

PUBLIC DISCLOSURE

September 5, 2022

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Savings Bank of Walpole
Certificate Number: 18030

68 Ames Plaza Lane
Walpole, New Hampshire 03608

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 area.
- The geographic distribution of loans reflects poor dispersion throughout the assessment area.
- The distribution of borrowers reflects 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 demonstrated adequate responsiveness to the community development needs of its assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

DESCRIPTION OF INSTITUTION

Savings Bank of Walpole (SBW) is a New Hampshire chartered financial institution headquartered in Walpole, New Hampshire. SBW is a subsidiary of New Hampshire Mutual Bancorp (NHMB), a three-bank holding company headquartered in Concord, New Hampshire. NHMB also owns Meredith Village Savings Bank and the Merrimack County Savings Bank. NHMB is a shared services organization providing operational support to all three banks, which operate in alliance under the single holding company. SBW received a Satisfactory rating at its previous FDIC Performance Evaluation dated August 10, 2020, based on Interagency Intermediate Small Institution Examination Procedures.

SBW operates six full-service branches in its assessment area in southwestern New Hampshire in Keene (3), Walpole (2), and Winchester (1). The Winchester office is located in a moderate-income area and is new since the previous evaluation. The other five branch offices are located in middle- (4) and upper-income areas (1). SBW offers loan products including home mortgage, commercial, and consumer loans, primarily focusing on home mortgage lending. The institution provides a variety of deposit services for consumers and businesses, including checking, savings, health savings accounts, individual retirement accounts, and certificates of deposit. The bank's affiliate, NH Trust Financial Advisors, offers investment advisory and trust services. Alternative banking services include internet and mobile banking, electronic bill pay, and seven bank-owned automated teller machines (ATMs).

Assets totaled approximately \$688 million as of June 30, 2022, and included total loans of \$512 million. Deposits totaled \$641 million. The following table illustrates the loan portfolio.

Loan Portfolio Distribution as of 6/30/2022		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	14,972	2.9
Secured by Farmland	554	0.1
Secured by 1-4 Family Residential Properties	267,863	52.3
Secured by Multifamily (5 or more) Residential Properties	19,537	3.8
Secured by Nonfarm Nonresidential Properties	96,461	18.8
Total Real Estate Loans	399,387	78.0
Commercial and Industrial Loans	28,037	5.5
Agricultural Production and Other Loans to Farmers	-	0.0
Consumer Loans	84,156	16.4
Obligations of State and Political Subdivisions in the U.S.	396	0.1
Other Loans	-	0.0
Lease Financing Receivable (net of unearned income)	-	0.0
Less: Unearned Income	-	0.0
Total Loans	511,976	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that affect the bank's ability to meet assessment area credit needs.

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment area(s) within which examiners will evaluate its CRA performance. SBW designated a single assessment area in New Hampshire that includes a small area across the border into Vermont. The assessment area remains unchanged since the previous evaluation. The following sections discuss economic and demographic information for the assessment area.

Economic and Demographic Data

SBW designated an assessment area that contains 21 census tracts. This includes all 16 census tracts in Cheshire County, New Hampshire; 2 census tracts in Sullivan County, New Hampshire; and 3 census tracts in Windham County, Vermont. These tracts reflect the following income designations according to the 2015 U.S. American Community Survey (ACS) Census:

- 4 moderate-income tracts,
- 15 middle-income tracts, and
- 2 upper-income tracts.

Two of the four moderate-income census tracts are in the southwestern corner of Cheshire County, New Hampshire; one is in Sullivan County, New Hampshire; and one is in Windham County, Vermont. The following table illustrates select demographic characteristics of the assessment area.

Demographic Information of the Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	21	0.0	19.0	71.4	9.5	0.0
Population by Geography	93,103	0.0	16.5	73.0	10.4	0.0
Housing Units by Geography	42,941	0.0	17.2	73.4	9.4	0.0
Owner-Occupied Units by Geography	26,971	0.0	18.7	71.4	9.9	0.0
Occupied Rental Units by Geography	10,483	0.0	13.9	77.8	8.3	0.0
Vacant Units by Geography	5,487	0.0	16.1	75.0	8.9	0.0
Businesses by Geography	8,458	0.0	11.9	77.0	11.1	0.0
Farms by Geography	404	0.0	11.9	80.0	8.2	0.0
Family Distribution by Income Level	23,730	20.9	18.5	22.8	37.8	0.0
Household Distribution by Income Level	37,454	25.0	16.5	19.2	39.3	0.0
Median Family Income Non-MSAs – New Hampshire		\$71,699	Median Housing Value			\$186,417
Median Family Income Non-MSAs - Vermont		\$64,849	Median Gross Rent			\$915
			Families Below Poverty Level			6.7%

*Source: 2015 ACS and 2021 D&B Data
Due to rounding, totals may not equal 100.0%
(* The NA category consists of geographies that have not been assigned an income classification.*

According to 2021 D&B data, there were 8,458 businesses in the assessment area. The analysis of small business loans under the Borrower Profile criterion compares the distribution of businesses by GAR level. Gross annual revenues (GARs) for these businesses are below.

- 86.7 percent have GARs of \$1 million or less,
- 4.4 percent have GARs of more than \$1 million, and
- 8.9 percent have unknown revenues.

Service industries represent the largest portion of businesses at 34.9 percent, followed by non-classifiable establishments (18.1 percent), retail trade (11.9 percent), and construction (9.4 percent). In addition, 64.4 percent of area businesses have four or fewer employees, and 90.9 percent operate from a single location.

Examiners used the 2020 and 2021 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.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
New Hampshire NA Median Family Income (99999)				
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
Vermont NA Median Family Income (99999)				
2020 (\$74,600)	<\$37,300	\$37,300 to <\$59,680	\$59,680 to <\$89,520	≥\$89,520
2021 (\$78,800)	<\$39,400	\$39,400 to <\$63,040	\$63,040 to <\$94,560	≥\$94,560
<i>Source: FFIEC</i>				

The Geographic Distribution criterion compares home mortgage loans to the distribution of owner-occupied housing units. Opportunities for home mortgage lending in the assessment area are slightly restricted, as only 62.8 percent of the 42,941 housing units are owner-occupied. The remaining units are occupied rental (24.4 percent) and vacant units (12.8 percent). Housing costs are relatively affordable. A median housing value of \$186,417 is below the United States average of \$428,700.

According to the Bureau of Labor Statistics, the average unemployment rate in 2021 was 3.9 percent in Cheshire County, New Hampshire; 3.3 percent in Sullivan County, New Hampshire; and 4.4 percent in Windham County, Vermont. These levels are comparable to the average statewide unemployment rates of 3.5 percent in both states, and lower than the national rate of 5.4 percent. The unemployment rates in all three counties trended downward over the evaluation period as the COVID-19 pandemic waned. Major employers in the assessment area include Cheshire Medical Center and C&S Wholesale Grocers in Keene, New Hampshire, and EMD Group Manufacturing in Jaffrey, New Hampshire.

Competition

The bank operates in a moderately competitive market for financial services. According to FDIC Deposit Market Share data as of June 30, 2021, 14 financial institutions operated 47 offices in the assessment area. Of these, SBW ranked third with an 11.9 percent market share. The two top banks, TD Bank and Peoples United Bank, are much larger banks with a national presence, capturing market shares of 25.5 percent and 19.2 percent, respectively. Collectively, these three banks hold 56.3 percent of the market share.

SBW is not required to collect or report its home mortgage or its small business loan data. Nonetheless, the bank collected the data, but did not report it. Therefore, the home mortgage and small business loan analyses under the Lending Test do not include comparisons against aggregate data. This evaluation; however, references the aggregate data, as it indicates the level of demand for home mortgage and small business loans. According to this same data, there is a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the bank's assessment area. In 2020, 207 lenders reported 2,915 residential mortgage loans originated or purchased in the assessment area. The top three lenders, Quicken Loans, CMG Mortgage, and Mascoma Bank, accounted for 27.6 percent of total market share. Aggregate small business data for 2020 shows that 83 institutions reported 3,627 small business loans in the assessment area, indicating a moderate degree of competition for this product.

Community Contacts

As part of the evaluation process, examiners contact third parties active in the assessment area to assist in identifying the credit and community development needs and determine whether local financial institutions are responsive to those needs. Examiners contacted a representative of a community service organization in the assessment area. The organization offers fuel and food assistance, transportation, early childhood education, emergency housing, and other services to low- and moderate-income households in the assessment area. Program funding is provided by a combination of federal and local sources, including individuals, businesses, and financial institutions.

The community contact stressed the need for ongoing funding to support the hiring of qualified staff, such as nutritionists to administer the WIC supplemental nutrition program; provide funding for emergency rental assistance and the organization's seven homeless shelters; and help fund car repairs for organization clients to enable them to obtain and retain jobs in this rural area that lacks public transportation.

Credit and Community Development Needs and Opportunities

Considering information from community contacts, bank management, and demographic and economic data, examiners determined that home mortgage and small business lending are the primary credit needs of the assessment area. Primary community development needs of the assessment area are funding for essential community services and affordable housing. SBW helps address these needs through charitable donations and investments, and through employee volunteer services.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated August 10, 2020, to the current evaluation dated September 5, 2022. Examiners used the Interagency Intermediate Small Institution Examination Procedures to evaluate SBW's CRA performance. These procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test (see Appendices for descriptions). Banks must achieve at least a Satisfactory rating under each test to obtain an overall Satisfactory rating.

Activities Reviewed

Examiners reviewed SBW's home mortgage and small business loans to assess its Lending Test performance, as these loan types represent the bank's major product lines based on its business strategy and the number and dollar volume of loans originated during the evaluation period. The bank does not originate small farm loans. Therefore, this evaluation does not present this loan type, as it provides no material support for conclusions or ratings.

Examiners reviewed SBW's home mortgage and small business lending for 2020 and 2021 using data maintained by the bank. In 2020, SBW originated 351 home mortgage loans totaling \$58 million, and 586 small business loans totaling \$55.2 million. In 2021, SBW originated 475 home mortgage loans totaling \$89.8 million, and 366 small business loans totaling \$41.4 million. Examiners compared the bank's home mortgage lending performance to ACS demographic data, and its small business lending performance to D&B data.

For the Lending Test, the bank's record of originating home mortgage and small business loans received equal weight in the overall conclusions. In addition, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although the evaluation presents 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.

For the Community Development test, examiners considered the extent of the bank's community development loans, qualified investments, and community development services since the prior CRA evaluation dated August 10, 2020.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

SBW demonstrated reasonable performance under the Lending Test. The bank's performance under the Assessment Area Concentration and Borrower Profile criteria primarily supports this conclusion.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution’s size, financial condition, and assessment area credit needs. The bank’s LTD ratio, calculated from Call Report data, averaged 76.3 percent over the past eight calendar quarters from September 30, 2020, to June 30, 2022. The ratio ranged from a low of 73.1 percent as of September 30, 2020, to a high of 79.2 percent as of June 30, 2022. The ratio trended higher during the evaluation period, with the average net LTD ratio increasing by 4.3 percentage points since the previous evaluation. SBW maintained an average net LTD ratio similar to comparable institutions, as shown in the following table. Examiners selected the comparable institutions based on their asset size, geographic location, and lending focus.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 6/30/2022 (\$000s)	Average Net LTD Ratio (%)
Savings Bank of Walpole	687,772	76.3
Claremont Savings Bank	488,764	89.3
Sugar River Bank	377,551	72.6
Woodsville Guaranty Savings Bank	627,001	81.2
<i>Source: Reports of Condition and Income 9/30/2020 – 6/30/2022</i>		

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number and dollar volume, within its assessment area. See the following table.

Lending Inside and Outside of the Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans \$(000s)				Total \$(000s)
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$	%	\$	%	
Home Mortgage										
2020	320	91.2	31	8.8	351	50,839	87.6	7,167	12.4	58,006
2021	416	87.6	59	12.4	475	72,110	80.3	17,659	19.7	89,769
Subtotal	736	89.1	90	10.9	826	122,949	83.2	24,826	16.8	147,775
Small Business										
2020	511	87.2	75	12.8	586	45,784	83.0	9,380	17.0	55,164
2021	293	80.1	73	19.9	366	27,081	65.4	14,300	34.6	41,381
Subtotal	804	84.5	148	15.5	952	72,865	75.5	23,680	24.5	96,545
Total	1,540	86.6	238	13.4	1,778	195,814	80.1	48,506	19.9	244,320
<i>Source: Bank Data Due to rounding, totals may not equal 100.0%</i>										

Geographic Distribution

The geographic distribution of loans reflects poor dispersion throughout the assessment area. The bank's poor performance of home mortgage and small business lending supports this conclusion. Examiners focused on the percentage by number of loans in the moderate-income census tracts since there are no low-income census tracts in the assessment area.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects poor dispersion throughout the assessment area. The following table shows that the bank's performance during 2020 in originating loans in the moderate-income areas is significantly lower than the percentage of owner-occupied housing units in those areas. Although the bank's percentage of loans in the moderate-income areas improved in 2021, it remained well below the demographics. The location of the bank's branch offices in relation to the moderate-income census tracts likely affects its performance in those areas. Specifically, only the bank's Winchester branch operates in a moderate-income area, and that branch did not open until October 26, 2021. The other moderate-income areas within the assessment area are located on the northwestern edge of the assessment area, where they are geographically distant from the bank's branch offices and subject to competition from banks operating offices in those areas.

Since SBW does not report home mortgage loan data pursuant to the Home Mortgage Disclosure Act (HMDA), examiners cannot directly compare its performance to the aggregate HMDA data. However, the aggregate HMDA data does provide additional insight into the level of loan demand. For example, the 2020 aggregate HMDA data shows that all lenders combined made 12.8 percent of their loans in the moderate-income census tracts. Although this data suggests that loan demand in the moderate-income tracts is lower than what the demographic data indicates, it also shows that it is still significantly higher than the bank's performance in those tracts.

Geographic Distribution of Home Mortgage Loans					
Tract Income Level	% of Owner-Occupied Housing Units	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Moderate					
2020	18.7	18	5.6	2,108	4.1
2021	18.7	26	6.3	3,619	5.0
Middle					
2020	71.4	271	84.7	43,610	85.8
2021	71.4	358	86.1	62,345	86.5
Upper					
2020	9.9	31	9.7	5,121	10.1
2021	9.9	32	7.7	6,146	8.5
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2020	100.0	320	100.0	50,839	100.0
2021	100.0	416	100.0	72,110	100.0
<i>Source: 2015 ACS; Bank Data, Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The geographic distribution of small business loans reflects a poor dispersion throughout the assessment area. As the following table illustrates, the bank’s performance in the moderate-income census tracts during 2020 is significantly below the percentage of businesses operating in those tracts. Although the bank’s percentage of loans in the moderate-income areas improved in 2021, it remained well below the demographics. Similar to the home mortgage lending, the bank’s performance is likely impacted by its operation of only one branch office in the moderate-income areas, which did not open until late 2021.

Since SBW does not report small business loan data pursuant to the CRA, examiners cannot directly compare its performance to the aggregate small business loan data. However, the aggregate small business loan data does provide additional insight into the level of loan demand. For example, the 2020 aggregate small business loan data shows that all lenders combined made 11.1 percent of their loans in the moderate-income tracts. This data reflects loan demand in the moderate-income tracts that is generally consistent with that indicated by the demographic data, but significantly higher than the bank’s performance in those areas.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Moderate					
2020	11.6	23	4.5	3,212	7.0
2021	11.9	21	7.2	2,095	7.7
Middle					
2020	77.3	457	89.4	39,853	87.0
2021	77.0	247	84.3	23,124	85.4
Upper					
2020	11.1	31	6.1	2,719	5.9
2021	11.1	25	8.5	1,862	6.9
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2020	100.0	511	100.0	45,784	100.0
2021	100.0	293	100.0	27,081	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data. 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 assessment area. Examiners focused on the percentage by number of home mortgage loans to low- and moderate-income borrowers, and on the percentage by number of small business loans to businesses with GARs of \$1 million or less.

Home Mortgage Loans

The distribution of home mortgage loans to individuals of different income levels, including low- and moderate-income borrowers, is reasonable.

SBW's percentage of lending to low-income borrowers is below demographics for both 2020 and 2021. However, according to 2015 ACS demographic data, 6.7 percent of the low-income families in the assessment area had incomes below the poverty level. Additionally, a low-income family in the assessment area, with an income of below \$42,650, would have difficulty qualifying for a mortgage under conventional underwriting standards, especially considering the median housing value of \$186,417. Therefore, the demand and opportunities for lending to low-income families are relatively limited. The difficulty of lending to low-income borrowers in the assessment area is

underscored by the aggregate HMDA data, which substantially trails demographics. For example, the 2020 aggregate HMDA data shows that all lenders combined made 6.1 percent of their loans to low-income borrowers, which demonstrates that loan demand from these borrowers is much lower than the demographic data suggests. SBW’s percentage of lending to moderate-income borrowers is reasonable, exceeding demographics in 2020 and 2021. Collectively, the bank’s performance among low- and moderate-income borrowers is reasonable.

Distribution of Home Mortgage Loans by Borrower Income Level					
Borrower Income Level	% of Families	#	%	\$(000s)	%
Low					
2020	20.9	29	9.1	2,942	5.8
2021	20.9	47	11.3	4,485	6.2
Moderate					
2020	18.5	76	23.8	8,945	17.6
2021	18.5	94	22.6	12,302	17.1
Middle					
2020	22.8	80	25.0	12,217	24.0
2021	22.8	121	29.1	17,141	23.8
Upper					
2020	37.8	135	42.2	26,735	52.6
2021	37.8	154	37.0	38,182	53.0
Not Available					
2020	0.0	0	0.0	0	0.0
2021	0.0	0	0.0	0	0.0
Totals					
2020	100.0	320	100.0	50,839	100.0
2021	100.0	416	100.0	72,110	100.0
<i>Source: 2015 ACS; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Small Business Loans

The distribution of small business loans reflects a reasonable penetration of loans among businesses of different sizes. In 2020 and 2021, the bank’s percentage of loans to businesses with GARs of \$1 million or less was lower than the percentage of businesses in that revenue category. However, the bank’s small business lending included a significant number of loans in the “Revenue Not Available” category during both 2020 and 2021. This is due to the bank’s participation in the Small Business Administration’s (SBA) Payroll Protection Program (PPP), a loan program offered in response to the COVID-19 pandemic. Under the PPP, banks were not required to collect revenue information. The large number of loans with “Revenue Not Available” reduces the percentage of loans made to businesses with GARs of \$1 million or less, but does not indicate adverse performance by the bank. Excluding the loans with unknown GARs, the bank’s performance is

reasonable. Of the 311 loans originated in the bank’s assessment area in 2020 for which GARs are known, 75.9 percent benefitted businesses with GARs of \$1 million or less, and of the 88 loans originated in the bank’s assessment area in 2021 for which GARs are known, 70.5 percent benefitted businesses with GARs of \$1 million or less.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2020	85.9	236	46.2	11,394	24.9
2021	86.7	62	21.2	10,680	39.4
>\$1,000,000					
2020	4.8	75	14.7	19,517	42.6
2021	4.4	26	8.9	4,569	16.9
Revenue Not Available					
2020	9.3	200	39.1	14,873	32.5
2021	8.9	205	70.0	11,832	43.7
Totals					
2020	100.0	511	100.0	45,784	100.0
2021	100.0	293	100.0	27,081	100.0
<i>Source: 2020 & 2021 D&B Data; Bank Data. Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

SBW demonstrated adequate responsiveness to the community development needs of its 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.

Community Development Loans

SBW originated five community development loans totaling \$529,500 during the evaluation period. Three of the loans supported economic development and two supported community services. The three loans supporting economic development are SBA 504 loans. The SBA 504 loan program offers small businesses financing, while promoting business growth and job creation. The two loans supporting community services provide funding to organizations that operate emergency shelters and offer a variety of education, energy, food, transportation and other assistance programs

supporting low- and moderate-income residents in the assessment area and surrounding communities. SBW made two loans in 2021 totaling \$235,000 and three loans in 2022 totaling \$294,500. This level of activity represents approximately 0.1 percent of average total assets and 0.1 percent of average net loans over the evaluation period. The number and dollar volume of the bank’s community development loans decreased compared to the previous evaluation period when the bank made seven loans totaling \$3.4 million.

Qualified Investments

SBW made 71 qualified investments and donations totaling \$532,962. The bank made two new investments during the evaluation period totaling \$200,000. The dollar amount of investments and donations represents 0.1 percent of average total assets and 0.4 percent of average total securities. The bank increased its qualified investments and donations compared to the previous evaluation, which showed \$337,190 in total qualified investments. The following table details the bank’s qualified investments by year and purpose.

Qualified Investments										
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
2020	0	0	0	0	0	0	0	0	0	0
2021	0	0	1	100	0	0	0	0	1	100
YTD 2022	0	0	1	100	0	0	0	0	1	100
Subtotal	0	0	2	200	0	0	0	0	2	200
Qualified Grants & Donations	3	51	61	155	4	125	1	2	69	333
Total	3	51	63	355	4	125	1	2	71	533
<i>Source: Bank Data</i>										

The following are notable examples of the bank’s qualified investment and donation activities:

- ***New Hampshire Community Loan Fund (NHCLF)***: The bank invested \$100,000 in 2021 and 2022. The NHCLF makes loans for community development projects that benefit low- and moderate-income areas throughout New Hampshire, including the bank’s assessment area.
- ***New Hampshire Community Development Finance Authority (NHCDFA)***: The bank donated a total of \$125,000 to the NHCDFA during the evaluation period. The NHCDFA promotes economic development by providing financing, consulting, and project implementation services to New Hampshire municipalities.

Community Development Services

During the evaluation period, five bank employees provided 112 hours of financial expertise or technical assistance to seven different community development-related organizations in the assessment area. The bank’s level of community development services remained consistent with the previous evaluation. The following table illustrates community development services by year and purpose.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2020	0	0	0	0	0
2021	0	0	0	0	0
YTD 2022	12	100	0	0	112
Total	12	100	0	0	112
<i>Source: Bank Data</i>					

The following are some organizations that benefited from the employees’ dedicated service.

- ***Kurn Hattin Homes for Children (KHHC):*** KHHC is a charitable organization that provides year round residential care and schooling for children from low- and moderate-income families in the bank’s assessment area. A bank employee serves as a Board member providing KHHC guidance on a variety of financial and operating matters.
- ***Dartmouth Hitchcock Medical Center (DHMC):*** DHMC is a healthcare organization that operates clinics providing patient care in the bank’s assessment area. A bank employee serves on a Board committee responsible for overseeing DHMC’s provision of medical care to low- and moderate-income individuals, and assessing the hospital’s assistance providing affordable housing to low- and moderate-income employees.
- ***Keene Housing Kid’s Collaborative (KHKC):*** KHKC is a non-profit organization serving children that live in low-income housing in the bank’s assessment area and surrounding communities. KHKC works to prepare children from low- and moderate-income families for successful adulthood by offering a variety of academic, athletic, music, and theater programs and providing childcare, transportation, clothing, dental care, and other services. A bank employee volunteers as a KHKC Board member.

SBW also operates a branch office and ATM in a moderate-income area in Winchester, New Hampshire.

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. Examiners did not identify any discriminatory or other illegal credit practices.

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.