PUBLIC SUMMARY

COMMUNITY REINVESTMENT ACT
PERFORMANCE EVALUATION
OF
WATERTOWN SAVINGS BANK

AS OF DECEMBER 31, 2024

New York State Department of Financial Services
Consumer Protection and Financial Enforcement Division
One State Street, New York NY 10004

Note: **This Evaluation is not an assessment of the financial condition of this institution. The rating assigned does not represent an analysis, conclusion or opinion of the New York State Department of Financial Services concerning the safety and soundness of this financial institution.**

TABLE OF CONTENTS

Sections

I. - GENERAL INFORMATION

This document is an evaluation (the "Evaluation") of the Community Reinvestment Act ("CRA") performance of Watertown Savings Bank ("WSB" or the "Bank") prepared by the New York State Department of Financial Services ("DFS" or the "Department"). This Evaluation represents the Department's current assessment and rating of the Bank's CRA performance based on an evaluation conducted as of December 31, 2024.

Section 28-b of the New York Banking Law, as amended, requires that when evaluating certain applications, the Superintendent of Financial Services shall assess a banking institution's record of helping to meet the credit needs of its entire community, including low- and moderate-income ("LMI") areas, consistent with safe and sound operations.

Part 76 of the General Regulations of the Superintendent ("GRS") implements Section 28-b and further requires that the Department assess the CRA performance records of regulated financial institutions. Part 76 establishes the framework and criteria by which the Department will evaluate institutions' performance. Section 76.5 further provides that the Department will prepare a written report summarizing the results of such assessment and will assign to each institution a numerical CRA rating based on a 1 to 4 scoring system. The numerical scores represent an assessment of CRA performance as follows:

(1) Outstanding record of meeting community credit needs;

(2) Satisfactory record of meeting community credit needs;

(3) Needs to improve in meeting community credit needs; and

(4) Substantial noncompliance in meeting community credit needs.

Section 76.5 further requires that the CRA rating and the Evaluation be made available to the public. Evaluations of banking institutions are primarily based on a review of performance tests and standards described in Section 76.7 and detailed in Sections 76.8 through 76.13. The tests and standards incorporate the 12 assessment factors contained in Section 28-b of the New York Banking Law.

For an explanation of technical terms used in this report, please consult the **GLOSSARY** at the end of this Evaluation.

II. - OVERVIEW OF INSTITUTION’S PERFORMANCE

The Department evaluated WSB according to the large banking institutions performance criteria pursuant to Sections 76.7, 76.8, 76.9 and 76.10 of the GRS. Although WSB is an intermediate small bank based on its asset size, the Bank elected to be evaluated under the large banking institution’s performance criteria. The evaluation period included calendar years 2022, 2023 and 2024 for lending activities and the period from July 1, 2022 to December 31, 2024, for community development activities. The Department assigned WSB a rating of **“2”** indicating a **“Satisfactory”** record of helping to meet community credit needs.

This rating is based on the following factors:

A. Lending Test: Low Satisfactory

WSB’s small business and HMDA-reportable lending activities were adequate considering WSB’s size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area.

1. Lending Activity:

WSB’s lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

During the evaluation period, WSB's LTD ratio averaged 64.0%, which was below the peer group average of 84.5%. This variance is primarily attributable to WSB's significant municipal deposit concentration, which averaged 14.9% of total deposits throughout the evaluation period, compared to the peer group average of 3.9%.

2. Assessment Area Concentration:

During the evaluation period, WSB originated 90.6% by number and 88.0% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

3. Geographic Distribution of Loans:

WSB’s origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

4. Distribution by Borrower Characteristics:

WSB’s one-to-four family HMDA-reportable and small business lending demonstrated a good distribution of loans among individuals of different income levels and businesses of different revenue sizes.

5. Community Development Lending:

During the evaluation period, WSB originated $6.6 million in new community development loans and had $655,000 outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.

B. Investment Test: Needs to Improve

1. Qualified Investments:

During the evaluation period, WSB made $485,000 in new qualified investments and had $25,000 outstanding from prior evaluation periods. In addition, WSB made $169,000 in qualified grants. This demonstrated a poor level of qualified investments and grants over the course of the evaluation period.

2. Innovativeness of Qualified Investments:

WSB made no use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

WSB's qualified investments exhibited poor responsiveness to the assessment area's credit and community development needs.

C. Service Test: High Satisfactory

1. Retail Banking Services:

WSB has a good branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

WSB's delivery systems are accessible to significant portions of the Bank's assessment area, including LMI geographies and individuals.

2. Community Development Services:

WSB was a leader in community development services, by providing a relatively high level of such services. Bank directors, officers, and employees provided 71 instances of qualified community development services during the evaluation period through various community development activities.

This evaluation was conducted based on a review of the 12 assessment factors set forth in Section 28-b of the New York Banking Law and GRS Part 76.

III. - PERFORMANCE CONTEXT

A. Institution Profile

Chartered in 1893, WSB is a mutual savings bank located in Watertown, New York. WSB has a wholly owned subsidiary in WSB Municipal Bank, which offers banking products and services to local cities, towns, villages, and school districts.

WSB operates eight full-service and two limited-service banking offices, all located in Jefferson County. One of the two limited-service banking offices is a loan production office attached to the Bank's main office and the other is an office that can only be accessed via drive-thru. Supplementing the banking offices is an automated teller machine ("ATM") network consisting of eight machines, including one at each full-service banking office, except the Sackets Harbor office, and one at the drive-thru only limited-service banking office. In addition, WSB has four off-site ATMs locations within its assessment area. One full-service banking office (with an ATM) and the drive-thru only limited-service banking office are in moderate income census tracts.

WSB closed an offsite ATM in 2023 and another offsite ATM in 2024, both located in Jefferson County and in moderate income census tracts.

WSB offers both traditional and non-traditional personal and commercial banking products and services. Deposit products and services offered include checking and savings accounts, certificate of deposit accounts, individual retirement accounts, and money market accounts. Loan products and services include small business loans, construction loans, business lines of credit, auto loans, home equity lines of credit, home equity loans, recreational loans (boat, motorcycle, and other vehicle loans), and property improvement loans. The Bank offers mobile and online banking services which allows for 24/7 access to account balances and bill pay, as well as mobile deposit.

In its Consolidated Report of Condition (the "Call Report") as of December 31, 2024, filed with the Federal Deposit Insurance Corporation ("FDIC"), WSB reported total assets of $902.3 million, of which $554.2 million were net loans and lease financing receivables. It also reported total deposits of $743 million, resulting in an LTD ratio of 74.6% as of December 31, 2024. According to the latest available comparative deposit data as of June 30, 2024, WSB obtained a market share of 37.3%, or $760 million in a market of $2.0 billion, ranking it first among nine deposit-taking institutions in Jefferson County.

The following is a summary of the Bank's loan portfolio, based on Schedule RC-C of the Bank's December 31, 2022, December 31, 2023, and December 31, 2024's Call Reports:

TOTAL GROSS LOANS OUTSTANDING						
	12/31/2022		12/31/2023		12/31/2024	
Loan Type	$000's	%	$000's	%	$000's	%
1-4 Family Residential Mortgage Loans	174,932	35.3	191,387	36.8	213,056	38.0
Commercial & Industrial Loans	49,525	10.0	48,379	9.3	54,326	9.7
Commercial Mortgage Loans	206,927	41.8	225,997	43.5	228,173	40.7
Multifamily Mortgages	22,370	4.5	27,749	5.3	24,382	4.4
Consumer Loans	12,193	2.5	18,075	3.5	23,407	4.2
Agricultural Loans	185	0.0	18	0.0	12	0.0
Construction Loans	28,108	5.7	7,352	1.4	16,530	3.0
Other Loans	931	0.2	365	0.1	0	0.0
Loans to deposit. Inst. & accept. other banks	0	0.0	50	0.0	0	0.0
Lease financing receivables	0	0.0	0	0.0	185	0.0
Total Gross Loans	495,171		519,372		560,071	

As illustrated in the above table, WSB is primarily a commercial lender, with 51.8%, 52.8%, and 50.4% of its loan portfolio in Commercial Mortgage Loans and Commercial & Industrial Loans as of year-end 2022, 2023, and 2024, respectively.

Examiners did not find evidence of financial or legal impediments that had an adverse impact on WSB's ability to meet the credit needs of its community.

B. Assessment Area

The Bank's assessment area consists of Jefferson County in its entirety.

There are 36 census tracts in the Bank's assessment area, of which none are low-income, six are moderate-income, 20 are middle-income, eight are upper-income, and two are tracts with no income indicated.

Assessment Area Census Tracts by Income Level							
County	N/A	Low	Mod	Middle	Upper	Total	LMI %
Jefferson	2	0	6	20	8	36	16.7
Total	2	0	6	20	8	36	16.7

C. Demographic & Economic Data

The assessment area had a population of 116,721 during the evaluation period. Approximately 13% of the population was over the age of 65 and 25.4% was under the age of 16.

Of the 28,391 families in the assessment area, 20.4% were low-income, 18.5% were moderate-income, 21.3% were middle-income and 39.9% were upper-income. There were 43,046 households in the assessment area, of which 13.5% had income below the poverty level and 4% were on public assistance.

The weighted average median family income in the assessment area was $67,516.

There were 60,119 housing units within the assessment area, of which 76.3% were one- to four-family units and 11.1% were multifamily units. A majority (39.9%) of the housing units were owner-occupied, while 31.7% were rental-occupied units and 28.4% were vacant units.

Of the 23,980 owner-occupied housing units, 12.2% were in moderate-income census tracts while 87.8% were in middle- and upper-income census tracts. The median age of the housing stock was 57 years, and the weighted average median home value in the assessment area was $154,309.

There were 8,309 non-farm businesses in the assessment area. Of these, 83.1% were businesses with reported revenues of less than or equal to $1 million, 4% reported revenues of more than $1 million and 12.9% did not report their revenues. Of all the businesses in the assessment area, 97.4% were businesses with less than fifty employees while 87.5% operated from a single location. The largest industries in the area were services (32.8%), retail trade (13.1%) and finance, insurance and real estate (9.8%); 19.9% of businesses in the assessment area were not classified.

According to the New York State Department of Labor, the annual average unemployment rate for New York State and Jefferson County remained stable during the evaluation period. Jefferson County had similar annual average unemployment rates as the statewide rates during the evaluation period.

Assessment Area Unemployment Rate		
	Statewide	Jefferson
2022	4.3%	4.1%
2023	4.1%	4.1%
2024	4.3%	4.4%

D. Community Information

DFS examiners conducted community contact interviews with representatives from two nonprofit organizations operating in the Bank's assessment area. The purpose of these interviews was to acquire more insight into the economic conditions and credit needs of the communities in the area.

The first interview was with a representative from a non-profit organization that assists underserved individuals in Watertown, NY and its surrounding areas. The organization provides essential services such as food, housing, and mental health assistance. This representative stated that a large portion of the community is unbanked due to poor credit scores and lack of financial literacy, despite local banks having done a good job of being approachable, collaborative, and responsive. Local banks have been proactive in approaching the community to address its needs, particularly by assisting individuals who may have reservations about using banking products and services.

The second interview was with an executive director and an associate director of a community-based disability rights resource center. This non-profit organization provides information and advocacy resources to people with disabilities of all ages in the areas of Jefferson, Lewis, and St. Lawrence counties. The executive director mentioned that the poverty levels are worsening in these areas, and many in the community are unbanked because they do not have money left to deposit in a bank after paying rent. Both interviewees agreed that improved financial literacy is crucial for LMI individuals. This would help them understand the importance of building credit and help them avoid paying excessive fees for essential banking services at local check-cashing businesses. They also commented that local community banks and credit unions are actively involved in assisting the community and trying to help where they can. They specifically cited WSB as an example of a local bank that has opened branches in nearby rural areas to support and invest in the local community.

Overall, WSB received favorable comments from the community contacts.

IV. - PERFORMANCE STANDARDS AND ASSESSMENT FACTORS

The Department evaluated WSB under the large banking institutions performance criteria in accordance with Sections 76.7, 76.8, 76.9 and 76.10 of the GRS, which consist of the lending, investment and service tests. DFS also considered the following factors in assessing the Bank's record of performance:

1. The extent of participation by the Board of Directors or Board of Trustees in formulating CRA policies and reviewing CRA performance;
2. Any practices intended to discourage credit applications;
3. Evidence of prohibited discriminatory or other illegal credit practices;
4. Record of opening and closing offices and providing services at offices; and
5. Process factors, such as activities to ascertain credit needs and the extent of marketing and special credit related programs.

Finally, the Evaluation considered other factors as delineated in Section 28-b of the New York Banking Law that reasonably bear upon the extent to which WSB helps to meet the credit needs of its entire community.

DFS derived statistics employed in this Evaluation from various sources. WSB submitted bank-specific information both as part of the Evaluation process and in its Call Report submitted to the FDIC. DFS obtained aggregate lending data from the Federal Financial Institutions Examination Council ("FFIEC") and deposit data from the FDIC. DFS obtained LTD ratios from information shown in the Bank's Uniform Bank Performance Report, compiled by the FFIEC from call report data.

DFS derived the demographic data referred to in this report from the 2020 U.S. Census and the FFIEC. DFS based business data on Dun & Bradstreet reports, which Dun & Bradstreet updates annually. DFS obtained unemployment data from the New York State Department of Labor.

The evaluation period included calendar years 2022, 2023 and 2024 for lending activities and the period from July 1, 2022, to December 31, 2024, for community development activities.

Examiners considered WSB's HMDA-reportable and small business loans in evaluating factors (2), (3) and (4) of the lending test noted below.

HMDA-reportable and small business loan data evaluated in this Evaluation represented actual originations.

In its prior Community Reinvestment Act Performance Evaluation as of June 30, 2022, DFS assigned WSB a rating of "2" reflecting a "Satisfactory" compliance with regulatory standards.

Current CRA Rating: Satisfactory

A. Lending Test: Low Satisfactory

The Bank's lending performance was evaluated pursuant to the following criteria: (1) Lending Activity;
(2) Assessment Area Concentration;
(3) Geographic Distribution of Loans;
(4) Borrower Characteristics;
(5) Community Development Lending; and
(6) Flexible and/or Innovative Lending Practices.

WSB's HMDA-reportable and small business lending activities were adequate considering WSB's size, business strategy, and financial condition, as well as aggregate and peer group activity and the demographic characteristics and credit needs of its assessment area. WSB showed an adequate level of community development lending, focusing on affordable housing and community services.

1. Lending Activity:

WSB's lending levels were good considering its size, business strategy and financial condition, as well as the activity of its peer group and the demographic characteristics of its assessment area.

During the evaluation period, WSB's LTD ratio averaged 64.0%, which was below the peer group average of 84.5%. This variance is primarily attributable to WSB's significant municipal deposit concentration, which averaged 14.9% of total deposits throughout the evaluation period, compared to the peer group average of 3.9%.

WSB's municipal deposit levels fluctuated between 12.6% and 18%. In contrast, peer institutions maintained municipal deposits ranging from 3.6% to 5.4%. Given that WSB's average municipal deposit concentration is substantially more than that of its peer group and considering the statutory lending restrictions applicable to such deposits, examiners determined that WSB's comparatively lower LTD ratio remains reasonable and appropriate for its operational profile.

Moreover, WSB ranked second among more than 40 lenders in the peer small business market share report for 2022 and 2023, by number of small business loans originated within the Bank's assessment area. In addition, WSB was amongst the top five lenders in the peer mortgage market share report for each year of the evaluation period, by number of mortgage loans originated within the Bank's assessment area. This demonstrated the Bank's commitment to originating loans.

The table below shows WSB's LTD ratios in comparison with the peer group's ratios for the 12 quarters of this evaluation period.

Loan-to-Deposit Ratios

	2022 Q1	2022 Q2	2022 Q3	2022 Q4	2023 Q1	2023 Q2	2023 Q3	2023 Q4	2024 Q1	2024 Q2	2024 Q3	2024 Q4	Avg.
Bank	52.7	57.3	57.0	61.3	61.8	64.2	64.3	68.1	67.3	70.1	69.9	74.6	64.0
Peer	78.2	78.2	80.8	82.9	83.7	85.6	86.5	87.4	86.9	88.2	87.6	88.1	84.5

2. Assessment Area Concentration:

During the evaluation period, WSB originated 90.6% by number and 88.0% by dollar value of its total HMDA-reportable and small business loans within the assessment area, demonstrating an excellent concentration of lending.

a. HMDA-Reportable Loans:

During the evaluation period, WSB originated 89.0% by number and 88.2% by dollar value of its HMDA-reportable loans within the assessment area.

This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

b. Small Business Loans:

WSB originated 91.9% by number and 87.7% by dollar value of its small business loans within the assessment area during the evaluation period.

This substantial majority of lending inside of its assessment area reflects an excellent concentration of lending.

The following table shows the percentages of the Bank's HMDA-reportable and small business loans originated inside and outside of the assessment area.

Distribution of Loans Inside and Outside of the Assessment Area										
Loan Type	Number of Loans					Loans in Dollars (in thousands)				
	Inside		Outside		Total	Inside		Outside		Total
	#	%	#	%		$	%	$	%	
HMDA-Reportable										
2022	244	91.7%	22	8.3%	266	38,159	89.3%	4,581	10.7%	42,740
2023	172	87.8%	24	12.2%	196	28,411	87.2%	4,189	12.8%	32,600
2024	152	86.4%	24	13.6%	176	31,752	87.9%	4,381	12.1%	36,133
Subtotal	568	89.0%	70	11.0%	638	98,322	88.2%	13,151	11.8%	111,473
Small Business										
2022	277	89.1%	34	10.9%	311	40,260	84.1%	7,640	15.9%	47,900
2023	231	90.6%	24	9.4%	255	27,174	86.5%	4,229	13.5%	31,403
2024	250	96.5%	9	3.5%	259	29,620	94.6%	1,701	5.4%	31,321
Subtotal	758	91.9%	67	8.1%	825	97,054	87.7%	13,570	12.3%	110,624
Grand Total	1,326	90.6%	137	9.4%	1,463	195,376	88.0%	26,721	12.0%	222,097

3. Geographic Distribution of Loans:

WSB's origination of loans in census tracts of varying income levels demonstrated an adequate distribution of lending.

The Bank's assessment area did not contain any low-income census tracts.

a. HMDA-Reportable Loans:

The distribution of WSB's HMDA-reportable loans by the income level of the geography was adequate.

The Bank significantly underperformed compared to the aggregate in moderate-income census tracts. Specifically, WSB originated 9.9% of loans by number and 5.3% by dollar volume in these areas, compared to the aggregate's lending performance of 13.3% and 11.7%, respectively.

However, WSB was on an upward trend in 2024 and its performance was higher than the area demographics for number of loans. The Bank is also rated 5th out of 100 lenders with the top 4 making up more than half of the market share.

The following table provides a summary of the distribution of WSB's HMDA-reportable loans by the income level of the geography where the property was located.

Distribution of HMDA-Reportable Lending by Geographic Income of the Census Tract									
2022									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	19	7.8%	1,545	4.0%	319	12.8%	65,385	14.7%	12.2%
LMI	19	7.8%	1,545	4.0%	319	12.8%	65,385	14.7%	12.2%
Middle	125	51.2%	17,838	46.7%	1,497	60.2%	250,065	56.3%	58.7%
Upper	100	41.0%	18,776	49.2%	668	26.9%	128,920	29.0%	29.1%
Unknown	0	0.0%	0	0.0%	1	0.0%	155	0.0%	0.0%
Total	**244**		**38,159**		**2,485**		**444,525**		
2023									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	18	10.5%	1,501	5.3%	256	14.0%	34,930	9.6%	12.2%
LMI	18	10.5%	1,501	5.3%	256	14.0%	34,930	9.6%	12.2%
Middle	93	54.1%	11,421	40.2%	1,093	60.0%	238,535	65.7%	58.7%
Upper	61	35.5%	15,488	54.5%	474	26.0%	89,750	24.7%	29.1%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Total	**172**		**28,411**		**1,823**		**363,215**		
2024									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	19	12.5%	2,141	6.7%	234	13.1%	30,710	9.8%	12.2%
LMI	19	12.5%	2,141	6.7%	234	13.1%	30,710	9.8%	12.2%
Middle	78	51.3%	15,005	47.3%	1,056	58.9%	184,420	59.0%	58.7%
Upper	55	36.2%	14,607	46.0%	502	28.0%	96,910	31.0%	29.1%
Unknown	0	0.0%	0	0.0%	1	0.1%	295	0.1%	0.0%
Total	**152**		**31,752**		**1,793**		**312,335**		
GRAND TOTAL									
Geographic	**Bank**				**Aggregate**				**OO HUs**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	
Moderate	56	9.9%	5,187	5.3%	809	13.3%	131,025	11.7%	
LMI	56	9.9%	5,187	5.3%	809	13.3%	131,025	11.7%	
Middle	296	52.1%	44,263	45.0%	3,646	59.8%	673,020	60.1%	
Upper	216	38.0%	48,872	49.7%	1,644	26.9%	315,580	28.2%	
Unknown	-	0.0%	-	0.0%	2	0.0%	450	0.0%	
Total	**568**		**98,322**		**6,101**		**1,120,075**		

b. Small Business Loans:

The distribution of WSB’s small business loans among census tracts of varying income levels was adequate.

The Bank originated 14.1% of loans by number and 17.1% by dollar volume in these areas, which was slightly below the aggregate lending rates of 18.0% and 18.2%, respectively.

The following table provides a summary of the distribution of WSB’s small business loans by the income level of the geography where the business was located.

Distribution of Small Business Lending by Geographic Income of the Census Tract									
2022									
Geographic Income	**Bank** #	%	$000's	%	**Aggregate** #	%	$000's	%	**Bus.Dem.** %
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	45	16.2%	7,404	18.4%	330	18.1%	13,944	17.4%	24.1%
LMI	45	16.2%	7,404	18.4%	330	18.1%	13,944	17.4%	24.1%
Middle	146	52.7%	19,328	48.0%	1,010	55.5%	39,413	49.3%	49.2%
Upper	86	31.0%	13,528	33.6%	481	26.4%	26,598	33.3%	26.5%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.2%
Total	**277**		**40,260**		**1,821**		**79,955**		
2023									
Geographic Income	**Bank** #	%	$000's	%	**Aggregate** #	%	$000's	%	**Bus.Dem.** %
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	32	13.9%	5,823	21.4%	288	19.1%	12,535	21.2%	23.9%
LMI	32	13.9%	5,823	21.4%	288	19.1%	12,535	21.2%	23.9%
Middle	130	56.3%	13,530	49.8%	825	54.6%	29,953	50.7%	49.3%
Upper	69	29.9%	7,821	28.8%	398	26.3%	16,633	28.1%	26.7%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%
Total	**231**		**27,174**		**1,511**		**59,121**		
2024									
Geographic Income	**Bank** #	%	$000's	%	**Aggregate** #	%	$000's	%	**Bus.Dem.** %
Low	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.0%
Moderate	30	12.0%	3,408	11.5%	277	16.9%	10,361	16.3%	23.6%
LMI	30	12.0%	3,408	11.5%	277	16.9%	10,361	16.3%	23.6%
Middle	141	56.4%	17,880	60.4%	924	56.5%	35,751	56.3%	49.6%
Upper	79	31.6%	8,332	28.1%	434	26.5%	17,397	27.4%	26.6%
Unknown	0	0.0%	0	0.0%	0	0.0%	0	0.0%	0.1%
Total	**250**		**29,620**		**1,635**		**63,509**		
GRAND TOTAL									
Geographic Income	**Bank** #	%	$000's	%	**Aggregate** #	%	$000's	%	**Bus.Dem.** %
Low	0	0.0%	0	0.0%	-	0.0%	-	0.0%	
Moderate	107	14.1%	16,635	17.1%	895	18.0%	36,840	18.2%	
LMI	107	14.1%	16,635	17.1%	895	18.0%	36,840	18.2%	
Middle	417	55.0%	50,738	52.3%	2,759	55.5%	105,117	51.9%	
Upper	234	30.9%	29,681	30.6%	1,313	26.4%	60,628	29.9%	
Unknown	-	0.0%	-	0.0%	-	0.0%	-	0.0%	
Total	**758**		**97,054**		**4,967**		**202,585**		

4. Distribution by Borrower Characteristics:

WSB's one-to-four family HMDA-reportable and small business lending demonstrated a good distribution of loans among individuals of different income levels and businesses of different revenue sizes.

a. One-to-four Family HMDA-Reportable Loans:

WSB's one-to-four family HMDA-reportable lending demonstrated a good distribution of loans among individuals of different income levels.

WSB made 26.6% of its loans by number to LMI borrowers, exceeding the aggregate lending rate of 24.2%. By dollar volume, 14.1% of the Bank's loans were to LMI borrowers, compared to the aggregate share of 16.0%.

The following table provides a summary of the distribution of WSB's one-to-four family loans by borrower income.

Distribution of One-to-Four Family Loans by Borrower Income									
2022									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	19	7.9%	1,172	3.1%	110	4.5%	8,380	2.1%	20.4%
Moderate	52	21.7%	5,869	15.8%	523	21.2%	63,835	15.9%	18.5%
LMI	71	29.6%	7,041	18.9%	633	25.7%	72,215	18.0%	38.9%
Middle	50	20.8%	6,077	16.3%	707	28.7%	106,175	26.4%	21.3%
Upper	103	42.9%	20,697	55.6%	1,032	41.8%	208,850	51.9%	39.9%
Unknown	16	6.7%	3,402	9.1%	95	3.9%	14,905	3.7%	0.0%
Total	**240**		**37,218**		**2,467**		**402,145**		
2023									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	12	7.1%	605	2.7%	94	5.2%	6,970	2.4%	20.4%
Moderate	36	21.2%	2,946	13.1%	413	22.9%	48,475	16.7%	18.5%
LMI	48	28.2%	3,551	15.8%	507	28.1%	55,445	19.1%	38.9%
Middle	37	21.8%	4,772	21.3%	502	27.8%	75,230	26.0%	21.3%
Upper	73	42.9%	12,595	56.1%	737	40.8%	149,085	51.5%	39.9%
Unknown	12	7.1%	1,523	6.8%	60	3.3%	9,860	3.4%	0.0%
Total	**170**		**22,441**		**1,806**		**289,620**		
2024									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	7	4.7%	358	1.1%	69	3.9%	4,885	1.6%	20.4%
Moderate	23	15.3%	1,887	6.0%	259	14.5%	27,575	9.0%	18.5%
LMI	30	20.0%	2,245	7.2%	328	18.4%	32,460	10.6%	38.9%
Middle	32	21.3%	4,038	12.9%	476	26.7%	69,860	22.8%	21.3%
Upper	78	52.0%	23,273	74.6%	890	49.9%	185,890	60.8%	39.9%
Unknown	10	6.7%	1,645	5.3%	88	4.9%	17,660	5.8%	0.0%
Total	**150**		**31,201**		**1,782**		**305,870**		
GRAND TOTAL									
Borrower	**Bank**				**Aggregate**				**Fam.Dem.**
Income	#	%	$000's	%	#	%	$000's	%	%
Low	38	6.8%	2,135	2.3%	273	4.5%	20,235	2.0%	
Moderate	111	19.8%	10,702	11.8%	1,195	19.7%	139,885	14.0%	
LMI	149	26.6%	12,837	14.1%	1,468	24.2%	160,120	16.0%	
Middle	119	21.3%	14,887	16.4%	1,685	27.8%	251,265	25.2%	
Upper	254	45.4%	56,565	62.3%	2,659	43.9%	543,825	54.5%	
Unknown	38	6.8%	6,571	7.2%	243	4.0%	42,425	4.3%	
Total	**560**		**90,860**		**6,055**		**997,635**		

b. Small Business Loans:

WSB's small business lending demonstrated a good distribution of loans among businesses of different revenue sizes.

WSB's rates of lending to businesses with revenue of $1 million or less was 50.9% by number and 44.5% by dollar value, exceeding the aggregate rates of 49.6% and 38.6%, respectively.

This performance demonstrates WSB's commitment to serving businesses of various revenue sizes.

The following table provides a summary of the distribution of WSB's small business loans by the revenue size of the business.

Distribution of Small Business Lending by Revenue Size of Business									
2022									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1	133	48.0%	17,476	43.4%	885	48.6%	32,548	40.7%	79.8%
Rev. > $1M	130	46.9%	20,563	51.1%					4.9%
Rev. Unknov	14	5.1%	2,221	5.5%					15.3%
Total	**277**		**40,260**		**1,821**		**79,955**		
2023									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1	129	55.8%	14,575	53.6%	784	51.9%	24,604	41.6%	82.6%
Rev. > $1M	99	42.9%	12,405	45.7%					4.2%
Rev. Unknov	3	1.3%	194	0.7%					13.2%
Total	**231**		**27,174**		**1,511**		**59,121**		
2024									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1	124	49.6%	11,122	37.5%	793	48.5%	20,978	33.0%	83.1%
Rev. > $1M	118	47.2%	17,729	59.9%					4.0%
Rev. Unknov	8	3.2%	769	2.6%					12.9%
Total	**250**		**29,620**		**1,635**		**63,509**		
GRAND TOTAL									
Rev. Size	**Bank**				**Aggregate**				**Bus.Dem.**
	#	%	$000's	%	#	%	$000's	%	%
Rev. < = $1	386	50.9%	43,173	44.5%	2,462	49.6%	78,130	38.6%	
Rev. > $1M	347	45.8%	50,697	52.2%	-				
Rev. Unknov	25	3.3%	3,184	3.3%	0				
Total	**758**		97,054		**4,967**		**202,585**		

5. Community Development Lending:

During the evaluation period, WSB originated $6.6 million in new community development loans and had $655,000 outstanding from prior evaluation periods. This demonstrated an adequate level of community development lending over the course of the evaluation period.

Comparative analysis with the previous evaluation reveals a quantitative decline in community development lending activity. Specifically, the number of loans qualifying for CRA credit decreased from 47 in the previous period to 15 in the current period (a reduction of 68.1%), while the aggregate dollar volume declined from $15 million in the previous period to $6.6 million in the current period (a reduction of 56%). Notwithstanding this overall reduction, the average loan amount increased from $319,149 to $440,000, representing a 38% increase in loan size. This shift indicates a reallocation toward larger individual loan amounts despite the diminished frequency of originations.

A comparative analysis of loan volume between the prior and current evaluation periods reveals that the primary factor influencing the change is the absence of Paycheck Protection Program ("PPP") loans in the current evaluation period. In the prior evaluation period, PPP loans made up 43% of qualified community development loans by number and 57% by dollar value. To ensure a more accurate comparison, PPP loans were excluded from the prior period's data before evaluating it against the current period, which contains no PPP loans. After this adjustment, the analysis shows that the number of qualified community development loans declined by 44% in the current period, while the total dollar value of those loans increased by 11%. This indicates a shift toward fewer but larger community development loans in the current period.

Community Development Loans				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
Purpose	# of Loans	$000	# of Loans	$000
Affordable Housing	1	3,000	0	
Community Services	14	3,630	5	655
Total	15	6,630	5	655

Below are highlights of WSB's community development lending.

- WSB participated $3 million as part of an $18 million construction loan. The loan funded a four-story affordable housing project with 63 one-bedroom units. The units included supportive housing for homeless individuals and will target households with income up to 60% of the area median income.

- WSB provided a renewable line of credit ("LOC") totaling $700,000 to a private nonprofit which offers community services such as early childhood education, food assistance, and workforce development. This LOC supports efforts to reduce poverty and promote economic stability through direct community programs.

- In 2022 and 2023, WSB provided a renewable LOC totaling $1 million to a community service based nonprofit organization dedicated to child welfare. This funding supports the organization's ongoing work in youth development, health services for both youth and adults, foster care and family permanence, and targeted programs for at-risk youth and their families.

- WSB increased an existing LOC by $200,000 for a community service-based statewide educational network. This organization delivers LMI focused locally tailored programing centered around agricultural support, nutrition education, youth development, environmental sustainability and family services.

Flexible and/or Innovative Lending Practices:

WSB made no use of flexible or innovative lending practices.

B. Investment Test: Needs to Improve

The Department evaluated WSB's investment performance pursuant to the following criteria:
(1) The dollar amount of qualified investments;
(2) The innovativeness or complexity of qualified investments; and
(3) The responsiveness of qualified investments to the credit and community development needs of the assessment area.

1. Qualified Investments

During the evaluation period, WSB made $485,000 in new qualified investments and had $25,000 outstanding from prior evaluation periods. In addition, WSB made $169,000 in qualified grants. This demonstrated a poor level of qualified investments and grants over the course of the evaluation period.

WSB's qualified investments consisted of serial bonds to finance various community services projects benefiting one school district, where the majority of the students qualify for the free or reduced lunch program.

WSB attributed the low level of qualified investments in part to limited opportunities within its largely rural assessment area, noting that most available options are municipal bonds to local schools and grants to community development organizations. WSB further explained that competition for these investments has intensified in recent years, with large brokerage firms now bidding on both large and small CRA-qualified bonds, reducing the bank's ability to secure such opportunities. They also cited a decline in community development grant activity due to fewer qualified requests and the consolidation of several nonprofit partners. WSB indicated they are exploring innovative approaches to identify additional qualified investment opportunities.

Qualified Investments and Grants				
	This Evaluation Period		Outstandings from Prior Evaluation Periods	
CD Investments	# of Inv.	$000	# of Inv.	$000
Affordable Housing	0	$ -	0	0
Economic Development	0	$ -	0	0
Community Services	4	$ 485	1	25
Other (Please Specify)	0	$ -	0	0
Total	4	$ 485	1	$ 25
CD Grants	# of Grants	$000	Not Applicable	
Affordable Housing	1	$ 3		
Economic Development	2	$ 10		
Community Services	41	$ 157		
Other (Please Specify)	0	$ -		
Total	44	$ 169		

Below are highlights of WSB's qualified investments and grants.

<u>Investments</u>

- WSB invested $485,000 in bonds issued by a central school district where 55% of students qualified for free or reduced-price lunch during the evaluation period. The bond proceeds financed the purchase of new school buses to meet essential transportation needs, thus providing much needed community service.

<u>Grants</u>

- The Bank made donations totaling $48,000 to a not-for-profit community service organization that provides quality and effective individualized services to developmentally disabled children and adults in Jefferson and Lewis Counties. The services are primarily geared toward helping families cope with the stress of caring for their disabled loved ones.

- WSB donated a total of $35,500 to a nonprofit community service organization that manages an endowment fund. This organization supports two main initiatives: college scholarships for residents in need and grants to nonprofit organizations working to improve the community's quality of life.

- The Bank awarded a $9,800 grant to a non-profit organization dedicated to enhancing quality of life in Jefferson County, New York and neighboring communities. This community service organization delivers vital services to vulnerable populations, including food distribution, recovery support, and assistance programs for those struggling with poverty, housing insecurity, and mental health issues.

- WSB donated $11,000 to an educational foundation that supports a community college. This nonprofit organization specializes in raising, managing, and distributing funds to enhance educational opportunities for the college's students. The donation is particularly impactful as the college is situated in a moderate-income census tract with 82% of Jefferson students qualifying for and receiving financial aid.

2. Innovativeness of Qualified Investments:

WSB made no use of innovative investments to support community development.

3. Responsiveness of Qualified Investments to Credit and Community Development Needs:

WSB's qualified investments exhibited poor responsiveness to the assessment area's credit and community development needs.

C. Service Test: High Satisfactory

The Department evaluated WSB's retail service performance pursuant to the following criteria:
(1) The current distribution of the banking institution's branches;
(2) The institution's record of opening and closing branches;
(3) The availability and effectiveness of alternative systems for delivering retail services; and
(4) The range of services provided.

The Department evaluated WSB's community development service performance pursuant to the following criteria:
(1) The extent to which the banking institution provides community development services; and
(2) The innovativeness and responsiveness of community development services.

1. Retail Banking Services:

WSB has a good branch network, delivery systems, branch hours and services, and alternative delivery systems, including as it relates to LMI individuals.

a. Current distribution of the banking institution's branches:

WSB has an adequate distribution of branches within its assessment area.

As of the evaluation date, the Bank's assessment area consisted of 26 census tracts. WSB operates eight full-service banking offices and two limited-service bank offices, all within Jefferson County. Of the eight full-service branches, one is in a moderate-income census tract, three are in middle-income census tracts, and four are in upper-income census tracts. The bank's drive-thru only facility, which is a limited service branch is located in a moderate-income census tract and the other limited-service office is a loan production office attached to the Bank's main office.

Distribution of Branches within the Assessment Area							
County	**N/A**	**Low**	**Moderate**	**Middle**	**Upper**	**Total**	**LMI**
	#	**#**	**#**	**#**	**#**	**#**	**%**
Jefferson	0	0	1	3	4	8	13%
Total	**0**	**0**	**1**	**3**	**4**	**8**	**13%**

b. Record of opening and closing branches:

The Bank did not open or close any branch offices during the exam period.

During the exam period, the Bank closed two offsite ATM locations, both located in Jefferson County within moderate-income census tracts. The first location closed on March 7, 2023 and the second on June 18, 2024.

c. Availability and effectiveness of alternative systems for delivering retail services:

WSB's delivery systems are accessible to significant portions of the bank's assessment area, including LMI geographies and individuals.

The Bank uses a strategic mix of alternative delivery systems to provide banking services throughout its assessment area, including to individuals and households in LMI census tracts. These systems help address barriers such as transportation, geographic limitations, and scheduling challenges, which often affect LMI populations.

- Mobile Banking - WSB's mobile banking solution enables customers to conduct secure financial transactions using smartphones or tablets. With features such as mobile deposits, funds transfer, balance inquiries, stop payments, and bill payments, this channel supports financial engagement among customers with limited access to transportation or branch services.

- Remote Deposit Capture (RDC) - This service is tailored to commercial clients, allowing businesses to deposit checks remotely via a scanner provided by the Bank. The system utilizes a secure internet connection, making it possible for business owners in outlying areas to manage daily deposits without disrupting operations or incurring travel-related costs.

- Online Computer Banking - WSB's online banking platform is available to any customer with access to a computer and internet connection. It provides essential account management functions, such as transfers, transaction history, bill payments, and check control, that support financial autonomy and reduce dependency on physical branches.

- Bank by Mail - Customers may mail deposits to any WSB location, providing a low-tech yet effective solution for individuals with limited mobility or those residing in remote areas. This service ensures basic deposit access without the need for digital literacy or travel.

- Bank by Phone - With telephone banking, customers can obtain real-time account information, transfer funds, and initiate stop payments using an accessible phone line. This service supports customers who may lack internet or mobile access and is particularly valuable to senior and disabled populations.

d. Range of services provided:

WSB's services meet the convenience and accessibility needs of its assessment area, including LMI geographies and individuals.

WSB's branch offices open either at 8:30 AM or 9:00 AM depending on the location, and close at 4:00 PM Monday through Wednesday and 5:00 PM Thursday and Friday. Drive-through service is available at select locations on Saturday every week from 9:00 AM to 12:00 PM, except for three which have no Saturday drive-through hours and two which have Saturday drive-through hours only from May 1 to September 30.

The Commercial Lending office is open weekdays from 8:30 AM to 5:00 PM.

During the evaluation period, WSB offered the following products and services that benefit LMI individuals and small businesses in its assessment area:

- Basic Banking Checking Account – This is a personal checking account that has no monthly service charges and a $25 minimum account deposit. The account offers free online and mobile banking services that include bill pay and mobile deposit. The account also offers an ATM/Debit Card with no transaction fees at any ATMs owned by WSB, and transaction fees ranging from $0.50 to $1.00 at ATMs not owned by WSB.

- Commercial Checking Account – This is a business checking account that has no monthly service charges and a $100 minimum account deposit. The account offers free online and mobile banking services that include bill pay and mobile deposit. The account also offers an ATM/Debit Card with no transaction fees at any ATMs owned by WSB and transaction fees ranging from $0.50 to $1.00 at ATMs not owned by WSB.

- Federal Home Loan Bank of New York's ("FHLBNY") Homebuyer Dream Program WSB participates in the FHLBNY's Homebuyer Dream Program to increase affordable homeownership in the community. First time homebuyers can enroll in this program to receive grants to help cover down payment, closing costs, and homebuyer counseling services.

- The Bank partners with housing organizations such as Neighbors of Watertown to support

LMI individuals and leverages its affiliation with the Federal Home Loan Bank ("FHLB") to offer fixed-rate mortgages at market prices.

2. Community Development Services:

WSB was a leader in providing a relatively high level of community development services.

During the evaluation period, the Bank delivered 71 instances of qualified community development services. Directors, officers, and other employees participated in community development activities within the Bank's assessment area, including serving as board or committee members, and providing financial education at various non-profit organizations and schools to support the needs of LMI communities.

Community Development Services	
Activity Type	**Number of Activities**
On-Going Board & Committee Memberships	46
Technical Assistance	5
Seminars	20
Credit Counseling	0
Other Services	0
Total Community Development Services	71

Below are highlights of WSB's community development services.

- An executive officer of WSB serves as the treasurer of a philanthropic foundation that invests in improving and enriching the quality of life of LMI individuals in the local community through grants and scholarships.

- A commercial lending officer of WSB was a presenter at an entrepreneurship class at a local community college, covering topics such as credit scores, credit reports, and the importance of creating a savings plan.

- A vice president of WSB serves on the board of a non-profit organization that provides transportation to health, wellness, and other critical needs destinations, for anyone who has barriers to affordable transportation.

- A branch manager and officer of WSB presented a financial literacy seminar to senior citizens with low incomes. Topics included wire fraud, check fraud, online banking fraud, cyber security, romance scams, and grandparent scams.

- A development officer of WSB taught a financial literacy class to summer interns at a local youth community organization. Topics included cyber security, wire fraud, check fraud, and online banking fraud.

D. Additional Factors

The following factors were also considered in assessing WSB's record of performance.

1. The extent of participation by the banking institution's board of directors or board of trustees in formulating the banking institution's policies and reviewing its performance with respect to the purposes of the CRA.

The Board of Trustees of Watertown Savings Bank oversees the institution's Community Reinvestment Act (CRA) compliance by establishing policy and appointing a CRA Officer to manage the program. The CRA Officer conducts periodic self-assessments for Board review, providing ongoing oversight. Day-to-day CRA activities, program execution, and assessment area delineation are delegated to management through the CRA Officer, with the Board focusing on policy direction and performance review.

2. Discrimination and other illegal practices

- *Any practices intended to discourage applications for types of credit set forth in the banking institution's CRA Public File.*

DFS examiners did not note practices by WSB intended to discourage applications for the types of credit offered by WSB.

- *Evidence of prohibited discriminatory or other illegal credit practices.*

DFS examiners did not note evidence of prohibited discriminatory or other illegal practices.

3. Process Factors

- *Activities conducted by the banking institution to ascertain the credit needs of its community, including the extent of the banking institution's efforts to communicate with members of its community regarding the credit services being provided by the banking institution.*

WSB engages with the community to identify credit needs, focusing on LMI individuals and geographies. Bank officers, employees, and trustees live within the assessment area and are familiar with the needs of the area. Employees and officers serve on various boards and are involved with civic organizations. The trustees of WSB represent various industries in the local community. These connections have highlighted a consistent need for affordable housing and first-time homebuyer support. In response, WSB participates in the FHLBNY's Homebuyer Dream

Program, and partners with Neighbors of Watertown and other housing agencies serving LMI populations. WSB also offers fixed-rate loans at market prices through its FHLB relationship.

- *The extent of the banking institution's marketing and special credit-related programs to make members of the community aware of the credit services offered by the banking institution*

WSB uses multiple advertising channels, including television, in-branch monitors, online banners, email newsletters, social media, print materials, email blasts, and direct mail, with primary emphasis on television and in-branch displays. Online ads are untargeted and promote general banking services such as mobile banking, home equity products, and mortgages. The Bank's marketing does not target specific populations, and its products are designed to serve businesses and individuals across all age groups and income levels. All advertising is in English.

- *Action Taken in Response to Written Complaints with Respect to CRA*

Neither WSB nor DFS received any written complaints regarding WSB's CRA performance during the evaluation period.

4. <u>Other factors that in the judgment of the Superintendent bear upon the extent to which WSB is helping to meet the credit needs of its entire community</u>

DFS examiners noted no other factors.

V - GLOSSARY

Aggregate Lending

"Aggregate lending" means the number of loans originated and purchased by all reporting lenders in specified categories as a %age of the aggregate number of loans originated and purchased by all reporting lenders in the assessment area.

Banking Development District ("BDD") Program

The BDD Program is a program designed to encourage the establishment of bank branches in areas across New York State where there is a demonstrated need for banking services, in recognition of the fact that banks can play an important role in promoting individual wealth, community development, and revitalization. Among others, the BDD Program seeks to reduce the number of unbanked and underbanked New Yorkers and enhance access to credit for consumers and small businesses. More information about the program, may be found at https://www.dfs.ny.gov and search for the BDD Program.

Community Development

"Community development" means:

- Affordable housing (including multifamily housing) for LMI individuals;
- Community services targeted to LMI individuals;
- Activities that promote economic development by financing business or farms that meet the size eligibility standards of the United States Small Business Administration ("SBA") Development Company or Small Business Investment Company programs, or have gross annual incomes of $1 million or less;
- Activities that revitalize or stabilize LMI geographies, designated disaster areas, or distressed or underserved metropolitan middle-income geographies designated by the Board of Governors of the Federal Reserve System, FDIC and the Office of Comptroller of the Currency; and
- Activities that seek to prevent defaults and/or foreclosures in loans included in the first and third bullet points above.

Community Development Loan

"Community development loan" means a loan that has its *primary purpose* community development. This includes but is not limited to loans to:

- Borrowers for affordable housing rehabilitation and construction, including construction and permanent financing for multifamily rental property serving LMI persons (DFS multifamily industry letter www.dfs.ny.gov/industry_guidance/industry_letters/il20141204_guidelines_bank_lending_multifamily_properties_cra_updated) ;

- Nonprofit organizations serving primarily LMI or other community development needs;
- Borrowers to construct or rehabilitate community facilities that are in LMI areas or that primarily serve LMI individuals;
- Financial intermediaries including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds or pools, micro-finance institutions, and low-income or community development credit unions that primarily lend or facilitate lending to promote community development;
- Local, state and tribal governments for community development activities; and
- Borrowers to finance environmental clean-up or redevelopment of an industrial site as part of an effort to revitalize the LMI community in which the property is located.

Community Development Service

"Community development service" means a service that has community development as its *primary purpose*, is related to the provision of financial services, and has not been considered in the evaluation of the banking institution's retail banking services. This includes but is not limited to:

- Providing technical assistance on financial matters to nonprofit, tribal or government organizations serving LMI housing or economic revitalization and development needs;
- Providing technical assistance on financial matters to small businesses or community development organizations;
- Lending employees to provide financial services for organizations facilitating affordable housing construction and rehabilitation or development of affordable housing;
- Providing credit counseling, home buyers and home maintenance counseling, financial planning or other financial services education to promote community development and affordable housing;
- Establishing school savings programs for LMI individuals;
- Providing seminars for LMI persons on banking and bank account record-keeping;
- Making ATM "Training Machines" available for extended periods at LMI community sites or at community facilities that serve LMI individuals; and
- Technical assistance activities to community development organizations such as:
    - ❖ Serving on a loan review committee;
    - ❖ Developing loan application and underwriting standards;
    - ❖ Developing loan processing systems;
    - ❖ Developing secondary market vehicles or programs;
    - ❖ Assisting in marketing financial services, including the development of advertising and promotions, publications, workshops and conferences;
    - ❖ Furnishing financial services training for staff and management;
    - ❖ Contributing accounting/bookkeeping services; and
    - ❖ Assisting in fund raising, including soliciting or arranging investments.

Community Development Financial Institution ("CDFI")

A CDFI is a financial institution that provides credit and financial services to underserved markets and populations and has a primary mission of community development, serves a target market, is a financing entity, provides development services, remains accountable to its community, and is a non-governmental entity. CDFIs are certified as such by United States Treasury Department's CDFI Fund.

Fair Market Rents ("FMRs")

Fair Market Rents are published and developed annually by the US Department of Housing and Urban Development ("HUD") and used to determine rent payments for affordable housing projects such as Section 8 contracts in defined metropolitan statistical areas ("MSAs") nationwide. For easy reference of annual FMRs in New York MSAs or counties, go to www.huduser.gov/portal/datasets/fmr.html

Geography

"Geography" means a census tract delineated by the United States Bureau of the Census in the most recent decennial census.

Home Mortgage Disclosure Act ("HMDA")

The Home Mortgage Disclosure Act, enacted by Congress in 1975, and subsequently amended, requires institutions to annually report data about applications for residential (including multifamily) financing.

Income Level

The income level for borrowers is based on household or family income. A geography's income is categorized by median family income for the geography. In both cases, the income is compared to the Metropolitan Statistical Area ("MSA") or statewide nonmetropolitan median income.

Income level of individual or geography	% of the area median income
Low-income	Less than 50
Moderate-income	At least 50 and less than 80
Middle-income	At least 80 and less than 120
Upper-income	120 or more

LMI Geographies

"LMI geographies" means those census tracts or block numbering areas where, according to the most current U.S. Census, the median family income is less than 80% of the area median family income. In the case of tracted areas that are part of a MSA or Primary Metropolitan Statistical Area ("PMSA"), this would relate to the median family income for the MSA or PMSA in which the tracts are located. In the case of Block Numbering Areas ("BNAs") and tracted areas that are not part of a MSA or PMSA, the area median family income would be the statewide non-metropolitan median family income.

LMI Borrowers

"LMI borrowers" means borrowers whose income, as reported on the loan application which the lender relied upon in making the credit decision, is less than 80% of the area median family income. In cases where the residential property is in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure borrower income levels are updated annually by the Federal Financial Institutions Examination Council ("FFIEC").

LMI Individuals/Persons

"LMI individuals" or "LMI persons" means individuals or persons whose income is less than 80% of the area median family income. In the case where the individual resides in a MSA or PMSA, this would relate to the median family income for that MSA or PMSA. Otherwise, the area median family income would be the statewide non-metropolitan median family income. In all instances, the area median family incomes used to measure individual income levels are updated annually by the FFIEC.

LMI Penetration Rate

"LMI penetration rate" means the %age of a bank's total loans (for a particular product) that was extended to LMI geographies or borrowers. For example, if a bank made 20 out of a total of 100 loans in LMI geographies or to LMI borrowers, the penetration rate would be 20%.

Low-Income Housing Tax Credit ("LIHTC")

LIHTC were created under the Tax Reform Act of 1986, that provides incentives to invest in projects for the utilization of private equity in the development of affordable housing aimed at low-income Americans. The tax credits provide a dollar-for-dollar reduction in a taxpayer's federal income tax. It is more commonly attractive to corporations since the passive loss rules and similar tax changes greatly reduced the value of tax credits and deductions to individual taxpayers.

Minority Depository Institutions ("MDIs")

An MDI is defined as a federal insured depository institution for which (1) 51 % or more of the voting stock is owned by minority individuals; or (2) a majority of the board of directors is minority and the community that the institution serves is predominantly minority. For more of MDIs, go to FDIC.gov (Minority Depository Institutions Program) including list of MDIs.

New Markets Tax Credit ("NMTC")

The NMTC Program was established by Congress in December 2000 to stimulate economic and community development and job creation in low-income communities. It permits taxpayers to receive a credit against federal income taxes for making qualified equity investments in Community Development Entities ("CDEs"). The credit provided to the investor totals 39% of the cost of the investment and is claimed over a 7-year period. CDEs must use substantially all the taxpayer's investments to make qualified investments in low-income communities. The Fund is administered by the CDFI Fund, an agency of the United States Department of the Treasury.

Paycheck Protection Program ("PPP") Loans

The Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") temporarily permits the U.S. Small Business Administration ("SBA") to guarantee 100% of 7(a) loans under a new program titled the "Paycheck Protection Program". The intent of the PPP is to help small business cover payroll costs providing for forgiveness of up to the full principal of qualifying loans guaranteed under the PPP subject to certain rules including how much or %age of the loan proceeds a borrower spends on payroll costs. A small business owner can apply through any existing SBA 7(a) lender or through any federally insured depository institution, federally insured credit union, and Farm Credit System institution that is participating. Any amount of the PPP loan that is not forgiven shall be repaid over a 5-year term at a fixed interest rate of 1%. The program officially ended May 31, 2021.

Qualified Investment

"Qualified investment" means a lawful investment, deposit, membership share or grant that has community development as its *primary purpose*. This includes but is not limited to investments, deposits, membership shares or grants in or to:

- Financial intermediaries (including community development financial institutions, community development corporations, minority- and women-owned financial institutions, community loan funds, micro-finance institutions and low-income or community development credit unions) that primarily lend or facilitate lending in LMI areas or to LMI individuals to promote community development;
- Organizations engaged in affordable housing rehabilitation and construction;
- Organizations, including, for example, small business investment corporations that promote economic development by financing small businesses;

- Facilities that promote community development in LMI areas or LMI individuals, such as youth programs, homeless centers, soup kitchens, health care facilities, battered women's centers, and alcohol and drug recovery centers;
- Projects eligible for low-income housing tax credits;
- State and municipal obligations, such as revenue bonds that specifically support affordable housing or other community development needs;
- Organizations serving LMI housing or other community development needs, such as counseling for credit, home ownership, home maintenance, and other financial services education; and
- Organizations supporting activities essential to the capacity of LMI individuals or geographies to utilize credit to sustain economic development, such as day care operations and job training programs that facilitate access to permanent jobs.

Small Business Loan

A small business loan is a loan less than or equal to $1 million.