

PUBLIC DISCLOSURE

April 24, 2023

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

Athol Savings Bank
Certificate Number: 90146

388 Main Street
Athol, Massachusetts 01331

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

Federal Deposit Insurance Corporation
350 Fifth Avenue, Suite 1200
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 Division of Banks (Division). 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.

While both agencies agree on the bank's overall performance, Part 345 of FDIC Rules and Regulations does not provide for a High Satisfactory overall rating.

Athol Savings Bank's Satisfactory performance under the Lending Test and Satisfactory (FDIC) and High Satisfactory (Division) performance under the Community Development Test support the overall ratings. Examiners did not identify any evidence of discriminatory or other illegal credit practices. The following points summarize the bank's Lending Test and Community Development Test performance.

The Lending Test is rated Satisfactory.

- The loan-to-deposit (LTD) ratio is reasonable given the institution's size, financial condition, and assessment area credit needs.
- The bank made a majority of its home mortgage and small business loans inside the assessment area.
- The geographic distribution of loans reflects reasonable dispersion throughout the assessment area.
- The distribution of borrowers reflects excellent penetration of loans 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 Satisfactory by the FDIC and High Satisfactory by the Division.

- The institution demonstrated adequate responsiveness to community development needs in the assessment area through community development loans, qualified investments, and community development services, as appropriate. Examiners considered the institution's capacity and the need and availability of such opportunities for community development within the assessment area.

DESCRIPTION OF INSTITUTION

Background

Athol Savings Bank is a state-chartered mutual savings bank headquartered in Athol, Massachusetts (MA). The bank has one wholly-owned subsidiary, 388 Main Street Securities Corporation, which buys, holds, and sells investment securities. The bank received a Satisfactory rating from the FDIC and a High Satisfactory rating from the Massachusetts Division of Banks during its prior joint evaluation, dated January 14, 2020, based on Intermediate Small Institution (ISI) Examination Procedures. Both agencies agreed on the bank's overall performance; however, Part 345 of FDIC Rules and Regulations does not provide for a High Satisfactory overall rating.

Operations

Athol Savings Bank operates five full-service branches in Worcester County, Massachusetts. In addition to the main office in Athol, the bank maintains full-service branches in Ashburnham, Barre, Gardner, and Winchendon. In September 2021, the bank closed its full-service branch in Baldwinville, which was located in a middle-income census tract. In October 2020, the bank closed a full-service branch at 1499 Main Street in Athol, which was located in a moderate-income census tract. The bank replaced the branch location with a 24-hour automated teller machine (ATM). There has been no merger or acquisition activity since the prior evaluation.

Athol Savings Bank offers residential, consumer, and commercial loans, with a continued primary focus on residential lending. Residential lending products include fixed and adjustable rate mortgage loans, United States Department of Agriculture (USDA) mortgage loans, construction-to-permanent loans, land loans, home equity lines of credit, and home equity loans. Consumer lending products include personal loans, credit builder loans, automobile loans, recreational vehicle loans, and Mass Save HEAT loans. Commercial lending products include commercial real estate loans, construction loans, lines of credit, letters of credit, secured and unsecured loans, term loans, overdraft lines of credit, and Small Business Administration (SBA) guaranteed loans. Personal and commercial deposit services include checking, savings, money market, certificate of deposit accounts, and individual retirement accounts. Alternative banking services include internet, mobile, and telephone banking, and ATMs. The bank's participation in the surcharge-free SUM ATM Network expands ATM availability for customers.

Ability and Capacity

As of December 31, 2022, assets totaled approximately \$582.8 million, which included total loans of \$375.7 million and total securities of \$149.1 million. Assets increased by approximately \$134.4 million, or 30.0 percent, since September 30, 2019 (the last quarter used at the prior evaluation), due to growth in loans and securities. Loans increased by \$73.3 million (24.2 percent) and securities increased by \$56.7 million (61.4 percent). Deposits totaled approximately \$495.9 million as of December 31, 2022, and increased by \$119.9 million (31.9 percent) since the prior evaluation. Loans secured by 1-4 family residential properties represent the largest portion of the portfolio, followed by loans secured by nonfarm nonresidential properties, which is consistent with the prior evaluation. The following table illustrates the loan portfolio.

| Loan Portfolio Distribution as of 12/31/2022 | | |
|---|----------|-------|
| Loan Category | \$(000s) | % |
| Construction, Land Development, and Other Land Loans | 7,934 | 2.1 |
| Secured by Farmland | 1,311 | 0.3 |
| Secured by 1-4 Family Residential Properties | 232,202 | 61.8 |
| Secured by Multifamily (5 or more) Residential Properties | 27,209 | 7.2 |
| Secured by Nonfarm Nonresidential Properties | 56,591 | 15.1 |
| Total Real Estate Loans | 325,247 | 86.6 |
| Commercial and Industrial Loans | 20,655 | 5.5 |
| Agricultural Production and Other Loans to Farmers | 0 | 0.0 |
| Consumer Loans | 29,752 | 7.9 |
| Obligations of State and Political Subdivisions in the U.S. | 0 | 0.0 |
| Other Loans | 0 | 0.0 |
| Lease Financing Receivable (net of unearned income) | 0 | 0.0 |
| Less: Unearned Income | 0 | 0.0 |
| Total Loans | 375,654 | 100.0 |
| <i>Source: Reports of Condition and Income</i> | | |
| <i>Due to rounding, totals may not equal 100.0%</i> | | |

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

DESCRIPTION OF ASSESSMENT AREA

The CRA requires each financial institution to define one or more assessment areas within which its CRA performance will be evaluated. Athol Savings Bank designated a single assessment area, which includes 27 municipalities in Worcester, Franklin, and Middlesex Counties. Worcester County is part of the Worcester, MA-Connecticut (CT) MSA (49340), and is where all of the bank's branches are located. The bank also included adjacent towns in Franklin County, which is part of the Springfield, MA Metropolitan Statistical Area (MSA) (44140), and Middlesex County, which is part of the Cambridge-Newton-Framingham, MA Metropolitan Division (MD) (15764). The assessment area did not change since the prior evaluation. The following table details the cities and towns in the bank's assessment area.

| Assessment Area Cities and Towns | | | |
|---|-------------|-------------|---------------|
| Worcester County (Worcester, MA-CT MSA) | | | |
| Ashburnham | Athol | Barre | Gardner |
| Hardwick | Holden | Hubbardston | New Braintree |
| Oakham | Paxton | Petersham | Phillipston |
| Princeton | Royalston | Rutland | Sterling |
| Templeton | Westminster | Winchendon | |
| Franklin County (Springfield, MA MSA) | | | |
| Erving | Leverett | New Salem | Orange |
| Shutesbury | Wendell | Warwick | |
| Middlesex County (Cambridge-Newton-Framingham, MA MD) | | | |
| Ashby | —1 | | |
| <i>Sou Bank Data</i> | | | |

The following sections discuss demographic and economic information relevant to the assessment area.

Economic and Demographic Data

Athol Savings Bank's assessment area consists of 36 census tracts with the following income designations according to 2020 United States (U.S.) Census data:

- 1 low-income tract,
- 6 moderate-income tracts,
- 19 middle-income tracts, and
- 10 upper-income tracts.

At the prior evaluation, census tract designations were based on the 2015 American Community Survey (ACS), and the assessment area consisted of 31 census tracts, which included 1 low-income, 8 moderate-income, 11 middle-income, and 11 upper-income census tracts. Due to the release of the 2020 U.S. Census data and related changes to census tract boundaries, the assessment area increased by five census tracts, all of which are middle-income census tracts. Additionally, the 2020 U.S. Census resulted in the following income designation changes to existing census tracts: one census tract in Athol changed from middle-income to moderate-income; one census tract in Gardner changed from moderate-income to middle-income; two census tracts in Orange changed from moderate-income to middle-income; and one census tract in Shutesbury changed from upper-income to middle-income.

The low-income census tract is located in Gardner, and the moderate-income census tracts are located in Gardner (3) and Athol (3). There are no underserved or distressed nonmetropolitan middle-income geographies or designated disaster areas in the bank's assessment area. However, there are seven census tracts designated as Qualified Opportunity Zones (QOZs) within the bank's assessment area. QOZs are economically distressed communities approved by the U.S. Department of Treasury, with the goal of promoting economic development and job creation. Specifically, the QOZs are located in Athol (2), Erving (1), Gardner (2), and Orange (2).

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

| Demographic Information of the Assessment Area | | | | | | |
|--|---------|---------------|------------------------------|------------------|-----------------|---------------|
| Demographic Characteristics | | Low % of # | Moderate % of # | Middle % of # | Upper % of # | NA* % of # |
| Geographies (Census Tracts) | 36 | 2.8 | 16.7 | 52.8 | 27.8 | 0.0 |
| Population by Geography | 149,949 | 1.4 | 16.7 | 44.6 | 37.3 | 0.0 |
| Housing Units by Geography | 61,608 | 1.7 | 18.3 | 45.5 | 34.4 | 0.0 |
| Owner-Occupied Units by Geography | 45,007 | 0.3 | 14.3 | 45.9 | 39.5 | 0.0 |
| Occupied Rental Units by Geography | 11,386 | 7.1 | 32.1 | 42.5 | 18.2 | 0.0 |
| Vacant Units by Geography | 5,215 | 2.2 | 23.0 | 49.2 | 25.6 | 0.0 |
| Business by Geography | 10,307 | 1.8 | 14.4 | 42.3 | 41.5 | 0.0 |
| Farms by Geography | 570 | 0.2 | 5.1 | 55.1 | 39.6 | 0.0 |
| Family Distribution by Income Level | 40,100 | 19.9 | 17.3 | 20.2 | 42.6 | 0.0 |
| Household Distribution by Income Level | 56,393 | 20.9 | 15.0 | 16.9 | 47.2 | 0.0 |
| Median Family Income MSA - 15764 Cambridge-Newton-Framingham, MA | | \$121,481 | Median Housing Value | | | \$262,355 |
| Median Family Income MSA - 44140 Springfield, MA MSA | | \$79,907 | Median Gross Rent | | | \$960 |
| Median Family Income MSA - 49340 Worcester, MA-CT MSA | | \$96,860 | Families Below Poverty Level | | | 4.7% |
| <i>Source: 2020 U.S. Census and 2022 D&B Data</i> <i>Due to rounding, totals may not equal 100.0%</i> <i>(*) The NA category consists of geographies that have not been assigned an income classification.</i> | | | | | | |

The Geographic Distribution criterion compares the bank's home mortgage lending to the distribution of owner-occupied housing units. As shown in the Demographic Information of the Assessment Area table, 73.1 percent of the 61,608 housing units are owner-occupied, but only 14.6 percent of owner-occupied units are located in low- or moderate-income census tracts, limiting the bank's home mortgage lending opportunities in those tracts. Opportunities are particularly limited in the low-income census tract where only 0.3 percent of owner-occupied housing units are located.

Examiners used the 2020, 2021 and 2022 Federal Financial Institutions Examination Council (FFIEC)-updated median family income levels to analyze home mortgage loans under the Borrower Profile criterion. The following table presents the low-, moderate-, middle-, and upper-income categories for the assessment area.

| Median Family Income Ranges | | | | |
|---|------------------------|------------------------------------|-----------------------------------|------------------------|
| Median Family Incomes | Low <50% | Moderate 50% to <80% | Middle 80% to <120% | Upper ≥120% |
| Cambridge-Newton-Framingham, MA Median Family Income (15764) | | | | |
| 2020 (\$118,800) | <\$59,400 | \$59,400 to <\$95,040 | \$95,040 to <\$142,560 | ≥\$142,560 |
| 2021 (\$120,200) | <\$60,100 | \$60,100 to <\$96,160 | \$96,160 to <\$144,240 | ≥\$144,240 |
| 2022 (\$138,700) | <\$69,350 | \$69,350 to <\$110,960 | \$110,960 to <\$166,440 | ≥\$166,440 |
| Springfield, MA MSA Median Family Income (44140) | | | | |
| 2020 (\$76,900) | <\$38,450 | \$38,450 to <\$61,520 | \$61,520 to <\$92,280 | ≥\$92,280 |
| 2021 (\$81,300) | <\$40,650 | \$40,650 to <\$65,040 | \$65,040 to <\$97,560 | ≥\$97,560 |
| 2022 (\$91,300) | <\$45,650 | \$45,650 to <\$73,040 | \$73,040 to <\$109,560 | ≥\$109,560 |
| Worcester, MA-CT MSA Median Family Income (49340) | | | | |
| 2020 (\$95,300) | <\$47,650 | \$47,650 to <\$76,240 | \$76,240 to <\$114,360 | ≥\$114,360 |
| 2021 (\$96,700) | <\$48,350 | \$48,350 to <\$77,360 | \$77,360 to <\$116,040 | ≥\$116,040 |
| 2022 (\$107,900) | <\$53,950 | \$53,950 to <\$86,320 | \$86,320 to <\$129,480 | ≥\$129,480 |
| <i>Source: FFIEC</i> | | | | |

Considering the median housing value in the assessment area of \$262,355 compared to the income ranges for low- and moderate-income families, there may be limited opportunities, particularly for low-income families, to qualify for a mortgage under conventional underwriting standards. Additionally, more than one-third of families in the assessment area (37.2 percent) are low- or moderate-income, and approximately 4.7 percent of families live below the poverty level, which represents a subset of low-income families. These factors may limit the bank's home mortgage lending opportunities to low- and moderate-income families and increase competition for home mortgage lending to these families in the assessment area.

The analysis of small business loans under the Borrower Profile criterion compares the distribution of loans to businesses by gross annual revenue (GAR) category to D&B data. According to 2022 D&B data, 10,307 non-farm businesses operate in the assessment area. Service industries represent the largest portion of businesses at 35.6 percent, followed by non-classifiable establishments at 17.4 percent, construction at 10.3 percent, and retail trade at 10.2 percent. The majority of non-farm businesses in the assessment area are small, with a significant majority of businesses (93.0 percent) having nine or fewer employees and 91.7 percent operating from a single location.

The following reflects the breakdown of the businesses in the assessment area by GAR category.

- 88.7 percent have \$1.0 million or less,
- 3.0 percent have more than \$1.0 million, and
- 8.3 percent have unknown revenues.

According to the U.S. Bureau of Labor Statistics, unemployment rates in the assessment area increased since the prior evaluation period, which is attributable to the COVID-19 pandemic. Specifically, in 2020, the pandemic adversely affected the labor market, resulting in elevated annual average unemployment rates in Worcester, Franklin, and Middlesex Counties, as well as

Massachusetts and the nation as a whole. However, the economy and labor market are rebounding, as the annual average unemployment rates in all three counties, in MA, and in the entire nation have declined since 2020. The 2022 annual average unemployment rates dropped to 3.9 percent in Worcester County, 3.4 percent in Franklin County, and 3.1 percent in Middlesex County, which all reflect more than a 50.0 percent decrease from their respective 2020 annual average unemployment rates. The following table reflects unemployment rates in the assessment area compared to the state and national unemployment rates throughout the evaluation period.

| Unemployment Rates | | | |
|--|-------------|-------------|-------------|
| Area | 2020 | 2021 | 2022 |
| | % | % | % |
| Worcester County | 9.2 | 5.7 | 3.9 |
| Franklin County | 7.9 | 4.9 | 3.4 |
| Middlesex County | 7.7 | 4.5 | 3.1 |
| Massachusetts | 9.4 | 5.5 | 3.8 |
| National Average | 8.1 | 5.3 | 3.6 |
| <i>Source: U.S. Bureau of Labor Statistics</i> | | | |

Competition

Athol Savings Bank operates in a moderately competitive market for financial services. According to Deposit Market Share data as of June 30, 2022, 11 financial institutions operated 21 branches in the bank's assessment area. Of these institutions, Athol Savings Bank ranked 1st with a deposit market share of 27.1 percent.

There is also a high level of competition for home mortgage loans among large national banks, community banks, credit unions, and mortgage companies in the assessment area. In 2021, aggregate home mortgage lending data showed 326 lenders originated or purchased 9,025 home mortgage loans in the assessment area. Athol Savings Bank ranked 10th with a 2.2 percent market share and was the top-ranked community bank. The nine lenders ranked higher than Athol Savings Bank were all large mortgage companies or credit unions and collectively held approximately 31.7 percent market share.

Athol Savings Bank is not required to report its small business lending 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 2021, aggregate small business lending data showed 217 lenders originated or purchased 75,063 small business loans in Worcester, Franklin, and Middlesex Counties, indicating a high level of competition. The top three lenders, American Express National Bank; Bank of America, N.A.; and JPMorgan Chase Bank, N.A., all large national banks, collectively held approximately 42.2 percent market share. Additionally, in 2021, aggregate small business lending data showed that in Worcester County alone, the area that Athol Savings Bank predominately serves, 145 lenders originated or purchased 19,689 small business loans, further indicating a high level of competition.

Community Contact

As part of the evaluation process, examiners contact third parties active in the assessment area to understand the area's credit and community development needs. The information obtained helps to determine whether local financial institutions are responsive to those needs. The information also shows what credit and community development opportunities are available.

Examiners contacted a representative of a local community development corporation operating in the assessment area. The organization assists with affordable housing, small business development, and neighborhood revitalization. The contact stressed that increased partnership and collaboration between local financial institutions and non-profit organizations could increase services to low- and moderate-income individuals and small businesses. Additionally, recent changes in the housing market conditions have adversely affected affordability for first-time homebuyers. Increased mortgage interest rates and home prices, reduced inventory, and suitability of available inventory present obstacles to long-term investments for these potential homebuyers. Additionally, some small businesses permanently closed during and after the COVID-19 pandemic, and new and existing small business owners have experienced challenges or delays in obtaining financing and necessary permits to initially open or re-open their businesses. The contact also noted that there is no physical branch office of any financial institution in downtown Fitchburg and expressed concern that local residents have limited access to banking services. Lastly, the contact noted that the lack of banking services offered in Spanish creates an obstacle for Spanish-speaking individuals in the area.

Examiners also contacted a representative of a local organization that promotes community development, affordable housing, and economic development within the assessment area. The organization works to alleviate poverty and deliver services to low-income individuals and families, including childcare, education, workforce development, nutrition, health, community support, and affordable housing. The contact noted challenges with obtaining capital to acquire real estate for affordable housing. Additionally, the contact noted that the organization would benefit from funding support for their various programs. The contact also noted that financial education classes on budgeting and credit score management would assist individuals in the assessment area. Lastly, the contact noted that local financial institutions have an opportunity to work with diverse populations, and therefore, an opportunity to enhance the banking experience for these diverse populations.

Credit and Community Development Needs and Opportunities

Examiners considered information gathered from the community contacts and the bank, as well as available economic and demographic data, to determine the assessment area's primary credit and community development needs. Examiners determined that affordable housing and homelessness prevention are primary community development needs. Direct charitable donations would provide helpful support. Economic development opportunities exist through small business financing and the addition of brick-and-mortar bank locations in the low- and moderate-income census tracts. Finally, consumer and small business financial literacy opportunities exist, particularly in the Athol, Fitchburg, Gardner, and Leominster.

SCOPE OF EVALUATION

General Information

This evaluation covers the period from the prior evaluation dated January 14, 2020, to the current evaluation dated April 24, 2023. Examiners used ISI Examination Procedures to evaluate Athol Savings Bank's CRA performance. As the Appendices describe, these procedures include two tests: the CRA Small Bank Lending Test and the Community Development Test.

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 and purchased during the evaluation period. No other loan types, such as small farm or consumer loans, represent major product lines. They provide no material support for conclusions or ratings; therefore, examiners did not present them.

Examiners considered all originated and purchased home mortgage loans reported on the bank's 2020, 2021, and 2022 Home Mortgage Disclosure (HMDA) Loan Application Registers (LARs). In 2020, the bank reported 210 originations and purchases totaling \$49.5 million. In 2021, the bank reported 272 originations and purchases totaling \$83.6 million. Lastly, in 2022, the bank reported 174 originations and purchases totaling \$40.5 million. Examiners compared Athol Savings Bank's 2020 and 2021 home mortgage lending performance to 2015 American Community Survey (ACS) demographic data. Examiners compared the bank's 2022 home lending performance to 2020 U.S. Census data. Examiners also compared the bank's 2020 and 2021 lending activity to aggregate data, as 2022 aggregate data is not yet available.

As an ISI, the bank is not required to collect or report small business data; however, the bank voluntarily collected small business data during the evaluation period. Examiners analyzed the bank's 2020, 2021 and 2022 collected small business data. In 2020, the bank originated 166 small business loans totaling \$12.5 million. In 2021, the bank originated 125 small business loans totaling \$10.0 million. Lastly, in 2022, the bank originated and purchased 117 small business loans totaling \$18.2 million. In 2020 and 2021, the bank originated a significant number of SBA Payment Protection Program (PPP) loans. Specifically, in 2020, the bank originated 169 PPP loans totaling \$14.5 million, and in 2021, the bank originated 122 PPP loans totaling \$7.1 million. The Lending Test does not include 30 PPP loans totaling \$6.2 million in 2020 and 23 PPP loans totaling \$1.6 million in 2021, as these loans qualified as community development loans, and bank management requested that examiners consider them as part of their Community Development Test performance. Therefore, 139 PPP loans totaling \$8.2 million are included in the 2020 small business analysis, which represent 83.7 percent of the total number of 2020 small business loans. Additionally, 99 PPP loans totaling \$5.5 million are included in the 2021 small business analysis, which represent 79.2 percent of the total number of 2021 small business loans. Since the bank did not elect to report small business data, examiners did not use aggregate data as a standard of comparison, as noted

previously. Therefore, 2020, 2021, and 2022 D&B demographic data provided the only standard of comparison for small business loans.

For the Lending Test, examiners reviewed the number and dollar volume of home mortgage and small business loans. Although examiners presented the number and dollar volume of loans, they 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 gave more weight to the bank's home mortgage lending performance due to the bank's business focus, origination and purchase activity, and loan portfolio distribution.

For the Community Development Test, examiners reviewed community development loans, investments, and services since the prior CRA evaluation dated January 14, 2020, to the current evaluation date of April 24, 2023.

CONCLUSIONS ON PERFORMANCE CRITERIA

LENDING TEST

Athol Savings Bank demonstrated reasonable performance under the Lending Test. Performance under the Assessment Area Concentration, LTD Ratio, Borrower Profile, and Geographic Distribution criteria support this conclusion. The following sections address overall bank performance for each Lending Test component.

Loan-to-Deposit Ratio

The LTD ratio is reasonable given the institution's size, financial condition, and assessment area credit needs. The bank's LTD ratio, calculated from Call Report data, averaged 70.7 percent over the last 13 calendar quarters from December 31, 2019 to December 31, 2022. During the evaluation period, the ratio generally demonstrated a decreasing trend and ranged from a high of 78.0 percent as of December 31, 2019, to a low of 66.7 percent as of March 31, 2021. Starting March 31, 2022, the LTD ratio began to consistently increase. A steady increase in deposits in 2020 and 2021 caused by federal and state government COVID-19 distributions, paired with a decline in overall lending activity, contributed to the declining trend in the quarterly LTD ratio during the evaluation period.

Examiners compared the bank's average LTD ratio to that of two similarly situated institutions. Examiners selected the similarly situated institutions based on asset size, lending focus, and geographic location. The following table shows that Athol Savings Bank's ratio fell between that of the two similarly situated institutions.

| Loan-to-Deposit (LTD) Ratio Comparison | | |
|--|--|---------------------------------|
| Bank | Total Assets as of 12/31/2022 (\$000s) | Average Net LTD Ratio (%) |
| Greenfield Co-Operative Bank | 765,250 | 68.3 |
| Athol Savings Bank | 582,843 | 70.7 |
| Bay State Savings Bank | 500,594 | 95.8 |
| <i>Source: Reports of condition and Income 10/31/2019-12/31/2022</i> | | |

Assessment Area Concentration

Athol Savings Bank originated a majority of home mortgage and small business loans, by number and dollar volume, within the assessment area over the evaluation period. However, in 2022, the bank purchased 81 commercial loans totaling \$11.7 million, which were outside the assessment area. These loan purchases had a significant decreasing effect on the percentage by number and dollar volume of the bank's small business loans within the assessment area in 2022.

Please refer to the following table for totals by year and loan category.

| Lending Inside and Outside of the Assessment Area | | | | | | | | | | |
|--|-----------------|------|---------|------|------------|---------------------------------|------|---------|------|-------------------|
| Loan Category | Number of Loans | | | | Total # | Dollar Amount of Loans \$(000s) | | | | Total \$(000s) |
| | Inside | | Outside | | | Inside | | Outside | | |
| | # | % | # | % | \$ | % | \$ | % | | |
| Home Mortgage | | | | | | | | | | |
| 2020 | 166 | 79.0 | 44 | 21.0 | 210 | 29,303 | 59.3 | 20,152 | 40.7 | 49,455 |
| 2021 | 202 | 74.3 | 70 | 25.7 | 272 | 38,678 | 46.3 | 44,938 | 53.7 | 83,616 |
| 2022 | 127 | 73.0 | 47 | 27.0 | 174 | 21,751 | 53.7 | 18,761 | 46.3 | 40,512 |
| Subtotal | 495 | 75.5 | 161 | 24.5 | 656 | 89,732 | 51.7 | 83,851 | 48.3 | 173,583 |
| Small Business | | | | | | | | | | |
| 2020 | 138 | 83.1 | 28 | 16.9 | 166 | 8,672 | 69.1 | 3,870 | 30.9 | 12,542 |
| 2021 | 99 | 79.2 | 26 | 20.8 | 125 | 6,596 | 66.2 | 3,362 | 33.8 | 9,958 |
| 2022 | 25 | 21.4 | 92 | 78.6 | 117 | 2,838 | 15.6 | 15,317 | 84.4 | 18,155 |
| Subtotal | 262 | 64.2 | 146 | 35.8 | 408 | 18,106 | 44.5 | 22,549 | 55.5 | 40,655 |
| Total | 757 | 71.1 | 307 | 28.9 | 1,064 | 107,838 | 50.3 | 106,400 | 49.7 | 214,238 |
| <i>Source: Reported 2020, 2021, & 2022 HMDA Data; Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | | | | | | | |

Geographic Distribution

The geographic distribution of home mortgage and small business loans reflects reasonable dispersion throughout the assessment area. The bank's reasonable performance in 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. Examiners noted that the assessment area only includes one low-income census tract (downtown

Gardner), which limits the home mortgage and small business lending opportunities in low-income geographies.

Home Mortgage Loans

The geographic distribution of home mortgage loans reflects reasonable dispersion throughout the assessment area. As the following table shows, while the bank did not originate any loans in the low-income census tract in 2020, the percentage of owner-occupied housing units and the aggregate market's performance were also low. In 2021, lending in the low-income census tract increased and exceeded both aggregate and demographic data. In 2022, the bank did not originate any loans in the low-income census tract, but again, the demographic comparator was also low.

In 2020, lending in moderate-income census tracts fell slightly below aggregate and demographic data. In 2021, lending in moderate-income census tracts doubled by number and exceeded both aggregate and demographic data. The bank's performance also exceeded demographic data in 2022. Market share data further supports this conclusion. In 2021, Athol Savings Bank ranked 6th out of 178 lenders that originated or purchased a home mortgage loan in moderate-income census tracts, with a market share of 3.1 percent. Athol Savings Bank was the top-ranked community bank.

The location of the bank's branch offices in relation to the low- and moderate-income census tracts likely affects its performance in these areas. Specifically, the Athol and Gardner branches, along with one stand-alone ATM in Athol, are located in moderate-income census tracts. The Gardner branch is also located within one mile of the low-income census tract within the assessment area.

| Geographic Distribution of Home Mortgage Loans | | | | | | |
|--|-----------------------------------|------------------------------|-----|-------|----------|-------|
| Tract Income Level | % of Owner-Occupied Housing Units | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 0.5 | 0.4 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.5 | 0.5 | 2 | 1.0 | 360 | 0.9 |
| 2022 | 0.3 | -- | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | | |
| 2020 | 17.2 | 15.3 | 23 | 13.9 | 3,754 | 12.8 |
| 2021 | 17.2 | 16.5 | 46 | 22.8 | 7,562 | 19.6 |
| 2022 | 14.3 | -- | 27 | 21.3 | 4,080 | 18.8 |
| Middle | | | | | | |
| 2020 | 37.3 | 31.0 | 110 | 66.3 | 18,342 | 62.6 |
| 2021 | 37.3 | 31.7 | 108 | 53.5 | 20,274 | 52.4 |
| 2022 | 45.9 | -- | 81 | 63.8 | 14,620 | 67.2 |
| Upper | | | | | | |
| 2020 | 45.0 | 53.3 | 33 | 19.9 | 7,207 | 24.6 |
| 2021 | 45.0 | 51.2 | 46 | 22.8 | 10,483 | 27.1 |
| 2022 | 39.5 | -- | 19 | 15.0 | 3,052 | 14.0 |
| Not Available | | | | | | |
| 2020 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.0 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 0.0 | -- | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 166 | 100.0 | 29,303 | 100.0 |
| 2021 | 100.0 | 100.0 | 202 | 100.0 | 38,678 | 100.0 |
| 2022 | 100.0 | -- | 127 | 100.0 | 21,751 | 100.0 |
| Source: 2015 ACS; 2020 U.S. Census; 2020 & 2021 HMDA Aggregate Data; Reported 2020, 2021, & 2022 HMDA Data, "--" data not available. Due to rounding totals may not equal 100.0% | | | | | | |

Small Business Loans

The geographic distribution of small business loans reflects reasonable dispersion throughout the assessment area. The following table shows that during the evaluation period, the bank did not originate any small business loans within the low-income census tract; however, a very small percentage of the area's businesses are located in the low-income census tract. In all three years, the bank originated a reasonable percentage of loans in moderate-income census tracts; however, performance was below demographic data. Given the level of competition for small business loans in the assessment area and the size and complexity of the bank, performance is reasonable.

| Geographic Distribution of Small Business Loans | | | | | |
|---|-----------------|-----|-------|----------|-------|
| Tract Income Level | % of Businesses | # | % | \$(000s) | % |
| Low | | | | | |
| 2020 | 1.8 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 1.8 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 1.8 | 0 | 0.0 | 0 | 0.0 |
| Moderate | | | | | |
| 2020 | 19.0 | 21 | 15.2 | 741 | 8.5 |
| 2021 | 18.6 | 15 | 15.2 | 647 | 9.8 |
| 2022 | 14.4 | 3 | 12.0 | 256 | 9.0 |
| Middle | | | | | |
| 2020 | 32.7 | 83 | 60.1 | 6,260 | 72.2 |
| 2021 | 32.4 | 60 | 60.6 | 3,378 | 51.2 |
| 2022 | 42.3 | 18 | 72.0 | 2,457 | 86.6 |
| Upper | | | | | |
| 2020 | 46.5 | 34 | 24.6 | 1,671 | 19.3 |
| 2021 | 47.1 | 24 | 24.2 | 2,571 | 39.0 |
| 2022 | 41.5 | 4 | 16.0 | 125 | 4.4 |
| Not Available | | | | | |
| 2020 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2021 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| 2022 | 0.0 | 0 | 0.0 | 0 | 0.0 |
| Totals | | | | | |
| 2020 | 100.0 | 138 | 100.0 | 8,672 | 100.0 |
| 2021 | 100.0 | 99 | 100.0 | 6,596 | 100.0 |
| 2022 | 100.0 | 25 | 100.0 | 2,838 | 100.0 |
| <i>Source: 2020, 2021 & 2022 D&B Data, Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | |

Borrower Profile

The distribution of borrowers reflects excellent penetration among individuals of different income levels and businesses of different sizes. The bank's excellent performance in home mortgage and reasonable performance in small business lending supports this conclusion. Examiners focused on the percentage, by number, of home mortgage loans to low- and moderate-income borrowers and small business loans to businesses with GARs of \$1.0 million or less.

Home Mortgage Loans

The distribution of home mortgage loans reflects excellent penetration among individuals of different income levels, including low- and moderate-income borrowers. The following table

shows that in 2020, lending to low-income borrowers exceeded aggregate data, and in 2021, lending to low-income borrowers nearly doubled by number, further exceeding aggregate data. In 2022, lending to low-income borrowers increased by percentage, but was below demographics. In all three years, lending to low-income borrowers fell below the percentage of low-income families in the assessment area. However, low-income families in the assessment area, earning less than \$48,350 in the Worcester MA-CT MSA, less than \$40,650 in the Springfield, MA MSA, and less than \$60,100 in the Cambridge-Newton-Framingham, MA MD, most likely would have difficulty qualifying for a mortgage under conventional underwriting standards, considering the median housing value of \$262,355. Additionally, the percentage of low-income families in the assessment area includes families living below the poverty level. These facts help explain the disparity between bank and aggregate lending and the percent of families.

In 2020 and 2021, the bank's performance in lending to moderate-income borrowers exceeded both aggregate data and the percentage of moderate-income families in the assessment area. In 2022, lending to moderate-income borrowers continued to exceed the percentage of moderate-income families in the assessment area.

| Distribution of Home Mortgage Loans by Borrower Income Level | | | | | | |
|--|---------------|------------------------------|-----|-------|----------|-------|
| Borrower Income Level | % of Families | Aggregate Performance % of # | # | % | \$(000s) | % |
| Low | | | | | | |
| 2020 | 18.5 | 6.3 | 12 | 7.2 | 1,159 | 4.0 |
| 2021 | 18.5 | 7.3 | 22 | 10.9 | 2,249 | 5.8 |
| 2022 | 19.9 | -- | 17 | 13.4 | 1,312 | 6.0 |
| Moderate | | | | | | |
| 2020 | 16.9 | 20.2 | 47 | 28.3 | 6,516 | 22.2 |
| 2021 | 16.9 | 21.4 | 47 | 23.3 | 6,825 | 17.6 |
| 2022 | 17.3 | -- | 36 | 28.3 | 4,525 | 20.8 |
| Middle | | | | | | |
| 2020 | 22.7 | 25.0 | 45 | 27.1 | 7,212 | 24.6 |
| 2021 | 22.7 | 25.5 | 47 | 23.3 | 8,677 | 22.4 |
| 2022 | 20.2 | -- | 34 | 26.8 | 5,968 | 27.4 |
| Upper | | | | | | |
| 2020 | 41.9 | 32.9 | 55 | 33.1 | 12,925 | 44.1 |
| 2021 | 41.9 | 30.5 | 76 | 37.6 | 17,801 | 46.0 |
| 2022 | 42.6 | -- | 28 | 22.0 | 6,378 | 29.3 |
| Not Available | | | | | | |
| 2020 | 0.0 | 15.5 | 7 | 4.2 | 1,491 | 5.1 |
| 2021 | 0.0 | 15.4 | 10 | 5.0 | 3,127 | 8.1 |
| 2022 | 0.0 | -- | 12 | 9.4 | 3,568 | 16.4 |
| Totals | | | | | | |
| 2020 | 100.0 | 100.0 | 166 | 100.0 | 29,303 | 100.0 |
| 2021 | 100.0 | 100.0 | 202 | 100.0 | 38,678 | 100.0 |
| 2022 | 100.0 | -- | 127 | 100.0 | 21,751 | 100.0 |

Source: 2015 ACS; 2020 U.S. Census; Reported 2020, 2021, & 2022 HMDA Data; 2020 & 2021 HMDA Aggregate Data, "--" data not available. Due to rounding, totals may not equal 100.0%

Small Business Loans

The distribution of small business loans reflects reasonable penetration to businesses with GARs of \$1.0 million or less. The following table shows that in 2020, the bank's lending to businesses with GARs of \$1.0 million or less fell significantly below the demographic data. In 2021, lending to businesses with GARs of \$1.0 million or less increased, but still fell well below the demographic data. In 2022, the bank's lending to businesses with GARs of \$1.0 million or less more than tripled by percentage, as the bank originated the majority of its small business loans to businesses with GARs of \$1.0 million or less. While the bank's performance still fell below demographic data in 2022, it was much closer to the demographic data when compared to 2020 and 2021 performance. Additionally, examiners noted that the bank's 2022 performance, by percentage, was similarly to pre-pandemic levels.

| Distribution of Small Business Loans by Gross Annual Revenue Category | | | | | |
|---|-----------------|------------|--------------|--------------|--------------|
| Gross Revenue Level | % of Businesses | # | % | \$(000)s | % |
| <=\$1,000,000 | | | | | |
| 2020 | 87.2 | 7 | 5.1 | 839 | 9.7 |
| 2021 | 87.9 | 13 | 13.1 | 1,073 | 16.3 |
| 2022 | 88.7 | 13 | 52.0 | 575 | 20.3 |
| >\$1,000,000 | | | | | |
| 2020 | 3.8 | 5 | 3.6 | 1,252 | 14.4 |
| 2021 | 3.4 | 8 | 8.1 | 1,371 | 20.8 |
| 2022 | 3.0 | 8 | 32.0 | 2,136 | 75.3 |
| Revenue Not Available | | | | | |
| 2020 | 9.1 | 126 | 91.3 | 6,581 | 75.9 |
| 2021 | 8.8 | 78 | 78.8 | 4,152 | 62.9 |
| 2022 | 8.3 | 4 | 16.0 | 127 | 4.5 |
| Totals | | | | | |
| 2020 | 100.0 | 138 | 100.0 | 8,672 | 100.0 |
| 2021 | 100.0 | 99 | 100.0 | 6,596 | 100.0 |
| 2022 | 100.0 | 25 | 100.0 | 2,838 | 100.0 |
| <i>Source: 2020, 2021 & 2022 D&B Data; Bank Data; "--" data not available. Due to rounding, totals may not equal 100.0%</i> | | | | | |

Examiners noted that the primary reason for the low volume of loans to businesses with GARs of \$1.0 million or less was the large volume of PPP loans that the bank was not required to, and did not, consider or collect GARs for during the application process. Therefore, the "Revenue Not Available" category includes all PPP loans originated inside the assessment area, which significantly reduces the percentage of loans in the two GAR categories. Therefore, examiners could not conduct meaningful analysis of lending to businesses of different sizes for 2020 and 2021. Instead, examiners used loan size as a proxy for GAR for the PPP loans.

As shown in the following Distribution of PPP Loans by Loan Size tables, the vast majority of the bank's PPP loans in 2020 and 2021 were for loan amounts of \$100,000 or less, indicating that the bank is most likely helping to serve the needs of small businesses in the assessment area.

| Distribution of PPP Loans by Loan Size (2020) | | | | |
|---|------------|--------------|---------------|--------------|
| Loan Size | Count | Percent | Dollar (000s) | Percent |
| < \$100,000 | 109 | 90.8 | 2,568 | 40.3 |
| \$100,000 - \$249,999 | 5 | 4.2 | 759 | 11.9 |
| \$250,000 - \$1,000,000 | 6 | 5.0 | 3,050 | 47.8 |
| Total | 120 | 100.0 | 6,377 | 100.0 |
| <i>Source: 1/1/2020-12/31/2020 Bank Data Due to rounding, totals may not equal 100.0%</i> | | | | |

| Distribution of PPP Loans by Loan Size (2021) | | | | |
|---|-----------|--------------|---------------|--------------|
| Loan Size | Count | Percent | Dollar (000s) | Percent |
| < \$100,000 | 70 | 89.7 | 1,803 | 43.4 |
| \$100,000 - \$249,999 | 5 | 6.4 | 682 | 16.4 |
| \$250,000 - \$1,000,000 | 3 | 3.8 | 1,667 | 40.1 |
| Total | 78 | 100.0 | 4,152 | 100.0 |
| <i>Source: 1/1/2021-12/31/2021 Bank Data Due to rounding; totals may not equal 100.0%</i> | | | | |

Response to Complaints

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

COMMUNITY DEVELOPMENT TEST

Athol Savings Bank demonstrated adequate responsiveness to the community development needs of its assessment area 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 assessment area.

Community Development Loans

During the evaluation period, the bank originated 78 community development loans totaling approximately \$17.7 million and representing 3.4 percent of average total assets and 5.4 percent of average total loans. The volume of community development lending increased significantly since the prior evaluation period. During the prior evaluation period, the bank originated 40 community development loans totaling approximately \$9.4 million. The increase at the current evaluation is primarily due to the significant number of PPP loan originations that qualify as community development loans. Specifically, PPP loans account for 67.9 percent, by number, and 44.1 percent, by dollar amount, of the bank's total qualified community development loans. When compared to two similarly situated institutions, the bank's volume of community development lending significantly exceeded both institutions by number and one institution by total dollar amount.

The bank provided approximately \$6.2 million in community development loans for affordable housing initiatives, which examiners identified as a significant need in the assessment area. The bank also provided approximately \$3.6 million in community development loans that promoted economic development, which examiners also identified as a significant need. Since the bank was responsive to the community development credit needs within its assessment area, examiners also considered the community development loans made outside of the assessment area. Of the 78 total community development loans, six loans totaling approximately \$3.7 million were made outside the assessment area. The following table illustrates the bank's community development lending activity by year and purpose.

| Community Development Lending | | | | | | | | | | |
|-------------------------------|----------|--------------------|--------------------|------------|----------------------|--------------|-------------------------|--------------|-----------|---------------|
| Activity Year | # | Affordable Housing | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| 2020 | 3 | 1,978 | 1 | 100 | 12 | 2,006 | 27 | 6,109 | 43 | 10,193 |
| 2021 | 5 | 3,914 | 1 | 25 | 2 | 1,238 | 23 | 1,569 | 31 | 6,746 |
| 2022 | 1 | 304 | 0 | 0 | 2 | 309 | 1 | 100 | 4 | 713 |
| YTD 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 9 | 6,196 | 2 | 125 | 16 | 3,553 | 51 | 7,778 | 78 | 17,652 |

Source: Bank Data

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

- During the evaluation period, the bank originated 53 PPP loans totaling approximately \$7.8 million. Fifty of the PPP loans helped revitalize and stabilize low- and moderate-income census tracts by retaining jobs, businesses, and residents in these geographies. Three of the PPP loans promoted economic development by providing financing to small businesses in areas targeted for redevelopment.
- In 2021, the bank originated a \$367,500 loan to purchase and renovate a residential rental property located in Gardner. The loan promoted affordable housing for low- and moderate-income individuals, with all six units priced below the U.S. Department of Housing and Urban Development (HUD) Fair Market rents.
- In 2022, the bank originated a \$100,000 loan to assist with the construction costs of a new retail building in Gardner. The building contains space for six commercial occupants. The construction of the new retail building will attract new businesses and jobs to the moderate-income census tract, helping to revitalize and stabilize the geography.

Qualified Investments

During the evaluation period, the bank made 70 qualified investments totaling approximately \$5.3 million, which comprises four prior period investments totaling approximately \$5.1 million and 66 donations totaling approximately \$191,000. The dollar amount of qualified investments equates to 1.0 percent of average total assets and 4.1 percent of average total securities. At the prior evaluation, the bank had made 69 qualified investments totaling approximately \$8.6 million. By number, the bank's volume of qualified investments slightly increased since the prior evaluation, while by dollar amount, the volume decreased. When compared to two similarly situated institutions, the bank's performance by number of qualified investments was similar to both institutions. When compared to the similarly situated institutions based on dollar amount, the bank significantly exceeded both institutions.

The bank provided approximately \$5.1 million in qualified investments that promoted economic development, which examiners identified as a significant need. Since the bank was responsive to the community development investment needs within its assessment area, examiners also considered the community development investments made outside the assessment area. Of the total

70 qualified investments, four donations totaling \$4,100 were outside the assessment area and benefitted the broader regional area.

| Qualified Investments | | | | | | | | | | |
|------------------------------|--------------------|----------|--------------------|------------|----------------------|--------------|-------------------------|-----------|-----------|--------------|
| Activity Year• | Affordable Housing | | Community Services | | Economic Development | | Revitalize or Stabilize | | Totals | |
| | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) | # | \$(000s) |
| Prior Period | 0 | 0 | 0 | 0 | 4 | 5,070 | 0 | 0 | 4 | 5,070 |
| 2020 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2021 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2022 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| YTD 2023 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Subtotal | 0 | 0 | 0 | 0 | 4 | 5,070 | 0 | 0 | 4 | 5,070 |
| Qualified Grants & Donations | 4 | 8 | 58 | 152 | 1 | 1 | 3 | 31 | 66 | 192 |
| Total | 4 | 8 | 58 | 152 | 5 | 5,071 | 3 | 31 | 70 | 5,262 |

Source: Bank Data

Equity Investments

The following describes the bank's prior period equity investments.

- During the evaluation period, the bank continued to hold four equity investments. The investments promote economic development through loan pools supporting Small Business Development Companies recognized by the SBA. The loans pools are composed of loans nationwide, including loans in the bank's state and broader regional area. The current book value of the investments is approximately \$5.1 million.

Donations

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

- **Athol Royalston Regional School District** - In 2020, the bank donated \$2,000 to help establish a remote learning center for Athol High School students during the COVID-19 pandemic. The remote learning center provided access to the internet in a safe environment, allowing equal opportunity to remote learning for all students. The majority of Athol High School come from low- or moderate-income families.
- **Food Banks, Food Pantries, and Related Programs** - During the evaluation period, the bank donated approximately \$32,368 to local food banks, food pantries, and food insecurity programs that help fight hunger for low- and moderate-income individuals. Examples of recipients include the Barre Food Bank, Templeton Food Pantry, Athol Salvation Army Food Pantry, Heywood Healthcare's Backpack Food Program, and the Gardner Community Action Committee Food Pantry.
- **Athol Hospital** - Athol Hospital is a High Public Payer hospital located in a moderate

income census tract, which primarily serves low- and moderate-income individuals. The town of Athol is also designated as a Medically Underserved Area and a Primary Care Health Professional Shortage Area. The bank donated \$15,000 in 2020 and \$15,000 in 2021 towards a major capital project to build a new emergency department and expand the medical official building at Athol Hospital. The project allows the hospital to serve more patients, provide increased access to medical services, and improve the quality of care to the low- and moderate-income individuals in the area. The project created additional jobs and attracted new professionals, especially physicians, to the moderate-income area. These donations helped revitalize a moderate-income area in the assessment area.

Community Development Services

During the evaluation period, bank employees and officers provided 89 instances of financial expertise or technical assistance to 18 different community development organizations in the assessment area. The number of instances and organizations increased since the prior evaluation period when the bank provided 59 instances of financial expertise or technical assistance to 13 different community development organizations. When compared to two similarly situated institutions by the number of instances, the bank exceeded one institution and fell below the other.

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

| Community Development Services | | | | | |
|--------------------------------|--------------------|--------------------|----------------------|-------------------------|-----------|
| Activity Year | Affordable Housing | Community Services | Economic Development | Revitalize or Stabilize | Totals |
| | # | # | # | # | # |
| 2020 | 0 | 24 | 3 | 0 | 27 |
| 2021 | 0 | 21 | 3 | 0 | 24 |
| 2022 | 0 | 17 | 3 | 0 | 20 |
| YTD 2023 | 0 | 16 | 2 | 0 | 18 |
| Total | | 78 | 11 | 0 | 89 |
| <i>Source: Bank Data</i> | | | | | |

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

Employee Involvement

- **Athol YMCA** - The Athol YMCA is a non-profit community service organization that provides sports, wellness, early education, and childcare programs targeted to low- and moderate-income individuals in the area. A bank Senior Vice President served as Board member, Assistant Treasurer, and Finance Committee member in 2020. Additionally, a Financial Services Officer served as Board member and Finance Committee member in 2020, 2021, 2022, and 2023, and as Treasurer in 2020, 2021, and 2022.
- **Worcester County Food Bank** - The Worcester County Food Bank partners with local organizations to provide donated food to those in need. The food bank also helps advocate for policies and programs that decrease hunger and increase access to food. The bank's

Chief Financial Officer served as a Board member in 2020, 2021, 2022, and 2023.

- **Save\$um Banking and Schools Program** - The Save\$um Banking and Schools Program is part of the FDIC Youth Banking Network. The Save\$um Banking program allows youth to develop money management skills by opening savings accounts early in life. Five local schools participate in the Save\$um Schools Program, including Toy Town Elementary School in Winchendon and Athol Community Elementary School in Athol, where the majority of students are eligible for free lunch. Two employees provide financial education to the students and access to Save\$um accounts at the participating schools. Specifically, the employees select and train the student tellers at each school and serve as financial services advisors to the students throughout the year. One employee was involved with the program throughout the entire evaluation period, while the other began participating in 2022.

Other Services

- **Financial Literacy Class** - In March 2023, three employees provided a financial literacy class on budgeting at Alyssa's Place, a peer recovery and resource center in Gardner. The majority of attendees were low- or moderate-income.
- **Retail Banking Services** - The bank's retail banking services provide benefit to low- and moderate-income individuals. Specifically, the main office in Athol and branch location in Gardner are both located in moderate-income census tracts. The Gardner branch is also accessible to the only low-income census tract in the assessment area, as it is only one mile away. Additionally, the standalone 24-hour ATM in Athol is located in a moderate-income census tract. These branches and the ATM demonstrate the bank's efforts to make banking services available to low- and moderate-income areas.

DISCRIMINATORY OR OTHER ILLEGAL CREDIT PRACTICES REVIEW

Examiners reviewed the bank's compliance with the laws relating to discrimination and other illegal credit practices, including the Fair Housing Act and the Equal Credit Opportunity Act. Examiners did not identify any evidence of discriminatory or other illegal credit practices.

APPENDICES

DIVISION OF BANKS FAIR LENDING POLICIES AND PROCEDURES

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. A review of the bank's public comment file indicated the bank received no complaints pertaining to the institution's CRA performance since the prior evaluation. The fair lending review was conducted in accordance with the FFIEC Interagency Fair Lending Examination Procedures. Based on these procedures, no evidence of disparate treatment was noted.

MINORITY APPLICATION FLOW

Division of Bank examiners reviewed the bank's 2020 and 2021 HMDA LARs to determine if the application flow from the different racial groups within the bank's assessment area reflected the assessment area's demographics.

According to 2015 ACS U.S. Census data, the bank's assessment area contains a population of 145,972 individuals, of which 7.1 percent are minorities. The assessment area's minority population is 1.0 percent Black/African American, 1.2 percent Asian, 0.2 percent American Indian, 3.7 percent Hispanic or Latino, and 1.1 percent Other.

Examiners compared the bank's application activity with that of the 2020 and 2021 aggregate performance. The comparison of this data assists in deriving reasonable expectations for the rate of applications the bank received from minority home mortgage loan applicants. Refer to the table below for information on the bank's minority application flow as well as the aggregate lenders in the bank's assessment area.

In 2020, the bank received 261 home mortgage loan applications from within its assessment area. Of these applications 6, or 2.3 percent, were received from racial minority applicants, of which 4, or 66.7 percent, resulted in originations. The aggregate received 4.2 percent of its applications from minority applicants, of which 61.0 percent were originated. For the same period, the bank also received 10 applications, or 3.8 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 5 or 50.0 percent were originated, compared with an aggregate application rate of 5.5 percent with a 65.6 percent origination rate.

In 2021, the bank received 284 home mortgage loan applications from within its assessment area. Of these applications, 6 or 2.2 percent were received from racial minority applicants, of which 5 or 83.3 percent resulted in originations. The aggregate received 5.5 percent of its applications from minority consumers, of which 58.3 percent were originated. For the same period, the bank also received 9 applications, or 3.2 percent, from ethnic groups of Hispanic origin within its assessment area. Of these applications, 5 or 55.6 percent were originated, compared with an aggregate application rate of 6.0 percent with a 62.2 percent origination rate.

| MINORITY APPLICATION FLOW | | | | | | |
|--|-------------|--------------|------------------------------------|-------------|--------------|------------------------------------|
| RACE | 2020 | | 2020 Aggregate Data | 2021 | | 2021 Aggregate Data |
| | # | % | % | # | % | % |
| American Indian/ Alaska Native | 0 | 0.0 | 0.2 | 1 | 0.4 | 0.4 |
| Asian | 1 | 0.4 | 1.3 | 2 | 0.7 | 1.5 |
| Black/African American | 0 | 0.0 | 1.4 | 0 | 0.0 | 2.1 |
| Hawaiian/Pacific Islander | 1 | 0.4 | 0.1 | 0 | 0.0 | 0.1 |
| 2 or more Minority | 0 | 0.0 | 0.0 | 0 | 0.0 | 0.1 |
| Joint Race (White/Minority) | 4 | 1.5 | 1.2 | 3 | 1.1 | 1.3 |
| Total Racial Minority | 6 | 2.3 | 4.2 | 6 | 2.2 | 5.5 |
| White | 232 | 88.9 | 75.5 | 249 | 87.6 | 72.4 |
| Race Not Available | 23 | 8.8 | 20.3 | 29 | 10.2 | 22.1 |
| Total | 261 | 100.0 | 100.0 | 284 | 100.0 | 100.0 |
| ETHNICITY | | | | | | |
| Hispanic or Latino | 6 | 2.3 | 4.0 | 4 | 1.4 | 4.5 |
| Joint (Hisp/Lat /Not Hisp/Lat) | 4 | 1.5 | 1.5 | 5 | 1.8 | 1.5 |
| Total Ethnic Minority | 10 | 3.8 | 5.5 | 9 | 3.2 | 6.0 |
| Not Hispanic or Latino | 204 | 78.2 | 73.8 | 232 | 81.7 | 72.1 |
| Ethnicity Not Available | 47 | 18.0 | 20.7 | 43 | 15.1 | 21.9 |
| Total | 261 | 100.0 | 100.0 | 284 | 100.0 | 100.0 |
| <i>Source: ACS Census 2015, HMDA Aggregate Data 2020 and 2021, HMDA LAR Data 2020 and 2021</i> | | | | | | |

Athol Savings Bank's flow to applicants of racial minority and Hispanic ethnicity is slightly below aggregate performance, particularly Black/African American and Hispanic borrowers, however, considering the demographic composition of the assessment area, market competition, and the comparisons to aggregate data in 2020 and 2021, the bank's application and origination rate to racial and ethnic minorities is considered adequate. 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.