

PUBLIC DISCLOSURE

May 5, 2025

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Mechanics Cooperative Bank
Certificate Number: 26634

316 Broadway
Taunton, Massachusetts 02780

Division of Banks
One Federal Street, Suite 710
Boston, Massachusetts 02110

Federal Deposit Insurance Corporation
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New York, New York 10118

This document is an evaluation of this institution's record of meeting the credit needs of its entire community, including low- and moderate-income neighborhoods, consistent with safe and sound operation of the institution. This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion, or opinion of the Division of Banks or the Federal Deposit Insurance Corporation concerning the safety and soundness of this financial institution.

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INSTITUTION RATING

INSTITUTION'S CRA RATING: This institution is rated Satisfactory by the FDIC and High Satisfactory by the Massachusetts Division of Banks (Division). The FDIC's CRA Regulation does not have separate categories within the Satisfactory rating, whereas the Division's CRA regulation allows for either a High Satisfactory or Satisfactory rating.

An institution in this group has a satisfactory record of helping to meet the credit needs of its assessment area, including low- and moderate-income neighborhoods, in a manner consistent with its resources and capabilities.

The Lending Test is rated Satisfactory by the FDIC and Division.

- The loan-to-deposit (LTD) ratio is more than reasonable given the institution's size, financial condition, and assessment areas' credit needs.
- The institution made a majority of loans, by number, in its assessment areas.
- The geographic distribution of loans reflects excellent dispersion throughout the assessment areas.
- The distribution of borrowers reflects, given the demographics of the assessment areas, reasonable penetration among individuals of different income levels and businesses of different sizes.
- The institution did not receive any CRA-related complaints since the prior evaluation; therefore, this factor did not affect the Lending Test rating.

The Community Development Test is rated Outstanding by the FDIC and Division.

- The institution's community development performance demonstrates excellent responsiveness to community development needs in its assessment areas through community development loans, 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 institution's assessment areas.

DESCRIPTION OF INSTITUTION

Background

Mechanics Cooperative Bank (MCB) is a state-chartered, mutual cooperative bank headquartered in Taunton, Massachusetts (MA). MCB is wholly owned by Mechanics Bancorp, Inc., a wholly owned subsidiary of Mechanics Bancorp, MHC, a mutual holding company. MCB has not participated in any merger or acquisition activity since the previous evaluation. The bank has three wholly owned subsidiaries: MCB Securities Corporation; Mechanics Cooperative Bank Insurance Agency, LLC; and 1877 TPM Corp. None of the subsidiaries offer credit-related products or services.

The bank received an overall rating of Satisfactory from the FDIC and High Satisfactory from the Division at its previous CRA Performance Evaluation, dated August 23, 2021, in accordance with the Federal Financial Institutions Examination Council's (FFIEC) Interagency Intermediate Small Institution (ISI) Examination Procedures. The Lending Test was rated Satisfactory, and the Community Development Test was rated Outstanding.

Operations

MCB maintains nine full-service branches throughout Bristol County, MA and Plymouth County, MA. Specifically, the full-service branches are in Taunton (2); Fall River (1), New Bedford (1), North Dighton (1), Somerset (1), Swansea (1), and Westport (1) in Bristol County, MA; and Bridgewater (1) in Plymouth County, MA. Branch hours are consistent across all branches, except the Fall River branch, which has historically been closed on Saturdays since it is in a business and industrial area. All branches offer drive-up teller services with consistent and extended hours in the morning and evening, and each branch maintains 24-hour deposit-taking, drive-up automated teller machines (ATMs) with a Spanish language option.

During the evaluation period, the bank did not open or close any branches. In June 2023, MCB relocated its corporate headquarters and loan center from 308 Bay Street and 15 W. Britannia Street in Taunton (both moderate-income census tracts), respectively, to 470 Myles Standish Boulevard in Taunton (middle-income census tract). The relocation did not adversely affect access to banking services in low- or moderate-income areas as neither location operated as a retail branch. However, the bank closed a non-deposit taking ATM located at the previous corporate headquarters location. While the ATM was in a moderate-income census tract, the closure did not materially affect access to banking services in the area because the bank operates another ATM at a nearby full-service branch, less than one mile away.

MCB offers traditional banking products to meet the needs of consumer and commercial customers. Consumer lending products include home mortgage loans, home equity loans, home equity lines of credit, construction loans, auto loans, MassSave Heat loans, passbook loans, and manufactured home loans. Commercial lending products include commercial mortgages, commercial and industrial loans, and business term loans and lines of credit. Consumer and commercial deposit products include checking, savings, money market, and certificate of deposit accounts. MCB's alternative delivery channels include ATMs, internet and mobile banking with mobile deposit and real-time payments, telephone banking, and digital wallets.

Ability and Capacity

As of March 31, 2025, MCB reported \$828.4 million in total assets, \$700.8 million in total loans, \$80.9 million in total securities, and \$667.1 million in total deposits. The bank's total assets increased by \$152.8 million, or 22.6 percent, and total loans increased by \$167.2 million, or 31.3 percent, since the last quarter utilized at the prior evaluation.

MCB's primary lending focus is residential lending, which includes loans secured by 1-4 family and multi-family properties, representing 45.7 percent of the loan portfolio. Commercial lending, which includes loans secured by nonfarm, nonresidential properties and commercial and industrial loans, represents the second largest portion of the portfolio at 37.5 percent. The following table illustrates the bank's loan portfolio distribution.

Loan Portfolio Distribution as of 3/31/2025		
Loan Category	\$(000s)	%
Construction, Land Development, and Other Land Loans	108,400	15.5
Secured by Farmland	37	<0.1
Secured by 1-4 Family Residential Properties	255,138	36.4
Secured by Multifamily (5 or more) Residential Properties	64,915	9.3
Secured by Nonfarm Nonresidential Properties	217,661	31.1
Total Real Estate Loans	646,151	92.2
Commercial and Industrial Loans	44,871	6.4
Agricultural Production and Other Loans to Farmers	0	0.0
Consumer Loans	9,723	1.4
Obligations of State and Political Subdivisions in the U.S.	0	0.0
Other Loans	54	<0.1
Lease Financing Receivable (net of unearned income)	0	0.0
Less: Unearned Income	0	0.0
Total Loans	700,799	100.0
<i>Source: Reports of Condition and Income</i>		

Examiners did not identify any financial, legal, or other impediments that would limit the bank's ability to meet the credit needs of its assessment areas.

DESCRIPTION OF ASSESSMENT AREAS

The CRA requires each financial institution to define one or more assessment areas within which examiners will evaluate its CRA performance. MCB designated two contiguous assessment areas, one in the Boston, MA Metropolitan Division (MD), which is within the Boston-Cambridge-Newton, MA-NH Metropolitan Statistical Area (MSA), and another in the Providence-Warwick, RI-MA MSA. Since the previous evaluation, the bank expanded its assessment areas to include the entirety of Plymouth County, MA (within the Boston, MA MD), and the entire Providence-Warwick, RI-MA MSA. Previously, the bank designated two contiguous assessment areas that only included portions of Plymouth County, MA and portions

of Bristol County, MA. Specifically, the assessment areas previously consisted of the following municipalities:

Prior Boston, MA MD Assessment Area

Portions of Plymouth County, MA:

- Bridgewater
- East Bridgewater
- Halifax
- Lakeville
- Middleborough
- West Bridgewater

Prior Providence-Warwick, RI-MA MSA Assessment Area

Portions of Bristol County, MA:

- Acushnet
- Berkely
- Dartmouth
- Dighton
- Easton
- Fairhaven
- Fall River
- Freetown
- New Bedford
- Norton
- Raynham
- Rehoboth
- Seekonk
- Somerset
- Swansea
- Taunton
- Westport

The current assessment areas consist of the following counties:

Current Boston, MA MD Assessment Area

- Plymouth County, MA

Current Providence-Warwick, RI-MA MSA Assessment Area

- Bristol County, MA
- Bristol County, RI
- Kent County, RI
- Newport County, RI
- Providence County, RI
- Washington County, RI

Both assessment areas are within the Boston-Worcester-Providence, MA-RI-NH-CT Combined Statistical Area (CSA). Examiners analyzed the bank's performance in each assessment area separately and found no material differences in performance. Therefore, examiners presented the bank's performance within the assessment areas on a consolidated basis under the Boston-Worcester-Providence, MA-RI-NH-CT CSA. This document refers to the two assessment areas collectively as the "combined assessment area."

Economic and Demographic Data

The combined assessment area includes 492 tracts with the following income designations:

- 54 low-income tracts,
- 90 moderate-income tracts,
- 203 middle-income tracts,
- 136 upper-income tracts, and
- 9 tracts with no income designation.

At the prior evaluation, examiners used census tract designations based on the 2015 American Community Survey (ACS), and the combined assessment area consisted of 127 census tracts, which included 21 low-income tracts, 29 moderate-income tracts, 42 middle-income tracts, 33 upper-income tracts, and 2 tracts with no income designation. Overall, the release of the 2020 U.S. Census data and expansion of the combined assessment area resulted in the addition of 33 low-income tracts, 61 moderate-income tracts, 161 middle-income tracts, 103 upper-income tracts, and 7 tracts with no income designation.

Most low-income census tracts are in Providence, RI (10); Fall River, MA (9); New Bedford, MA (9); and Brockton, MA (7). The remaining low-income census tracts are in Pawtucket, RI (6); Woonsocket, RI (6); Central Falls, RI (4); Middletown, RI (1); Newport, RI (1); and Taunton, MA (1).

Similar to the low-income tract designations, most moderate-income census tracts are in Providence, RI (15); Fall River, RI (12); New Bedford, MA (12); and Brockton, MA (9). The remaining moderate-income census tracts are located in Pawtucket, RI (5); Taunton, MA (4); Cranston, RI (3); Middleborough, MA (3); Wareham, MA (3); Warwick, RI (3); Attleboro, MA (2); Carver, MA (2); North Providence, RI (2); Plymouth, MA (2); West Warwick, RI (2); Woonsocket, RI (2); Bristol, RI (1); Coventry, RI (1); East Bridgewater, RI (1); East Providence, RI (1); Fairhaven, MA (1); Johnston, RI (1); Lakeville, MA (1); Newport, RI (1); and Westport, MA (1).

The combined assessment area contains 44 Qualified Opportunity Zones (QOZs), including 37 throughout the Providence-Warwick, RI-MA MSA and 7 in Plymouth County, MA. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of promoting economic development and job creation. Of the 37 QOZs in the Providence-Warwick, RI-MA MSA, 18 are in Providence County, RI; 12 are in Bristol County, MA; 3 are in Washington County, RI; 2 are in Bristol County, RI; 1 is in Kent County, RI; and 1 is in Newport County, RI. There are no underserved or distressed nonmetropolitan middle-income census tracts within the combined assessment area.

The following table illustrates select demographic characteristics of the combined assessment area.

Demographic Information of the Combined Assessment Area						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts)	492	11.0	18.3	41.3	27.6	1.8
Population by Geography	2,207,398	9.5	17.9	42.4	29.9	0.3
Housing Units by Geography	913,388	9.1	18.4	43.3	29.1	0.1
Owner-Occupied Units by Geography	540,841	3.5	13.4	46.7	36.4	0.0
Occupied Rental Units by Geography	284,609	19.4	27.3	37.2	15.8	0.4
Vacant Units by Geography	87,938	9.8	20.7	41.8	27.6	0.1
Businesses by Geography	216,759	8.0	14.7	42.6	34.5	0.2
Farms by Geography	6,176	3.3	10.8	42.4	43.5	0.1
Family Distribution by Income Level	536,613	22.3	16.4	21.0	40.4	0.0
Household Distribution by Income Level	825,450	26.0	14.8	16.8	42.3	0.0
Median Family Income MSA - 14454 Boston, MA		\$112,607	Median Housing Value			\$326,234
Median Family Income MSA - 39300 Providence-Warwick, RI-MA MSA		\$89,555	Median Gross Rent			\$1,060
			Families Below Poverty Level			7.1%
Source: 2020 U.S. Census and 2024 D&B Data. Due to rounding, totals may not equal 100.0%. (*) The NA category consists of geographies that have not been assigned an income classification.						

The Geographic Distribution criterion compares the bank's home mortgage loans to the distribution of owner-occupied housing units. As shown in the previous table, only 3.5 percent of the owner-occupied housing units are in low-income tracts and 13.4 percent are in moderate-income tracts. This data suggests that financial institutions have limited home mortgage lending opportunities in low- and moderate-income tracts in the combined assessment area.

Examiners used the FFIEC-updated median family income levels to analyze home mortgage lending under the Borrower Profile criterion. The following table reflects the median family income ranges for the low-, moderate-, middle-, and upper-income categories in the combined assessment area (separated by MD and MSA) for 2021, 2022, 2023, and 2024.

Median Family Income Ranges				
Median Family Incomes	Low <50%	Moderate 50% to <80%	Middle 80% to <120%	Upper ≥120%
Boston, MA Median Family Income (14454)				
2021 (\$113,700)	<\$56,850	\$56,850 to <\$90,960	\$90,960 to <\$136,440	≥\$136,440
2022 (\$129,500)	<\$64,750	\$64,750 to <\$103,600	\$103,600 to <\$155,400	≥\$155,400
2023 (\$136,900)	<\$68,450	\$68,450 to <\$109,520	\$109,520 to <\$164,280	≥\$164,280
2024 (\$136,200)	<\$68,100	\$68,100 to <\$108,960	\$108,960 to <\$163,440	≥\$163,440
Providence-Warwick, RI-MA MSA Median Family Income (39300)				
2021 (\$87,500)	<\$43,750	\$43,750 to <\$70,000	\$70,000 to <\$105,000	≥\$105,000
2022 (\$99,600)	<\$49,800	\$49,800 to <\$79,680	\$79,680 to <\$119,520	≥\$119,520
2023 (\$108,300)	<\$54,150	\$54,150 to <\$86,640	\$86,640 to <\$129,960	≥\$129,960
2024 (\$113,200)	<\$56,600	\$56,600 to <\$90,560	\$90,560 to <\$135,840	≥\$135,840
Source: FFIEC				

The Borrower Profile criterion compares the bank's home mortgage loan distribution to the percentage of low- and moderate-income families, which represent nearly 40.0 percent of all families in the combined assessment area and includes 7.1 percent of families that live below the poverty level. Comparing the median housing value in the combined assessment area to the income ranges for low- and moderate-income families, there may be limited opportunities for low- and moderate-income borrowers to qualify for home mortgage loans through conventional underwriting standards. Specifically, the median housing value of \$326,234 is nearly five times the maximum income of low-income families in the Boston, MA MD and nearly six times the maximum income of low-income families in the Providence-Warwick, RI-MA MSA. Furthermore, the median housing value is nearly three times the maximum income of moderate-income families in the Boston, MA MD and more than three and a half times the maximum income of moderate-income families in the Providence-Warwick, RI-MA MSA. Additionally, according to the Consumer Financial Protection Bureau (CFPB), housing affordability has decreased since January 2021 due to historically high interest rates and rising home prices. The Boston, MA MD housing economy has a history of being unaffordable, in part due to a lack of available residential plots, and is one of the most expensive areas to buy a home in the nation. These factors limit home mortgage lending opportunities, particularly to low- and moderate-income families, and increase competition.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of loans to businesses by gross annual revenue (GAR) to D&B data. According to 2024 D&B data, 216,759 non-farm businesses operated in the combined assessment area. Most of these businesses are small, with 67.7 percent employing four or fewer employees and 92.3 percent operating from a single location. The following reflects the breakdown of businesses in the combined assessment area by GAR category.

- 89.0 percent have GARs of \$1.0 million or less,
- 3.7 percent have GARs greater than \$1.0 million, and
- 7.3 percent have unknown revenues.

According to Moody’s Analytics, the major employment sectors in the Providence-Warwick, RI-MA MSA include education and health services (the largest sector), followed by professional and business services, and retail trade. The top three employers are Brown University Health, Care New England, and CVS Health Corporation. Similarly, the major employment sectors in the Boston, MA MD include education and health services, professional and business services, and the government. The top three employers are Mass General Brigham, the University of Massachusetts, and the Stop & Shop Supermarket Co., LLC.

According to the U.S. Bureau of Labor Statistics, the average unemployment rates in the combined assessment area improved during the evaluation period, moving towards pre-pandemic levels. Both Plymouth County, MA and the Providence-Warwick, RI-MA MSA experienced decreasing unemployment rates from 2021 to 2022, similar to the decreasing trend in the state and national average unemployment rates. The unemployment rates in Plymouth County, MA were comparable to state and national averages throughout the evaluation period. The Providence-Warwick, RI-MA MSA unemployment rates were also comparable to state and national averages during the evaluation period, except in 2021 and 2024, when the MSA unemployment rate exceeded the national unemployment rate. This data suggests that the combined assessment area experienced a similar decreasing trend in unemployment rates relative to state and national averages.

The following table illustrates the unemployment rates in the combined assessment area compared to the state and national unemployment rates throughout the evaluation period.

Annual Average Unemployment Rates (%)				
Area	2021	2022	2023	2024
	%	%	%	%
Plymouth County, MA	5.6	3.8	3.7	4.1
Providence-Warwick, RI-MA MSA	5.8	3.7	3.4	4.5
Massachusetts	5.3	3.6	3.5	4.0
Rhode Island	5.6	3.2	3.0	4.5
National Average	5.3	3.6	3.6	4.0
<i>Source: U.S. Bureau of Labor Statistics</i>				

Competition

MCB operates in a highly competitive market for financial products and services. According to FDIC Deposit Market Share data as of June 30, 2024, 31 financial institutions operated 496 full-service branches in the bank’s combined assessment area. National institutions operated a significant number of branches in the combined assessment area, with Citizens Bank and Bank of America, N.A. maintaining a collective 25.0 percent of the market. MCB ranked 20th with a deposit market share of 0.8 percent.

MCB faces a high level of competition for home mortgage loans among banks, credit unions, and non-depository mortgage lenders in the combined assessment area. According to 2023 aggregate home mortgage lending data, 467 lenders originated or purchased 47,082 home mortgage loans in the combined assessment area. MCB ranked 98th with a 0.2 percent market

share, primarily outperformed by national and regional banks, credit unions, and mortgage lenders. The top lenders included Community Bank, N.A. with a 10.4 percent market share, Navigant Credit Union with a 3.7 percent market share, and Rocket Mortgage with a 3.2 market share. Aggregate home mortgage lending data for 2024 market share reports was not yet available for review.

MCB is not required to report its small business loan data and elected not to do so. Therefore, the analysis of small business loans under the Lending Test does not include comparisons to aggregate data. However, aggregate data reflects the competition level for small business loans at the county level and is included here for performance context. In 2023, aggregate small business lending data showed 136 lenders originated or purchased 53,177 small business loans in the combined assessment area. The top five lenders were American Express National Bank with a 26.1 percent market share, JPMorgan Chase Bank, N.A. with a 12.0 percent market share, Bank of America, N.A. with a 9.6 percent market share, Citibank, N.A. with a 6.9 percent market share, and Capital One Bank, N.A. with a 6.9 percent market share. Collectively, these national institutions dominate most of the market, indicating that the bank faces a high level of competition for small business loans in the combined assessment area. Aggregate small business lending data for 2024 market share reports was not yet available for review.

Community Contact

As part of the evaluation process, examiners contact community organizations active in the assessment area(s) to understand each area's credit and community development needs. The information helps determine whether local financial institutions are responsive to these needs. The information also shows available credit and community development opportunities in each assessment area.

Examiners reviewed a recent contact from an economic development organization that serves a municipality within the combined assessment area. The contact identified several community development opportunities, mainly pertaining to affordable housing and economic development. Regarding affordable housing, the contact noted that finding affordable housing is a challenge for low- and moderate-income individuals within the municipality, as there is a limited supply of starter homes and limited land available for residential development. Therefore, the contact stated that a loan fund for accessory dwelling units (ADUs) could be a beneficial solution for existing and prospective property owners. The contact also identified economic development opportunities for small businesses. Specifically, the municipality serves an area where a high immigrant population drives small business growth, but there are few turnkey spaces available, and there is limited affordable funding for start-up small businesses. As a solution, the contact highlighted investment funds and partnerships that provide additional funds to start-up small businesses as opportunities.

Examiners reviewed another recent contact from a different economic development organization that serves small businesses within the bank's combined assessment area. The contact stated that the primary credit need for the area is funding for small businesses. Since the COVID-19 pandemic, small businesses have faced rising interest rates, high cost of goods and labor, and restrictive lending. These factors contribute to the lack of funding opportunities for small businesses. In response to this credit need, the contact suggested that financial institutions

partake in loan forgiveness programs, where the financial institution forgives a loan balance after the small business successfully pays the loan for a specific period of time. The contact stated that loan forgiveness programs could primarily benefit small businesses in low- and moderate-income areas. The contact also noted that local banks have been responsive to the community development needs in the area.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from bank management, demographic and economic data, and the community contacts to determine the combined assessment area's primary credit and community development needs. Examiners determined that flexible, accessible loans to support start-up and existing small businesses, flexible home mortgage loan products for low- and moderate-income individuals, and loans to support affordable housing development projects represent the primary credit needs. Examiners determined that affordable housing for low- and moderate-income individuals and economic development for small businesses are the primary community development needs. Community development opportunities include offering flexible loan programs for low- and moderate-income individuals and areas and investing in economic development funds and partnering with local economic development organizations to provide funding to small businesses, particularly start-ups.

SCOPE OF EVALUATION

General Information

This evaluation, conducted jointly by the FDIC and the Division, covers the period from the prior evaluation dated August 23, 2021, to the current evaluation dated May 5, 2025. Examiners evaluated the bank's CRA performance using FFIEC Interagency ISI Examination Procedures. The procedures include the Lending Test and the Community Development Test (please see the Appendices for a complete description). Banks must achieve at least a Satisfactory rating under each test to receive an overall Satisfactory rating. This evaluation does not include any lending activity performed by affiliates.

Activities Reviewed

Examiners determined that the bank's major product lines are home mortgage and small business loans. This conclusion considered the bank's business strategy and the number and dollar volume of loans originated during the evaluation period. Neither small farm loans nor consumer loans represent a significant portion of the bank's lending portfolio, and as such, they were not analyzed as part of this evaluation.

Examiners analyzed all home mortgage loans reported on the bank's 2021, 2022, 2023, and 2024 Home Mortgage Disclosure Act (HMDA) loan application registers (LARs). In 2021, MCB originated or purchased 184 home mortgage loans totaling \$96.5 million. In 2022, MCB originated or purchased 117 home mortgage loans totaling \$76.2 million. In 2023, MCB originated or purchased 122 home mortgage loans totaling \$98.1 million. In 2024, MCB

originated or purchased 98 home mortgage loans totaling \$79.9 million. Examiners presented all four years of home mortgage lending data in the Assessment Area Concentration table. For the Geographic Distribution and Borrower Profile criteria, examiners only presented home mortgage lending data from 2023 and 2024, as 2024 is the most recent year for which aggregate data is available and 2023 provides trend analysis. Examiners compared the bank's 2023 and 2024 home mortgage lending performance to aggregate data for each respective year and to 2020 U.S. Census demographic data.

As an ISI, MCB was not required to collect or report small business loan data; however, the bank voluntarily collected relevant data, which allowed examiners to analyze the bank's full universe of small business loans for 2021, 2022, 2023, and 2024. In 2021, MCB originated or purchased 249 small business loans totaling \$40.9 million, of which 72.3 percent were Small Business Administration (SBA) Paycheck Protection Program (PPP) loans. In 2022, MCB originated or purchased 81 small business loans totaling \$20.6 million. In 2023, MCB originated or purchased 121 small business loans totaling \$22.2 million. In 2024, MCB originated or purchased 50 small business loans totaling \$13.9 million. Examiners presented all four years of small business lending data in the Assessment Area Concentration table. For the Geographic Distribution and Borrower Profile criteria, examiners only presented small business lending data from 2023 and 2024, as 2024 is the most recent full calendar year and 2023 provides trend analysis. Examiners compared the bank's small business lending performance to D&B business demographic data. Examiners did not compare the bank's small business lending performance to aggregate data because the bank did not report data.

For the Lending Test, examiners analyzed both the number and dollar volume of home mortgage and small business loans but emphasized performance by number of loans, as it is a better indicator of the number of individuals and businesses served. When arriving at overall conclusions and ratings, examiners placed more weight on the bank's home mortgage lending performance. While the total number of home mortgage loans and small business loans originated during the evaluation period were similar, significant SBA PPP lending in 2021 resulted in higher small business lending volume in that year before activity returned to a more typical volume in subsequent years. Additionally, the bank's home mortgage lending represents a larger portion of the bank's loan portfolio.

For the Community Development Test, examiners considered the bank's community development loans, qualified investments, and community development services since the prior evaluation dated August 23, 2021, to the current evaluation date of May 5, 2025. Examiners reviewed the number and dollar amount of community development loans and qualified investments, the number of instances of community development services, and the bank's responsiveness to community needs through those activities.

Examiners obtained demographic and economic information referenced in this evaluation from the 2015 ACS, 2020 U.S. Census data, CFPB, D&B, Moody's Analytics, and the U.S. Bureau of Labor Statistics. Financial data is based on the March 31, 2025, Report of Income and Condition (Call Report).

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

The bank demonstrated Satisfactory performance under the Lending Test. The following sections summarize the bank's performance under each criterion.

Loan-to-Deposit Ratio

The bank's LTD ratio is more than reasonable given the bank's size, financial condition, and assessment area credit needs. The bank's net LTD ratio, calculated from Call Report data, averaged 101.3 percent over the past 15 calendar quarters from September 30, 2021, to March 31, 2025. The LTD ratio gradually increased throughout the evaluation period, ranging from a low of 91.9 percent as of March 31, 2022, to a high of 108.6 percent as of December 31, 2023. As demonstrated by the following table, MCB maintained a higher net LTD ratio than similarly situated institutions identified by examiners based on asset size, loan portfolio, and geographic location.

Loan-to-Deposit (LTD) Ratio Comparison		
Bank	Total Assets as of 3/31/2025 (S000s)	Average Net LTD Ratio (%)
Mechanics Cooperative Bank	828,366	101.3
Bank of Canton	973,568	99.1
OneLocal Bank	743,303	75.1
<i>Source: Reports of Condition and Income 9/30/2021 – 3/31/2025</i>		

Assessment Area Concentration

The bank made a majority of its home mortgage and small business loans, by number, within the combined assessment area. However, the majority of home mortgage loans, by dollar amount, were outside the combined assessment area. The elevated volume, by dollar amount, of home mortgage loans made outside the combined assessment area is due to several high-dollar home mortgage loans within the City of Boston. Additionally, the decreasing volume of home mortgage lending from 2023 to 2024 was a result of the simultaneous increase in interest rates and local home prices, causing a decreased demand for home mortgage loans. The following table illustrates the bank's performance by loan category and year.

Lending Inside and Outside of the Combined Assessment Area										
Loan Category	Number of Loans				Total #	Dollar Amount of Loans				Total \$
	Inside		Outside			Inside		Outside		
	#	%	#	%		\$ (000s)	%	\$ (000s)	%	
Home Mortgage										
2021	145	78.8	39	21.2	184	44,750	46.4	51,699	53.6	96,450
2022	80	68.4	37	31.6	117	25,334	33.2	50,905	66.8	76,238
2023	73	59.8	49	40.2	122	24,988	25.5	73,076	74.5	98,064
2024	68	69.4	30	30.6	98	30,070	37.6	49,873	62.4	79,943
Subtotal	366	70.2	155	29.8	521	125,142	35.7	225,552	64.3	350,694
Small Business										
2021	180	72.3	69	27.7	249	25,278	61.8	15,633	38.2	40,911
2022	66	81.5	15	18.5	81	13,713	66.5	6,903	33.5	20,616
2023	60	49.6	61	50.4	121	11,617	52.3	10,589	47.7	22,206
2024	38	76.0	12	24.0	50	7,782	55.9	6,151	44.1	13,933
Subtotal	344	68.7	157	31.3	501	58,390	59.8	39,276	40.2	97,666
Total	710	69.5	312	30.5	1,022	183,532	40.9	264,828	59.1	448,360
Source: Bank Data. Due to rounding, totals may not equal 100.0%.										

Source: Bank Data. Due to rounding, totals may not equal 100.0%.

Geographic Distribution

The geographic distribution of loans reflects excellent dispersion throughout the combined assessment area. The bank's excellent performance in both home mortgage and small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage and small business loans in low- and moderate-income census tracts.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects excellent dispersion throughout the combined assessment area. As shown in the following table, the bank's lending in low-income census tracts exceeded demographic data and aggregate performance in 2023 and 2024. Similarly, the bank's lending in moderate-income census tracts significantly exceeded demographic data and aggregate performance data in both years.

Geographic Distribution of Home Mortgage Loans						
Tract Income Level	% of Owner-Occupied Housing Units	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2023	3.5	4.6	4	5.5	3,968	15.9
2024	3.5	4.9	9	13.2	7,671	25.5
Moderate						
2023	13.4	14.7	15	20.5	4,195	16.8
2024	13.4	15.1	18	26.5	6,401	21.3
Middle						
2023	46.7	46.4	31	42.5	6,637	26.6
2024	46.7	46.7	24	35.3	7,205	24.0
Upper						
2023	36.4	34.2	23	31.5	10,188	40.8
2024	36.4	33.1	17	25.0	8,793	29.2
Not Available						
2023	0.0	0.0	0	0.0	0	0.0
2024	0.0	0.2	0	0.0	0	0.0
Totals						
2023	100.0	100.0	73	100.0	24,988	100.0
2024	100.0	100.0	68	100.0	30,070	100.0
Source: 2020 U.S. Census; Bank Data; 2023 & 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

Small Business Loans

The geographic distribution of small business loans reflects excellent dispersion throughout the combined assessment area. As shown in the following table, MCB's performance in low-income census tracts was slightly below demographic data in 2023 but improved in 2024 and exceeded demographic data. Additionally, the bank's performance in moderate-income census tracts exceeded demographic data in both years.

Geographic Distribution of Small Business Loans					
Tract Income Level	% of Businesses	#	%	\$(000s)	%
Low					
2023	8.1	3	5.0	900	7.7
2024	8.0	4	10.5	235	3.0
Moderate					
2023	14.7	11	18.3	2,175	18.7
2024	14.7	7	18.4	1,449	18.6
Middle					
2023	42.6	33	55.0	7,154	61.6
2024	42.6	17	44.7	2,861	36.8
Upper					
2023	34.4	13	21.7	1,388	11.9
2024	34.5	10	26.3	3,237	41.6
Not Available					
2023	0.2	0	0.0	0	0.0
2024	0.2	0	0.0	0	0.0
Totals					
2023	100.0	60	100.0	11,617	100.0
2024	100.0	38	100.0	7,782	100.0
<i>Source: 2023 & 2024 D&B Data; Bank Data</i> <i>Due to rounding, totals may not equal 100.0%</i>					

Borrower Profile

The distribution of borrowers, given the demographics of the combined assessment area, reflects reasonable penetration among individuals of different income levels and businesses of different sizes. The bank's reasonable performance in both home mortgage and small business lending supports this conclusion.

Home Mortgage Loans

The distribution of home mortgage loans reflects reasonable penetration among individuals of different income levels, including low- and moderate-income borrowers. As shown in the following table, the bank's lending to low-income borrowers exceeded aggregate performance in 2023 and slightly trailed aggregate performance in 2024. MCB and the aggregate market significantly trailed demographic data in both years. However, low-income families in the combined assessment area likely face difficulty qualifying for a mortgage under conventional underwriting standards considering the median housing value of \$326,234. Additionally, the percentage of low-income families in the combined assessment area includes 7.1 percent of families living below the poverty level. These factors help explain the disparity between lending activity and the percentage of low-income families in the combined assessment area.

In 2023, MCB's lending to moderate-income borrowers was comparable to demographic data but was below aggregate performance. In 2024, MCB's lending to moderate-income borrowers slightly decreased and fell below both demographic data and aggregate performance. Examiners considered the fact that the bank's lending performance percentages are sensitive, as only one more origination to a moderate-income borrower in 2023 would have brought the bank's performance identical to demographic data and comparable to aggregate performance. Similarly, only two more originations to moderate-income borrowers in 2024 would have resulted in comparable performance to both demographic data and aggregate performance.

Distribution of Home Mortgage Loans by Borrower Income Level						
Borrower Income Level	% of Families	Aggregate Performance % of #	#	%	\$(000s)	%
Low						
2023	22.3	6.5	7	9.6	808	3.2
2024	22.3	6.3	3	4.4	435	1.4
Moderate						
2023	16.4	19.4	11	15.1	1,161	4.6
2024	16.4	18.1	9	13.2	755	2.5
Middle						
2023	21.0	26.4	11	15.1	1,707	6.8
2024	21.0	25.1	14	20.6	2,760	9.2
Upper						
2023	40.4	34.6	28	38.4	8,376	33.5
2024	40.4	34.7	24	35.3	5,587	18.6
Not Available						
2023	0.0	13.1	16	21.9	12,937	51.8
2024	0.0	15.8	18	26.5	20,533	68.3
Totals						
2023	100.0	100.0	73	100.0	24,988	100.0
2024	100.0	100.0	68	100.0	30,070	100.0
Source: 2020 U.S. Census; Bank Data; 2023 & 2024 HMDA Aggregate Data Due to rounding, totals may not equal 100.0%						

Small Business Loans

The distribution of small business loans reflects reasonable penetration among businesses of different sizes. As shown in the following table, MCB's lending to businesses with GARs of \$1.0 million or less fell significantly below demographic data in 2023 and 2024. Since MCB is not a CRA reporter, examiners could not directly compare the bank's performance to aggregate performance. However, to obtain perspective on competition and the bank's lending activity, examiners reviewed 2023 aggregate small business lending data. In 2023, aggregate small business lending data showed that only 53.2 percent of reported small business loans in the combined assessment area were to businesses with GARs of \$1.0 million or less. Further, the

aggregate data showed that large national lenders reported a substantial majority of the small business loans. Specifically, the top five lenders in the combined assessment area captured 61.8 percent of reported small business loans, and each of these lenders offers business credit cards. MCB does not offer business credit cards. Given the level of competition in the combined assessment area and the size and complexity of the bank, performance is reasonable.

Distribution of Small Business Loans by Gross Annual Revenue Category					
Gross Revenue Level	% of Businesses	#	%	\$(000s)	%
<=\$1,000,000					
2023	89.5	22	36.7	1,845	15.9
2024	89.0	11	28.9	1,166	15.0
>\$1,000,000					
2023	3.6	38	63.3	9,772	84.1
2024	3.7	27	71.1	6,616	85.0
Revenue Not Available					
2023	6.9	0	0.0	0	0.0
2024	7.3	0	0.0	0	0.0
Totals					
2023	100.0	60	100.0	11,617	100.0
2024	100.0	38	100.0	7,782	100.0
<i>Source: 2023 & 2024 D&B Data; Bank Data Due to rounding, totals may not equal 100.0%</i>					

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

MCB demonstrated excellent responsiveness to the combined assessment area's community development needs through community development loans, qualified investments, and community development services. Examiners considered the institution's capacity and the need for and availability of community development opportunities in the combined assessment area.

Community Development Loans

During the evaluation period, MCB originated 39 community development loans totaling \$39.2 million. The level of activity more than doubled by dollar amount compared to the previous evaluation period when the bank originated \$18.4 million in community development loans. Although this level of community development lending represents a decrease by number since the prior evaluation period, when the bank originated 65 community development loans, 55.4 percent of the community development loans during the prior evaluation period were SBA PPP

loans. The SBA PPP expired in May 2021; therefore, the bank did not have the opportunity to originate any PPP loans during the current evaluation period. The bank's community development lending activity during the current review period represented approximately 6.8 percent of average total loans and 5.5 percent of average total assets, which exceeded the performance of similarly situated institutions.

During the evaluation period the bank leveraged opportunities to support affordable housing needs in the assessment area, and all the bank's community development loans supported affordable housing initiatives, which was an identified community development need. Since the bank was responsive to assessment area needs, examiners considered 8 loans totaling approximately \$12.0 million that benefitted an area outside of the assessment area, but within the broader statewide or regional area. When compared to similarly situated institutions, the bank's community development lending, by number and dollar amount, exceeded that of the other institutions.

The following table illustrates the bank's community development lending by year and purpose.

Community Development Lending										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
2021 (partial)	7	3,172	0	0	0	0	0	0	7	3,172
2022	7	3,344	0	0	0	0	0	0	7	3,344
2023	10	20,244	0	0	0	0	0	0	10	20,244
2024	15	12,443	0	0	0	0	0	0	15	12,443
YTD 2025	0	0	0	0	0	0	0	0	0	0
Total	39	39,203	0	0	0	0	0	0	39	39,203

Source: Bank Data

The following are notable examples of community development loans.

- In 2021, the bank originated two loans totaling \$5.8 million to a real estate development business to construct a new 76-unit residential subdivision in a town abutting the bank's combined assessment area. The residential project was approved as a MA Chapter 40B project; therefore, 25.0 percent of the units (or 19 units) are reserved for low- and moderate-income individuals and families earning 80.0 percent or less of the Area Median Income (AMI) as determined by the U.S. Department of Housing and Urban Development (HUD). These loans qualify for community development by promoting affordable housing outside of the assessment area, but within the broader statewide area. Specifically, the bank received community development loan credit for a pro rata portion of these loans totaling approximately \$1.5 million.
- In 2022, the bank originated a \$395,250 commercial real estate loan to finance the purchase of a five-family residential property within the bank's combined assessment area. The monthly rent amounts charged are affordable to low- and moderate-income individuals and families based on 2022 U.S. Department of HUD Fair Market Rents.

This loan qualifies for community development by supporting affordable housing within the combined assessment area.

- In 2023, the bank served as the lead lender in a \$5.4 million participation loan for the acquisition and renovation of six multi-family residential apartment buildings located in Hull, MA. The rents are below the U.S. Department of HUD Fair Market Rent for the area. This loan qualifies for community development by supporting affordable housing within the combined assessment area. The bank received community development loan credit for a pro rata portion of the loans totaling \$1.3 million.
- In 2023, the bank participated in a \$44.0 million loan for a mixed-use commercial and residential real estate project within a MA Chapter 40R Smart Growth Overlay District in Danvers, MA. Chapter 40R seeks to increase housing supply and decrease its cost by increasing the amount of land zoned for dense housing and targeting the shortfall in housing for low- and moderate-income households by requiring the inclusion of affordable units in most private projects. The loan financed the construction of a mixed-use property with 146 residential units. MCB assumed \$10.0 million of the total participation loan. Of the 146 units, 30 units, or 20.0 percent, are deed-restricted affordable housing units for low- and moderate-income individuals earning 80.0 percent or less of the AMI as determined by U.S. Department of HUD under MA Chapter 40R. The loan promotes affordable housing in an area outside of the combined assessment area, but within the broader statewide area. The bank received community development loan credit for a pro rata portion of the loan totaling \$2.0 million.
- In 2024, the bank originated two loans (one for \$2.0 million and another for \$2.4 million) for the construction of a 36-unit residential condominium development in the combined assessment area. The project was approved as a MA 40B Project; therefore, 25.0 percent of the units (or, 9 units) are reserved for low- and moderate-income individuals and families earning 80.0 percent or less of the AMI. These loans support affordable housing, and the bank received community development loan credit for a pro rata portion of each loan totaling \$500,000 and \$607,500, respectively.

Qualified Investments

During the evaluation period, MCB had 191 qualified investments totaling approximately \$1.4 million. This activity comprises two prior period investments with a combined book value of approximately \$983,183 and 189 charitable donations totaling approximately \$430,718. The dollar amount of qualified investments represents 0.2 percent of average total assets and 1.7 percent of average total securities. The total volume of qualified investments increased slightly by number but decreased by dollar amount since the prior evaluation period when the bank made 180 qualified investments totaling approximately \$1.9 million.

Most of the bank's qualified investments, by number, promoted community services to low- and moderate-income individuals. Further, 70.0 percent of the bank's qualified investments, by dollar amount, promoted affordable housing, demonstrating responsiveness to the combined assessment area's needs and opportunities. Since the bank was responsive to the needs of the

combined assessment area, examiners considered 10 donations totaling approximately \$9,100 that benefited areas outside the combined assessment area, but within the broader statewide or regional area. When compared to two similarly situated institutions, the bank's performance, by number, exceeded that of both institutions and, by dollar, amount exceeded that of one institution.

Qualified Investments										
Activity Year	Affordable Housing		Community Services		Economic Development		Revitalize or Stabilize		Totals	
	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)	#	\$(000s)
Prior Period	2	983	0	0	0	0	0	0	2	983
2021	0	0	0	0	0	0	0	0	0	0
2022	0	0	0	0	0	0	0	0	0	0
2023	0	0	0	0	0	0	0	0	0	0
2024	0	0	0	0	0	0	0	0	0	0
YTD 2025	0	0	0	0	0	0	0	0	0	0
Subtotal	2	983	0	0	0	0	0	0	2	983
Qualified Grants & Donations	2	8	178	403	9	20	0	0	189	431
Total	4	991	178	403	9	20	0	0	191	1,414
<i>Source: Bank Data</i>										

Prior Period Investments

The following describes the bank's prior period investments.

- In 2015, the bank purchased a mortgage-backed security totaling \$1.0 million that is secured by four single-family properties. All four properties are located within the bank's combined assessment area, and three of the mortgages were originated to low- or moderate-income borrowers. This investment supported affordable housing in the combined assessment area. The current book value of the investment is \$162,432.
- In 2016, the bank purchased a mortgage-backed security totaling \$1.4 million that is secured by six single family properties. Four of the six loans were made to low- or moderate-income borrowers. This investment supported affordable housing in the combined assessment area. The current book value of the investment is \$820,751.

Donations

The following are notable examples of the bank's qualified donations.

- **Stanley Street Treatment and Resources (SSTAR)** – During the evaluation period, the bank continued its significant support to SSTAR, which operates out of Fall River, MA and serves southeastern MA. SSTAR is a non-profit health care and social services agency located in a moderate-income census tract. SSTAR supports clients who are primarily low- and moderate-income by providing substance and suicide support

services. The bank's continued donations in 2021 and 2022, totaling \$22,917, fulfilled a five-year commitment towards the organization's campaign to build a 60-bed treatment facility in Fall River, MA. The bank's donations to this organization qualify for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.

- **People, Inc. (PI)** – PI is a human services agency that provides essential services to low- and moderate-income clients in southeastern MA. In August 2022, the bank pledged \$100,000 over five years to PI's Coming Together Campaign. During the evaluation period, the bank donated \$73,333 to the campaign. The campaign raised funds to support PI's initiatives of providing housing subsidies to individuals with disabilities and offering community-based support services, such as employment training and job readiness programs. The bank's donations to the organization qualify for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.
- **Children's Advocacy Center of Bristol County (CAC)** – The CAC provides medical, legal, and educational services to children that have been impacted by the trauma of domestic abuse. The organization collaborates with the area District Attorney's Office, law enforcement, and the Department of Children and Families. In August 2021, the bank began a significant three-year commitment to CAC's Capital Campaign designed to purchase a building to help serve the organization's clients, who are primarily low- and moderate-income individuals. The bank's donations in 2021, 2022, 2023, and 2024 totaled \$50,000 and qualify for community development by supporting community services for low- and moderate-income individuals in the bank's combined assessment area.
- **Old Colony Habitat for Humanity (OCHFH)** – The OCHFH is a non-profit affordable housing organization that operates in southeastern MA and develops housing for low- and moderate-income households earning 80.0 percent or less of the AMI and for those living in inadequate living conditions. OCHFH also offers its clients educational workshops to ensure they have the knowledge and skills to manage being a new homeowner. In 2025, the bank donated \$7,500 to this organization, helping to expand access to affordable housing for low- and moderate-income individuals in the combined assessment area.
- **Boys & Girls Clubs** – Throughout the evaluation period, the bank made several donations totaling \$121,850 to the Boys and Girls Clubs of Fall River, Metro South, and New Bedford, all of which primarily serve low- and moderate-income individuals. For example, the Boys & Girls Club of Fall River is in a low-income census tract and operates a facility within walking distance from a public housing complex in Fall River. The goal of the club is to help as many children as possible break the cycle of poverty. The bank's donations in 2021, 2022, 2023, and 2024 to each of these Clubs qualify for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.

Community Development Services

During the evaluation period, bank employees and trustees provided 172 instances of financial expertise or technical assistance to 32 different community development organizations in the combined assessment area. During the prior evaluation period, the bank provided 129 instances of financial expertise or technical assistance to 34 different community development organizations in the combined assessment area. Therefore, the current level of services represents a 33.3 percent increase, by number of instances, and a nominal decrease, by the number of organizations served, from the prior evaluation period.

The qualified community development services include employee involvement in community development organizations, financial education, and other financial services directed towards low- and moderate-income individuals. Of the 172 instances, 23 represent financial literacy activities. Overall, the bank exhibited good responsiveness to the community development service needs of the combined assessment area. MCB's performance compared very favorably when compared to two similarly situated institutions.

Community Development Services					
Activity Year	Affordable Housing	Community Services	Economic Development	Revitalize or Stabilize	Totals
	#	#	#	#	#
2021 (partial)	3	27	3	1	34
2022	1	27	1	0	29
2023	6	31	2	0	39
2024	4	34	2	0	40
2025 YTD	1	27	2	0	30
Total	15	146	10	1	172
<i>Source: Bank Data</i>					

The following are notable examples of the bank's community development services.

Employee Involvement

- **Corline Cronan's Family** – The Corline Cronan's Family is non-profit organization dedicated to helping families and individuals in need in the Greater Taunton, MA area. The organization provides food and meals for those who are homeless or in need of a meal (including meal delivery) or groceries. In 2021, 2022, 2023, and 2025 a retail lending employee served on the organization's Board of Directors. This service qualifies for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.
- **Old Colony Elder Services (OCES) Money Management Program** – OCES is the Aging Services Access Point (ASAP) in southeastern MA and provides low- and moderate-income elders with a money management program and educational and protective services against financial exploitation through trained volunteers. Program eligibility includes restrictions to serve low- and moderate-income individuals. In 2022, 2023, 2024, and 2025 a retail banking employee served on the Board of Directors and a

second retail banking employee provided program services. This service qualifies for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.

- **United Way of Greater Fall River** – This organization aims to improve the quality of life among individuals in the Greater Fall River area, particularly those most vulnerable. The organization’s programs help improve health, financial stability, and education through dynamic initiatives. Multiple bank employees use their financial expertise to aid the organization, participating on the Board of Directors, Allocation Committee, Finance Committee, Community Investment Committee, and Residential Services Committee. These services qualify for community development by supporting community services for low- and moderate-income individuals in the combined assessment area.

Financial Literacy Education

- **First-Time Homebuyer Classes** – In 2023 and 2024, two bank employees participated in six HUD-approved first-time homebuyer classes, which helped low- and moderate-income participants prepare for homeownership. The classes were held in collaboration with Pro-Home, Inc., an affordable housing organization that serves in-need families throughout southeastern MA. The bank’s involvement in the first-time homebuyer classes helped promote affordable housing for low- and moderate-income individuals and families in the combined assessment area.

Other Services

- **Branch Locations** – The bank provides services to low- and moderate-income individuals through branches located in low- and moderate-income census tracts. Specifically, the bank operates one branch in a low-income census tract (Fall River) and one in a moderate-income census tract (Westport), which demonstrates the availability of banking services to low- and moderate-income individuals.
- **Interest on Lawyers Trust Accounts (IOLTAs)** – The bank participates in both the Massachusetts and Rhode Island IOLTA Programs. The interest earned on these accounts is used to fund free legal service programs to help low-income clients. The bank remitted approximately \$12,271 in IOLTA funds during the evaluation period.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners did not identify any evidence of discriminatory or other illegal credit practices; therefore, this consideration did not affect the bank's overall CRA rating.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

The Division of Banks provides comments regarding the institution's fair lending policies and procedures pursuant to Regulatory Bulletin 1.3-106. Examiners conducted the fair lending review in accordance with the Federal Financial Institutions Examination Council (FFIEC) Interagency Fair Lending Examination Procedures. Based on these procedures, the bank has an adequate record relative to fair lending policies and procedures.

MINORITY APPLICATION FLOW

The bank's HMDA LARs for 2022, 2023 and 2024 were reviewed to determine if the bank's application flow from different racial and ethnic groups reflected the assessment area's demographics with a focus on 2024 performance.

According to 2020 U.S. Census data, the bank's assessment area contains a total population of 2,207,398 individuals, of which 27.2 percent are minorities. The assessment area's minority and ethnic population consists of 11.8 percent Hispanic or Latino, 6.0 percent Black/African American, 2.7 percent Asian, and 15.9 percent Other. The bank's level of applications was compared with that of 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. The table below illustrates the bank's minority application flow as well as that of the aggregate lenders in the bank's assessment area.

RACE	2023		2023 Aggregate Data	2024		2024 Aggregate Data
	#	%	%	#	%	%
American Indian/ Alaska Native	0	0.0	0.4	0	0.0	0.4
Asian	0	0.0	2.2	1	1.3	2.4
Black/ African American	3	3.1	7.9	0	0.0	8.3
Hawaiian/Pacific Islander	0	0.0	0.3	1	1.3	0.2
2 or more Minority	0	0.0	0.2	0	0.0	0.2
Joint Race (White/Minority)	1	1.0	1.4	0	0.0	1.5
Total Racial Minority	4	4.1	12.4	2	2.6	13.0
White	68	70.1	65.6	52	65.0	63.9
Race Not Available	25	25.8	22.0	26	32.5	23.1
Total	97	100.0	100.0	80	100.1	100.0
ETHNICITY						
Hispanic or Latino	3	3.1	8.2	2	2.5	8.8
Joint (Hisp/Lat /Not Hisp/Lat)	0	0.0	1.4	0	0.0	1.5
Total Ethnic Minority	3	3.1	9.6	2	2.5	10.3
Not Hispanic or Latino	69	71.1	69.5	52	65.0	67.6
Ethnicity Not Available	25	25.8	20.9	26	32.5	22.1
Total	97	100.0	100.0	80	100.0	100.0

Source: U.S. Census 2020, HMDA Aggregate Data 2023 and 2024, HMDA LAR Data 2023 and 2024

In 2023, the bank received 97 home mortgage loan applications from within its assessment area. Of these applications, four, or 4.1 percent, were received from racial minority applicants and three, or 75.0 percent, resulted in originations. Aggregate lenders received 12.4 percent of applications from racial minority groups, of which 48.8 percent resulted in originations. For the same period, the bank also received 3 applications, or 3.1 percent, from ethnic groups of Hispanic origin within its assessment area, all of which resulted in originations. The aggregate, for the same year, received 9.6 percent of applications from ethnic minority groups, of which 49.2 percent were originated.

In 2024, the bank received 80 home mortgage loan applications from within its assessment area. Of these applications two, or 2.6 percent, were received from racial minority applicants and one, or 50.0 percent, resulted in an origination. Aggregate lenders received 13.0 percent of applications from racial minority groups, of which 50.5 percent resulted in originations. For the same period, the bank also received two applications, or 2.6 percent, from ethnic groups of Hispanic origin within its assessment area, and one, or 50.0 percent resulted in an origination. The aggregate, for the same year, received 10.3 percent of applications from ethnic minority groups, of which 51.2 percent were originated.

Based on 2024 assessment area home mortgage data, bank performance to applicants of different racial and ethnic minority groups was well below aggregate performance, particularly for Black, Asian, and Hispanic applicants. Examiners considered the demographic composition of the assessment area, the bank's branching network, and market competition. Additionally, the Bank offers its products and services within all areas of its combined assessment area, marketing efforts are evenly distributed within the combined assessment area, and customers can access banking business in Spanish or Portuguese language. Nevertheless, the bank should remain cognizant of its community outreach strategies to reach all groups within the assessment area.

INTERMEDIATE SMALL BANK PERFORMANCE CRITERIA

Lending Test

The Lending Test evaluates the bank's record of helping to meet the credit needs of its assessment area(s) by considering the following criteria:

- 1) The bank's loan-to-deposit ratio, adjusted for seasonal variation, and, as appropriate, other lending-related activities, such as loan originations for sale to the secondary markets, community development loans, or qualified investments;
- 2) The percentage of loans, and as appropriate, other lending-related activities located in the bank's assessment area(s);
- 3) The geographic distribution of the bank's loans;
- 4) The bank's record of lending to and, as appropriate, engaging in other lending-related activities for borrowers of different income levels and businesses and farms of different sizes; and
- 5) The bank's record of taking action, if warranted, in response to written complaints about its performance in helping to meet credit needs in its assessment area(s).

Community Development Test

The Community Development Test considers the following criteria:

- 1) The number and amount of community development loans;
- 2) The number and amount of qualified investments;
- 3) The extent to which the bank provides community development services; and
- 4) The bank's responsiveness through such activities to the area's community development needs considering the amount and combination of these activities, along with their qualitative aspects.

GLOSSARY

Aggregate Lending: The number of loans originated and purchased by all reporting lenders in specified income categories as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

American Community Survey (ACS): A nationwide United States Census survey that produces demographic, social, housing, and economic estimates in the form of five year estimates based on population thresholds.

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

Assessment Area: A geographic area delineated by the bank under the requirements of the Community Reinvestment Act.

Census Tract: A small, relatively permanent statistical subdivision of a county or equivalent entity. The primary purpose of census tracts is to provide a stable set of geographic units for the presentation of statistical data. Census tracts generally have a population size between 1,200 and 8,000 people, with an optimum size of 4,000 people. Census tract boundaries generally follow visible and identifiable features, but they may follow nonvisible legal boundaries in some instances. State and county boundaries always are census tract boundaries.

Combined Statistical Area (CSA): A combination of several adjacent metropolitan statistical areas or micropolitan statistical areas or a mix of the two, which are linked by economic ties.

Community Development: For loans, investments, and services to qualify as community development activities, their primary purpose must:

- (1) Support affordable housing for low- and moderate-income individuals;
- (2) Target community services toward low- and moderate-income individuals;
- (3) Promote economic development by financing small businesses or farms; or
- (4) Provide activities that revitalize or stabilize low- and moderate-income geographies, designated disaster areas, or distressed or underserved nonmetropolitan middle-income geographies.

Community Development Corporation (CDC): A CDC allows banks and holding companies to make equity type of investments in community development projects. Institution CDCs can develop innovative debt instruments or provide near-equity investments tailored to the development needs of the community. Institution CDCs are also tailored to their financial and marketing needs. A CDC may purchase, own, rehabilitate, construct, manage, and sell real property. Also, it may make equity or debt investments in development projects and in local businesses. The CDC activities are expected to directly benefit low- and moderate-income groups, and the investment dollars should not represent an undue risk on the banking organization.

Community Development Financial Institutions (CDFIs): CDFIs are private intermediaries (either for profit or nonprofit) with community development as their primary mission. A CDFI facilitates the flow of lending and investment capital into distressed communities and to individuals who have been unable to take advantage of the services offered by traditional financial institutions. Some basic types of CDFIs include community development banks, community development loan funds, community development credit unions, micro enterprise funds, and community development venture capital funds.

A certified CDFI must meet eligibility requirements. These requirements include the following:

- Having a primary mission of promoting community development;
- Serving an investment area or target population;
- Providing development services;
- Maintaining accountability to residents of its investment area or targeted population through representation on its governing board of directors, or by other means;
- Not constituting an agency or instrumentality of the United States, of any state or political subdivision of a state.

Community Development Loan: A loan that:

- (1) Has as its primary purpose community development; and
- (2) Except in the case of a wholesale or limited purpose institution:
 - (i) Has not been reported or collected by the institution or an affiliate for consideration in the institution's assessment area as a home mortgage, small business, small farm, or consumer loan, unless it is a multifamily dwelling loan (as described in Appendix A to Part 203 of this title); and
 - (ii) Benefits the institution's assessment area(s) or a broader statewide or regional area including the institution's assessment area(s).

Community Development Service: A service that:

- (1) Has as its primary purpose community development;
- (2) Is related to the provision of financial services; and
- (3) Has not been considered in the evaluation of the institution's retail banking services under § 345.24(d).

Consumer Loan(s): A loan(s) to one or more individuals for household, family, or other personal expenditures. A consumer loan does not include a home mortgage, small business, or

small farm loan. This definition includes the following categories: motor vehicle loans, credit card loans, home equity loans, other secured consumer loans, and other unsecured consumer loans.

Core Based Statistical Area (CBSA): The county or counties or equivalent entities associated with at least one core (urbanized area or urban cluster) of at least 10,000 population, plus adjacent counties having a high degree of social and economic integration with the core as measured through commuting ties with the counties associated with the core. Metropolitan and Micropolitan Statistical Areas are the two categories of CBSAs.

Distressed Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as distressed if it is in a county that meets one or more of the following triggers:

- (1) An unemployment rate of at least 1.5 times the national average;
- (2) A poverty rate of 20 percent or more; or
- (3) A population loss of 10 percent or more between the previous and most recent decennial census or a net migration loss of 5 percent or more over the 5-year period preceding the most recent census.

Family: Includes a householder and one or more other persons living in the same household who are related to the householder by birth, marriage, or adoption. The number of family households always equals the number of families; however, a family household may also include non-relatives living with the family. Families are classified by type as either a married-couple family or other family. Other family is further classified into “male householder” (a family with a male householder and no wife present) or “female householder” (a family with a female householder and no husband present).

FFIEC-Estimated Income Data: The Federal Financial Institutions Examination Council (FFIEC) issues annual estimates which update median family income from the metropolitan and nonmetropolitan areas. The FFIEC uses American Community Survey data and factors in information from other sources to arrive at an annual estimate that more closely reflects current economic conditions.

Full-Scope Review: A full-scope review is accomplished when examiners complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is analyzed considering performance context, quantitative factors (e.g., geographic distribution, borrower profile, and total number and dollar amount of investments), and qualitative factors (e.g., innovativeness, complexity, and responsiveness).

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

Home Mortgage Disclosure Act (HMDA): The statute that requires certain mortgage lenders that do business or have banking offices in a metropolitan statistical area to file annual summary reports of their mortgage lending activity. The reports include such data as the race, gender, and

the income of applicants; the amount of loan requested; and the disposition of the application (approved, denied, and withdrawn).

Home Mortgage Loans: Includes closed-end mortgage loans or open-end line of credits as defined in the HMDA regulation that are not an excluded transaction per the HMDA regulation.

Housing Unit: Includes a house, an apartment, a mobile home, a group of rooms, or a single room that is occupied as separate living quarters.

Limited-Scope Review: A limited scope review is accomplished when examiners do not complete all applicable interagency examination procedures for an assessment area. Performance under applicable tests is often analyzed using only quantitative factors (e.g., geographic distribution, borrower profile, total number and dollar amount of investments, and branch distribution).

Low-Income: Individual income that is less than 50 percent of the area median income, or a median family income that is less than 50 percent in the case of a geography.

Low Income Housing Tax Credit: The Low-Income Housing Tax Credit Program is a housing program contained within the Internal Revenue Code of 1986, as amended. It is administered by the U.S. Department of the Treasury and the Internal Revenue Service. The U.S. Treasury Department distributes low-income housing tax credits to housing credit agencies through the Internal Revenue Service. The housing agencies allocate tax credits on a competitive basis.

Developers who acquire, rehabilitate, or construct low-income rental housing may keep their tax credits. Or, they may sell them to corporations or investor groups, who, as owners of these properties, will be able to reduce their own federal tax payments. The credit can be claimed annually for ten consecutive years. For a project to be eligible, the developer must set aside a specific percentage of units for occupancy by low-income residents. The set-aside requirement remains throughout the compliance period, usually 30 years.

Market Share: The number of loans originated and purchased by the institution as a percentage of the aggregate number of loans originated and purchased by all reporting lenders in the metropolitan area/assessment area.

Median Income: The median income divides the income distribution into two equal parts, one having incomes above the median and other having incomes below the median.

Metropolitan Division (MD): A county or group of counties within a CBSA that contain(s) an urbanized area with a population of at least 2.5 million. A MD is one or more main/secondary counties representing an employment center or centers, plus adjacent counties associated with the main/secondary county or counties through commuting ties.

Metropolitan Statistical Area (MSA): CBSA associated with at least one urbanized area having a population of at least 50,000. The MSA comprises the central county or counties or equivalent entities containing the core, plus adjacent outlying counties having a high degree of

social and economic integration with the central county or counties as measured through commuting.

Middle-Income: Individual income that is at least 80 percent and less than 120 percent of the area median income, or a median family income that is at least 80 and less than 120 percent in the case of a geography.

Moderate-Income: Individual income that is at least 50 percent and less than 80 percent of the area median income, or a median family income that is at least 50 and less than 80 percent in the case of a geography.

Multi-family: Refers to a residential structure that contains five or more units.

Nonmetropolitan Area (also known as non-MSA): All areas outside of metropolitan areas. The definition of nonmetropolitan area is not consistent with the definition of rural areas. Urban and rural classifications cut across the other hierarchies. For example, there is generally urban and rural territory within metropolitan and nonmetropolitan areas.

Owner-Occupied Units: Includes units occupied by the owner or co-owner, even if the unit has not been fully paid for or is mortgaged.

Qualified Investment: A lawful investment, deposit, membership share, or grant that has as its primary purpose community development.

Rated Area: A rated area is a state or multistate metropolitan area. For an institution with domestic branches in only one state, the institution's CRA rating would be the state rating. If an institution maintains domestic branches in more than one state, the institution will receive a rating for each state in which those branches are located. If an institution maintains domestic branches in two or more states within a multistate metropolitan area, the institution will receive a rating for the multistate metropolitan area.

Rural Area: Territories, populations, and housing units that are not classified as urban.

Small Business Investment Company (SBIC): SBICs are privately-owned investment companies which are licensed and regulated by the Small Business Administration (SBA). SBICs provide long-term loans and/or venture capital to small firms. Because money for venture or risk investments is difficult for small firms to obtain, SBA provides assistance to SBICs to stimulate and supplement the flow of private equity and long-term loan funds to small companies. Venture capitalists participate in the SBIC program to supplement their own private capital with funds borrowed at favorable rates through SBA's guarantee of SBIC debentures. These SBIC debentures are then sold to private investors. An SBIC's success is linked to the growth and profitability of the companies that it finances. Therefore, some SBICs primarily assist businesses with significant growth potential, such as new firms in innovative industries. SBICs finance small firms by providing straight loans and/or equity-type investments. This kind of financing gives them partial ownership of those businesses and the possibility of sharing in the companies' profits as they grow and prosper.

Small Business Loan: A loan included in “loans to small businesses” as defined in the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans.

Small Farm Loan: A loan included in “loans to small farms” as defined in the instructions for preparation of the Consolidated Report of Condition and Income (Call Report). These loans have original amounts of \$500,000 or less and are either secured by farmland, including farm residential and other improvements, or are classified as loans to finance agricultural production and other loans to farmers.

Underserved Middle-Income Nonmetropolitan Geographies: A nonmetropolitan middle-income geography will be designated as underserved if it meets criteria for population size, density, and dispersion indicating the area’s population is sufficiently small, thin, and distant from a population center that the tract is likely to have difficulty financing the fixed costs of meeting essential community needs.

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

Urban Area: All territories, populations, and housing units in urbanized areas and in places of 2,500 or more persons outside urbanized areas. More specifically, “urban” consists of territory, persons, and housing units in places of 2,500 or more persons incorporated as cities, villages, boroughs (except in Alaska and New York), and towns (except in the New England states, New York, and Wisconsin).

“Urban” excludes the rural portions of “extended cities”; census designated place of 2,500 or more persons; and other territory, incorporated or unincorporated, including in urbanized areas.