

PUBLIC DISCLOSURE

April 11, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Franklin Savings Bank
RSSD #228000

197 Main Street
Farmington, Maine 04398

Federal Reserve Bank of Boston
600 Atlantic Avenue
Boston, Massachusetts 02210

NOTE: 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.

TABLE OF CONTENTS

Institution’s Community Reinvestment Act (CRA) Rating.....3

Scope of Examination.....4

Description of Institution.....6

Conclusions with Respect to Performance Tests

 Lending Test.....9

 Community Development Test.....11

Fair Lending or Other Illegal Credit Practices.....11

Western Maine - Full Scope Review

 Description of Institution's Operations in Western Maine Assessment Area12

 Conclusions with Respect to Performance Tests in Western Maine Assessment Area.....15

Hancock County - Limited Scope Review

 Description of Institution’s Operations in Hancock County Assessment Area.....22

 Conclusions with Respect to Performance Tests in Hancock County Assessment Area.....22

Appendix: Glossary of TermsA

INSTITUTION'S CRA RATING: This institution is rated OUTSTANDING.
The Lending Test is rated: OUTSTANDING.
The Community Development Test is rated: SATISFACTORY.

Franklin Savings Bank (Franklin or the bank) demonstrates an excellent responsiveness to the credit needs of its assessment areas. The major components supporting this rating include:

Lending Test

- The loan-to-deposit (LTD) ratio of 120.5 percent is more than reasonable given the bank's size, financial condition, and assessment area credit needs.
- A majority of loans and other lending-related activities are in the bank's assessment areas.
- A distribution of loans and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes that is excellent given the demographics of the bank's assessment areas.
- An excellent geographic distribution of loans given the bank's assessment areas.
- There have been no complaints regarding the bank's CRA performance since the previous examination.

Community Development Test

- The bank's community development performance demonstrates adequate responsiveness to the community development needs of its assessment areas 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 bank's assessment areas.

SCOPE OF EXAMINATION

Franklin's performance review was based on CRA activities conducted using the Federal Financial Institutions Examination Council (FFIEC) Examination Procedures for Intermediate Small Institutions¹.

These procedures evaluate banks under two tests: the Lending Test and the Community Development Test. The Lending Test evaluates the bank's lending performance pursuant to the following criteria: LTD ratio, assessment areas concentration of loans, geographic distribution of loans, loan distribution according to the income of the borrower, and response to CRA-related complaints. The Community Development Test measures the number and amount of community development loans; the number and amount of qualified investments; the extent to which the institution provides community development services; and the bank's responsiveness through such activities. The data used for the evaluation and the applicable timeframes are discussed below.

The bank has two assessment areas for CRA purposes and operates primarily in the non-Metropolitan Statistical Area (MSA) portions of the State of Maine. What this evaluation refers to as the "Western Maine" assessment area includes the entirety of Franklin County and contiguous portions of Kennebec County, Oxford County, and Somerset County. As this assessment area comprises the majority of the bank's physical presence and lending activity, it was reviewed using the full-scope examination procedures. The bank also identifies Hancock County as a separate assessment area. This assessment area received a limited scope review based on the bank's smaller presence, lower lending volumes, and lack of deposit activity. Performance in the Western Maine assessment area carried the greatest weight in the evaluation and received a more detailed analysis. Performance in the limited scope area, however, is evaluated as being either consistent, below, or above the performance demonstrated in the full-scope assessment area.

The evaluation of the bank's lending performance was based on residential mortgage and small business loans originated from January 1, 2018, to December 31, 2020. The bank's lending performance in 2019 and 2020 is featured in the lending tables. The analysis of the bank's net LTD ratio incorporated 14 full quarters, ending December 31, 2021.

Franklin is not a Home Mortgage Disclosure Act (HMDA) reporter; home mortgage lending data was obtained from internal loan data supplied by the bank. Demographic data was derived from the 2015 American Community Survey (ACS), unless otherwise noted. Despite not being required to report its lending under HMDA, the bank's residential loan data was also compared to aggregate HMDA data obtained from the Consumer Financial Protection Bureau (CFPB). Aggregate data consists of lending information from all HMDA reporters that originated or purchased HMDA-reportable loans in the bank's assessment areas.

Small business loans include commercial real estate loans and commercial and industrial loans with original loan amounts of \$1 million or less. The bank's 2019 and 2020 small business lending data is featured in the lending tables. Small business loan data was obtained from the bank and compared to relative demographic information obtained from Dun & Bradstreet, Inc., Short Hills, NJ (D&B).

¹ "Intermediate small institution" means a bank or savings association with assets of at least \$346 million as of December 31 of both prior two calendar years and less than \$1.384 billion as of December 31 of either of the prior two calendar years.

Although the bank is not currently required to collect and report small business loans, a comparison to aggregate data is included in the lending tables. Aggregate CRA data is obtained from the Federal Financial Institutions Examination Council (FFIEC).

The Community Development Test included a review of community development loans, qualified investments, and community development services from November 6, 2018, through April 11, 2022. The Community Development Test is evaluated in the context of the community needs and the capacity of the bank to meet them. Third-party community organizations were contacted to provide additional insight into the credit and community development needs of the assessment areas.

Franklin was last examined by the Federal Reserve Bank of Boston for compliance with the CRA on November 5, 2018, using intermediate small institution examination procedures and received an overall rating of “Outstanding.” The Lending Test was rated “Outstanding”, and the Community Development Test was rated “Satisfactory.”

DESCRIPTION OF INSTITUTION

Franklin is a state chartered mutual bank headquartered in Farmington, ME. Franklin was incorporated in 1868 and has been a state member bank since January 2003. The bank formed a two-tiered mutual holding company in 1998 creating FSB Bancorp MHC and FSB Bancorp, Inc. (FSB Bancorp) There are no public shareholders. The bank's stock is 100 percent owned by the parent corporation. Franklin is the sole subsidiary of FSB Bancorp. The bank also has an investment advisory firm, Western Mountain Financial Services.

As noted above, Franklin has two assessment areas for CRA purposes. The bank is headquartered at 197 Main Street, Farmington, ME. Including its main office, Franklin maintains eight branch locations. There are six branches inside of its Western Maine assessment area, including its main office in Farmington, and branches in Jay, Rumford, Rangeley, Skowhegan, and Wilton. The Wilton location is a limited-service drive-through location with lobby hours by appointment only. Each of these branches includes an ATM that accepts deposits. In addition to these locations, the bank also has a limited-service branch at Mt. Blue High School in Farmington. Farmington, Jay, Rangel, and Wilton are all located in Franklin County, Rumford is located in Oxford County, and Skowhegan is located in Somerset County. According to Federal Deposit Insurance Corporation (FDIC) Summary of Deposit Market Share Reports, the bank ranked 9th of 13 institutions with branch offices in these counties and captured 4.7 percent of the deposit market share.

Within the bank's defined assessment area in Western Maine, the bank is a leading lender. The bank extended 359 mortgage loans in 2019, and 329 mortgage loans in 2020. Although not a HMDA reporter, Franklin compared favorably to institutions in the assessment area that are required to report. According to HMDA aggregate reports, the number one lender in the assessment area was Bangor Savings Bank, with 342 HMDA loans in 2019. Bangor Savings Bank was also ranked 1st in 2020, with 457 loans. Had the bank been a reporter, Franklin would have ranked first in 2019 and second in 2020, as Quicken Loans, LLC was ranked 2nd with 318 loans. Similarly, as an intermediate small bank, Franklin is not required to report its CRA loans, which is a requirement for large institutions. Of note, despite its smaller asset size, Franklin's performance with small business lending would have placed it ahead of the top small business reporter in the assessment area. The bank extended 266 small business loans in 2019, and 208 small business loans in 2020. According to CRA Market Peer data, American Express National Bank was ranked 1st of 59 reporters in the assessment area with 203 loans in 2019 and 1st of 68 reporters in 2020 with 180 loans.

The bank opened a loan production office (LPO) in Ellsworth, ME in 2016 for the purpose of generating commercial loans. At that time, the bank only had the one Western Maine assessment area. The Ellsworth LPO was located in Hancock County outside of, and noncontiguous to the bank's existing assessment area. Subsequently, the bank applied for and received approval to convert this location into a full-service branch. Following the branch designation, the bank delineated a separate assessment area consisting of Hancock County in its entirety to capture the substantial portion of commercial loans made from this new branch location. According to the FDIC Summary of Deposit Market Share Reports, of the bank's deposit base, 0.5 percent is attributed to this location. The bank holds 0.08 percent of total deposits in Hancock County. The bank does not actively originate home mortgage loans from this office; only five home mortgage loans were made in this county in 2019 and 2020. The bank extended 66 small business loans in the

Hancock County assessment area in 2019, and 130 in 2020. Had Franklin been required to report, the bank would have ranked 13th in small business lending in 2019, and 6th in 2020. Top CRA lenders in the assessment area include First National Bank, American Express National Bank, Bar Harbor Bank & Trust, The Camden National Bank, and Machias Savings Bank.

In addition to serving its customers through its branch network, Franklin's customers also have access to product and service information and online banking through the bank's website, <https://www.franklinsavings.bank>. The website provides information on both its personal and business products and its branch locations and hours of operation.

Personal banking products include checking and savings accounts, certificates of deposit, installment loans, vehicle loans, and construction loans. Residential products include both fixed- and adjustable-rate mortgage loans, and home equity loans and lines of credit. The bank also offers loans for recreational vehicles, campers, and snowmobiles. Business banking products include checking and deposit accounts, commercial lending, and credit cards. Franklin also partners with the Finance Authority of Maine (FAME) and the U.S. Small Business Administration (SBA) as an SBAExpress Lender. In addition, the bank participated in the Paycheck Protection Program (PPP) during the review period. PPP loans are administered by the SBA as part of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). PPP loans are designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic.

As of December 31, 2021, Franklin's assets totaled \$561.0 million, and deposits totaled \$438.9 million. Since June 30, 2018, assets increased by 37.9 percent, and deposits increased by 66.5 percent.

Table 1 shows the bank's loan portfolio distribution as of December 31, 2021. The bank's loan portfolio is comprised primarily of real estate secured loans, at 87.7 percent. From June 30, 2018, to December 31, 2021, residential loans, which include 1-4 family open- and closed-end loans, and multifamily residential properties, have decreased slightly from 45.9 percent to 44.1 percent of the percent of total loans. Commercial real estate loans have increased slightly since the last examination, from 26.7 percent to 30.3 percent.

Table 1 Loan Distribution as of December 31, 2021		
Loan Type	Dollar Amount \$(000s)	Percent of Total Loans
Construction and Land Development	26,516	6.2
Revolving 1-4 Family Residential	29,419	6.9
1-4 Family Residential	167,144	39.2
Multifamily (5 or more) Residential	17,559	4.1
Commercial RE	127,110	29.8
Total Real Estate Loans	367,748	87.7
Commercial and Industrial	41,074	9.6
Consumer	11,965	2.8
Obligations	5,721	1.3
Loans to depository financial institutions	1,815	0.4
Less unearned income	(1,586)	
Total Loans	426,737	100.0

Call Report as of December 31, 2021.

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As described above, Franklin operates in a competitive environment for both its lending and deposit products with competition from local, regional, and national banks. According to the FDIC Summary of Deposits, as of June 30, 2021, there were 11 institutions offering deposit services within Franklin County alone, which comprises the majority of the bank's Western Maine assessment area, and 29 institutions in Hancock County, which contains the LPO/branch in Ellsworth. The bank ranked first in deposit market share in Franklin County, with 42.4 percent market share. Skowhegan Savings Bank ranked second with a 22.3 percent market share. Androscoggin Savings Bank ranked third with 13.0 percent, and Bangor Savings Bank and TD Bank, N.A. ranked fourth and fifth with 11.4 percent and 11.0 percent, respectively.

Financial capacity, legal impediments, local economic conditions, demographics, and market competition are all considered when examining the bank's CRA performance. Franklin did not face any legal or financial impediments during the review period that would have prevented the bank from meeting the credit needs of its assessment areas in a manner consistent with its asset size, business strategy, resources, and local economic conditions.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

LENDING TEST

Franklin's performance under the Lending Test is rated Outstanding.

The following information further details the data compiled and reviewed, as well as conclusions on the bank's performance.

Loan-to-Deposit Ratio

This performance criterion determines the percentage of the bank's deposit base that is reinvested in the form of loans and evaluates its appropriateness. The LTD ratio is more than reasonable (considering seasonable variations and taking into account lending related activities) given the bank's size, financial condition, and assessment area credit needs. The bank's net LTD figures are calculated from the bank's quarterly FFIEC Call Reports. The ratio is based on total loans net of unearned income and net of the allowance for loan and lease losses as a percentage of total deposits.

Table 2 provides a comparison of the bank's average LTD over the past 14 quarters under evaluation to similarly-sized institutions operating within the assessment areas. The bank's average LTD ratio is 120.5 percent.

Table 2 Loan-to-Deposit Ratio Comparison		
Institution	Total Assets* \$(000's)	Average LTD Ratio** (%)
Franklin Savings Bank	\$561,046	120.5
Northeast Bank	\$1,459,955	93.6
Androscoggin Savings Bank	\$1,384,166	95.6
Skowhegan Savings Bank	\$780,474	87.2

*Call Report as of December 31, 2021

**Call Reports from September 30, 2018 to December 31, 2021

As displayed in Table, the bank's loan-to-deposit ratio was higher than the competitor banks. The ratio has remained high throughout the review period.

Assessment Area Concentration

This criterion evaluates the concentration of loans originated by the bank within its assessment areas. As shown below, a majority of loans and other lending related activities are in the bank's assessment areas. Table 3 presents the bank's levels of lending inside and outside its assessment areas for the entire evaluation period.

Table 3 Lending Inside and Outside the Assessment Area								
Loan Types	Inside				Outside			
	#	%	\$(000s)	%	#	%	\$(000s)	%
Home Purchase	217	86.1	\$31,964	85.9	35	13.9	\$5,268	14.1
Refinancing	476	89.5	\$64,056	90.2	56	10.5	\$6,929	9.8
Total HMDA-related	693	88.4	\$96,020	88.7	91	11.6	\$12,197	11.3
Small Business	670	64.5	\$51,631	65.9	369	35.5	\$26,723	34.1
Total Small Business-Related	670	64.5	\$51,631	65.9	369	35.5	\$26,723	34.1
TOTAL LOANS	1,363	74.8	\$147,651	79.1	460	25.2	\$38,920	20.9

*Residential and small business loans for 2019 and 2020. Data is bank provided.
 Total percentages shown may vary by 0.1 percent due to automated rounding differences.*

Though not a HMDA reporter, the bank collects home mortgage data for its home purchase refinance loans. The two years of residential data displayed above does not distinguish if these loans are for home improvement purposes or were made to purchase or refinance multifamily housing. Just 6.0 percent of total housing units in the primary assessment area are multifamily; therefore, these loans are more likely made to finance 1-4 family homes. As displayed in the table above, the bank extended 693 home mortgage loans, or 88.4 percent, within its assessment areas in 2019 and 2020. The table above combines the bank’s data for each assessment area for the two-year review period. As previously mentioned, just five home mortgage loans were originated in the Hancock County assessment area during the review period. A high percentage of loans were made within the assessment areas in both years under review.

Table 3 shows the bank also extended a majority of small business loans, 64.5 percent within its assessment areas during that period. As previously mentioned, the bank originated 66 small business loans in the Hancock County assessment area in 2019, and 130 in 2020, for a total of 196 loans. The bank extended 266 small business loans in the Western Maine assessment area in 2019 and 208 small business loans in this assessment area in 2020. While this number is lower, as an intermediate small bank, the bank opted to have its PPP loans located in the Western Maine assessment area included as community development loans, as opposed to small business loans considered under the Lending Test. This resulted in 323 fewer small business loans inside the area in 2020 and a slightly lower percentage of loans inside the assessment area in that year. PPP loans outside of that assessment area, including those in the Hancock County assessment area remain under the Lending Test and were considered responsive to credit needs.

A majority of residential and small business loans were also extended in the assessment area in 2018.

Geographic and Borrower Distribution

Franklin’s overall distribution of loans to borrowers of different income levels and businesses of

different revenue sizes is excellent. The bank’s overall geographic distribution of loans is also considered excellent. Within the Western Maine assessment area, which drove the overall rating, both residential and small business lending reflect an excellent penetration among individuals of different income levels and businesses of different sizes. In addition, there is an excellent distribution of loans in moderate-income census tracts. Within the Hancock County limited-scope review assessment area, the bank’s dispersion of small business lending to businesses of different revenue sizes and census tracts of different income levels was consistent with overall performance. Analysis of the bank’s loans by census tract income did not reveal any conspicuous gaps in lending.

Response to Complaints

The bank did not receive any CRA-related complaints over the review period. As such the bank’s responsiveness to responding to complaints was not considered in evaluating overall CRA performance.

COMMUNITY DEVELOPMENT TEST

Franklin’s performance under the Community Development Test is rated Satisfactory. The bank’s community development performance demonstrates responsiveness to the community development needs of its assessment areas 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 bank’s assessment areas.

During the evaluation period, the bank extended 328 community development loans, totaling \$14.1 million. This is a large increase from last examination when the bank originated 7 community development loans, totaling \$1.4 million. The bank’s qualified investment and donations totaled \$976,743. This included 209 qualified donations, totaling \$476,743, and one prior period investment totaling \$500,000. Bank employees provided community services in the assessment areas through involvement with organizations that support low- and moderate-income individuals, financial education, and homebuyer education classes. Table 4 provides a summary of the bank’s community development activity.

Table 4 CD Activity								
Assessment Area	Loans		Investments		Donations		Services	
	#	\$ ('000s)	#	\$ ('000s)	#	\$	#	Hours
Western Maine	324	\$12,802	0	\$0	173	\$396,583	79	3,281
Hancock County	0	\$0	0	\$0	13	\$32,250	1	15
Statewide	4	\$1,300	1	\$500	23	\$47,910	5	344
Bank Total	328	\$14,102	1	\$500	209	\$476,743	85	3,640

Source: Internal Bank Reports

FAIR LENDING OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

No evidence of discriminatory or other illegal credit practices inconsistent with helping to meet community credit needs was identified.

Western Maine Assessment Area
(Full-Scope Review)

Description of Institution's Operations in Western Maine Assessment Area

The bank's main office and six of the seven branch offices are located within this assessment area, including the limited-service location at Mt. Blue High School. All of the offices are located within middle-income census tracts; however, the bank is positioned to deliver financial services to substantially all of the assessment area.

The bank extended 359 mortgage loans and 203 small business loans in 2019 and 329 mortgage loans and 180 small business loans in 2020 within this assessment area. Based on the HMDA and CRA market share reports previously discussed, the number of loans the bank extended within the assessment area would suggest the bank is able to remain competitive in the market.

The assessment area includes 35 census tracts. Of these none are low-income, 4 are moderate-income, 28 are middle-income, and 3 are upper-income. Table 5 provides detail on key assessment area demographics.

Table 5 Assessment Area Demographics								
Income Categories	Tract Distribution		Families by Tract Income		Families < Poverty Level as % of Families by Tract		Families by Family Income	
	#	%	#	%	#	%	#	%
Low-income	0	0.0	0	0.0	0	0.0	6,119	20.3
Moderate-income	4	11.4	2,339	7.8	450	19.2	5,481	18.2
Middle-income	28	80.0	24,301	80.8	2,406	9.9	6,473	21.5
Upper-income	3	8.6	3,440	11.4	132	3.8	12,007	39.9
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	35	100.0	30,080	100.0	2,988	9.9	30,080	100.0
	Housing Units by Tract	Housing Types by Tract						
		Owner-Occupied		Rental		Vacant		
		#	%	%	#	%	#	%
Low-income	0	0	0.0	0.0	0	0.0	0	0.0
Moderate-income	7,354	2,834	7.7	38.5	931	12.7	3,589	48.8
Middle-income	58,689	29,940	81.5	51.0	7,710	13.1	21,039	35.8
Upper-income	6,592	3,948	10.8	59.9	861	13.1	1,783	27.0
Unknown-income	0	0	0.0	0.0	0	0.0	0	0.0
Total Assessment Area	72,635	36,722	100.0	50.6	9,502	13.1	26,411	36.4
	Total Businesses by Tract	Businesses by Tract & Revenue Size						
		Less Than or = \$1 Million		Over \$1 Million		Revenue Not Reported		
		#	%	#	%	#	%	#
Low-income	0	0.0	0	0.0	0	0.0	0	0.0
Moderate-income	358	8.1	318	7.9	31	11.2	9	10.5
Middle-income	3,584	81.2	3,293	81.3	217	78.1	74	86.0
Upper-income	472	10.7	439	10.8	30	10.8	3	3.5
Unknown-income	0	0.0	0	0.0	0	0.0	0	0.0
Total Assessment Area	4,414	100.0	4,050	100.0	278	100.0	86	100.0
	Percentage of Total Businesses:			91.8		6.3		1.9

Source: Based on 2015 American Community Survey Information
 Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As of 2020, the assessment area included 72,635 housing units, of which 50.6 percent were owner-occupied, 36.4 percent were vacant, and 13.1 percent were rental units. Of the owner-occupied housing units, 2,834 or 7.7 percent were located in moderate-income tracts, 29,940 or 81.5 percent were located in middle-income census tracts, and 3,948 or 10.8 percent were located in upper-income census tracts. The low number and percentage of owner-occupied housing units in moderate-income tracts suggests limited opportunity to originate home mortgage loans in these areas.

According to the 2015 ACS, the median home value in the assessment area is \$132,372, which is below the median value for the State of Maine, at \$173,800. The median age of the housing stock

was 46 years; within moderate-income census tracts in the assessment the median age was 53 years old.

According to 2016 D&B data, in 2020 there were 4,414 businesses in the assessment area, of which 8.1 percent were in moderate-income tracts, 81.2 percent were in middle-income tracts, and 10.7 percent were in upper-income tracts. Of all these businesses, 91.8 percent had gross annual revenues (GARs) of \$1 million or less.

Population

The assessment area is comprised of 114,070 individuals, of whom 8.2 percent resided in moderate-income tracts, 81.5 percent resided in middle-income tracts, and 10.3 percent resided in upper-income tracts. Of the population, 30,080 are families, of which 20.3 percent were low-income, 18.2 percent were moderate-income, 21.5 percent were middle-income, and 39.9 percent were upper-income families. According to a community contact, the majority of the counties in Maine experienced a population increase during the COVID-19 pandemic as the opportunity to work remotely drew people to Maine’s less expensive housing market. Androscoggin and Cumberland County in particular, which contain the largest metropolitan areas, experienced population growth. This resulted in relief to previous labor shortages.

Income

The FFIEC adjusts the median family income (MFI) of metropolitan areas annually based on estimates. The MFI for low-income is defined as family income less than 50 percent of the area median income; moderate-income is defined as income of at least 50 percent and less than 80 percent of median income; middle-income is defined as income of at least 80 percent but less than 120 percent of median income; and upper-income is defined as 120 percent of median income and above. Table 6 displays the MFIs for the assessment area for 2019 and 2020.

Table 6 Median Family Income Comparison					
Year	MD / State	MFI	Year	MD / State	MFI
2019	Lewiston-Auburn, ME (MSA)	\$62,600	2020	Lewiston-Auburn, ME (MSA)	\$ 75,900
2019	Maine Non MSA/MD	\$64,800	2020	Maine Non MSA/MD	\$67,300

FFIEC median family income estimates.

As shown, the MFI used to classify borrowers and geographies in the Non-MSA portions of the assessment area was \$64,800 in 2019, and \$67,300 in 2020. The MFI for Lewiston-Auburn, ME MSA was slightly higher; as previously mentioned the bank’s assessment area does not extend substantially into this MSA.

The FFIEC MFI estimate is not available for the assessment area; however, 2015 ACS data can be used to compare the MFI of the assessment area to those of the Lewiston-Auburn, ME MSA and the Maine Non MSA/MD. Using this data, the MFI for the assessment area was \$55,041, which was lower than the Lewiston-Auburn, ME MSA, at \$60,363, and the State of Maine, which was \$62,279, but higher than the entire Maine Non MSA/MD, which was \$54,826.

Employment Statistics

According to the ACS data, the unemployment rate for the assessment area was 8.3 percent, which was higher than the state at 6.8 percent, the entire non-MSA portion of the state which was 7.8 percent, and the Lewiston-Auburn, ME MSA at 7.2 percent. Based on data obtained from the U.S. Bureau of Labor Statistics the entire country experienced a drastic increase in unemployment rates in 2020 due to economic shutdowns precipitated by the COVID-19 pandemic. According to data obtained from the U.S. Bureau of Labor Statistics, rates have since decreased, both regionally and nationally, with Maine's unemployment rate at 4.0 percent as of February 2022, and the national unemployment rate at 3.8 percent.

Community Contacts

As part of the evaluation process, third parties that are active in community affairs are contacted to assist in assessing the housing and credit needs in the bank's assessment area. Relevant information from this practice assists in determining whether local financial institutions are responsive to the credit needs of the community, and whether additional opportunities are available.

A contact was conducted with a social service agency that provides assistance to low-income families living in western Maine. The contact noted a need for affordable housing. Generally, the contact found banks responsive to community needs, but would like to increase awareness within the banking community that organizations such as theirs are available to assist. In particular, the contact mentioned that this organization could partner with banks and provide gap funding and other services to help low- and moderate-income individuals obtain mortgage financing when they may not qualify under traditional underwriting standards.

Conclusions with Respect to Performance Tests in Western Maine Assessment Area

LENDING TEST

Borrower Profile

This criterion analyzes the distribution of loans to borrowers of different income levels as well as businesses with different revenues. The distribution of loans and, as appropriate, other lending-related activities for individuals of different income levels (including low- and moderate-income individuals) and businesses of different sizes is excellent given the demographics of the bank's assessment area, when compared to area demographics and aggregate performance.

Residential Lending

Table 7 provides a comparison of the bank's lending by income level of the borrower to the income distribution of families in the assessment area and demographic data. The table further outlines the bank's performance by loan type in comparison to the aggregate group. The bank's performance in lending to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

Table 7 Distribution of Loans by Borrower Income														
PRODUCT TYPE	Borrower Income Levels	Families by Family Income	Bank & Aggregate Lending Comparison											
			2019						2020					
			Count			Dollar			Count			Dollar		
			Bank	Agg	%	Bank	Agg	%	Bank	Agg	%	Bank	Agg	
%	#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %		
HOME PURCHASE	Low	20.3%	8	6.7%	7.0%	\$710	4.2%	3.5%	9	9.6%	6.7%	\$570	1.7%	3.4%
	Moderate	18.2%	28	23.5%	18.9%	\$2,634	15.5%	13.6%	22	23.4%	17.5%	\$2,459	8.5%	12.5%
	Middle	21.5%	24	20.2%	20.8%	\$2,838	16.7%	18.8%	20	21.3%	20.5%	\$1,837	16.4%	18.2%
	Upper	39.9%	57	47.9%	40.4%	\$10,677	62.8%	51.8%	43	45.7%	45.2%	\$9,513	65.7%	56.2%
	Unknown	0.0%	2	1.7%	51.8%	\$145	0.9%	12.3%	0	0.0%	10.2%	\$0	7.8%	9.7%
	Total	100.0%	119	100.0%	100.0%	\$17,004	100.1%	100.0%	94	100.0%	100.0%	\$14,379	100.0%	100.0%
REFINANCE	Low	20.3%	31	12.9%	6.7%	\$1,443	5.1%	3.2%	18	7.7%	3.8%	\$1,161	1.7%	1.8%
	Moderate	18.2%	38	15.8%	14.6%	\$2,776	9.8%	9.9%	46	19.6%	10.8%	\$4,519	8.5%	6.9%
	Middle	21.5%	63	26.3%	18.4%	\$6,133	21.7%	15.0%	41	17.4%	18.4%	\$4,962	16.4%	14.4%
	Upper	39.9%	105	43.8%	42.6%	\$17,684	62.5%	52.9%	126	53.6%	48.4%	\$24,561	65.7%	58.0%
	Unknown	0.0%	3	1.2%	17.6%	\$246	0.9%	19.0%	4	1.7%	18.6%	\$455	7.8%	18.9%
	Total	100.0%	240	100.0%	100.0%	\$28,282	100.0%	100.0%	235	100.0%	100.0%	\$35,658	100.0%	100.0%
HMDA TOTALS	Low	20.3%	39	10.9%	6.8%	\$2,153	4.8%	3.4%	27	8.2%	5.2%	\$1,731	3.5%	2.6%
	Moderate	18.2%	66	18.4%	17.1%	\$5,410	11.9%	12.2%	68	20.7%	13.8%	\$6,978	13.9%	9.6%
	Middle	21.5%	87	24.2%	19.9%	\$8,971	19.8%	17.3%	61	18.5%	18.9%	\$6,799	13.6%	15.9%
	Upper	39.9%	162	45.1%	41.0%	\$28,362	62.2%	51.4%	169	51.4%	46.5%	\$34,075	68.1%	56.6%
	Unknown	0.0%	5	1.4%	15.1%	\$390	0.9%	15.7%	4	1.2%	15.6%	\$454	0.9%	15.2%
	Total	100.0%	359	100.0%	100.0%	\$45,286	100.0%	100.0%	329	100.0%	100.0%	\$50,037	100.0%	100.0%

Source: Internal Bank Documents on 2019 and 2020 residential lending and 2015 ACS data 2019 and 2020 Aggregate HMDA Data

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

**Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for "other" and "NA" loans (as applicable), which may cause a slight difference from publicly available data.

As shown in the table above, the bank extended 39 home mortgage loans, or 10.9 percent, to low-income borrowers in the assessment area in 2019. The bank's percentage by number and dollar amount was well above that achieved by the aggregate. While below the percentage of low-income families, it is not unexpected to lend at this level due to the relatively high housing values as compared to median family incomes, which makes it difficult to qualify for mortgage financing for these borrowers. Therefore, comparisons of the bank's lending to aggregate lending serves as a better indicator of the bank's performance. Review of the aggregate data reveals that the bank is a leading lender in the assessment area. With 39 loans to low-income borrowers the bank would have ranked first in lending to low-income borrowers in the assessment area if it were a reporter, with the next highest lender extending 29 loans to low-income borrowers. The bank extended 66 loans, or 18.4 percent, of its total loans in the assessment area in that year to moderate-income borrowers, which slightly exceeded the aggregate's 17.1 percent. The bank also exceeded the aggregate in terms of dollar volume. In terms of lending to moderate-income borrowers the bank would have ranked second in lending. The bank extended 87 loans, or 24.2 percent, to middle-income borrowers, 163 loans, or 45.1 percent, to upper-income borrowers, and 5 loans, or 1.4 percent, to borrowers with incomes that were not available.

The bank is not required to collect and maintain data on its residential loans according to HMDA, which requires banks report data on home purchase, home improvement, multifamily and 'other' purpose loans. The bank provided data on its home purchase and refinance loans. As such the table

above displays the bank’s data and the aggregate’s performance in these categories. The majority of the bank’s loans in 2019 were for refinance purposes, which also drove the overall percentages.

In 2020, the bank extended 27 loans, or 8.2 percent, to low-income borrowers, exceeding the 5.2 percent achieved by the aggregate. The bank would have ranked third in lending to low-income borrowers. The bank also exceeded the aggregate in lending to moderate-income borrowers, with 68 loans, or 20.7 percent, made to moderate-income borrowers in that year, well above the aggregate’s 13.8 percent. Based on the number of loans extended to moderate-income borrowers, the bank would have ranked second. The bank made 61 loans to middle-income borrowers, or 18.5 percent, which is in line with the aggregate’s 18.9 percent. A slight majority of the bank’s loans, 51.4 percent, were made to upper-income borrowers. A small number and percentage of loans, at 1.2 percent, were extended to borrowers where the revenues were unknown.

The bank’s 2018 performance was consistent with the two years presented.

Small Business Lending

The bank’s small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 8 details the bank’s lending to small businesses according to revenue size. Despite not being required to report under CRA, the table also includes a comparison to CRA small business reporters in the assessment area as performance context. The bank’s performance in lending to businesses with GARs of \$1 million or less is excellent.

Table 8																
Small Business Lending by Revenue																
Product Type		2019	Bank & Aggregate Lending Comparison						2020	Bank & Aggregate Lending Comparison						
			Total Businesses	2019			Total Businesses	2020								
				Count		Dollar		Count		Dollar						
				Bank	Agg	Bank		Agg		Bank	Agg	Bank	Agg			
%	#	%	%	\$ 000s	\$ %	\$ %	%	#	%	%	\$ 000s	\$ %	\$ %			
Small Business	Revenue	\$1 Million or Less	91.3%	167	62.8%	42.1%	\$13,511	66.7%	41.2%	91.8%	120	57.7%	29.3%	\$9,283	57.2%	26.7%
		Over \$1 Million	6.6%	97	36.5%					6.3%	88	42.3%				
		Rev. Not Kn	2.1%	2	0.8%					1.9%	0	0.0%				
		Total	100.0%	266	100.0%					100.0%	208	100.0%				

Source: Internal Bank Reports
 Aggerate small business data for 2019 and 2020
 D&B data for 2019 and 2020
 Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank extended 167 loans, or 62.8 percent of total loans, to businesses with revenues under \$1 million in 2019. While lower than the demographic indicators of total businesses within this revenue category, the bank significantly outperformed the aggregate, which extended 42.1 percent of loans to businesses in this revenue category. Greater weight is given to the bank’s performance against the aggregate. The bank also extended a higher dollar amount of loans to businesses with revenues under \$1 million compared to the aggregate. The bank’s ability to compete with institutions of larger asset sizes is notable.

In 2020, of the 208 small business loans made in the assessment area, 120 loans, or 57.7 percent, were made to businesses with revenues under \$1 million. The bank again outperformed the aggregate, which made just 29.3 percent of loans to businesses with revenues under \$1 million.

The 2018 performance was consistent with the two years presented.

Geographic Distribution of Loans

This performance criterion evaluates the bank’s distribution of loans to census tracts of all income levels. The geographic distribution of loans is excellent given the bank’s assessment area.

Residential Lending

Table 9 provides a comparison of the bank’s lending by census tract income level to the aggregate lending data and demographics of the assessment area. The bank’s geographic distribution of loans to individuals of different income levels, including low- and moderate-income borrowers, is excellent.

Table 9														
Geographic Distribution of Home Mortgage Loans														
PRODUCT TYPE	Geographic Income Levels	Owner Occupied Units	Bank & Aggregate Lending Comparison											
			2019						2020					
			Count			Dollar			Count			Dollar		
			Bank		Agg	Bank		Agg	Bank		Agg	Bank		Agg
			#	%	%	\$(000s)	\$ %	\$ %	#	%	%	\$(000s)	\$ %	\$ %
HOME PURCHASE	Moderate	7.7%	8	6.7%	7.2%	\$1,060	6.2%	13.6%	7	7.5%	5.2%	\$755	5.3%	3.4%
	Middle	81.5%	109	91.6%	81.3%	\$15,626	91.9%	18.8%	85	90.4%	81.8%	\$12,922	89.9%	80.8%
	Upper	10.8%	2	1.7%	11.5%	\$318	1.9%	51.8%	2	2.1%	13.0%	\$702	4.9%	15.9%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	12.3%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	119	100.0%	100.0%	\$17,004	100.0%	100.0%	94	100.0%	100.0%	\$14,379	100.0%	100.0%
REFINANCE	Moderate	7.7%	20	8.3%	5.3%	\$1,942	6.9%	9.9%	22	9.4%	4.8%	\$2,834	7.9%	3.4%
	Middle	81.5%	215	89.6%	82.3%	\$25,514	90.2%	15.0%	210	89.4%	78.4%	\$32,256	90.5%	77.5%
	Upper	10.8%	5	2.1%	12.5%	\$826	2.9%	52.9%	3	1.3%	16.7%	\$568	1.6%	19.1%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	19.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	240	100.0%	100.0%	\$28,282	100.0%	96.8%	235	100.0%	99.9%	\$35,658	100.0%	100.0%
TOTAL	Moderate	7.7%	28	7.8%	6.5%	\$3,002	6.6%	4.3%	29	8.8%	5.0%	\$3,588	7.2%	3.6%
	Middle	81.5%	324	90.3%	81.5%	\$41,140	90.8%	81.2%	295	89.7%	79.9%	\$45,179	90.3%	78.9%
	Upper	10.8%	7	1.9%	12.0%	\$1,144	2.5%	14.5%	5	1.5%	15.1%	\$1,270	2.5%	17.5%
	Unknown	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%	0	0.0%	0.0%	\$0	0.0%	0.0%
	Total	100.0%	359	100.0%	100.0%	\$45,286	100.0%	100.0%	329	100.0%	100.0%	\$50,037	100.0%	100.0%

Source: Internal Bank Documents on 2019 and 2020 residential lending and 2015 ACS data 2019 and 2020 Aggregate HMDA Data

Total percentages shown may vary by 0.1 percent due to automated rounding differences.

**Aggregate percentages include all loans required to be reported by lenders comprising the aggregate except for “other” and “NA” loans (as applicable), which may cause a slight difference from publicly available data.

The bank’s assessment contains 4 moderate-income census tracts, 28 middle-income census tracts, and just 3 upper-income census tracts. As displayed in the table above, the bank extended 28 loans, or 7.8 percent, in moderate-income census tracts in 2019, which was slightly above the percentage of owner-occupied units located in those tracts, at 7.7 percent. The bank also exceeded the aggregate’s percentage, at 6.5 percent. Despite not being required to report under HMDA requirements, the bank’s performance was evaluated against all HMDA lenders who originated or purchased home mortgage loans in the assessment area’s moderate-income census tracts. The bank extended more loans in the assessment area’s moderate-income tracts than all HMDA reporters, and is the top ranked lender having made 26 loans in those geographies. This indicates the bank is a leader in meeting credit needs in moderate-income census tracts. The bank extended the majority of its loans, at 90.3 percent, in middle-income geographies, where the majority of owner-occupied units, 81.5 percent, are also located. The bank made just 7 loans, or 1.9 percent, in upper-income geographies in that year. The bank’s distribution of loans by dollar volume is consistent with the analysis by number.

In 2020, the bank made 29 loans, or 8.8 percent of total loans, in moderate-income geographies. The bank’s percentage again exceeded the percentage of owner-occupied units in those tracts and the aggregate’s percentage. The bank also extended more loans in these census tracts than all HMDA reporters, with the top-ranking institution extending 23 loans. The bank made 295 loans, or 89.7 percent, in middle-income geographies, and 5 loans, or 1.5 percent, in upper-income geographies. The bank’s percentage of loans by dollar volume in moderate-, middle-, and upper-income geographies was consistent with the percentages based on number.

The bank’s 2018 performance was in line with the years presented in the tables.

Small Business Lending

Table 10 represents the distribution of small business loans by census tract income level. The bank’s geographic distribution of small business loans is excellent. As discussed, Franklin is not required to report under CRA, however its performance is shown in relation to all CRA reporters in the assessment area as performance context.

Table 10 Geographic Distribution of Small Business Loans															
PRODUCT TYPE	Tract Income Levels	2019 Total Businesses	Bank & Aggregate Lending Comparison						2020 Total Businesses	Bank & Aggregate Lending Comparison					
			2019			2020				2019			2020		
			Count		Dollar	Count		Dollar		Count		Dollar	Count		Dollar
			Bank	Agg	Bank	Agg	Bank	Agg		Bank	Agg	Bank	Agg	Bank	Agg
		%	#	%	%	\$ 000s	\$ %	\$ %	%	#	%	%	\$ 000s	\$ %	\$ %
Revenue	Moderate	8.2%	21	7.9%	7.0%	\$1,856	9.2%	4.1%	8.1%	22	10.6%	5.6%	\$1,848	11.4%	2.9%
	Middle	81.4%	242	91.0%	80.5%	\$17,731	87.6%	79.6%	81.2%	183	88.0%	78.8%	\$14,339	88.3%	78.2%
	Upper	10.3%	3	1.1%	11.5%	\$665	3.3%	15.7%	10.7%	3	1.4%	15.4%	\$51	0.3%	18.6%
	Tr Unknown		0	0.0%	1.0%	\$0	0.0%	0.6%		0	0.0%	0.2%	\$0	0.0%	0.3%
	Total	100.0%	266	100.0%	100.0%	\$20,252	100.0%	100.0%	100.0%	208	100.0%	100.0%	\$16,238	100.0%	100.0%

Source: Internal Bank Reports

Aggregate small business data for 2019 and 2020
D&B data for 2019 and 2020
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As displayed above, the bank extended 21 small business loans, or 7.9 percent, in the assessment area's moderate-income census tracts, which was in line with the percentage of businesses located in those tracts and above the percentage achieved by the aggregate. By dollar volume, a slightly higher percentage of loans, at 9.2 percent, were extended in moderate-income geographies. The majority of the bank's small business loans at 91.0 percent were made in middle-income areas, while just 3 loans, or 1.1 percent, were made in upper-income census tracts. In 2020, the bank extended 22 loans in moderate-income census tracts, which represents 10.6 percent of loans made in that year and was well above the aggregate's 5.6 percent. The bank made 183 loans, or 88.0 percent, in middle-income census tracts and 3 loans, or 1.4 percent, in upper-income census tracts. The bank's lending by dollar volume generally mirrored lending by number of loans.

The bank's 2018 performance was consistent with the years presented.

Community Development Test

Franklin's performance under the Community Development Test is rated Satisfactory.

The bank has demonstrated an adequate responsiveness to community development needs through the provision of community development loans, investments, and services. The majority of qualifying activity consists of community development loans originated through the PPP. As previously mentioned, PPP loans are administered by the SBA as part of the CARES Act and were designed to help small businesses retain workers and staff during the economic crisis due to the COVID-19 pandemic. These loans were considered responsive to the needs of small businesses during the COVID-19 pandemic.

Franklin made a total of 323 PPP loans, totaling \$12.7 million, during the evaluation period. The bank extended 27 PPP loans, totaling \$875,000, in moderate-income census tracts in the assessment area, contributing to the stabilization of those tracts during the crisis. The remaining PPP loans promoted economic development by financing small businesses and supporting job retention for low- or moderate-income persons. Further, the bank extended four community development loans which provided benefit statewide, including this assessment area.

In addition, the bank extended one loan in this assessment area, totaling \$400,000, which supported affordable housing projects for a Community Development Financial Institution that helps to develop affordable housing facilities. Affordable housing is a need identified by a community contact.

The bank provided 173 donations, totaling \$396,583, that benefited this assessment area. The area also benefited from 23 donations totaling \$47,910 that were made within the state. Examples of the bank's donations included organizations that assisted with heating, food pantries, economic development, and financial literacy, including scholarship programs for local schools based on financial needs.

The following is a sample of the organizations that received qualified donations from the bank in the Western Maine assessment area during the evaluation period:

Rangely Region Health Center – The organization’s mission is to facilitate and promote health and wellness in the Rangely Lakes region. They aim to provide healthcare to medically underserved communities of Central and Western Maine. The organization offers HealthReach services, which are available to everyone, regardless of ability to pay.

Safe Voices – This non-profit organization provides emergency and support services to victims of domestic violence including, but not limited to, emergency shelter, education, and advocacy for legislative change.

Community Development Services

Bank employees provided community services in the assessment area through involvement with organizations that support low- and moderate-income individuals and financial education programs, and through participation in a homebuyer’s education class and a program for Maine graduates.

Hope Association – The organization provides a variety of services to individuals with developmental disabilities, including employment and supported living programs to encourage independence. An officer of the bank acted as director and treasurer of the organization, providing his financial expertise to benefit the organization.

Western Maine Community Action – This non-profit organization provides, among other services, housing support through a variety of programs targeted to low-income Franklin County homeowners and renters. An officer of the bank is a board member of the organization in the finance committee.

Mexico Senior Housing Authority – This is a non-profit organization that works to provide low- and moderate-income housing for the elderly. An officer of the bank acted as director and treasurer of the organization, providing his financial expertise to benefit the organization.

CONCLUSION: COMMUNITY DEVELOPMENT TEST

Given the community development needs, opportunities, and level of ability and capacity in the assessment area, the bank demonstrates adequate responsiveness to the community development needs of its Western Maine assessment area and is rated “Satisfactory.” This performance is based on the bank’s community development loans and loan programs, qualified investments, and community development services, as appropriate, with consideration given to the institution's capacity and the need and availability of such opportunities for community development in the bank’s assessment area.

Hancock County Assessment Area
(Limited Scope Review)

Description of Institution’s Operations in Hancock County Assessment Area

As previously discussed, the bank maintains just one branch location in Hancock County, which is located in Ellsworth, Maine. This location is solely focused on the origination of commercial loans. There are no ATMs, and the location does not accept deposits. Of the bank’s total employees, just four operate from the Ellsworth location.

Table 11 provides pertinent demographic data for this assessment area.

Table 11 Assessment Area Demographics										
Income Categories	Tract Distribution		Total Businesses by Tract		Less Than or = \$1 Million		Over \$1 Million		Revenue Not	
	#	%	#	%	#	%	#	%	#	%
Moderate-income	1	5.6	0	0	96	3.4	4	1.7	8	13.1
Middle-income	12	66.7	108	3.5	1,929	69.2	168	71.8	40	65.6
Upper-income	4	22.2	2,137	69.3	764	27.4	62	26.5	13	21.3
Unknown-income	1	5.6	839	27.2	0		0	0	0	0
Total Assessment Area	18	100	3,084	100	2,789	100	234	100	61	100
					Percentage of Total Businesses:		90.4	7.6		2.0

Source: 2015 ACS Information
 2020 D&B data

As shown, this assessment area includes just 1 moderate-income census tract, 12 middle-income census tracts, 4 upper-income census tracts, and 1 tract where the income is unknown. Of the total businesses, 3.4 percent are located in the one moderate-income census tract, 69.2 percent are in middle-income tracts, and 27.4 percent of businesses are located in upper-income tracts. The majority of businesses, 90.4 percent, have revenues under \$1 million, while 7.6 percent have revenues over \$1 million and 2.0 percent are unknown.

Conclusions with Respect to Performance Tests in Hancock County Assessment Area

Distribution of Loans to Businesses of Different Revenue Sizes

The bank’s small business loans originated within the assessment area were analyzed to determine the distribution among businesses of various sizes. Table 12 details the bank’s lending to small businesses according to revenue size. The bank’s performance in lending to businesses with GARs of \$1 million or less is consistent with overall performance.

Table 12 Small Business Lending by Revenue																
Product Type		2019 Total Businesses %	Bank & Aggregate Lending Comparison						2020 Total Businesses %	Bank & Aggregate Lending Comparison						
			2019							2020						
			Count			Dollar				Count			Dollar			
			Bank	Agg		Bank	Agg			Bank	Agg		Bank	Agg		
			#	%	%	\$ 000s	\$ %	\$ %	#	%	%	\$ 000s	\$ %	\$ %		
Small Business	Revenue	\$1 Million or Less	90.1%	64	97.0%	58.7%	\$4,642	98.6%	63.8%	90.4%	127	97.7%	41.6%	\$10,344	99.1%	41.0%
		Over \$1 Million	7.9%	2	3.0%					7.6%	3	2.3%				
		Rev. Not Known	0.0%	0	0.0%					2.0%	0	0.0%				
		Total	100.0%	66	100.0%					100.0%	130	100.0%				

Source: Internal Bank Reports
Aggerate small business data for 2019 and 2020
D&B data for 2019 and 2020
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

As shown in Table 12, the bank exceeded the aggregate in extending loans to businesses with revenues of \$1 million or less in both years under review. Of note, the 2020 small business numbers include PPP loans. PPP borrowers are eligible for loan forgiveness when the loan procedures were used for eligible payroll costs, payments on business mortgage interest payments, rent, or utilities. These loans were considered responsive to needs in the assessment area.

Geographic Distribution of Small Business Loans

Table 13 provides detail on the distribution of small business loans by census tract income level. The bank’s geographic distribution of small business loan is consistent with overall performance.

Table 13 Geographic Distribution of Small Business Loans															
	Tract Income Levels	2019 Total Businesses %	Bank & Aggregate Lending Comparison						2020 Total Businesses %	Bank & Aggregate Lending Comparison					
			2019							2020					
			Count			Dollar				Count			Dollar		
			Bank	Agg		Bank	Agg			Bank	Agg		Bank	Agg	
			#	%	%	\$ 000s	\$ %	\$ %	#	%	%	\$ 000s	\$ %	\$ %	
Revenue	Moderate	3.2%	3	4.5%	3.0%	\$55	1.2%	2.0%	3.5%	2	1.5%	3.1%	\$7	0.1%	2.7%
	Middle	69.3%	52	78.8%	64.8%	\$3,363	71.4%	69.6%	69.3%	108	83.1%	64.2%	\$8,464	81.1%	66.0%
	Upper	27.5%	11	16.7%	25.5%	\$1,289	27.4%	26.8%	27.2%	20	15.4%	32.2%	\$1,962	18.8%	30.9%
	Tr Unknown		0	0.0%	6.7%	\$0	0.0%	1.6%		0	0.0%	0.5%	\$0	0.0%	0.4%
	Total	100.0%	66	100.0%	100.0%	\$4,707	100.0%	100.0%	100.0%	130	100.0%	100.0%	\$10,433	100.0%	100.0%

Source: Internal Bank Reports
Aggerate small business data for 2019 and 2020
D&B data for 2019 and 2020
Total percentages shown may vary by 0.1 percent due to automated rounding differences.

The bank extended three small business loans, or 4.5 percent, in the one moderate-income census tract in the assessment area in 2019, which exceeded the percentage of businesses located in that tract, at 3.2 percent, and exceeded the aggregate’s 3.0 percent. The majority of loans, 78.8 percent, were extended in middle-income geographies, and 16.7 percent were made in upper-income geographies.

In 2020, the bank extended just two loans, or 1.5 percent, in moderate-income census tracts which was below the percentage achieved by the aggregate. The bank made 108 loans, or 83.1 percent, in middle-income geographies, and 20 loans, or 15.4 percent, in upper-income census tracts. While slightly lagging the aggregate in 2020, it is noted that the Lending Test includes 55 PPP loans, totaling \$1 million. These loans helped area small businesses survive during the economic crisis.

Community Development Test

The bank extended no community development loans specifically benefiting this assessment area; however, the area did benefit from four loans that supported affordable housing and community services within the state, including Hancock County. The bank donated \$32,250 that benefited this assessment area by providing scholarships to students in financial need and financing activities that promoted economic development. This included a donation to provide education and workforce development training to low- and moderate-income workers. One employee served as a treasurer of a non-profit organization in Ellsworth, ME. The organization provides support for individuals in the community, specifically surrounding food insecurity. The assessment area also benefited from bank employee efforts that addressed community development needs throughout the state. Given its overall limited market position and branch presence, the bank's performance is consistent with overall community development performance.

Conclusion with Respect to Performance in Hancock County Assessment Area

Franklin's lending and community development performance in the assessment area is consistent with the institution's lending and community development performance overall.

APPENDIX

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.

Assessment area: One or more of the geographic areas delineated by the bank and used by the regulatory agency to assess an institution's record of CRA performance.

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

Community contact: Interviews conducted as part of the CRA examination to gather information that might assist examiners in understanding the bank's community, available opportunities for helping to meet local credit and community development needs, and perceptions on the performance of financial institutions in helping meet local credit needs. Communications and information gathered can help to provide a context to assist in the evaluation of an institution's CRA performance.

Community development: All Agencies have adopted the following language. Affordable housing (including multifamily rental housing) for low- or moderate-income individuals; community services targeted to low- or moderate-income individuals; activities that promote economic development by financing businesses or farms that meet the size eligibility standards of the Small Business Administration's Development Company or Small Business Investment Company programs (13 CFR 121.301) or have gross annual revenues of \$1 million or less; or, activities that revitalize or stabilize low or moderate-income geographies.

Effective September 1, 2005, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency (OCC), and the FDIC have adopted the following additional language as part of the revitalize or stabilize definition of community development. Activities that revitalize or stabilize:

- (i) Low- or moderate-income geographies;
- (ii) Designated disaster areas; or
- (iii) Distressed or underserved nonmetropolitan middle-income geographies designated by the Board, the FDIC, and the OCC, based on:
 - a. Rates of poverty, unemployment, and population loss; or
 - b. Population size, density, and dispersion. Activities that revitalize and stabilize geographies designated based on population size, density, and dispersion if they help to meet essential community needs, including needs of low- and moderate-income individuals.

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.

Demographics: The statistical characteristics of human populations (such as age, race, sex, income, etc.) used especially to identify markets.

Distressed nonmetropolitan middle-income geography: A middle-income, nonmetropolitan 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 nonrelatives living with the family. Families are classified by type as either a married-couple family or other family, which is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

Full-scope review: Performance under the Lending, Investment, and Service Tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower distribution, 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 who 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 applications, the amount of loan requested, and the disposition of the application (e.g., approved, denied, and withdrawn).

Home mortgage loans: Includes home purchase and home improvement loans as defined in the HMDA regulation. This definition also includes multifamily (five or more families) dwelling loans, loans for the purchase of manufactured homes, and refinancing of home improvement and home purchase loans.

Household: One or more persons who occupy a housing unit. The occupants may be a single family, one person living alone, two or more families living together, or any other group of related or unrelated persons who share living arrangements.

Housing affordability ratio: Is calculated by dividing the median household income by the median housing value. It represents the amount of single family, owner-occupied housing that a dollar of income can purchase for the median household in the census tract. Values closer to 100 percent indicate greater affordability.

Limited-scope review: Performance under the Lending, Investment, and Service Tests is analyzed using only quantitative factors (e.g., geographic distribution, borrower distribution, 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.

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 family income: The dollar amount that divides the family income distribution into two equal groups, half having incomes above the median, half having incomes below the median. The median family income is based on all families within the area being analyzed.

Metropolitan area (MA): A metropolitan statistical area (MSA) or a metropolitan division (MD) as defined by the Office of Management and Budget. An MSA is a core area containing at least one urbanized area of 50,000 or more inhabitants, together with adjacent communities having a high degree of economic and social integration with that core. An MD is a division of an MSA based on specific criteria including commuting patterns. Only an MSA that has a population of at least 2.5 million may be divided into MDs.

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 percent 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 percent and less than 80 percent in the case of a geography.

Multifamily: Refers to a residential structure that contains five or more units.

Nonmetropolitan statistical area (non MSA): Not part of a metropolitan area. (See metropolitan area.)

Other products: Includes any unreported optional category of loans for which the institution collects and maintains data for consideration during a CRA examination. Examples of such activity include consumer loans and other loan data an institution may provide concerning its lending performance.

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.

Performance context: The performance context is a broad range of economic, demographic, and institution- and community-specific information that an examiner reviews to understand the context in which an institution's record of performance should be evaluated. The performance context is not a formal or written assessment of community credit needs.

Performance criteria: These are the different criteria against which a bank's performance in helping to meet the credit needs of its assessment area(s) is measured. The criteria relate to lending, investment, retail service, and community development activities performed by a bank. The performance criteria have both quantitative and qualitative aspects. There are different sets of criteria for large banks, intermediate small banks, small banks, wholesale/limited purpose banks, and strategic plan banks.

Performance evaluation (PE): A written evaluation of a financial institution's record of meeting the credit needs of its community, as prepared by the federal financial supervision agency responsible for supervising the institution.

Qualified investment: A qualified investment is defined as any 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.

Small businesses/small farms: A small business/farm is considered to be one in which gross annual revenues for the preceding calendar year were \$1 million or less.

Small loan(s) to business(es): That is, "small business loans" are included in "loans to small businesses" as defined in the Consolidated Reports of Condition and Income (Call Report) and the Thrift Financial Reporting (TFR) instructions. These loans have original amounts of \$1 million or less and typically are secured by either nonfarm or nonresidential real estate or are classified as commercial and industrial loans. However, thrift institutions may also exercise the option to report loans secured by nonfarm residential real estate as "small business loans" if the loans are reported on the TFR as nonmortgage, commercial loans.

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

Underserved middle-income geography: A middle-income, nonmetropolitan geography will be designated as underserved if it meets criteria for population size, density, and dispersion that indicate 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.

For additional information, please see the Definitions Section of Regulation BB at 12 C.F.R. 228.12.