

**PUBLIC DISCLOSURE**

**April 8, 2008**

**COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION**

**WINCHESTER SAVINGS BANK**

**CERT #90308**

**661 MAIN STREET  
WINCHESTER, MASSACHUSETTS 01890**

**Division of Banks  
One South Station  
Boston, MA 02110**

**Federal Deposit Insurance Corp.  
15 Braintree Hill Park  
Braintree, MA 02184**

**NOTE:** 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 Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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## GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") and the Federal Deposit Insurance Corporation ("FDIC") to use their authority when examining financial institutions subject to their supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the agencies must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **Winchester Savings Bank (hereafter referred to as "WSB," "the Bank," or "the institution")** prepared by the Division and the FDIC, the institution's supervisory agencies, as of **April 8, 2008**. The agencies evaluate performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division and FDIC rate the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00 and Part 345 of the FDIC's Rules and Regulations.

**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.

### **Lending Test**

The institution is rated **"Satisfactory"** under the Lending Test. This rating is supported by the following.

#### ***Loan-to-Deposit Ratio***

Winchester Savings Bank demonstrates a reasonable investment of depositors' funds back into the community through its lending activity. The Bank's average net loan-to-deposit ("LTD") ratio over the 12 quarters since the prior FDIC CRA evaluation dated April 4, 2005, is 72.5 percent. The quarterly ratios have shown an increasing trend over the period. As of December 31, 2007, the Bank's net loan-to-deposit ratio was 83.1 percent.

#### ***Assessment Area Concentration***

A majority of the Bank's home mortgage and small business loans, by number, were within its designated assessment area between January 1, 2006 and December 31, 2007. Over the two year period, 63.2 percent of the number of home mortgage loans and 56.8 percent of the number of small business loans were granted inside the assessment area.

#### ***Geographic Distribution***

Winchester Savings Bank's lending has reasonable dispersion throughout the assessment area.

#### ***Borrower Characteristics***

Overall, given the demographics of the assessment area, the distribution of loans by borrower income and business size reflects reasonable penetration.

#### ***Response to Complaints***

Winchester Savings Bank did not receive any CRA-related complaints during the period reviewed.

### **Community Development Test**

The institution is rated **"Satisfactory"** under the Community Development Test. This rating is supported the following.

#### ***Community Development Loans***

The Bank's community development lending activity is adequate. The Bank made one community development loan for \$4.8 million during the evaluation period. This loan provided financing for a housing development that is helping meet an identified need for affordable housing in the assessment area.

#### ***Community Development Investments***

The level and complexity of the Bank's qualified investments are adequate. The Bank maintains several mortgage-backed securities with underlying mortgages made to low- and moderate-income borrowers. The Bank also made a qualified deposit in the New England Community Builder Program sponsored by the Federal Home Loan Bank of Boston and supported various community development initiatives by making charitable donations to local organizations.

### ***Community Development Services***

Winchester Savings Bank is actively involved in various community development organizations and has participated in a few financial education initiatives. The Bank offers specific services designed to promote affordable housing assistance.

### **SCOPE OF EXAMINATION**

This evaluation assesses Winchester Savings Bank's CRA performance utilizing the Interagency Intermediate Small Institution Examination Procedures, which include an analysis of the distribution of loans and an evaluation of community development activities.

Data reviewed under the Lending Test include originated home mortgage loans reported on the Bank's Home Mortgage Disclosure Act ("HMDA") Loan Application Registers ("LARs") for full years 2006 and 2007. The LARs contain data about home purchase and home improvement loans, including refinancings, for one-to-four family and multifamily (five or more units) properties. Within this evaluation, comparisons are made between the Bank's 2006 HMDA lending data and aggregate market lending data for the same year, as 2006 is the most recent year for which aggregate data is available.

Small business loans were also reviewed during the evaluation, but the Bank's performance in this product line does not carry as much weight in assigning the overall rating based on the composition of the Bank's loan portfolio, and the number of each type of loan made during the evaluation period. As an Intermediate Small Institution, the Bank has the option of collecting and reporting small business lending data. The Bank opted to collect the data, but not report it. Thus, the analyses are based on the 2006 and 2007 small business lending data the Bank collected, which was verified for accuracy.

The Bank does not make small farm loans and has only a nominal level of consumer lending activity, thus, these product lines are not included in the analyses.

The emphasis in this evaluation is based on the Bank's lending performance by number of loans. Where the dollar volume of lending is not provided, the percentage penetration was similar to that by number and was therefore excluded from this analysis.

Data reviewed under the Community Development Test include community development loans, investments, and services for the period April 5, 2005, through April 8, 2008.

## DESCRIPTION OF INSTITUTION

Winchester Savings Bank is a mutually-owned financial institution with four locations. The main office and one full-service branch are located in the town of Winchester, Massachusetts, and both are in middle-income census tracts. Two additional full-service branches are located in Woburn, Massachusetts, of which one is in a moderate-income census tract and one is in a middle-income census tract. Since the last exam, the Bank closed a limited-service branch, which was located at Winchester High School. In total, the Bank operates five automated teller machines (“ATM”s). Each full-service branch location operates an ATM, and an additional ATM is located at Winchester Hospital.

The Bank has experienced an asset decline of approximately 1.5 percent since the previous Division and FDIC CRA examinations dated April 4, 2005. The Bank’s loan portfolio has grown approximately 15.5 percent over the same period. Based on the Bank’s December 31, 2007, Quarterly Call Report, the Bank had \$456,653,000 in total assets, of which gross loans represented \$302,203,000, or 66.2 percent.

The Bank’s loan portfolio is composed primarily of residential real estate loans (77.9 percent), with commercial real estate and construction loans representing the next highest percentages at 16.7 percent and 3.6 percent, respectively. The breakdown of the Bank’s loan portfolio as of December 31, 2007, is shown in the following table.

<b>Loan Portfolio Distribution as of December 31, 2007</b>		
<b>Loan Type:</b>	<b>Dollar Volume (000)</b>	<b>Percentage of Total Loans</b>
Construction and Land Development	10,980	3.6
Farm Land	0	0.0
1-4 Family Residential	211,146	69.9
Multi-family (5 or more) Residential	24,186	8.0
Commercial Real Estate	50,619	16.7
<b>Total Real Estate Secured</b>	<b>296,931</b>	<b>98.3</b>
Commercial and Industrial Loans	3,193	1.1
Consumer	2,079	0.7
<b>Total</b>	<b>302,203</b>	<b>100.0</b>

*Source: December 31, 2007 Consolidated Report of Condition*

The previous CRA examinations by both the Division and the FDIC were conducted as of April 4, 2005, using the Interagency Large Bank Examination Procedures. Both examinations resulted in overall “Satisfactory” CRA ratings.

There are no significant financial or legal impediments that limit the Bank’s ability to help meet the credit needs of its assessment area. However, it is noted that the Bank operates in a highly competitive environment. In 2006, 351 lenders originated home mortgage loans in the Bank’s assessment area, and the Bank ranked 32<sup>nd</sup> in market share. Moreover, only three out of the 31 financial institutions ranked higher are locally-based community banks.

## DESCRIPTION OF ASSESSMENT AREA

The CRA requires the designation of one or more assessment area(s) within which the financial institution's record of helping to meet the needs of its community will be evaluated. Winchester Savings Bank has one designated assessment area that conforms to the CRA requirements. The assessment area consists of whole geographies, does not arbitrarily exclude low- or moderate-income areas, does not extend beyond state boundaries, and does not reflect illegal discrimination. The Bank has not changed its assessment area since the previous CRA evaluations dated April 4, 2005.

The Bank's assessment area comprises the eight Massachusetts cities and towns of Arlington, Lexington, Medford, Melrose, Reading, Stoneham, Winchester, and Woburn, all of which are located within Middlesex County and the Cambridge-Newton-Framingham, MA Metropolitan Division ("MD") 15764. MD 15764 is part of Metropolitan Statistical Area ("MSA") 14460 (Boston-Cambridge-Quincy, MA-NH MSA). The assessment area contains 51 census tracts: 7 (13.7 percent) moderate-income; 30 (58.8 percent) middle-income; and 14 (27.5 percent) upper-income census tracts.

According to the 2000 US Census data, the population of the assessment area is 259,638, of which 26,721, or 10.3 percent, are minorities. There are a total of 103,651 households in the assessment area, of which 5,404, or 5.2 percent, live below the federal poverty level. Of the total assessment area population, 11.6 percent reside in moderate-income census tracts, 60.3 percent reside in middle-income census tracts, and 28.1 percent reside in upper-income census tracts.

### Demographic and Economic Data

#### **Census Tract Income Levels**

The *Geographic Distribution* section of the Lending Test is based on the distribution of loans by income level of census tract, especially in low- and moderate-income geographies. Each census tract is assigned an income level based on the median family income (MFI) of the tract as compared to the MFI established for the MSA or MD in which the tract is located. The four income levels are defined as follows:

Low-Income:	Less than 50 percent of MFI
Moderate-Income:	At least 50 percent but less than 80 percent of MFI
Middle-Income:	At Least 80 percent but less than 120 percent of MFI
Upper-Income:	120 percent or greater of MFI

#### **Median Family Income Levels**

The *Borrower Characteristics* section of the Lending Test is based on the distribution of home mortgage loans to borrowers of different incomes, especially to those of low- and moderate-income. Income levels are broken down into the same four categories as described above (low-, moderate-, middle-, and upper-); however, this analysis is based on the annual HUD-adjusted median family incomes for the Cambridge-Newton-Framingham, MA (MD). The MFI figures are based on 2000 US Census data and have been annually adjusted for inflation and other economic events. The 2006 and 2007 MFI figures, as estimated by the Department of Housing and Urban Development, for the Cambridge-Newton-Framingham, MA MD were \$90,900 and \$88,900, respectively. It should be noted that the year-to-year MFI declined.

The analysis of the institution's home mortgage lending includes comparisons to the distribution of *families* by income level. The following table shows this distribution based on 2000 US Census data.

<b>Number and Percentage of Families by Income Level</b>		
<b>Income Category</b>	<b>2000 Census</b>	
	<b>Number of Families</b>	<b>% of Total Families</b>
<b>Low-Income</b>	11,156	16.4
<b>Moderate-Income</b>	11,728	17.3
<b>Middle-Income</b>	16,237	23.9
<b>Upper-Income</b>	28,792	42.4
<b>Total</b>	<b>67,913</b>	<b>100.0</b>

*Source: 2000 US Census Data*

### **Housing Characteristics**

According to 2000 US Census data, the assessment area contains 106,090 housing units, of which 69,399, or 65.4 percent, are owner-occupied and 34,221, or 32.3 percent, are occupied rental units. The vacancy rate throughout the assessment area is 2.3 percent.

The median sales prices throughout the assessment area have decreased between 2006 and 2007 in all communities except for the Town of Lexington, according to statistics obtained from the Warren Group publishers of the Bankers and Tradesman. This is reflective of trends both national and statewide.

### **Competition**

Market share reports for home mortgage lending indicate that a total of 351 financial institutions originated or purchased home mortgage loans within the Bank's assessment area in 2006. Further demonstrating the significant level of competition for home mortgage loans is the fact that the top ten home mortgage originators are primarily large mortgage companies and national or regional banks that account for 33.3 percent of the market share for the total assessment area.

The Bank's primary competitors that operate branches in the assessment area include, but are not limited to, Winchester Co-operative Bank, Sovereign Bank, Bank of America, and Citizens Bank.

### **Community Contacts**

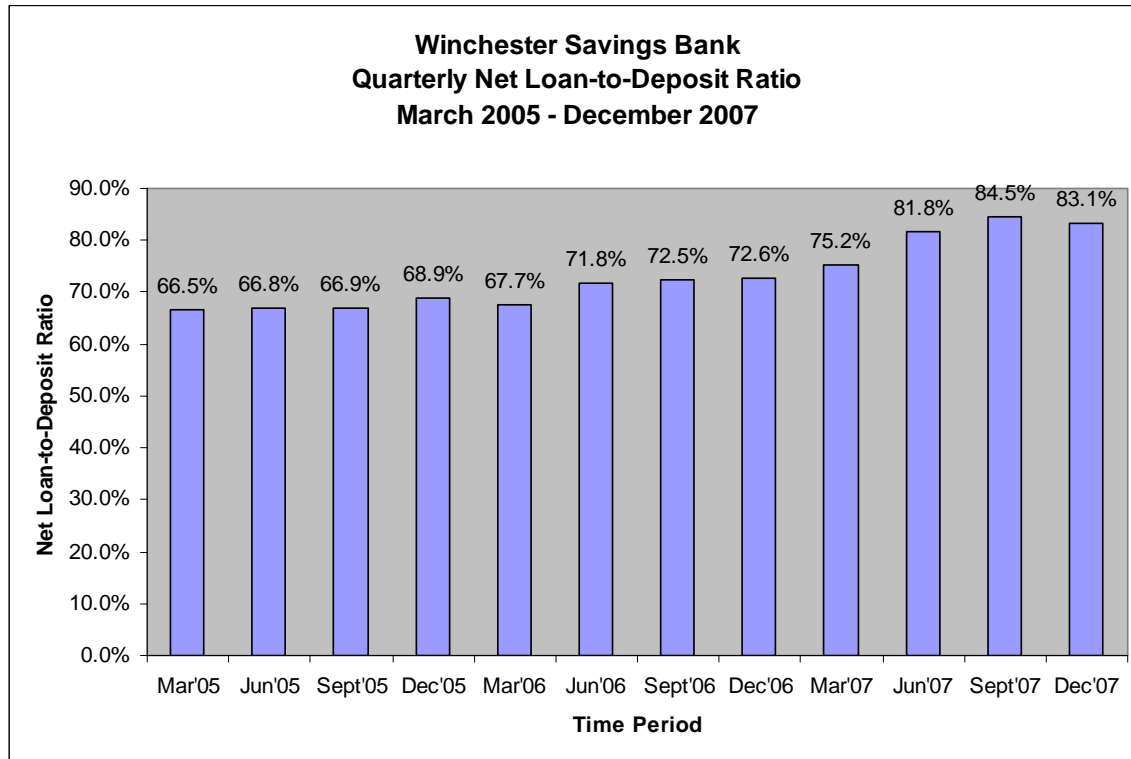
As part of the evaluation process, third parties active in community affairs are contacted to assist in assessing the housing and general banking needs of the community. Relevant information obtained helps to determine whether local financial institutions are responsive to the credit and service needs of the communities and what further opportunities, if any, are available. For purposes of this evaluation, information provided by one such contact was referenced in preparing this evaluation. The contact indicated that the need for affordable housing is ongoing and that financial institutions could do more to educate people about the mortgage process. The contact also stated that financial institutions could assist with programs to help distressed borrowers facing foreclosure. Winchester Savings Bank has provided education about the mortgage process through two first time homebuyer seminars held during the evaluation period.

## CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

### LENDING TEST

#### Loan-to-Deposit Ratio

The Bank's loan-to-deposit ("LTD") ratio is reasonable. The Bank's average net LTD ratio over the 12 quarters since the prior Division and FDIC CRA evaluation, is 72.5 percent. As of December 31, 2007, the Bank's net LTD ratio was 83.1 percent. The following graph illustrates the trend of the Bank's quarterly net LTD ratio over the period reviewed.

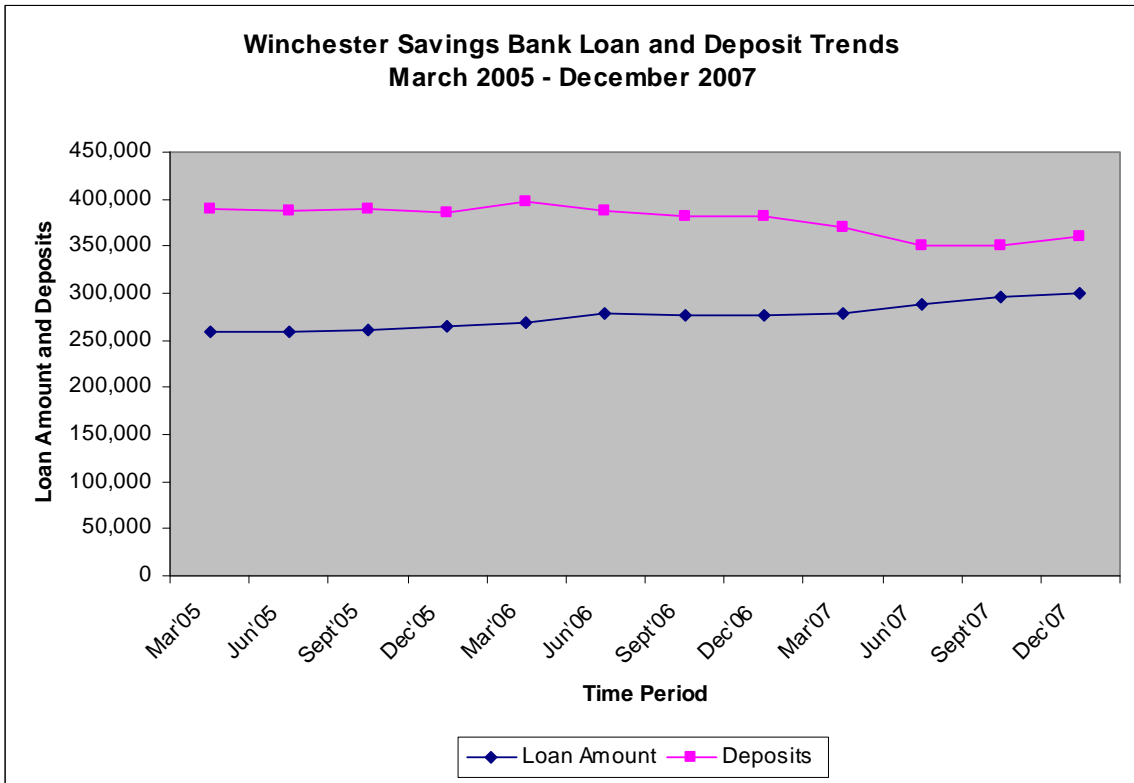


Source: FFIEC Call Report March 31, 2005-December 31, 2007

Growth patterns of the loan and deposit amounts were also analyzed in order to assess the fluctuation in the net LTD ratios. Between March 2004 and March 2005, total deposits increased by 2.0 percent, while loan amounts increased by 3.9 percent. As a result, the net LTD ratios increased from 66.5 percent to 67.7 percent. From March 2006 through December 2007, total deposits decreased by 9.4 percent, while net loans increased by 11.1 percent. This trend resulted in a net LTD ratio increase from 67.7 to 83.1 percent. Overall, the trend shows a positive growth in the net LTD ratio in the time period reviewed. The Bank's asset size decreased from \$463.6 million<sup>1</sup> as of December 31, 2004, to its current level of \$456.7 million<sup>2</sup>. This represents a 1.5 percent decrease in the asset size of the institution. The following graph illustrates the trends of the Bank's loans and deposits over the period reviewed.

<sup>1</sup> Source: FFIEC Call Report December 31, 2004.

<sup>2</sup> Source: FFIEC Call Report December 31, 2007.



Source: FFIEC Call Report March 31, 2005 – December 31, 2007

The overall increase in the net LTD ratio is a positive reflection of the Bank's commitment to lend. Winchester Savings Bank's net LTD ratio was compared to the LTD ratios of two other locally-based depository institutions. The ratios used were as of December 31, 2007. The ratios of the two institutions were 95.2 percent and 127.7 percent. Refer to the table below for more details.

Net Loan-To-Deposit Comparison		
Institution	Asset Size of as of December 31, 2007 (millions)	Net Loan-to-Deposit Ratio
Northern Bank & Trust Company	465	127.7%
Winchester Co-Operative Bank	374	95.2%
Winchester Savings Bank	457	83.1%

Source: FFIEC Call Report December 31, 2007

While Winchester Savings Bank's net LTD ratio is the lowest of the three, consideration is given to the Bank's capacity and willingness to lend, the strong competition from other institutions in the assessment area, demographic and economic factors present in the assessment area, and the lending opportunities available in the assessment area. In addition, the Bank's LTD ratio was compared to its peer group, which consists of all FDIC insured savings banks having assets between \$300 million and \$1 billion. As of December 31, 2007, the Bank's peer group LTD ratio was 93.8 percent which was somewhat higher than the Bank's 83.1 percent. Nevertheless, based on these factors the Bank's LTD ratio is considered reasonable.

## Assessment Area Concentration

The majority of the Bank's home mortgage and small business loans were within the assessment area.

### *Home Mortgage Lending*

Winchester Savings Bank's HMDA LARs were reviewed to determine the extent of home mortgage credit extended within the assessment area. For calendar years 2006 and 2007, the Bank originated 291 HMDA-reportable loans totaling approximately \$85,789,000. Of these loans, 184, or 63.2 percent, were originated inside the assessment area. By dollar amount, \$47,624,000, or 55.5 percent, were inside the assessment area.

Refer to the following table for additional information regarding the Bank's HMDA-reportable lending, by both number and dollar volume.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount of Loans (000s)		Number of Loans		Dollar Amount of Loans (000)s	
	#	%	\$	%	#	%	\$	%
<b>2006</b>	99	65.1	24,842	56.1	53	34.9	19,423	43.9
<b>2007</b>	85	61.2	22,782	54.9	54	38.8	18,742	45.1
<b>Total</b>	184	<b>63.2</b>	47,624	55.5	107	36.8	38,165	44.5

*Source: 2006 and 2007 HMDA Data, 2000 US Census Data*

While not shown in table format, analyses of the Bank's home mortgage lending inside and outside the assessment area by loan purpose were also conducted. In 2006 and 2007 combined, 52.3 percent of home purchase loans were made inside the assessment area, while 70.2 percent of the refinance and 69.2 percent of the home improvement loans were inside the assessment area. While there is some variation by purpose, each percentage represents a majority of the loans in that category and is reflective of the Bank's commitment to lend within their assessment area.

Further, as mentioned previously, Winchester Saving Bank ranked 32<sup>nd</sup> in market share out of the 351 HMDA-reporting lenders in the assessment area in 2006, capturing approximately 1.0 percent of the market share. Of the 31 lenders ranked higher than the Bank, all are large, national or regional banks or mortgage companies, and only one local bank is comparable to the Bank in asset size. This demonstrates that, within the assessment area, Winchester Savings Bank is a leading local Bank.

### *Small Business Lending*

The Bank's internal small business loan origination data were analyzed to determine the extent of small business lending within the assessment area. The following table illustrates the distribution of the Bank's small business loans inside and outside the assessment area by both number and dollar volume.

Distribution of Small Business Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount of Loans (000s)		Number of Loans		Dollar Amount of Loans (000)s	
	#	%	\$	%	#	%	\$	%
2006	32	57.1	3,430	43.8	24	42.9	4,409	56.2
2007	35	56.5	4,168	45.2	27	43.5	5,045	54.8
<b>Total</b>	<b>67</b>	<b>56.8</b>	<b>7,598</b>	<b>44.6</b>	<b>51</b>	<b>43.2</b>	<b>9,454</b>	<b>55.4</b>

Source: 2006 Institution Records, 2007 Business Demographic Data

As shown in the table above, the Bank made 67, or 56.8 percent, of total loans inside the assessment area during 2006 and 2007 combined. The percentage by year decreased slightly from 2006 to 2007. By dollar amount, \$7,598,000, or 44.6 percent, was inside the assessment area during the two year period. The percentage by year increased slightly from 2006 to 2007. While less than a majority of loans by dollar amount was inside the assessment area, more emphasis is placed on the Bank's performance by number of loans.

### Geographic Distribution

Winchester Savings Bank's lending inside the assessment area reflects reasonable dispersion of loans by census tract income level, particularly in moderate-income census tracts. The following sections discuss the Bank's performance under this criterion with regard to each product line.

#### *Home Mortgage Lending*

The following table presents the Bank's HMDA reportable lending performance in 2006 and 2007, as well as the 2006 aggregate market data (exclusive of WSB). In addition, the table reflects the percentage of owner-occupied housing units in each of the census tract income categories.

Distribution of Home Mortgage Loans by Income Category of the Census Tract						
Census Tract Income Level	% of Total Owner-Occupied Housing Units	2006 Aggregate Lending Data (% of #)	Bank 2006		Bank 2007	
		%	#	%	#	%
<b>Moderate</b>	8.7	11.9	4	4.0	7	8.2
<b>Middle</b>	59.8	62.2	56	56.6	41	48.3
<b>Upper</b>	31.5	25.9	39	39.4	37	43.5
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>

Source: 2006 and 2007 HMDA Data, 2000 US Census Data

The Bank's lending within the moderate-income tracts by number for 2006 (4.0 percent) does not compare favorably to the aggregate performance (11.9 percent), although the Bank's performance shows an increasing trend in 2007 (8.2 percent). The Bank's performance within the moderate-income tracts during 2006 is also moderately less than the percentage of total owner-occupied housing units (8.7 percent). However, a mitigating factor for the Bank's performance in the moderate-income tracts is the fact that five of the seven moderate-income tracts are located in Medford, Massachusetts, where the Bank does not have a branch presence.

Market rank reports for 2006 show that out of 351 HMDA reporting lenders in the assessment area, Winchester Savings Bank ranked 25<sup>th</sup> for moderate-income census tract penetration. Of the 24 lenders above the Bank, all are large, national or regional banks or mortgage companies. Moreover, the only local Bank that is comparable in asset size with Winchester Savings Bank is tied with the Bank in market share. This demonstrates that, within the assessment area, Winchester Savings Bank's dispersion of home mortgage loans is reasonable.

### *Small Business Lending*

The table below illustrates the Bank's small business lending activity in 2006 and 2007 by income level of census tract, as well as the breakdown of businesses by census tract income level.

<b>Distribution of Small Business Loans by Income Category of the Census Tract</b>									
<b>Census Tract Income Level</b>	<b>% of Businesses</b>	<b>2006</b>				<b>2007</b>			
		<b>Number of Loans</b>		<b>Loan Amount</b>		<b>Number of Loans</b>		<b>Loan Amount</b>	
		<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>\$</b>	<b>%</b>
<b>Moderate</b>	10.6	4	12.5	135	3.9	3	8.6	550	13.2
<b>Middle</b>	58.9	19	59.4	2,663	77.7	20	57.1	3,095	74.3
<b>Upper</b>	30.5	9	28.1	632	18.4	12	34.3	523	12.5
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>3,430</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,168</b>	<b>100.0</b>

*Source: 2006 and 2007 Institution Records, 2007 Dun & Bradstreet Business Geodemographic Data*

The Bank's lending within the moderate-income census tracts by number in 2006 (12.5 percent) is greater than the percentage of businesses in the moderate-income census tracts (10.6 percent). The Bank's percentage declined to 8.6 percent in 2007, but the shift in the percentage is reflective of only one fewer loan in the moderate-income tracts.

### **Borrower Characteristics**

Overall, the Bank's lending inside the assessment area represents a reasonable penetration among borrowers of different incomes, including low- and moderate-income borrowers, and businesses of different sizes, particularly small businesses. The following sections discuss the Bank's performance under this criterion with regard to each product line.

### *Home Mortgage Lending*

The Bank's HMDA-reportable loans were analyzed to determine the distribution of lending by borrower income level. The borrowers' reported incomes for 2006 and 2007 were compared to the MFIs for the Cambridge-Newton-Framingham, MA MD, as discussed previously under *Description of Assessment Area*.

The following table includes the breakout of the loans the Bank originated inside the assessment area in 2006 and 2007 by borrower income, as well as the distribution of families by income level and the aggregate market data for 2006 (exclusive of WSB).

<b>Distribution of Home Mortgage Loans by Borrower Income</b>									
<b>Median Family Income Level</b>	<b>% Total Families</b>	<b>Aggregate Lending Data 2006</b>		<b>2006</b>		<b>2007</b>		<b>Total</b>	
		<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>	<b>#</b>	<b>%</b>
<b>Low</b>	16.4	542	3.6	10	10.1	3	3.6	13	7.1
<b>Moderate</b>	17.3	2,038	13.7	16	16.2	8	9.4	24	13.0
<b>Middle</b>	23.9	3,986	26.8	20	20.2	20	23.5	40	21.7
<b>Upper</b>	42.4	5,595	37.5	43	43.4	50	58.8	93	50.5
<b>NA</b>	-	2,744	18.4	10	10.1	4	4.7	14	7.7
<b>Total</b>	<b>100.0</b>	<b>14,905</b>	<b>100.0</b>	<b>99</b>	<b>100.0</b>	<b>85</b>	<b>100.0</b>	<b>184</b>	<b>100.0</b>

Source: 2000 U.S. Census, 2006 and 2007 HMDA LAR, 2006 HMDA Aggregate Data

During the period reviewed, a total of 13 of the Bank's HMDA-reportable loans inside the assessment area were to low-income borrowers, representing 7.1 percent of total originations inside the assessment area. By year, the Bank originated 10.1 percent and 3.6 percent of its loans to low-income borrowers in 2006 and 2007, respectively. The Bank's percentage in 2006, exceeded the aggregate market's 3.6 percent. In each year, the Bank's percentage of loans to low-income borrowers was lower than the percentage of low-income families in the assessment area (16.4 percent). However, high home prices in the assessment area make homeownership nearly impossible for most low-income individuals.

The Bank extended 24 loans to moderate-income borrowers over the entire period reviewed, representing 13.0 percent of total originations inside the assessment area. By year, the Bank originated 16.2 percent and 9.4 percent of its loans to moderate-income borrowers in 2006 and 2007, respectively. The Bank's percentage in 2006 exceeded the aggregate market's 13.7 percent. The Bank's lending to moderate-income borrowers in 2006 and 2007 was less than the percentage of moderate-income families in the assessment area (17.3 percent). However, high home prices in the assessment area also make homeownership difficult for many moderate-income individuals to attain.

Market rank reports show that, in 2006, the Bank ranked 7<sup>th</sup> in market share out of 351 lenders for lending to low-income borrowers and 19<sup>th</sup> in market share for lending to moderate-income borrowers. Moreover, only two local banks of comparable asset size are ranked above Winchester Savings Bank.

#### *Small Business Lending*

The table below illustrates the number and dollar volume of the Bank's small business loans and the percentage of total businesses in the assessment area, by level of gross annual revenues ("GARs").

Distribution of Small Business Loans by Gross Annual Revenues of Business									
Gross Annual Revenues (000s)	% of Total Businesses	2006 WSB				2007 WSB			
		#		\$ (000s)		#		\$ (000s)	
	%	#	%	\$	%	#	%	\$	%
≤ \$1,000	67.5	21	65.6	2,190	63.8	21	60.0	2,347	56.3
> \$1,000 or N/A	32.5	11	34.4	1,240	36.2	14	40.0	1,821	43.7
<b>Total</b>	<b>100.0</b>	<b>32</b>	<b>100.0</b>	<b>3,430</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,168</b>	<b>100.0</b>

Source: 2006 and 2007 Institution Records, 2007 Business Demographic Data

In 2006, the Bank extended 21, or 65.6 percent, of its small business loans inside the assessment area to businesses with gross annual revenues of \$1 million or less. This performance is comparable to the percentage of total businesses within the assessment area with gross annual revenues of \$1 million or less (67.5 percent). Similarly, in 2007, the Bank extended 21, or 60.0 percent, of its small business loans inside the assessment area to businesses with gross annual revenues of \$1 million or less.

The small business loans originated within the Bank's assessment area were further analyzed to determine the typical loan amount at origination. This analysis is based on the assumption that loans of smaller amounts are most likely made to very small businesses. Thus, it is viewed favorably when banks have high percentages of loans made in amounts of less than \$100,000. The table below illustrates the Bank's small businesses loans by loan amount.

Distribution of Small Business Loans by Loan Size								
Loan Amount (000s)	2006				2007			
	#	%	\$	%	#	%	\$	%
< \$100	23	71.9	951	27.7	25	71.4	1,061	25.5
≥\$100 < \$250	6	18.8	1,050	30.6	5	14.3	679	16.3
≥\$250 ≤ \$1,000	3	9.3	1,429	41.7	5	14.3	2,428	58.2
<b>Total</b>	<b>32</b>	<b>100.0</b>	<b>3,430</b>	<b>100.0</b>	<b>35</b>	<b>100.0</b>	<b>4,168</b>	<b>100.0</b>

Source: 2006 and 2007 Institution Records

The above table shows that 71.9 percent and 71.4 percent of the institution's small business loans extended inside the assessment area in 2006 and 2007, respectively, were for amounts less than \$100,000. The Bank's record of extending small loans to businesses reflects reasonable performance in meeting the credit needs of the area's smallest businesses.

### **Response to CRA Complaints**

During the evaluation period, the Bank received no CRA-related complaints. It was noted that the Bank maintains adequate procedures to handle all incoming complaints, including those relating to its CRA performance.

## COMMUNITY DEVELOPMENT TEST

The community development test evaluates the Bank's community development loans, investments, and services. Unless otherwise noted, for purposes of this evaluation, the period used within the community development test is April 5, 2005 to April 8, 2008.

### Community Development Loans

Winchester Savings Bank's community development lending activity demonstrates adequate responsiveness to the credit needs within the assessment area. A review of the Bank's lending activity revealed one qualified loan. At the previous CRA examination, the Bank received community development lending credit for two loans with a total commitment of \$670,000. While the number of loans has declined from two to one, the total dollar amount of qualified loans has increased significantly. The following information describes the institution's one qualified community development loan originated during the current evaluation period.

- In November 2006, the Bank originated a \$4,833,760 construction line of credit for completion of a 40B development in Arlington, Massachusetts. A 40B development is a state-mandated approach to providing affordable housing. Massachusetts law requires each municipality have a certain percentage of its housing allocated to affordable housing. These developments meet the community development definition since the primary goal of 40B projects is to provide affordable housing. The complex in question consists of 16 condominium units, of which four are designated affordable for low- and moderate-income individuals.

This loan is considered to be particularly responsive to the needs of the assessment area, based on the indication provided by the community contact that affordable housing continues to be a significant need in the area.

### Community Development Investments

The combination of the Bank's qualified equity investments, deposits, and charitable donations demonstrates adequate responsiveness to the needs within the assessment area.

#### *Qualified Equity Investments*

The Bank did not invest in any new equity investments during the evaluation period, but they are still holding several mortgage-backed securities from prior periods. The total current book value of these investments, as of April 16, 2008, is \$769,069. The following is a list of these investments.

- **Fannie Mae CRA-Targeted Mortgage-backed Securities:** WSB maintains a security backed by a pool of five residential mortgage loans made to low- and moderate-income borrowers, with an original value of \$678,219. Properties are located in Stoneham, Reading, Woburn, and Melrose. The current book value is \$107,903.
- **Fannie Mae CRA-Targeted Mortgage-backed Security:** WSB maintains a security backed by a pool of four residential mortgage loans made to low- and moderate-income borrowers, with an original value of \$546,024. The properties are located in Medford, Woburn, and Winchester. The current book value is \$105,007.
- **Fannie Mae CRA-Targeted Mortgage-backed Security:** WSB maintains a security backed by a pool of two residential mortgage loans made to low- and moderate-income borrowers, with an original value of \$203,365. The properties are located in Woburn. The current book value is \$134,179.

- **Fannie Mae CRA-Targeted Mortgage-backed Securities:** WSB maintains a security backed by a pool of two residential mortgage loans made to low- to moderate-income borrowers, with an original value of \$445,615. Properties are located in Woburn and Lexington. The current book value is \$178,110.
- **Advest Mortgage-backed Security:** WSB maintains an investment in a mortgage-backed security packaged by Advest, Inc. The Bank's investment is tied to one underlying mortgage that is in the Bank's assessment area and was made to a low-income borrower. The current book value of the Bank's investment is \$7,146.
- **Fleet CRA Pool:** WSB maintains a security backed by a pool of six residential mortgage loans made to low- to moderate-income borrowers, with an original value of \$1,200,391. Two loans are located in the Bank's assessment area. The current book value is \$236,724.

### **Qualified Deposits**

The Bank made one qualified deposit investment totaling \$500,000 during the evaluation period.

- **Federal Home Loan Bank of Boston's (FHLBB) New England Community Builder Program ("NECBP"):** In August 2006, WSB invested \$500,000 in a below-market rate five-year term deposit through this program. In return, the Bank became eligible to borrow advances discounted up to 300 basis points to support affordable-housing and community-economic development. The goal of the program was to raise more than \$50 million in deposits to capitalize the NECBP. As stated in documentation provided by the FHLBB, the impetus for the program was the recent series of natural disasters affecting the region, including flooding in New England in 2005 and the influx of Gulf Coast hurricane evacuees who resettled in this area. The program is targeted to benefit: 1) persons affected by the October 2005 flooding in New Hampshire and Massachusetts; 2) Gulf Coast evacuees relocated to New England; and 3) households with incomes at or below 80 percent or up to 115 percent of area median income who are in need of affordable housing or community-economic development.

### **Qualified Charitable Donations**

Winchester Savings Bank made qualified donations totaling \$135,226 during the current evaluation period, and has committed an additional \$28,650 for calendar year 2008. The total represents a majority, or 63.9 percent of total donations made by the Bank between April 5, 2005 and April 8, 2008. Donations made by WSB are in support of a wide variety of organizations with diverse missions and goals. Additionally, several of the qualified donations are to organizations whose primary purpose is the development of affordable housing in the Bank's assessment area. The following table illustrates the annual amount of total donations and qualified donations, as well as comparisons of qualified donations to total donations and the Bank's pre-tax net operating income ("NOI").

<b>WSB Qualified Donations</b>				
Year	Total WSB Donations	Total WSB Qualified Donations		
	\$	\$	% of Total	% of Pre-tax NOI
2005 (4/5 – 12/31)	69,776	50,591	72.5	*
2006	71,221	47,250	66.3	1.6
2007	61,989	32,750	52.8	1.4
2008 (1/1 – 4/8)	15,050	7,500	49.8	*
<b>Total</b>	<b>218,036</b>	<b>138,091</b>	<b>63.3</b>	<b>*</b>

Source: Internal Bank Records; \*ratios not calculated for partial year data

As noted in the table above, the percentage of qualified donations to pre-tax NOI remained fairly stable. The comparisons of qualified donations to pre-tax NOI are an indication of the Bank's commitment to supporting local organizations through donations.

Examples of the Bank's qualified donations are highlighted below.

- **Caritas Communities** – this organization provides single-room occupancy housing for low-income, employed individuals. Caritas is one of the largest non-profit managers of affordable lodging houses in the Greater Boston area.
- **Housing Corporation of Arlington** - this is a non-profit organization that was incorporated in 1986. Their mission is to advocate for and provide affordable housing opportunities to low- and moderate-income Arlington residents. HCA partners with the Town of Arlington to administer their Homelessness Prevention Fund. Entirely through private donations, this fund provides one time grants to Arlington residents experiencing an emergency housing crisis that may lead to homelessness.
- **Mission of Deeds** – this is a non-profit volunteer organization, which provides household furnishings to low- and moderate-income people in need. Recipients are primarily battered women and their children, older people who have been abandoned, and many others who have lost their homes and possessions for various reasons. The organization collects used furniture and household items and distributes them to those referred by social service organizations.
- **Woburn Council of Social Concern** – this organization supports the needs of low- and moderate-income individuals by providing daycare, parenting education, and emergency food assistance.
- **Winchester: A Better Chance (“ABC”)** – through this program, low- and moderate-income teenagers from inner-city areas are provided housing in Winchester, thus enabling them to obtain a higher-quality education at Winchester High School.

### **Community Development Services**

Winchester Savings Bank's community development services demonstrate adequate responsiveness to the needs within the assessment area. Various Bank representatives are involved in community-based organizations and the Bank supports various educational seminars and other services.

#### ***Contribution of Financial Expertise to Community Organizations***

Through their involvement in community-based organizations, Bank representatives lend their technical and financial expertise, experience, and judgment to various community development initiatives. The following section provides a sample of the services the Bank provides.

- **Woburn Council of Social Concern** - A senior officer of the Bank has served as co-chairman for a fundraising campaign for this organization, which supports the needs of low- and moderate-income individuals. As stated on their website, the organization is a charitable, community-based agency responding to the basic needs of people of all ages, providing early childhood education and care, helping individuals develop their potential, creating positive family and community relationships, and fostering respect for diversity. In addition, a vice president of WSB serves on the Financial Planning and Development Committee and a Trustee is a member of the steering committee of this organization.

- **Caritas Communities** - A vice president of WSB serves on the Board of Directors and is a member of the Fund Raising / Foundation Networking Committee of this organization that provides single-room occupancy housing to low-income, employed individuals. The organization is one of the largest non-profit managers of affordable lodging houses in the Greater Boston area.
- **Mystic Valley Elder Services** - A Bank employee is a Money Management Volunteer for this local non-profit agency, whose mission is to support the rights of elders to live independently with dignity in a setting of their own choice. As stated on the organization's website, the Money Management Program is a free service that assists low-income elders who are at risk of losing their independence due to an inability to manage their own finances.
- Bank Trustees and Corporators also serve on other Boards and committees of local organizations that provide services to low- and moderate-income children, families, and elders. In addition, one Trustee serves on the Board of a state-wide organization that provides financial resources to growing companies.

### ***Educational Seminars and Other Services***

The Bank also provides community development services through educational seminars and other programs. These activities are described below.

**First-time Homebuyer Seminars:** The Bank has offered first-time homebuyer seminars to potential first-time homebuyers. During the seminars, Bank personnel explain the basics of home buying and financing. The Bank made the Bank's Board of Trustees' Room available for such occasions. During the evaluation period, the Bank gave two such seminars with a total of 28 participants in attendance.

**Woburn Affordable Housing Lottery:** In late 2005, the Bank participated in the City of Woburn's Affordable Housing Lottery for five affordable condominium units in a 100-unit mid-rise development. A Bank representative attended the informational session at City Hall and explained the first-time homebuyer programs the Bank offers. The Bank provided pre-approval certificates to 10 lottery applicants, two of whom were winners.

**Basic Banking for Massachusetts:** The Bank offers low-cost checking and savings accounts that meet the guidelines established by the Massachusetts Community and Banking Council to help meet the identified need for low cost bank products and services.

**APPENDIX A**  
**Fair Lending Policies and Procedures**

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 2.3-101.

A review of the Bank's public comment file indicated that the Bank received no complaints pertaining to the institution's CRA performance since the previous examination.

The Bank has a written Fair Lending Policy, incorporated into their overall Lending Policy. Included in this policy are the Bank's efforts to eliminate discrimination in all aspects of lending, as well as to provide guidance to Bank employees on how to comply with fair lending policies and procedures. The Bank provides fair lending training through internal training programs, as well as seminars available through outside services and sources. Fair lending training is provided to all new employees and all existing employees at least annually. Management develops training programs that cover all aspects of the lending process.

**Minority Application Flow**

A review of HMDA reportable loan applications was conducted in order to determine the number and percentage of HMDA-reportable credit applications the Bank received from minority applicants. For the period reviewed during 2006 and 2007, the Bank received 10 applications, or 5.0 percent, from minority applicants. Of these ten applications, nine of them resulted in originations.

<b>MINORITY APPLICATION FLOW</b>								
<b>RACE</b>	<b>Bank 2006</b>		<b>2006 Aggregate Data</b>		<b>Bank 2007</b>		<b>Bank TOTAL</b>	
	#	%	#	%	#	%	#	%
<i>American Indian/ Alaska Native</i>	0	0.0	55	0.3	0	0.0	0	0.0
<i>Asian</i>	4	3.7	791	3.7	3	3.2	7	3.5
<i>Black/ African American</i>	0	0.0	626	2.9	0	0.0	0	0.0
<i>Hawaiian/Pac Isl.</i>	1	0.9	35	0.2	0	0.0	1	0.5
<i>2 or more Minority</i>	0	0.0	17	0.1	0	0.0	0	0.0
<i>Joint Race (White/Minority)</i>	1	0.9	179	0.8	1	1.1	2	1.0
<b>Total Minority</b>	6	5.5	1,703	7.9	4	4.3	10	5.0
<i>White</i>	79	72.5	13,531	62.5	65	69.9	144	71.3
<i>Race Not Available</i>	24	22.0	6,415	29.6	24	25.8	48	23.7
<b>Total</b>	109	100.0	21,649	100.0	93	100.0	202	100.0
<b>ETHNICITY</b>								
<i>Hispanic or Latino</i>	0	0.0	656	3.0	0	0.0	0	0.0
<i>Not Hispanic or Latino</i>	80	73.4	14,590	67.4	65	69.9	145	71.8
<i>Joint (Hisp/Lat /Not Hisp/Lat)</i>	1	0.9	129	0.6	1	1.1	2	1.0
<i>Ethnicity Not Available</i>	28	25.7	6,274	29.0	27	29.0	55	27.2
<b>Total</b>	109	100.0	21,649	100.0	93	100.0	202	100.0

Source: US Census, HMDA LAR, HMDA Aggregate Data

The assessment area's population is 10.29 percent minority: 2.17 Black; 4.60 Asian; .08 American Indian; .02 Hawaiian/Pacific Islander; 1.53 Other; and 1.89 Hispanic or Latino.

The Bank's minority application flow for this period was compared with the racial and ethnic composition of the assessment area. The comparison of these data assists in deriving reasonable expectations for the rate of applications the Bank received from minority residential loan applicants.

As indicated above, the percentage of applications the Bank received from minority applicants was below both the demographic makeup of the assessment area as well as that received by the 2006 aggregate data for all other HMDA reporters within the assessment area.

## **APPENDIX B**

### ***General Definitions***

#### **GEOGRAPHY TERMS**

**Census Tract:** Small subdivisions of metropolitan and other densely populated counties. Census tract boundaries do not cross county lines; however, they may cross the boundaries of metropolitan statistical areas. They usually have between 2,500 and 8,000 persons, and their physical size varies widely depending upon population density. Census tracts are designed to be homogeneous with respect to population characteristics, economic status, and living conditions to allow for statistical comparisons.

**Metropolitan Area (MA):** One or more large population centers and adjacent communities that have a high degree of economic and social integration. Each MA must contain either a place with a minimum population of 50,000 of Census Bureau-defined urbanized area and a total MA population of at least 100,000 (75,000 in New England). An MA comprises one or more central counties and may include one or more outlying counties that have close economic and social relationships with the central county. In New England, MAs are composed of cities and towns rather than whole counties.

**Metropolitan Statistical Area (MSA):** One or more metropolitan areas that have economic and social ties.

**Primary Metropolitan Statistical Area (PMSA):** A large urbanized county or cluster of counties that demonstrate very strong internal economic and social links, in addition to close ties to other portions of the larger area. If an area qualifies as an MA and has more than one million persons, PMSAs may be defined within it.

**Consolidated Metropolitan Statistical Area (CMSA):** The larger area of which PMSAs are component parts.

**Non-Metropolitan Area:** All areas outside of metropolitan areas. The definition of non-metropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies; for example, there is generally both urban and rural territory within both metropolitan and non-metropolitan areas.

**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) but excluding 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.

## **HOUSING TERMS**

**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 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).

**Household:** Includes all persons occupying a housing unit. Persons not living in households are classified as living in group quarters. In 100 percent tabulations, the count of households always equals the count of occupied housing units.

**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.

**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.

## **INCOME TERMS**

**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.

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

**Family Income:** Includes the income of all members of a family that are age 15 and older.

**Household Income:** Includes the income of the householder and all other persons that are age 15 and older in the household, whether related to the householder or not. Because many households consist of only one person, median household income is usually less than median family income.

**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.

**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.

**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.

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

**HUD Adjusted Income Data:** The U.S. Department of Housing and Urban Development (HUD) issues annual estimates which update median family income from the metropolitan and non-metropolitan areas. HUD starts with the most recent U.S. Census data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

## **OTHER TERMS**

**Home Mortgage Disclosure Loan Application Register (HMDA LAR):** The HMDA LARs record all applications received for residential purchase, refinance, home improvement and temporary-to-permanent construction loans.

**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.

## PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations, and Part 345 of the Federal Deposit Insurance Corporation's Rules and Regulations, require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks and the Federal Deposit Insurance Corporation, at 661 Main Street, Winchester, MA 01890."

[Please Note: If the institution has more than one assessment area, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agencies, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.