

PUBLIC DISCLOSURE

October 23, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Watertown Savings Bank
Certificate Number: 23298

60 Main St.
Watertown, Massachusetts 02210

Division of Banks
1000 Washington Street, 10th Floor
Boston, Massachusetts 02118

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 Division of Banks concerning the safety and soundness of this financial institution.

TABLE OF CONTENTS

| | |
|---|----|
| INSTITUTION RATING | 3 |
| SCOPE OF EVALUATION | 4 |
| DESCRIPTION OF INSTITUTION..... | 5 |
| DESCRIPTION OF ASSESSMENT AREA | 6 |
| CONCLUSIONS ON PERFORMANCE CRITERIA | 10 |
| GLOSSARY | 20 |

INSTITUTION RATING

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

An institution in this group has a good 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 following points summarize the Watertown Savings Bank's performance under Intermediate Small Institution Standards.

The Lending Test is rated High Satisfactory.

- The loan-to-share ratio (LTS) is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage loans in the assessment area.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment area.
- The distribution of borrowers reflects good penetration of loans among individuals of different income levels.
- The bank did not receive any CRA-related complaints since the previous evaluation; The bank has a reasonable record relative to its fair lending policies and procedures.

The Community Development Test is rated High Satisfactory.

- The bank demonstrated good responsiveness to the assessment area's community development needs through qualified investments and community development services. Examiners considered the institution's capacity and the need and availability of such opportunities for community development in the assessment area.

SCOPE OF EVALUATION

General Information

The Community Reinvestment Act (CRA) requires the Massachusetts Division of Banks (“Division”) 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 Division must prepare a written evaluation of the institution's record of meeting the credit needs of its membership.

This evaluation covers the period from the last evaluation conducted for the bank dated August 23, 2021, to the current evaluation dated October 23, 2023. Examiners used Intermediate Small Examination Procedures to evaluate the bank’s CRA performance. These procedures include the Lending Test and the Community Development Test.

Examiners used the 2015 and 2020 ACS updated data for metropolitan area boundaries, census tracts and their income levels, and demographic information.

The Lending Test considered the bank’s performance according to the following criteria:

- LTD ratio
- Assessment area concentration
- Geographic distribution
- Borrower profile
- Response to CRA-related complaints and Fair Lending Program

The Community Development Test considered the following factors:

- Number and dollar amount of community development activity, including qualified investments, qualified services, and community development loans.
- The responsiveness of such activities to the community development needs of the area.

Loan Products Reviewed

Watertown Savings Bank’s major product line is home mortgage loans, considering the bank’s business strategy and the number and dollar volume of loans originated during the evaluation period.

Examiners reviewed home mortgage loans reported on the bank’s 2021 and 2022 Home Mortgage Disclosure Act (HMDA) Loan Application Registers (LARs). The bank originated 165 HMDA-reportable loans totaling \$88.7 million in 2021 and 189 HMDA-reportable loans totaling \$133.3 million in 2022. Examiners compared bank lending in 2021 and 2022 to aggregate HMDA data for the relevant year. Examiners also compared bank lending to applicable demographic data.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage loans. While the tables throughout this evaluation include both the number and dollar volume of loans, examiners emphasized bank performance by number of loans, as the number of loans better indicates the number of individuals served.

For the Community Development Test, examiners drew conclusions based on data provided by bank management on community development loans, qualified investments, and community development services since the prior CRA evaluation dated August 23, 2021.

DESCRIPTION OF INSTITUTION

Background

Watertown Savings Bank, founded in 1870 and headquartered in Watertown, Massachusetts, is a mutual savings bank operating in Middlesex County. Watertown Savings Bank received a Satisfactory rating at its previous CRA evaluation conducted by the Federal Reserve Bank of Boston, dated August 23, 2021, based on the Interagency Intermediate Small Institution Examination Procedures.

Operations

In addition to its main office at 60 Main Street in Watertown, Watertown Savings Bank operates nine full-service branches in Arlington, Belmont, Lexington, Waltham (2), and Watertown (4). As of 2022, two branches are located in moderate-income census tracts in Waltham and Watertown. The bank also maintains two Automated Teller Machines (ATMs) both located in Waltham, one of which is in a moderate-income census tract. The bank has reasonable hours of operation. Branches are open 8:30 – 4:00, Monday to Friday, with Saturday hours and drive-through capabilities varying branch to branch. The bank has neither closed nor opened any branches since its previous examination and has initiated no new merger activities.

Watertown Savings Bank offers a variety of banking products and services, including personal and business checking, savings, money market, individual retirement accounts (IRAs), and certificate accounts; mortgage, home equity, construction, and vehicle lending; and online and mobile banking services, including mobile check deposit, card management, and bill pay capabilities.

Ability and Capacity

As of the June 30, 2023, quarterly call report, the bank's assets totaled approximately \$1.4 billion, including approximately \$616.8 million in loans and approximately \$1.3 billion in deposits. Since the previous exam, total asset size decreased by 2.4 percent and the bank's lending portfolio increased by 5.2 percent.

As noted in the table below, real estate loans make up 99.5 percent of the bank's loan portfolio, with loans and lines of credit secured by 1-4 family residential properties making up 86.1 percent of that. The following table details the bank's loan portfolio.

| Loan Portfolio Distribution as of 6/30/2023 | | |
|---|-----------------|--------------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 24,497 | 4.0 |
| Secured by 1-4 Family Residential Properties | 531,114 | 86.1 |
| Secured by Multifamily (5 or more) Residential Properties | 12,051 | 2.0 |
| Secured by Nonfarm Nonresidential Properties | 46,193 | 7.5 |
| Total Real Estate Loans | 613,855 | 99.5 |
| Commercial and Industrial Loans | 2,678 | 0.4 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 572 | 0.1 |
| Other Loans | 50 | 0.0 |
| Less: Unearned Income | 344 | 0.1 |
| Total Loans | 616,811 | 100.1 |
| <i>Source: Reports of Condition and Income</i> | | |

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. Watertown Savings Bank has designated a single assessment area in the Cambridge-Newton-Framingham MA, Metropolitan Division (Cambridge MD), which is itself a part of the larger Boston-Cambridge-Newton MA-NH Metropolitan Statistical Area.

Economic and Demographic Data

Watertown Savings Bank’s assessment area includes the municipalities of Arlington, Belmont, Lexington, Newton, Waltham, and Watertown and is comprised of 65 census tracts. According to 2020 ACS data, the assessment area contains:

- 0 low-income tracts,
- 8 moderate-income tracts
- 14 middle-income tracts
- 42 upper-income tracts
- 1 tract without an income designation

Since the previous examination, six census tracts were added to the bank’s assessment area and several experienced changes in income designation. Notably, the number of moderate-income census tracts increased from three to eight. Moderate-income tracts, previously located only in Waltham, are now located in Waltham (5), Arlington (1), and Watertown (2).

The following table illustrates the demographic characteristics of the bank’s assessment area.

| Demographic Information of the Assessment Area | | | | | | |
|---|----------|-----------------------|------------------------------|--------------------------|-------------------------|-----------------------|
| Demographic Characteristics | # | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 65 | 0.0 | 12.3 | 21.5 | 64.6 | 1.5 |
| Population by Geography | 297,527 | 0.0 | 10.3 | 24.3 | 64.3 | 1.1 |
| Housing Units by Geography | 117,588 | 0.0 | 11.9 | 26.0 | 62.1 | 0.0 |
| Owner-Occupied Units by Geography | 69,353 | 0.0 | 6.6 | 23.4 | 70.0 | 0.0 |
| Occupied Rental Units by Geography | 42,374 | 0.0 | 20.0 | 30.3 | 49.7 | 0.0 |
| Vacant Units by Geography | 5,861 | 0.0 | 15.3 | 26.9 | 57.8 | 0.0 |
| Family Distribution by Income Level | 72,015 | 14.2 | 13.5 | 17.7 | 54.6 | 0.0 |
| Household Distribution by Income Level | 111,727 | 19.8 | 12.1 | 15.9 | 52.1 | 0.0 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA | | \$121,481 | Median Housing Value | | | \$774,867 |
| | | | Median Gross Rent | | | \$1,859 |
| | | | Families Below Poverty Level | | | 3.3% |

Source: 2020 ACS, 2022 D&B Data, and FFIEC Estimated Median Family Income;
 (*) The NA category consists of geographies that have not been assigned an income classification.

According to 2015 and 2020 ACS data, the median housing value increased from \$590,582 to \$774,867, with the average housing value approximately \$818,456 in 2021, and \$901,386 in 2022. Examiners noted that 57.8 percent of vacant housing units existed in upper-income census tracts, while only 15.3 percent existed in moderate-income census tracts, which may indicate a decline in affordable housing stock.

The Federal Financial Institution’s Examination Council (FFIEC) updated median family income level is used to analyze home mortgage loans under the Borrower Profile criterion. The following table illustrates the low-, moderate-, middle-, and upper-income categories for each year during the review period.

| Median Family Income Ranges | | | | |
|---|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Cambridge-Newton-Framingham, MA Median Family Income (15764) | | | | |
| 2021 (\$120,200) | <\$60,100 | \$60,100 to <\$96,160 | \$96,160 to <\$144,240 | ≥\$144,240 |
| 2022 (\$138,700) | <\$69,350 | \$69,350 to <\$110,960 | \$110,960 to <\$166,440 | ≥\$166,440 |

Source: FFIEC

Low- and moderate-income borrowers, earning incomes of \$110,960 or less, would likely have difficulty qualifying for credit in the current housing market. The rising cost of housing in the

assessment area can create challenges for low- and moderate-income borrowers, who would likely have difficulty qualifying for the credit needed to purchase a home.

Unemployment

In the bank's municipalities that comprise the assessment area, unemployment rates fell over the evaluation period. This unemployment rate was 4.0 percent in 2021 and fell to an average 2022 unemployment rate of 2.8 percent. Receding unemployment may reflect gradual economic improvements. The highest levels of unemployment were noted in Waltham, with a rate of 4.7 percent in 2021 and 3.2 percent in 2022 which may reflect additional needs in this area. The assessment area's average unemployment rate was below the state's overall unemployment level, at 5.5 and 3.8 percent for 2021 and 2022.

Competition

The assessment area is notable for its substantial number of financial institutions, both depository and non-depository lenders, with over 383 total lenders in 2021 and 313 total lenders in 2022 originating or purchasing at least one residential mortgage loan. Watertown Savings Bank ranked 41st in 2021 with 0.57 percent of market share, originating or purchasing 103 out of over 18,000 home mortgage loans originated or purchased in the assessment area. In 2022, there was significantly less opportunity, with only 7,770 mortgage loans originated or purchased. Despite this, Watertown Savings Bank ranked in the top 20 lenders with 1.58 percent market share.

According to FDIC Deposit Market Share Data, 19 depository institutions operated a total of 76 full-service branch locations as of June 30th, 2022. Of these institutions, Watertown Savings Bank ranked 5th, with a deposit market share of 8.49 percent.

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. This information helps determine whether local financial institutions are responsive to these needs.

Examiners contacted a representative from a public organization the assessment area focused on affordable housing development. The contact noted an affordability issue in the Boston Metropolitan Region. Lab development in towns is pricing out residential projects. Similarly, the development of affordable housing requires greater costs through the efforts expertise and complexity involved; as a result, the returns on investment need to meet a higher threshold to make the project viable. The contact also noted that some individuals that are over housed may be reluctant to find housing that meets their current needs, leading to emergency situations that result in higher costs in the long run for individuals as well as public services. Local financial institutions have reached out, but there are limited opportunities for community services in this area (as there is already a great deal of expertise) and the participation in affordable housing requires risk and expense. Watertown Savings Bank was mentioned as an institution that maintains involvement in the community. The contact mentioned that participation or financing that can close the viability gap of affordable projects would benefit the assessment area. While generally an affluent area, the contact noted that there are concentrations of lower-income residents that do need support and community services.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contact, the bank, and available economic data to determine the primary credit needs of the assessment area. Based on this information, examiners determined that the community's primary credit need is affordable housing. Primary barriers to fulfilling this need are competition and market forces limiting investment and financing opportunities in the relatively small assessment area. Waltham represents a segment of the assessment area with the greatest needs.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Watertown Savings Bank demonstrated High Satisfactory performance under the Lending Test. The following sections summarize the bank's overall performance under each criterion.

Loan-to-Deposit Ratio

The loan-to-deposit (LTD) ratio is considered reasonable given the institution's size, financial condition, and assessment area credit needs.

Watertown Savings Bank's loan-to-deposit ratio, calculated from the data presented from the last nine quarterly call reports, averaged 44.26 percent from June 30th, 2021, to June 30th, 2023. The bank's LTD ratio ranged from a low of 40.25 percent to a high of 48.21 percent. Examiners compared Watertown Savings Bank to three similarly situated institutions, based on asset size, geographic location, and loan portfolio.

| Loan-to-Deposit Ratio Comparison | | |
|--|-------------------|-----------------------|
| Institution | Total Assets (\$) | Average LTD Ratio (%) |
| Everett Co-operative Bank | 1,196,665 | 103.1 |
| East Cambridge Savings Bank | 1,604,208 | 93.7 |
| Winchester Co-operative Bank | 746,883 | 90.6 |
| Watertown Savings Bank | 1,416,091 | 44.3 |
| <i>Source: Reports of Income and Condition 06/31/2021 through 06/31/2023</i> | | |

As illustrated above, the bank's loan-to-deposit ratio is below that of similarly situated institutions. An increase in deposits, due to state and federal monetary distributions in the wake of the pandemic, the bank's conservative lending strategy, and the competitive lending environment in the bank's assessment area all contribute to the bank's low loan-to-deposit ratio. Despite these factors, Watertown Savings Bank makes substantial efforts to serve the lending needs of the assessment area. In 2021, Watertown Savings Bank ranked 41 out of 383 lenders in the assessment area, with 0.57 percent of lender market share of home purchases. By 2022, the bank increased its market share to 1.58 percent, increasing its ranking to be in the top 20 out of 313 lenders in home purchases.

Assessment Area Concentration

Watertown Savings Bank originated a majority of loans, by both number and dollar amount, were made inside the institution's assessment area. The following table illustrates the concentration of the bank's home mortgage lending both inside and outside the assessment area. The bank has seen a slight but steady increase in its average assessment area concentration compared to previous examinations.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|--|-----------------|-------------|------------|-------------|------------|------------------------|-------------|------------------|-------------|----------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans | | | | Total |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | | \$ (000) | % | \$ (000) | % | |
| Home Mortgage | | | | | | | | | | |
| 2021 | 103 | 62.4 | 62 | 37.6 | 165 | 55,321 | 62.4 | 33,351 | 37.6 | 88,672 |
| 2022 | 123 | 65.1 | 66 | 34.9 | 189 | 86,848 | 65.1 | 46,496 | 34.9 | 133,344 |
| Total | 226 | 63.8 | 128 | 36.2 | 354 | 142,169 | 64.0 | 79,847.00 | 36.0 | 222,016 |
| <i>Source: Bank Data Due to rounding, totals may not equal 100.0</i> | | | | | | | | | | |

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the assessment area. Examiners focused on activity within moderate-income census tracts, as there are no low-income census tracts located in the assessment area.

Home mortgage lending data compares favorably to aggregate lending in both 2021 and 2022. In 2021, the bank exceeded the aggregate by 3.2 percentage points and the percentage of owner-occupied housing units by 3.8 percentage points. In 2022, Watertown Savings Bank continued a similar lending trend. The bank originated 15 loans, exceeding aggregate performance by 4.7 percentage points and surpassing the demographic by 5.6 percentage points.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|---|-----------------------------------|------------------------------|------------|--------------|---------------|--------------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Moderate | | | | | | |
| 2021 | 1.1 | 1.7 | 5 | 4.9 | 5,994 | 10.8 |
| 2022 | 6.6 | 7.5 | 15 | 12.2 | 9,737 | 11.2 |
| Middle | | | | | | |
| 2021 | 34.0 | 33.1 | 76 | 73.8 | 34,484 | 62.3 |
| 2022 | 23.4 | 21.9 | 64 | 52.0 | 42,328 | 48.7 |
| Upper | | | | | | |
| 2021 | 64.9 | 65.2 | 22 | 21.4 | 14,842 | 26.8 |
| 2022 | 70.0 | 70.5 | 44 | 35.8 | 34,784 | 40.1 |
| Not Available | | | | | | |
| 2021 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 0.0 | 0.1 | 0 | 0.0 | 0 | 0.0 |
| Total | | | | | | |
| 2021 | 100.0 | 100.0 | 103 | 100.0 | 55,321 | 100.0 |
| 2022 | 100.0 | 100.0 | 123 | 100.0 | 86,848 | 100.0 |
| <i>Source: 2015 & 2020 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data.</i> | | | | | | |

Borrower Profile

The distribution of borrowers, given the demographics of the assessment area, reflects good penetration among individuals of different income levels. Examiners focused on the percentage, by number, of home mortgage loans made to low- and moderate-income borrowers.

The bank exceeds aggregate lending to low-income borrowers in both 2021 and 2022, surpassing aggregate by 10.3 percent in 2021 and 5.8 percent in 2022. However, despite a strong comparison to aggregate data, the bank trails demographic performance both years of the evaluation period, by 2.8 percent in 2021 and 5.3 percent in 2022.

Examiners note that lending to low-income households can be particularly difficult in the bank's assessment area. Between 2021 and 2022, the average credit for purchasing a single-family home in the bank's assessment area increased from \$818,456 to \$901,386 in 2022. Considering the housing values, low-income families in the assessment area earning less than \$69,350 may have difficulty qualifying for a mortgage under conventional underwriting standards. Despite these factors, Watertown Savings Bank was ranked 7th in lending to low-income borrowers, with 3.1 percent market share in 2021. Although overall performance declined in 2022, the bank improved its market share, ranking 2nd among financial institutions in its assessment area with 4.8 percent of market share among low-income borrowers. Notably, Watertown Savings Bank performed second only to Citizen's Bank, and outperforming several large institutions such as Rocket Mortgage, Eastern Bank, and Bank of America.

Lending to moderate-income borrowers was below both aggregate performance and demographic in 2021 and 2022. In 2021, the bank performed below aggregate performance by 2.0 percentage points and the percentage of moderate-income families by 6.1 percentage points. In 2022, the bank's performance again trailed behind aggregate performance by 1.6 percentage points and demographics by 6.2 percentage points.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|---|----------------------|-------------------------------------|------------|--------------|-----------------|--------------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2021 | 15.4 | 2.3 | 13 | 12.6 | 4,207 | 7.6 |
| 2022 | 14.2 | 3.1 | 11 | 8.9 | 3,865 | 4.5 |
| Moderate | | | | | | |
| 2021 | 12.9 | 8.8 | 7 | 6.8 | 3,138 | 5.7 |
| 2022 | 13.5 | 8.9 | 9 | 7.3 | 3,787 | 4.4 |
| Middle | | | | | | |
| 2021 | 17.1 | 16.9 | 15 | 14.6 | 6,995 | 12.6 |
| 2022 | 17.7 | 15.9 | 13 | 10.6 | 6,355 | 7.3 |
| Upper | | | | | | |
| 2021 | 54.6 | 60.5 | 42 | 40.8 | 20,266 | 36.6 |
| 2022 | 54.6 | 58.8 | 45 | 36.6 | 35,937 | 41.4 |
| Not Available | | | | | | |
| 2021 | 0.0 | 11.4 | 26 | 25.2 | 20,716 | 37.4 |
| 2022 | 0.0 | 13.4 | 45 | 36.6 | 36,904 | 42.5 |
| Total | | | | | | |
| 2021 | 100.0 | 100.0 | 103 | 100.0 | 55,321 | 100.0 |
| 2022 | 100.0 | 100.0 | 123 | 100.0 | 86,848 | 100.0 |
| <i>Source: 2015 & 2020 ACS; Bank Data, 2021 & 2022 HMDA Aggregate Data; Bank Data</i> | | | | | | |

Response to CRA-related Complaints and Fair Lending Policies and Procedures

The Division of Banks provides comments regarding the institution’s CRA-related complaints and fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. A review of the bank’s public comment file indicated that Watertown Savings Bank received no CRA complaints since the previous examination. The bank’s performance regarding response to complaints and fair lending policies and procedures is considered reasonable.

Additionally, a fair lending review was conducted in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

Minority Application Flow

The bank’s HMDA LARs for 2021 and 2022 were reviewed to determine if the bank’s application flow from different racial and ethnic groups reflected the assessment area’s demographics.

According to 2020 ACS U.S. Census data, the bank’s assessment area contained a total population of 297,527 individuals of which 32.5 percent are minorities. This illustrates a demographic change

of a 4.2 percent increase in total minorities since the 2015 ACS U.S. Census data. The assessment area's minority and ethnic population is 7.8 percent Hispanic or Latino, 3.7 percent Black/African American, 17.5 percent Asian, and 1.0 percent other.

The bank's level of applications was compared with that of the 2021 and 2022 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

| MINORITY APPLICATION FLOW | | | | | | |
|--|-------------|--------------|------------------------------------|-------------|--------------|------------------------------------|
| RACE | 2021 | | 2021 Aggregate Data | 2022 | | 2022 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 1 | 0.8 | 0.2 | 2 | 1.5 | 0.2 |
| Asian | 6 | 4.8 | 17.3 | 4 | 2.9 | 17.7 |
| Black/ African American | 1 | 0.8 | 0.9 | 3 | 2.2 | 1.3 |
| Hawaiian/Pacific Islander | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.1 |
| 2 or more Minority | 0 | 0.0 | 0.1 | 0 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 3 | 2.4 | 3.0 | 1 | 0.7 | 3.2 |
| Total Racial Minority | 11 | 8.9 | 21.5 | 10 | 7.2 | 22.5 |
| White | 83 | 66.9 | 51.7 | 77 | 55.8 | 50.7 |
| Race Not Available | 30 | 24.2 | 26.8 | 51 | 37.0 | 26.8 |
| Total | 124 | 100.0 | 100.0 | 138 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 3 | 2.4 | 2.4 | 5 | 3.6 | 2.9 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 2 | 1.6 | 1.2 | 3 | 2.2 | 1.5 |
| Total Ethnic Minority | 5 | 4.0 | 3.6 | 8 | 5.8 | 4.3 |
| Not Hispanic or Latino | 88 | 71.0 | 70.4 | 77 | 55.8 | 69.0 |
| Ethnicity Not Available | 31 | 25.0 | 26.0 | 53 | 38.4 | 26.7 |
| Total | 124 | 100.0 | 100.0 | 138 | 100.0 | 100.0 |
| <i>Source: ACS Census 2015, ACS 2020, HMDA Aggregate Data 2021 and 2022, HMDA LAR Data 2021 and 2022</i> | | | | | | |

In 2021, the bank received 124 home mortgage loan applications from within its assessment area. Approximately 8.9 percent of these applications were received from racial minority consumers. This was below aggregate racial minority application flow. The bank also received five applications, or 4.0 percent, from ethnic groups of Hispanic origin within its assessment area. The bank's ethnic minority application flow exceeded the aggregate performance for 2021.

In 2022, the bank received 138 home mortgage loan applications from within its assessment area. Approximately 7.2 percent were received from racial minority applicants. Aggregate lenders received 22.5 percent of its applications from racial minority consumers. For the same period, the bank also received eight applications or 5.8 percent, from ethnic groups of Hispanic origin within its assessment area. This again exceeded the aggregate ethnic minority application flow.

Watertown Savings Bank's ethnic minority application flow was above aggregate performance for 2021 and 2022. The bank's racial minority application flow was below the aggregate lender performance, primarily attributed to a difference in application flow in the Asian demographic.

Performance context explains aspects of the challenges to penetrating demographics in the assessment area. The top ten lenders in the Asian demographic market in the assessment area, nine of which are large national banks and mortgage companies, represent approximately 48.1 percent of the application market share. This leaves a very competitive market for the remaining 164 lenders in the assessment area that extended any applications to individuals of Asian descent. The bank is cognizant of its racial minority application performance and has taken steps to ensure all demographics have access to credit. The bank not only monitors its lending trends but has also directed marketing efforts to ensure Asian demographics are represented. The bank remains committed to pursuing further outreach efforts to this and all segments of the community.

Considering the demographic composition of the assessment area, comparisons to aggregate data, and the bank’s fair lending controls, the bank’s minority applications flow supports adequate performance.

COMMUNITY DEVELOPMENT TEST

Watertown Savings Bank demonstrated good responsiveness to the assessment area’s community development needs through community development investments and qualified community development services. The bank opted to provide its record of community development loans and investments for CRA consideration, which both grew substantially from the prior evaluation. Examiners also considered the institution’s capacity and the need for and availability of such opportunities.

Community Development Investments

During the evaluation period, Watertown Savings Bank maintained \$28.2 million in qualified investments. This included debt secured investments of approximately \$28.1 million and donations totaling \$87,710. The bank’s investments were focused on affordable housing that benefited low- and moderate-income individuals, while the financial contributions primarily supported community development services to low and moderate – income individuals. Based on the bank’s donations inside of the assessment area coupled with challenges to development and investment opportunity noted by the community contact, the bank is deemed responsive to the area and therefore examiners considered investment activity outside of the assessment area but within the broader regional area.

| Qualified Investments | | | | | | | | | | |
|------------------------------|--------------------|---------------|--------------------|-----------|----------------------|----------|-------------------------|----------|-----------|---------------|
| Activity Year | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 25 | 20,140 | 0 | 0 | 0 | 0 | 0 | 0 | 25 | 20,140 |
| 8/23/21-12/31/21 | 2 | 8,000 | 0 | 0 | 0 | 0 | 0 | 0 | 2 | 8,000 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2023 YTD | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 27 | 28,140 |
| Qualified Grants & Donations | 4 | 4 | 48 | 84 | 0 | 0 | 0 | 0 | 52 | 88 |
| Total | 31 | 28,144 | 48 | 84 | 0 | 0 | 0 | 0 | 79 | 28,228 |

Source: Bank Data

Debt Security Investments

The bank has investments totaling approximately \$28.1 million, of which two totaling \$8.0 million, are new and 25 investments were established prior to the evaluation period with a book value of approximately \$20.1 million. The following represent examples of community development debt investments:

Prior Period Investments

- The bank maintains 20 Ginnie Mae (GNMA) Mortgage-Backed Securities (MBSs). Administered by the US Department of Housing and Urban Development (HUD), these GNMA MBSs expand affordable housing nationwide by securing these investment vehicles with mortgages from the Federal Housing Administration, Veterans Affairs, Rural Housing Service, and Public and Indian Housing programs. Based on the description from HUD these loans support affordable housing for low- and moderate-income individuals. The total current book value of these loans is \$20.1 million. The qualified nationwide investments impacted the broader regional area that included the assessment area.

New Investments

- The bank purchased one Fannie Mae MBS in 2021 totaling \$3.0 million. This investment was secured by a 73-unit project with all properties located in Boston MA. All units are occupied by moderate-income residents based on section 8 guidelines. This investment supports affordable housing for low- and moderate-income individuals.
- The bank purchased a Ginnie Mae MBS in 2021 totaling \$5.0 million. The Ginnie Mae MBS has a defined goal of improving affordable housing access, and the nationwide fund impacts the broader regional area that includes the assessment area.

Donations

The bank made approximately \$87,710 in qualified donations. Community development organizations serving low- and moderate-income individuals and families throughout the assessment area benefited from the donations.

The following are examples of qualified grants and donations.

- ***Waltham Boys and Girls Club*** – The organization is dedicated to aiding young people in the area in need of support. Programs include an afterschool, school supplies, and food assistance. The organization is located in a moderate-income area and primarily serves families in the area. The bank's financial giving in 2022 and 2023 supported community services for low- and moderate-income families.
- ***Housing Corporation of Arlington (HCA)*** – This nonprofit organization provides and advocates for stable affordable housing for low- and moderate-income individuals and

families in Arlington and surrounding communities while promoting social and economic diversity. The bank’s donations in each year of the evaluation period supported affordable housing for low- and moderate-income residents.

- **Springwell Elder Services: Money Management** – This organization aims to assist elderly individuals in the MetroWest area. The Money Management program specifically aids low- and moderate-income individuals to manage their household budgets and handling matters related to personal finances. The bank’s donation to the program supports community services for low- and moderate-income individuals.
- **Saint Vincent De Paul (SVDP)** – This Belmont chapter of the organization provides essentials, including food, clothing and furniture for those in need. The organization also provides assistance and referrals to secure other social services including emergency shelter, legal aid, and career training. The bank’s donations during the evaluation period support community services for low- and moderate-income individuals.

Community Development Services

During the evaluation period, the bank provided 25 instances of financial expertise or technical assistance to community development organizations within its assessment area. The community development services represent a combination of board involvement, financial education, and community outreach. The chart below illustrates the majority of activities that support community services to low and moderate-income individuals throughout the review period.

| Community Development Services | | | | | |
|--------------------------------|--------------------|--------------------|----------------------|-------------------------|-----------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 8/23/2021-12/31/2021 | 1 | 5 | 0 | 0 | 6 |
| 2022 | 1 | 5 | 0 | 0 | 6 |
| YTD 2023 | 0 | 13 | 0 | 0 | 13 |
| Total | 2 | 23 | 0 | 0 | 25 |

Source: Bank Data

The following are examples of community development services provided by the bank and its staff.

Employee Involvement

- **Watertown Housing Partnership**—A policy body that appointed community volunteers to oversee the development and preservation of affordable housing in Watertown. Activities included development of affordable housing properties, selection of residents for affordable housing, and emergency rental assistance in cooperation with local community development corporations. The bank’s Executive Vice President was a Board Member on this body in 2021 and 2022. This service qualifies for community development by supporting affordable housing for low- and moderate-income individuals.

- **Healthy Waltham**-The organization serves those in need by providing free food to families. The program primarily benefits low- and moderate-income families. The Vice President (VP) Branch Manager serves as a Treasurer and Consultant of the organization, providing financial expertise to ensure operations continue efficiently. This service qualifies for community development by providing a community service for low- and moderate-income individuals.
- **Springwell Elder Services: Money Management** – This organization aims to assist elderly individuals in the MetroWest area. The Money Management program specifically aids low- and moderate-income individuals to manage their household budgets and handling matters related to personal finances. The VP Branch Manager of Waltham serves on the Board of this organization, strategizing on methods to help low- and moderate-income individuals remain housed. In addition, the employee also assists low- and moderate-income clients with basic budgeting and setting up account systems to ensure financial management.

Financial Literacy

- **McDevitt Elementary School** – Four Watertown Savings Employees conducted a financial literacy seminar for the 215 middle school students in Waltham in 2023. Topics included basic budgeting, fraud prevention, and responsible credit card use. The majority of students attending this school are delineated as low-income. This activity qualifies as a community development service by providing a community service for low- and moderate-income individuals.
- **Waltham Partnership for Youth** – This summer program aims to address systemic inequities by helping students explore careers in science, law, education, or medicine. The majority of interns are from low- and moderate-income households. Watertown Savings Employees participated in two events with this career development program in 2013. The first event was a Youth Career Talks program, where Watertown Savings volunteers provided insights on careers in finance. The second event was led by Watertown Savings Bank and focused on Financial Literacy. Topics included basic budgeting, investing, income tax, and financial aid for college. These activities qualify for community development by providing a community service for low- and moderate-income individuals.

Technical Assistance

- **Branch Network Fundraising** – The bank uses its branch network to assist with fundraising for local community organizations. Organizations aided included food pantries, organizations with school supplies for needy students (i.e., More than Words and School on Wheels), and clothing for families in needs (i.e., Clothes for Kids)
- **Branches**- The branch distribution supports accessibility to areas of economic need and low and moderate-income geographies. Two of the branches within the bank’s network are located in moderate-income census tracts in Watertown and Waltham.

- ***Interest on Lawyers' Trust Accounts (IOLTA)*** - The bank participated in the program during the evaluation period. Interest earned on IOLTA accounts is sent to be utilized to help fund improvements in the administration of justice and delivery of legal services to low-income clients. The low-income residents of Massachusetts who depend on IOLTA-funded legal assistance have pressing non-criminal legal needs that can sometime affect safety or survival itself. The bank's IOLTA program generated \$7,230 during the evaluation period.

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. Bank CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Bank 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 banks, 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 bank:
 - (i) Has not been reported or collected by the bank or an affiliate for consideration in the bank'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 bank's assessment area(s) or a broader statewide or regional area including the bank'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 bank'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 (for example, geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (for example, 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 (for example, 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.

Micropolitan Statistical Area: CBSA associated with at least one urbanized area having a population of at least 10,000, but less than 50,000.

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 aids 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.

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 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, at 60 Main St, Watertown Massachusetts 02210."

[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.