints since the prior evaluation; therefore, this criterion did not affect the Lending Test rating.

COMMUNITY DEVELOPMENT TEST

Franklin Savings Bank demonstrated adequate responsiveness to the community development needs of its combined assessment area through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development.

Community Development Loans

Franklin Savings Bank originated 33 community development loans totaling approximately \$43.1 million during the evaluation period, which represents 6.7 percent of average total assets and 10.0 percent of average total loans. This level of lending demonstrates adequate responsiveness to community development lending opportunities in the assessment areas. Community development lending by dollar volume increased significantly since the prior evaluation. At the prior evaluation, the bank originated 31 loans totaling \$29.5 million. This increase is partially attributed to the bank renewing several lines and letters of credit. Of the 33 community development loans, 32 loans totaling approximately \$41.4 million were in the Non-MSA assessment area and one benefitted the statewide area. The bank's volume of community development loans is well above that of two similarly situated institutions by both number and dollar amount.

The following table illustrates the bank's community development lending activity by year and purpose.

Community Development Lending Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	3	4,750	0	0	0	0	3	4,750
2020	2	2,417	7	6,995	0	0	2	533	11	9,945
2021	0	0	4	4,760	0	0	2	155	6	4,915
2022	1	1,877	5	13,760	2	1,718	2	1,395	10	18,750
YTD 2023	0	0	3	4,750	0	0	0	0	3	4,750
Total	3	4,294	22	35,015	2	1,718	6	2,083	33	43,110

Source: Bank Data

The following is the community development loan that benefitted the greater statewide area.

- **125 NSS, LLC (NSS)** – In 2020, Franklin Savings Bank originated a \$1.7 million loan. NSS benefits low- and moderate-income individuals throughout NH by promoting healthcare and universal vaccination.

Please refer to the Non-MSA assessment area section for examples of community development lending activity in that assessment area.

Qualified Investments

Franklin Savings Bank made 120 qualified investments totaling approximately \$3.1 million. This total includes 28 equity investments totaling \$3.0 million and 92 donations totaling approximately \$129,000. Of these investments, 13 equity investments and 24 donations benefitted the regional or statewide area. In total, the bank’s investments represent 0.5 percent of average total assets and 2.0 percent of average total securities. This level of investment activity demonstrates adequate responsiveness to opportunities for qualified investments. Investment activity increased by dollar amount since the prior evaluation where the bank made 88 qualified investments for approximately \$2.8 million. When compared to similarly situated institutions, the bank’s investment activity exceeded one institution and was less than that of another.

The following table illustrates the qualified investments and donations by year and purpose in the combined assessment area.

Qualified Investments Assessment Area: Combined										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	1	250	2	255	1	5	0	0	4	510
2020	1	250	5	518	0	0	0	0	6	768
2021	1	250	8	330	2	20	1	117	12	717
2022	1	250	3	270	0	0	0	0	4	520
YTD 2023	1	250	1	250	0	0	0	0	2	500
Subtotal	5	1,250	19	1,623	3	25	1	117	28	3,015
Qualified Grants & Donations	4	7	88	122	0	0	0	0	92	129
Total	9	1,257	107	1,745	3	25	1	117	120	3,144

Source: Bank Data

Equity Investments

The following are notable examples of qualified equity investments that benefitted a greater statewide area.

- ***New Hampshire Community Loan Fund (NHCLF)*** – In 2022, the bank renewed its \$250,000 investment to a community loan fund. The funds are for an Equity Equivalent investment in a community development financial institution (CDFI). The investment allows the CDFI to increase lending and invest in economically disadvantaged communities. These investments benefitted the broader statewide or regional area that includes the assessment areas.
- ***NH Non-Profit Response Fund*** – In 2020, the bank invested \$15,000. The fund provided nonprofit organizations affected by the COVID-19 pandemic with working capital for

equipment purchases and program expenses. The fund primarily supports activities that provide community and health services to low- and moderate-income individuals.

Qualified Donations

The following are notable examples of qualified donations that benefit a greater statewide area.

- ***NeighborWorks Southern New Hampshire (NeighborWorks)*** – In 2019, Franklin Savings Bank donated \$1,000. NeighborWorks provides affordable housing and economic stability to low- and moderate-income individuals and families throughout southern NH. Services include developing affordable rental units and providing homeownership and financial counseling services.
- ***The Front Door Agency, Inc.*** – In 2109 and 2020 Franklin Savings Bank donated \$7,000. The Front Door Agency assists NH individuals and families transitioning from homelessness to self-sufficiency.

Please refer to the Non-MSA assessment area section for examples of community development investment activity in that assessment area.

Community Development Services

During the evaluation period, the bank demonstrated adequate responsiveness to community development service needs by providing 599 hours of financial expertise or technical assistance to nine community development organizations within the combined assessment area. This is a decrease from the previous evaluation period. During the prior evaluation, bank employees provided 987 hours of financial expertise or technical assistance to 24 different community development-related organizations. The COVID–19 pandemic impact on in-person activities affected the level of services provided during the evaluation period. Of the 599 community development service hours, 496 hours directly benefited the Non-MSA assessment area and 103 hours benefited the broader statewide area including the combined assessment area. The bank did not provide any hours in the Manchester-Nashua, NH MSA assessment area. The bank’s overall performance of providing community development services is comparable to two similarly situated institutions. Additionally, two full-service branches are located in moderate-income areas in Franklin.

The following table details the bank’s community development service activity by year and purpose for the combined assessment area.

Community Development Services Assessment Area: Combined					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	0	301	15	0	316
2021	0	151	0	0	151
2022	0	132	0	0	132
YTD 2023	0	0	0	0	0
Total	0	584	15	0	599
<i>Source: Bank Data</i>					

The following are examples of community development services benefitting the statewide area.

- **Circle Program** – Circle Program is a summer camp program for low- and moderate-income girls. A vice president is a Director.
- **Spaulding Academy & Family Services** - Spaulding Academy & Family Services provides educational, residential, therapeutic, and foster care programs and services to low- and moderate-income youth with neurological, emotional, behavioral, learning, or developmental challenges. Two executive officers serve as Directors.

Please refer to the Non-MSA assessment area section for examples of community development services in that assessment area.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank’s compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act and did not identify any discriminatory or other illegal credit practices.

NON-METROPOLITAN STATISTICAL AREA, NH – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE NON-MSA

Franklin Savings Bank maintains six, or 75 percent, of its eight branches in the Non-MSA assessment area. A substantial majority of deposits and loans are also within this assessment area; therefore, examiners placed greater weight on the bank’s performance in the Non-MSA assessment area than in the Manchester-Nashua MSA assessment area. The number and location of branches has not changed since the previous evaluation.

Economic and Demographic Data

The Non-MSA assessment area consists of 33 census tracts throughout Belknap (11), Grafton (2) and Merrimack (20) Counties. The census tracts have the following income designations according to the 2015 ACS data:

- 6 moderate-income census tracts,
- 22 middle-income census tracts, and
- 5 upper-income census tracts.

The moderate-income tracts are located in Concord (2), Franklin (2) and Laconia (2). The assessment area contains two census tracts designated as Qualified Opportunity Zones (QOZ). Both QOZs are in Franklin. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the intent of spurring economic development and creating jobs. The following table illustrates select demographic characteristics of the Non-MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Non-MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	33	0.0	18.2	66.7	15.2	0.0
Population by Geography	126,080	0.0	19.5	67.7	12.7	0.0
Housing Units by Geography	64,205	0.0	17.7	69.5	12.8	0.0
Owner-Occupied Units by Geography	34,498	0.0	15.9	70.3	13.9	0.0
Occupied Rental Units by Geography	15,973	0.0	29.5	62.7	7.8	0.0
Vacant Units by Geography	13,734	0.0	8.5	75.6	15.9	0.0
Businesses by Geography	14,831	0.0	21.7	64.2	14.1	0.0
Farms by Geography	582	0.0	12.5	75.6	11.9	0.0
Family Distribution by Income Level	32,365	21.0	17.5	22.2	39.3	0.0
Household Distribution by Income Level	50,471	23.3	16.8	18.4	41.6	0.0
Median Family Income Non-MSAs – NH		\$71,699	Median Housing Value			\$209,195
			Median Gross Rent			\$920
			Families Below Poverty Level			7.6%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. As shown in the previous table, 53.7 percent of the 64,205 housing units are owner occupied. Additionally, 15.9 percent of owner-occupied units are located in the moderate-income census tracts, limiting the bank’s home mortgage lending opportunities in those areas.

According to 2021 D&B data, 14,831 non-farm businesses operate in the assessment area. The following reflects gross annual revenues (GARs) for these businesses.

- 85.0 percent have \$1.0 million or less,
- 4.0 percent have more than \$1.0 million, and
- 11.0 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 37.3 percent, followed by non-classifiable establishments at 17.6 percent, and retail trade at 11.2 percent. The majority of the businesses in the assessment area are small, with 89.4 percent employing nine or fewer individuals and 88.7 percent operating from a single location. Additionally, 82.5 percent of the assessment area businesses have GARs of less than \$0.5 million. Examiners used the 2019, 2020, and 2021 Federal Financial Institutions Examination Council (FFIEC) updated median family income levels to analyze home mortgage loans under the Borrower

Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the Non-MSA assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
NH NA Median Family Income (99999)				
2019 (\$81,600)	<\$40,800	\$40,800 to <\$65,280	\$65,280 to <\$97,920	≥\$97,920
2020 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
2021 (\$85,300)	<\$42,650	\$42,650 to <\$68,240	\$68,240 to <\$102,360	≥\$102,360
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, assessment area unemployment rates increased since the prior evaluation period. The increase resulted from the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, the unemployment rate was 18.5 percent in Belknap County, 15.0 percent in Grafton County, and 14.2 percent in Merrimack County. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Merrimack County	2.3	5.9	3.2
Grafton County	2.0	3.9	2.2
Belknap County	2.4	4.7	2.5
New Hampshire	2.6	6.7	3.5
National Average	3.7	8.1	5.3
<i>Source Bureau of Labor Statistics</i>			

According to Moody’s Analytics, NH’s economy is strengthening and 2022 payroll growth surpassed both national and regional increases. Consequently, employment has nearly returned to its pre-pandemic peak. Leisure and hospitality are the largest contributors to the growth. In addition, tech-related manufacturing accounts for a larger share of employment in NH than in any other state and is a key source of the better paying jobs. Despite new housing supply coming onto the market, NH’s housing crisis is expected to persist. A full recovery will be on par with the nation as tourism and high-tech expand, but the lack of affordable housing will limit the work force for lower-wage industries. The Non-MSA assessment area’s top employers include the State of New Hampshire, Concord Hospital, and General Electric Aviation.

Competition

The bank operates in a modestly competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 16 financial institutions operated 47 branches within the Non-MSA assessment area. Of these institutions, Franklin Savings Bank ranked 6th with an 8.7 percent deposit market share. TD Bank, N.A. ranked 1st with a market share of 34.5 percent. The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and other community banks. In 2021, aggregate home mortgage lending data showed 294 lenders originated or purchased 6,885 home mortgage loans in the assessment area. Franklin Savings Bank ranked 18^h with a 1.5 percent market share. The top three lenders, Rocket Mortgage, CMG Mortgage, Inc., and CBNA collectively held a 21.4 percent market share.

Franklin Savings Bank is not required to report its small business lending data and elected not to do so; therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans and is included here for performance context. In 2021, aggregate data showed 103 lenders originated or purchased 7,897 small business loans. The top three lenders, American Express, JPMorgan Chase Bank, N.A., and Capital One Bank, N.A. collectively held 34.1 percent of the market share.

Community Contact

Examiners contacted an affordable housing organization in Merrimack County. The contact stated that there is a significant need for affordable rental housing, particularly multifamily housing. The organization relies on state funds for its affordable housing development projects. However, due to the high development costs, additional funding, such as low-income housing tax credits (LIHTCs) or other investments, is necessary. The contact noted that the high competition level and lengthy application process for the limited supply of LIHTC awards, causes delays in completing affordable housing projects. Lastly, the contact indicated there is opportunity and need for community banks to invest in affordable housing projects.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and bank management, as well as economic and demographic data, examiners determined that affordable housing, home mortgage and small business loans, and essential services for low- and moderate-income individuals represent the area's primary credit and community development needs. The significant number of businesses with GARs of \$1.0 million or less, increased unemployment levels due to the pandemic, and the decrease of available affordable housing support this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN THE Non-MSA

LENDING TEST

Franklin Savings Bank demonstrated reasonable performance under the Lending Test in the Non-MSA assessment area. The bank's excellent performance under Geographic Distribution and reasonable performance under the Borrower Profile criteria supports this conclusion.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the Non-MSA assessment area. The bank's excellent dispersion of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of loans in moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the assessment area. The following table shows that in 2019, 2020, and 2021, the bank's performance in moderate-income census tracts was well above both demographics and aggregate performance.

Geographic Distribution of Home Mortgage Loans						
Assessment Area: Non-MSA						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
Moderate						
2019	15.9	14.9	18	28.1	1,856	17.7
2020	15.9	13.7	27	24.8	5,203	22.2
2021	15.9	14.9	27	26.5	4,797	18.3
Middle						
2019	70.3	69.9	42	65.6	7,589	72.2
2020	70.3	69.8	74	67.9	15,774	67.2
2021	70.3	70.6	65	63.7	18,911	72.3
Upper						
2019	13.9	15.2	4	6.3	1,070	10.2
2020	13.9	16.5	8	7.3	2,479	10.6
2021	13.9	14.5	10	9.8	2,463	9.4
Not Available						
2019	0.0	0.0	0	0.0	0	0.0
2020	0.0	0.0	0	0.0	0	0.0
2021	0.0	0.0	0	0.0	0	0.0
Totals						
2019	100.0	100.0	64	100.0	10,514	100.0
2020	100.0	100.0	109	100.0	23,456	100.0
2021	100.0	100.0	102	100.0	26,171	100.0
<i>Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the assessment area. The following table shows that in 2019, 2020, and 2021, the bank's performance in moderate-income census tracts was above demographics. PPP lending activity significantly influenced the increase in loan volume in 2020 and 2021 (particularly 2020).

Geographic Distribution of Small Business Loans					
Assessment Area: Non-MSA					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Moderate					
2019	22.4	16	28.6	3,399	36.8
2020	22.0	70	27.7	6,477	33.0
2021	21.7	42	26.9	2,132	16.6
Middle					
2019	63.9	39	69.6	5,721	61.9
2020	63.6	168	66.4	12,344	62.9
2021	64.2	107	68.6	10,291	80.2
Upper					
2019	13.7	1	1.8	125	1.4
2020	14.4	15	5.9	819	4.2
2021	14.1	7	4.5	409	3.2
Not Available					
2019	0.0	0	0.0	0	0.0
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2019	100.0	56	100.0	9,245	100.0
2020	100.0	253	100.0	19,640	100.0
2021	100.0	156	100.0	12,832	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Non-MSA assessment area. The bank's reasonable performance in home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. As shown in the following table, in 2019, the bank's lending to low-income borrowers significantly exceeded aggregate performance.

However, in 2020, the bank's lending declined significantly and was less than the aggregate and remained well below demographics despite a significant increase in the number of originations. In 2021, the bank's performance increased slightly, by number and percentage, but was still below demographics. The difference between demographic figures and aggregate performance for low-income borrowers highlights the difficulty in obtaining affordable housing within the assessment area.

The bank's lending performance to moderate-income borrowers was similar to aggregate performance and demographics in 2019, 2020, and 2021. In fact, the bank's performance slightly exceeded aggregate and demographics in 2019 and 2021.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Non-MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	21.0	5.4	7	10.9	581	5.5
2020	21.0	5.0	4	3.7	455	1.9
2021	21.0	4.6	6	5.9	567	2.2
Moderate						
2019	17.5	19.5	13	20.3	1,219	11.6
2020	17.5	17.6	19	17.4	2,236	9.5
2021	17.5	18.8	20	19.6	2,270	8.7
Middle						
2019	22.2	23.7	14	21.9	1,795	17.1
2020	22.2	23.0	28	25.7	4,213	18.0
2021	22.2	24.1	30	29.4	4,849	18.5
Upper						
2019	39.3	37.9	19	29.7	4,383	41.7
2020	39.3	39.6	43	39.5	11,791	50.3
2021	39.3	39.0	29	28.4	7,356	28.1
Not Available						
2019	0.0	13.6	11	17.2	2,536	24.1
2020	0.0	14.8	15	13.8	4,761	20.3
2021	0.0	13.6	17	16.7	11,130	42.5
Totals						
2019	100.0	100.0	64	100.0	10,514	100.0
2020	100.0	100.0	109	100.0	23,456	100.0
2021	100.0	100.0	102	100.0	26,171	100.0
<i>Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects, given the demographics of the assessment area, reasonable penetration among businesses of different sizes. The following table shows that in 2019, the bank originated 76.8 percent of small business loans to businesses with GARs of \$1 million or less which was in line with demographics. Conversely, for 2020 and 2021, percentages dropped to 15.8 percent and 25.6 percent, respectively, falling significantly below demographics.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Non-MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	80.2	43	76.8	6,216	67.2
2020	84.2	40	15.8	6,899	35.1
2021	85.0	40	25.6	7,700	60.0
>\$1,000,000					
2019	5.7	13	23.2	3,029	32.8
2020	4.5	0	0.0	0	0.0
2021	4.0	0	0.0	0	0.0
Revenue Not Available					
2019	14.1	0	0.0	0	0.0
2020	11.4	213	84.2	12,741	64.9
2021	11.1	116	74.4	5,132	40.0
Totals					
2019	--	56	100.0	9,245	100.0
2020	100.0	253	100.0	19,640	100.0
2021	100.0	156	100.0	12,832	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Examiners noted the primary reason for the decline in lending to businesses with GARs of \$1 million or less from 2019 to 2020 was the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the “Revenue Not Available” category includes all PPP loans originated inside the assessment area, which significantly reduced the percentage of loans in the two GAR categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021. Instead, examiners used loan size as a proxy for GAR for the PPP loans.

As shown in the following table, a significant number of PPP loans had loan amounts of \$100,000 or less, indicating that the bank is most likely helping to serve the needs of small businesses in the assessment area.

Distribution of PPP Loans By Loan Size				
Assessment Area: Non-MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	185	86.8	5,461	42.9
2021	111	86.7	3,063	36.3
\$100,000 - \$249,999				
2020	14	6.6	2,031	15.9
2021	5	3.9	696	8.3
\$250,000 - \$1,000,000				
2020	14	6.6	5,249	41.2
2021	12	9.4	4,664	55.4
Totals				
2020	213	100.0	12,741	100.0
2021	128	100.0	8,423	100.0
<i>Source: 1/1/2020 – 12/31/2021 Bank Data</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

COMMUNITY DEVELOPMENT TEST

Franklin Savings Bank’s community development performance demonstrates adequate responsiveness to community development needs in the Non-MSA assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the bank’s capacity and the need and availability of such opportunities for community development in the assessment area.

Community Development Loans

Franklin Savings Bank originated 32 community development loans totaling approximately \$41.4 million in the Non-MSA assessment area during the evaluation period. The following table illustrates the community development lending activity by year and purpose for this assessment area.

Community Development Lending										
Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2019	0	0	3	4,750	0	0	0	0	3	4,750
2020	2	2,417	6	5,270	0	0	2	533	10	8,220
2021	0	0	4	4,760	0	0	2	155	6	4,915
2022	1	1,877	5	13,760	2	1,718	2	1,395	10	18,750
YTD 2023	0	0	3	4,750	0	0	0	0	3	4,750
Total	3	4,294	21	33,290	2	1,718	6	2,083	32	41,385
<i>Source: Bank Data</i>										

The following are notable examples of community development loans that benefitted the Non-MSA assessment area.

- In 2020, the bank originated an SBA 504 loan totaling approximately \$458,000. The SBA 504 loan program provides small businesses financing, while promoting business growth and creating jobs.
- In 2019, 2020, 2021, 2022, and 2023, the bank renewed a \$3.0 million line of credit to a nonprofit organization that provides community services throughout the Lakes Region. This organization provides community services targeted to low- and moderate-income disabled individuals, a family resource center, and elder services. The organization relies upon Medicaid reimbursements as its main funding source.
- In 2022, the bank originated a \$9 million loan to expand and renovate the facilities of a nonprofit organization that provides foster care services primarily to low- and moderate-income students with neurobehavioral disorders.

Qualified Investments

Franklin Savings Bank made 82 qualified investments totaling approximately \$1.5 million in the Non-MSA assessment area during the evaluation period. This total includes 15 equity investments totaling \$1.4 million and 67 donations totaling \$91,000. The following table illustrates the qualified investment activity by year and purpose.

Qualified Investments Assessment Area: Non-MSA										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	0	0	0	0	0	0	0	0	0	0
2019	0	0	1	250	1	5	0	0	2	255
2020	0	0	1	250	0	0	0	0	1	250
2021	0	0	6	310	1	5	1	117	8	432
2022	0	0	3	265	0	0	0	0	3	265
YTD 2023	0	0	1	250	0	0	0	0	1	250
Subtotal	0	0	12	1,325	2	10	1	117	15	1,452
Qualified Grants & Donations	3	2	64	89	0	0	0	0	67	91
Total	3	2	76	1,414	2	10	1	117	82	1,543

Source: Bank Data

The following are notable examples of qualified investments that benefitted the Non-MSA assessment area.

Equity Investments

- ***Senior Housing Crime Prevention Foundation*** – In 2019, 2020, 2021, and 2022, Franklin Savings Bank annually renewed a \$250,000 investment. The investment benefits a senior housing center in Franklin that serves low- and moderate-income individuals.
- ***Belknap Economic Development Council (BEDC)*** - In 2019 and 2020, Franklin Savings Bank through the Community Development Finance Authority made two investments totaling \$10,000. BEDC’s mission is to leverage new resources, build strong partnerships, and attract new investments to create better economic opportunities for the Lakes Region’s residents and businesses.

Donations

CATCH Neighborhood Housing – In 2021, the bank donated approximately \$6,000. CATCH Neighborhood Housing is nonprofit community service organization that builds new affordable housing units and revitalizes existing housing in areas where affordable rental options are limited. The organization currently owns 379 affordable units providing housing to low- and moderate-income individuals.

Lakes Area Community Developers – In 2020 and 2021, the bank collectively donated approximately \$6,500. This nonprofit affordable housing organization develops permanent affordable housing that assists low- and moderate-income families achieve economic self-sufficiency.

- ***Concord Coalition to End Homelessness (CCEH)*** – In 2020, and 2022, the bank collectively donated approximately \$3,500. CCEH’s works with local community partners to build a network of resources to support homeless individuals.

Community Development Services

During the evaluation period, the bank provided 496 hours of financial expertise or technical assistance to 7 community development organizations within the Non-MSA assessment area. The following table details community development service hours by year and purpose.

Community Development Services Assessment Area: Non-MSA					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2019	0	0	0	0	0
2020	0	241	15	0	256
2021	0	125	0	0	125
2022	0	115	0	0	115
YTD 2023	0	0	0	0	0
Total	0	481	15	0	496
<i>Source: Bank Data;</i>					

The following are notable examples of community service activities that benefitted the Non-MSA assessment area.

- **BEDEC** –The president is a Director and served on the organization’s Loan Committee.
- **Twin Rivers Interfaith Food Pantry** – This organization provides basic needs for low-income individuals and families facing food insecurity. The organization operates throughout Franklin, Laconia, Northfield, and Tilton Counties. A vice president serves as the organization’s Treasurer.

MANCHESTER-NASHUA, NH MSA – Full-Scope Review

DESCRIPTION OF INSTITUTION’S OPERATIONS IN THE MANCHESTER-NASHUA, NH MSA

Franklin Savings Bank maintains two, or 25.0 percent, of its eight branches in the Manchester-Nashua, NH MSA assessment area. The MSA assessment area includes 11, or 25.0 percent, of the 44 census tracts in the combined assessment area. One branch is located in Merrimack and the other in Goffstown. Both offices are in Hillsborough County. Examiners placed less weight on the bank’s performance in this assessment area as it accounts for a smaller portion of the bank’s lending, deposits, and branch activity. The number and location of branches has not changed since the previous evaluation.

Economic and Demographic Data

The census tracts in the Manchester-Nashua, NH MSA assessment area have the following income designations according to the 2015 ACS data:

- 5 middle-income census tracts and
- 6 upper-income census tracts.

The following table illustrates select demographic characteristics of the Manchester-Nashua, NH MSA assessment area.

Demographic Information of the Assessment Area						
Assessment Area: Manchester-Nashua, NH MSA						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	11	0.0	0.0	45.5	54.5	0.0
Population by Geography	73,451	0.0	0.0	39.5	60.5	0.0
Housing Units by Geography	27,106	0.0	0.0	42.8	57.2	0.0
Owner-Occupied Units by Geography	21,956	0.0	0.0	38.0	62.0	0.0
Occupied Rental Units by Geography	4,072	0.0	0.0	63.5	36.5	0.0
Vacant Units by Geography	1,078	0.0	0.0	62.6	37.4	0.0
Businesses by Geography	8,666	0.0	0.0	34.4	65.6	0.0
Farms by Geography	223	0.0	0.0	42.6	57.4	0.0
Family Distribution by Income Level	19,679	11.1	14.8	21.1	53.0	0.0
Household Distribution by Income Level	26,028	13.9	13.9	16.8	55.4	0.0
Median Family Income MSA - 31700 Manchester-Nashua, NH MSA		\$85,966	Median Housing Value			\$279,989
			Median Gross Rent			\$1,307
			Families Below Poverty Level			2.6%
<i>Source: 2015 ACS and 2021 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i>						

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Based on the data shown in the table above, 81.0 percent of the 27,106 housing units are owner occupied.

According to 2021 D&B data, 8,666 non-farm businesses operate in the assessment area. The following reflects the GARs for these businesses.

- 89.2 percent have \$1.0 million or less,
- 3.7 percent have more than \$1.0 million, and
- 7.1 percent have unknown revenues.

The analysis of small business loans under the Borrower Profile criteria compares the distribution of businesses by GAR level to D&B data. Service industries represent the largest portion of businesses at 37.3 percent; followed by non-classifiable establishments at 19.9 percent; and finance, insurance, and real estate at 13.2 percent. Most businesses in the assessment area are small, with 91.9 percent of businesses operating with nine or fewer employees, and 92.3 percent operating from a single location. Additionally, 86.7 percent of assessment area businesses have GARs of less than \$0.5 million.

Examiners used the 2019, 2020, and 2021 FFIEC updated median family income levels to analyze home mortgage loans under the Borrower Profile criteria. The following table presents the low-, moderate-, middle-, and upper-income categories for the Manchester-Nashua, NH MSA assessment area.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Manchester-Nashua, NH MSA Median Family Income (31700)				
2019 (\$98,100)	<\$49,050	\$49,050 to <\$78,480	\$78,480 to <\$117,720	≥\$117,720
2020 (\$105,000)	<\$52,500	\$52,500 to <\$84,000	\$84,000 to <\$126,000	≥\$126,000
2021 (\$101,900)	<\$50,950	\$50,950 to <\$81,520	\$81,520 to <\$122,280	≥\$122,280
<i>Source: FFIEC</i>				

According to the U.S. Bureau of Labor Statistics, assessment area unemployment rates increased since the prior evaluation period. The increase resulted from the adverse effects of the COVID-19 pandemic. At the highest point in April 2020, the unemployment rate in Hillsborough County was 16.3 percent. The following table reflects the unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

Unemployment Rates			
Area	2019	2020	2021
	%	%	%
Hillsborough County	2.7	7.8	3.6
New Hampshire	2.6	6.7	3.5
National Average	3.7	8.1	5.3
<i>Source Bureau of Labor Statistics</i>			

According to Moody’s Analytics, the Manchester-Nashua, NH MSA’s economy strengthened in 2022, with job growth catching up to the national rate. High-tech industries continue to be a key economic driver. High-tech industries offer high wages and employ more than twice the national share of the workforce. The assessment area’s top employers include Dartmouth-Hitchcock Health, Demoulas & Market Basket, and BAE Systems Electronic Solutions. BAE Systems will support hiring in both high-tech services and manufacturing as it expands engineering and manufacturing into its new Manchester facility. The housing shortage and high rental costs will continue, as zoning restrictions keep housing options extremely limited.

Competition

The bank operates in a modestly competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 14 financial institutions operated 20 branches within the Manchester-Nashua, NH MSA assessment area. Of these institutions, Franklin Savings Bank ranked 8th with a 2.1 percent deposit market share. TD Bank, N.A. and Citizens Bank, N.A. are the top two institutions and hold a combined market share of 45.6 percent. The bank faces a high level of competition for home mortgage lending from national lenders, mortgage companies, credit unions, and other community banks. In 2021, aggregate home mortgage lending data showed 260 residential mortgage lenders originated or purchased 5,724 mortgage loans. Franklin Savings Bank ranked 99th with a 0.1 percent market share. The top three lenders, Rocket Mortgage, CBNA, and St. Mary's Bank, collectively captured 20.0 percent of the market share.

Franklin Savings Bank is not required to report its small business lending data and elected not to do so; therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans and is included here for performance context. In 2021, aggregate data showed 123 lenders originated or purchased 11,053 small business loans in Hillsborough County. The top three lenders, American Express National Bank, Bank of America, and JP Morgan Chase, collectively held 37.9 percent of the market share.

Community Contact

Examiners referenced a recent community contact with a nonprofit organization that provides various services to low-income individuals residing in Hillsborough and Rockingham Counties. The contact recently completed a Community Needs Assessment that identified a need for funding for services related to affordable housing, dental care, transportation, mental health, childcare, nutrition, legal services, and substance abuse treatment. The contact indicated that affordable housing is the most pressing community need. High rents, low wages, and a general lack of affordable housing units further exacerbate this need.

Credit and Community Development Needs and Opportunities

Considering information from the community contact and bank management, as well as economic and demographic data, examiners determined that affordable housing and essential services for low- and moderate-income individuals represent the area's primary credit and community development needs. The high percentage of low- and moderate-income families (35.9 percent), including those families living below poverty (5.1 percent), supports this conclusion.

CONCLUSIONS ON PERFORMANCE CRITERIA IN IN MANCHESTER-NASHUA, NH MSA

LENDING TEST

Franklin Savings Bank demonstrated reasonable performance under the Lending Test in the Manchester-Nashua, NH MSA assessment area. The bank's reasonable performance under Borrower Profile criteria supports this conclusion.

Geographic Distribution

The Manchester-Nashua, NH assessment area does not include any low- or moderate-income geographies. A review of the Geographic Distribution criterion would not result in meaningful conclusions; therefore, examiners did not evaluate this criterion.

Borrower Profile

The distribution of borrowers reflects reasonable penetration among individuals of different income levels and businesses of different sizes in the Manchester-Nashua, NH MSA assessment area. The bank's reasonable performance in home mortgage lending to moderate-income borrowers and small businesses supports this conclusion.

Home Mortgage Loans

The distribution of borrowers reflects, given the demographics of the assessment area, reasonable penetration among individuals of different income levels. As shown in the following table, in 2019, 2020, and 2021, the bank did not make any loans to low-income borrowers; however, aggregate data reflects some demand and opportunity. A low-income family in the Manchester-Nashua MSA assessment area earning less than \$52,500 would not likely qualify for a mortgage under conventional underwriting standards, especially considering the median housing value of \$237,203. In 2020 and 2021, given an increase in total loan volume, the bank's lending performance to moderate-income borrowers exceeded demographics and aggregate.

Distribution of Home Mortgage Loans by Borrower Income Level						
Assessment Area: Manchester-Nashua, NH MSA						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2019	11.1	5.6	0	0.0	0	0.0
2020	11.1	4.6	0	0.0	0	0.0
2021	11.1	4.1	0	0.0	0	0.0
Moderate						
2019	14.8	16.6	0	0.0	0	0.0
2020	14.8	16.2	3	30.0	446	17.0
2021	14.8	16.9	2	28.6	253	13.5
Middle						
2019	21.1	23.9	0	0.0	0	0.0
2020	21.1	24.5	1	10.0	280	10.7
2021	21.1	24.6	1	14.3	235	12.6
Upper						
2019	53.0	41.0	1	100.0	504	100.0
2020	53.0	42.4	5	50.0	1,680	64.0
2021	53.0	42.6	3	42.9	992	53.0
Not Available						
2019	0.0	12.9	0	0.0	0	0.0
2020	0.0	12.3	1	10.0	220	8.4
2021	0.0	11.8	1	14.3	392	20.9
Totals						
2019	100.0	100.0	1	100.0	504	100.0
2020	100.0	100.0	10	100.0	2,626	100.0
2021	100.0	100.0	7	100.0	1,872	100.0
<i>Source: 2015 ACS; Bank Data, 2019, 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%</i>						

Small Business Loans

The distribution of small business loans reflects, given the demographics of the assessment area, reasonable penetration of loans to businesses with GARs of \$1.0 million or less.

The following table shows that in 2019, the bank originated 80.0 percent of small business loans to businesses with GARs of \$1 million or less. For 2020 and 2021, these percentages dropped to 53.3 percent and 43.3 percent, respectively, falling significantly below demographics for the assessment area.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Assessment Area: Manchester-Nashua, NH MSA					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2019	85.2	4	80.0	1,295	88.2
2020	88.4	8	53.3	1,222	85.2
2021	89.2	4	44.4	936	74.1
>\$1,000,000					
2019	5.6	1	20.0	174	11.8
2020	4.2	0	0.0	0	0.0
2021	3.7	0	0.0	0	0.0
Revenue Not Available					
2019	9.2	0	0.0	0	0.0
2020	7.4	7	46.7	213	14.8
2021	7.1	5	55.6	328	25.9
Totals					
2019	100.0	5	100.0	1,469	100.0
2020	100.0	15	100.0	1,435	100.0
2021	100.0	9	100.0	1,264	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i>					

Examiners noted that the primary reason for the decline in lending to businesses with GARs of \$1 million or less was the large volume of PPP loans that the bank was not required to and did not consider or collect GARs during the application process. Therefore, the “Revenue Not Available” category includes all PPP loans originated inside the assessment area, which significantly reduces the percentage of loans in the two GAR categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021. Instead, examiners used loan size as a proxy for GAR for the PPP loans.

As shown in the following table, a significant number of PPP loans had loan amounts of \$100,000 or less, indicating that the bank is most likely helping to serve the needs of small businesses in the assessment area.

Distribution of PPP Loans By Loan Size				
Assessment Area: Manchester-Nashua, NH MSA				
Loan Size	#	%	\$(000s)	%
< \$100,000				
2020	7	100.0	213	100.0
2021	5	71.4	124	21.1
\$100,000 - \$249,999				
2020	0	0.0	0	0.0
2021	2	28.6	464	78.9
\$250,000 - \$1,000,000				
2020	0	0.0	0	0.0
2021	0	0.0	0	0.0
Totals				
2020	7	100.0	213	100.0
2021	7	100.0	588	100.0
<i>Source: 1/1/2020 – 12/31/2021 Bank Data</i>				
<i>Due to rounding, totals may not equal 100.0</i>				

COMMUNITY DEVELOPMENT TEST

Franklin Savings Bank’s community development performance demonstrates poor responsiveness to community development needs in the Manchester-Nashua, NH MSA assessment area through community development loans, qualified investments, and community development services, as appropriate, considering the institution’s capacity and the need and availability of such opportunities for community development in the institution’s assessment area

Community Development Loans

During the evaluation period, Franklin Savings Bank did not make any community development loans in the Manchester-Nashua, NH MSA assessment area.

Qualified Investments

During the evaluation period, Franklin Savings Bank donated \$350 to an organization that provides community services to children in need.

Community Development Services

During the evaluation period, Franklin Savings Bank did not provide any community development service hours that benefited this assessment area.

APPENDICES

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to community development lending, investment, and service needs.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

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

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g, innovativeness, complexity, and responsiveness).

Geography: A census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

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

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area.

Performance under applicable tests is often analyzed using only quantitative factors (e.g, geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

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

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

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

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of social and economic integration with the central county or counties as measured through commuting.

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

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

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as **non-MSA**): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

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

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

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

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

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

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

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area's population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, "urban" consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

"Urban" excludes the rural portions of "extended cities"; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.