



PUBLIC DISCLOSURE

March 31, 2014

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Franklin Templeton Bank & Trust, F.S.B
Charter Number 715952

47 West 200 South, Suite 500
Salt Lake City, UT 84101

Office of the Comptroller of the Currency

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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.

INSTITUTION'S CRA RATING:

This institution is rated: Satisfactory.

The major factors that support this rating include:

- The Bank demonstrates an adequate level of community development services and/or qualified investment activity.
- The Bank demonstrates occasional use of innovative or complex qualified investments.
- The Bank demonstrates adequate responsiveness to community development needs in its assessment areas ("AAs").

Scope of the Examination

In evaluating Franklin Templeton Bank & Trust's ("FTBT" or "Bank") performance under the Community Reinvestment Act ("CRA"), we reviewed community development ("CD") activities from January 1, 2012 through December 31, 2013. We reviewed the level and nature of qualified investments, and community development services. The Bank received a rating of "Outstanding" at the prior evaluation completed as of April 11, 2006.

We evaluated the Bank based on its performance context and the limited-purpose institution performance standards outlined in the Community Reinvestment Act ("CRA"). We accomplished this by reviewing the level and nature of the Bank's qualified CD investments and services in meeting the credit needs of its assessment areas ("AAs") during the evaluation period. We considered CD activities in light of the Bank's financial capacity, size, local economic and demographic factors, market competition and any legal impediments. The scope is limited to the two years ended December 31, 2013 because FTBT has been significantly curtailing its retail operations since late 2011. FTBT liquidated most of its loan portfolio and all of its retail deposits, and closed its only retail banking branch office prior to June 30, 2012. Therefore, the retail banking operation is not relevant to the current and prospective status of the Bank.

The Bank and its parent holding company, Franklin Resources, Incorporated ("FRI") provide numerous grants to local CD organizations to meet the needs of providing affordable housing to low- and moderate- income ("LMI") families and individuals. In addition, the Bank and its affiliates made prior period investments in local development and education bonds that carried a value throughout this PE period.

If a bank has adequately addressed its AAs needs, the OCC considers CD activities the bank submits that benefit areas outside of its AAs in the evaluation of its performance. FTBT has adequately addressed the needs of its AAs, and therefore, qualified investments as well as community development grants outside of the AAs are eligible for consideration in evaluating its performance.

Description of Institution

FTBT is a federally chartered \$34.6 million stock savings bank located in Salt Lake City, Utah. It is a wholly owned subsidiary of FRI, a bank holding company regulated by the Federal Reserve Board and commonly known as Franklin Templeton Investments. FRI formed FTBT on May 1, 2000 through the conversion of its California based commercial bank, which it merged with Franklin Templeton Trust Company. The Bank established its headquarters office in Salt Lake City, UT, where it conducts only trust activity. It also established one branch office in San Mateo, CA, where it conducted all of its retail banking operations (lending and deposit taking).

In 2010, FTBT management met with representatives of the Office of Thrift Supervision ("OTS") to inquire about the feasibility of converting the Bank to a limited-purpose, trust-

only institution. While the proposal was under consideration, Congress passed the Dodd Frank Act, and the OTS merged into the OCC prior to rendering a decision.

In August 2011, FTBT made a strategic decision to restructure the Bank to a limited-purpose, trust-only institution. In order to amend its charter, the institution began restructuring its balance sheet and business activity to liquidate retail banking assets, deposits and borrowings. In March 2012, FTBT submitted an application to the OCC to merge with its affiliate, Fiduciary Trust Company, Inc., and convert the merged entity to an uninsured national trust bank. Coincidentally, the Bank ceased loan production, returned deposits to customers, and on May 31, 2012, closed its San Mateo, CA branch. Prior to this, FTBT had offered mortgage loans, HELOCs, credit cards and indirect automobile loans as well as directed trustee and custody trust services.

Due to a policy shift, the OCC informed the Bank in September 2012 that it had placed its application on hold because the OCC would no longer provide charters to uninsured national trust banks. Despite the OCC's notification, FTBT continued restructuring through 2012. In March 2013, the Bank modified its strategy opting to move forward as a limited-purpose, trust-only, FDIC-insured federal savings association. In September 2013, FTBT filed another Notice to Amend Charter, but at the request of the OCC, withdrew it pending completion of the restructuring. FTBT completed restructuring as of December 31, 2013, essentially operating as a trust-only federal savings association. On February 21, 2014, FTBT submitted an Application to Amend its Charter which was approved and completed on May 8, 2014. Currently, FTBT provides trust and custody services to retirement plan customers who invest in only FRI mutual funds. It also provides non-discretionary directed trustee services for customers of unaffiliated registered investment advisers.

Table 1: Financial Information (000s)

| | Year-end 2013 | Year-end 2012 | Year-end 2011 | Average for Evaluation Period |
|-----------------------------|--------------------------|--------------------------|--------------------------|--|
| Tier 1 Capital | 33,419 | 37,405 | 36,729 | 35,851 |
| Total Income | 6,751 | 12,058 | 19,705 | 12,838 |
| Net Operating Income | -3,988 | 668 | 4,272 | 317 |
| Total Assets | 34,620 | 179,150 | 315,322 | 176,364 |

Source: Consolidated Report of Condition and Income and bank reported data. **Annualized data reported.

Description of Assessment Areas

The CRA requires each financial institution to identify an assessment area in which it intends to focus its lending, qualified investments, and community development services. FTBT identifies two AAs, one each in Utah and California. For the purposes of our evaluation and in order to meet the requirements of the regulation, we further delineated the AAs into four sub-AAs. The Utah AA consists of the Salt Lake County Census Tract and the Weber County and Davis County Census Tracts. The California AA consists of the San Francisco MSA (San Francisco, Marin and San Mateo Counties), and the Oakland MSA (Alameda and Contra Costa Counties). During the review period, the Bank closed its San Mateo, CA branch office and conducts trust only operations from its headquarters office in Salt Lake City Utah. However, FRI continues to maintain its headquarters in San Mateo, CA.

Salt Lake County, Utah AA

The Salt Lake City MSA is comprised of Salt Lake, Summit, and Tooele Counties. These counties are located in northern Utah spanning from the western border to the eastern border. Salt Lake City is the largest city in the county and the capital of Utah. Salt Lake County comprises the central portion of the AA and the adjacent counties are comprised of communities that are more rural. Tooele County experienced significant growth in the last decade due to more affordable housing options. Summit County is mostly rural but home to the ski resort community of Park City.

The Salt Lake MSA consisted of 357,013 housing units; of which 64% were owner occupied, 30% were occupied rental units, and 6% were vacant. Of the owner-occupied housing units, 3% are in low-income tracts, 14% in moderate-income tracts, 52% in middle-income tracts, and 31% in upper-income tracts.

Table 2.1 illustrates the number of census tracts and families in the Salt Lake County, Utah AA. It also breaks out the percentage of those tracts and families according to their income status relative to the appropriate median income.

Table 2.1: Salt Lake County AA Description

| | Number | Low | Moderate | Middle | Upper |
|-------------------|---------|---------|----------|----------|----------|
| Tracts | 212 | 5.66% | 19.34% | 45.75% | 28.30% |
| Families | 236,504 | 4.19%* | 17.26%* | 49.72%* | 28.82%* |
| Businesses | 115,592 | 4.62%** | 18.66%** | 43.31%** | 32.95%** |

Source: 2010 US Census ; * 0.94% of tracts do not have income designation;

** Represents families by income level; ***0.94% of businesses do not have income designation

Weber and Davis Counties, Utah AA

During the evaluation period, the Bank conducted no CD or investment activity in these counties.

Table 2.2 illustrates the number of census tracts and families in the Weber and Davis Counties, Utah AA. It also breaks out the percentage of those tracts and families according to their income status relative to the appropriate median income.

Table 2.2: Weber and Davis Counties AA Description

| | Number | Low | Moderate | Middle | Upper |
|-------------------|---------|--------|----------|---------|---------|
| Tracts | 104 | 5.77% | 25% | 47.12% | 22.12% |
| Families | 130,532 | 2.32%* | 21.68%* | 51.50%* | 25.40%* |
| Businesses | 48,973 | 3.13% | 20.45% | 47.37% | 29.04% |

Source: 2010 US Census ; * Represents families by income level

San Francisco, Marin and San Mateo Counties, California AA

Table 2.3 illustrates the number of census tracts and families in the San Francisco, Marin and San Mateo Counties, California AA. It also breaks out the percentage of those tracts and families according to their income status relative to the appropriate median income.

Table 2.3: San Francisco, Marin and San Mateo Counties AA Description

| | Number | Low | Moderate | Middle | Upper |
|-------------------|---------|----------|----------|----------|----------|
| Tracts | 978 | 12.78% | 20.04% | 34.15% | 32.21% |
| Families | 984,779 | 9.69%* | 18.43%* | 36.46%* | 35.42%* |
| Businesses | 468,406 | 13.16%** | 15.62%** | 31.26%** | 39.90%** |

Source: 2010 US Census ; * 0.82% of tracts do not have income designation;

** Represents families by income level; ***0.82% of businesses do not have income designation

Alameda and Contra Costa Counties, California AA

During the evaluation period, the Bank conducted no CD or investment activity in these counties.

Table 2.4 illustrates the number of census tracts and families in the Alameda and Contra Costa Counties, California AA. It also breaks out the percentage of those tracts and families according to their income status relative to the appropriate median income.

Table 2.4: Alameda and Contra Costa Counties AA Description

| | Number | Low | Moderate | Middle | Upper |
|-------------------|---------|---------|----------|----------|----------|
| Tracts | 372 | 9.68% | 22.58% | 37.10% | 30.38% |
| Families | 421,343 | 7.53%* | 21.82%* | 37.85%* | 32.80%* |
| Businesses | 181,017 | 6.13%** | 21.57%** | 34.67%** | 37.55%** |

Source: 2010 US Census ; * 0.27% of tracts do not have income designation;

** Represents families by income level; ***0.27% of businesses do not have income designation

We contacted a local community organization in Utah, and one in California regarding community credit needs and business opportunities. The organizations rely on donations and grants from local financial institutions to service the community. With

respect to community development needs, the contacts identified affordable housing loans to encourage home ownership as well as loans to small businesses to spur economic growth.

Conclusions about Performance

Summary

Performance was Satisfactory in the State of Utah and the State of California. In our evaluation of performance, we placed emphasis on the Bank's community development (CD) activities, including the level of qualified investment activity and community development services, because of the Bank's evolving strategy and lines of business. The Bank closed its only retail branch office, which was located in San Mateo, CA on May 31, 2012. It continued to conduct trust only activity from its headquarters office in Salt Lake City, UT. The Bank spent most of the review period unwinding its retail-banking lines of business.

Level of Activity

The overall level of activity was adequate considering the opportunity for community development (CD) activities in the AAs, the shortened evaluation period in the State of California, and the lack of any significant retail presence in the state of Utah.

The level of activity in the State of California was high considering the opportunity for CD activities and the shortened evaluation period for this AA. Competition for CD activities, especially investments, is significant in the AA, with a large number of institutions competing for such opportunities.

The level of activity in the State of Utah was adequate considering that the bank conducts only trust activity in this AA. FTBT has limited exposure to the community where its trust office is located because it has no retail-bank branch with customary products and services and instead, offers only limited fiduciary services.

Innovative or Complex Activities

The Bank did not use innovative or complex qualified investments or community development loans in either California or Utah.

Responsiveness to Identified Community Development Needs

The Bank demonstrated high responsiveness to identified community needs in California. The Bank, together with FRI, made significant community development investments in the prior PE period, totaling \$4.9 million at September 30, 2005. As of September 30, 2013, the remaining balance of the investments totaled \$79 thousand,

consisting of \$45 thousand in Emeryville, CA redevelopment bonds, and \$34 thousand invested in UTFC Financing Solutions, a small business investment company.

FTBT demonstrated only adequate responsiveness to identified community needs in Utah considering that its presence there is primarily that of a limited-purpose thrift that does not provide customary banking products and services.

Other investments held by the Bank since the prior PE, which matured, include San Francisco, CA redevelopment bonds, Oakland, CA School Bonds, Salt Lake City, UT School District Bonds, Community Development Center of Utah mortgage funding and FNMA MBS that specifically held mortgage loans to LMI individuals and families in Utah.

Qualified Investments

Utah AA

Table 3: Qualified Investment Activity (000s)

| | Benefits AA |
|---|--------------------|
| Originated Investments | 0 |
| Originated Grants | \$5 |
| Prior-Period Investments that Remain Outstanding | 0 |
| Total Qualified Investments | \$5 |
| Unfunded Commitments* | 0 |

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

California AA

Table 3a: Qualified Investment Activity (000s)

| | Benefits AA |
|---|--------------------|
| Originated Investments | 0 |
| Originated Grants | \$1,153 |
| Prior-Period Investments that Remain Outstanding | \$79 |
| Total Qualified Investments | \$1,232 |
| Unfunded Commitments* | 0 |

* "Unfunded Commitments" means legally binding investment commitments that are tracked and recorded by the bank's financial reporting system.

Table 4: Qualified Investment Percentages

| | Benefit AA (%) |
|---|-----------------------|
| Total Investments/Average Tier 1 Capital | 3.23% |
| Total Investments/Average Total Income | 90.14% |

Community Development Lending

The Bank did not make any CD loans in either AA during this review period, largely because it curtailed all lending activity due to its strategic change to a trust only financial institution.

Community Development Services

President Michael Mee and Board Director Jennifer Johnson are current and former Board Members of InnVision Shelter Network. InnVision is dedicated to helping homeless families and individuals regain permanent housing and self-sufficiency. Michael Mee serves on the Board Finance Committee adding his expertise and technical assistance in financial management toward the betterment of the organization. Technical assistance includes serving on the loan review committee, developing loan application and underwriting standards, developing loan processing systems, and assisting in marketing financial services, including development of advertising and promotions, publications, workshops and conferences. Technical assistance also includes furnishing financial services training for staff and management; contributing accounting/booking services; and assisting in fund raising, including the soliciting or arranging investments.

Other CD Services in which FTBT and FRI employees participate include helping at a local food bank and conducting clothing drives for occupants of local shelters.

Employees in the Salt Lake City office volunteer their time through various organizations to help with shelter and food bank projects, tax preparation for LMI families and individuals while also providing sport and leadership guidance to underprivileged youth.

Fair Lending or Other Illegal Credit Practices Review

Pursuant to 12 C.F.R. 25.28(c), or 12 C.F.R. 195.28(c), in determining a national bank's ("bank") or Federal Savings Association's ("FSA") CRA rating, respectively, the OCC considers evidence of discriminatory or other illegal credit practices in any geography by the bank or FSA, or in any assessment area by an affiliate whose loans have been considered as part of the bank's or FSA's lending performance.

The OCC did not identify evidence of discriminatory or other illegal credit practices with respect to this institution.

Definitions and Common Abbreviations

The following terms and abbreviations are used throughout this performance evaluation. The definitions are intended to provide the reader with a general understanding of the terms, not a strict legal definition.

Affiliate: Any company that controls, is controlled by, or is under common control with another company. A company is under common control with another company if both companies are directly or indirectly controlled by the same company. A bank subsidiary is controlled by the bank and is, therefore, an affiliate.

Assessment Area (AA): A geographic area that consists generally of one or more MSAs (using the MSA boundaries that were in effect as of January 1 of the calendar year in which the delineation is made) or one or more contiguous political subdivisions, such as counties, cities, or towns, in which the bank has its main office, branches, and deposit-taking ATMs.

Benefit to Assessment Area: A qualified Community Development activity benefits the assessment area if (i) the activity benefits areas within the assessment area, or (ii) the activity has the potential to benefit the assessment area and is located in the broader statewide or regional area that includes the bank's assessment area. If a bank has adequately addressed the needs of its assessment area, then the OCC also considers activities submitted by the bank that benefit areas outside of its assessment area.

CEBA: Competitive Equality Banking Act of 1987, which permitted corporations to form limited-purpose credit card banks, whose operations are restricted to credit card activities, without the corporation becoming subject to the limitations of a "bank holding company" under the Bank Holding Company Act. A CEBA credit card bank engages only in credit card operations, does not accept demand deposits or savings or time deposits of less than \$100,000 (other than to secure extensions of credit), maintains only one office and does not engage in the business of making commercial loans. [*This definition is not needed for non-CEBA Limited Purchase or Wholesale Institutions.*]

Census Tract (CT): Small, locally defined statistical areas within metropolitan statistical areas. These areas are determined by the United States Census Bureau in an attempt to group homogenous populations. A CT has defined boundaries per 10-year census and an average population of 4,000.

Community Development (CD): Affordable 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, Office of the Comptroller of the Currency, and the Federal Deposit Insurance Corporation 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, Federal Deposit Insurance Corporation, and Office of the Comptroller of the Currency, 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.

Community Reinvestment Act (CRA): The statute that requires the OCC to evaluate a bank's record of meeting the credit needs of its local community, consistent with the safe and sound operation of the bank, and to take this record into account when evaluating certain corporate applications filed by the bank.

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

Limited Purpose Institution: An institution that offers only a narrow product line (such as credit cards or automobile loans) to a regional or broader market and for which a designation as limited purpose bank is in effect. [*This definition is not needed if bank is designated a wholesale institution.*]

Median Family Income (MFI): The median income determined by the United States Census Bureau every 10 years and used to determine the income level category of geographies. Also, it is the median income determined by the Department of Housing and Urban Development annually that is used to determine the income level category of families. For any given geography, the median is the point at which half of the families have income above it and half below it. (See the four categories of median income below.)

- **Low-Income** – An income level that is less than 50% of the MFI.
- **Moderate-Income** – An income level that is at least 50% and less than 80% of the MFI.
- **Middle-Income** – An income level that is at least 80% and less than 120% of the MFI.
- **Upper-Income** – An income level that is 120% or more of the MFI.

Metropolitan Division: As defined by Office of Management and Budget, a county or group of counties within a Metropolitan Statistical Area that contains a population of at least 2.5 million. A Metropolitan Division consists of one or more counties that

represent an employment center or centers, plus adjacent counties associated with the main county or counties through commuting ties.

Metropolitan Statistical Area: An area, defined by the Office of Management and Budget, as having at least one urbanized area that has a population of at least 50,000. The Metropolitan Statistical Area comprises the central county or counties, plus adjacent outlying counties having a high degree of social and economic integration with the central county as measured through commuting.

Net Operating Income: As listed in the Consolidated Report of Condition and Income: Income before income taxes and extraordinary items and other adjustments. [*Schedule RI - Income Statement, line 8 or UBPR, page 2, "PreTax Operating Income (TE)"*]

Pass-Through Receivables: Outstanding receivables tied to all accounts issued or owned by the bank. Pass-through receivables include receivables attributable and receivables retained on balance sheet as those terms are used in 12 CFR 8. [*If not already reported to the OCC, the bank provides this information. If not applicable to institution being examined, definition is not required.*]

Tier 1 Capital: The total of common shareholders' equity, perpetual preferred shareholders' equity with noncumulative dividends, retained earnings and minority interests in the equity accounts of consolidated subsidiaries. [*Schedule RC-R - Regulatory Capital, line 3a(1) or UBPR, page 11A, "Net Tier One"*]

Total Assets: Total bank assets as listed in the Consolidated Report of Condition and Income. [*Schedule RC - Balance Sheet, line 12 or UBPR, page 4, "Total Assets"*]

Total Income: From the Consolidated Report of Condition and Income – Total Interest income plus Total Noninterest income. [*Schedule RI - Income Statement, Total Interest Income, line 1g and Total Noninterest Income, line 5g, except for banks with domestic offices only and total assets less than \$100 million, line 5c or UBPR, page 2, "Total Interest Income" and "Noninterest Income"*]

Wholesale Institution: An institution that is not in the business of extending home mortgage, small business, small farm, or consumer loans to retail customers and for which a designation as a wholesale bank is in effect.