REFINITIV

DELTA REPORT

10-K

WNEB - WESTERN NEW ENGLAND BANCO

10-K - DECEMBER 31, 2023 COMPARED TO 10-K - DECEMBER 31, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	5019
CHANGES	474
DELETIONS	1924
ADDITIONS	2621

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022 2023

Commission File No.: 001-16767

Western New England Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts	73-1627673
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

141 Elm Street, Westfield, Massachusetts 01085
(Address of principal executive offices, including zip code)

(413) 568-1911
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	*(Trading Symbol)*	*(Name of each exchange on which registered)*
Common Stock, $0.01 par value per share	WNEB	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☒ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. Yes ☒ No ☐

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements. ☐

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant's executive officers during the relevant recovery period pursuant to § 240.10D-1(b). ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the voting stock held by non-affiliates of the registrant as of June 30, 2022 June 30, 2023, was $167,596,293 128,961,234. This amount was based on the closing price as of June 30, 2022 June 30, 2023 on the NASDAQ Global Select Market ("NASDAQ") for a share of the registrant's common stock, which was $7.46 5.84 on June 30, 2022 June 30, 2023.

As of March 3, 2023 March 6, 2024, the registrant had 22,210,653 21,581,759shares of common stock, $0.01 per par value, issued and outstanding.

DOCUMENTS INCORPORATED BY REFERENCE:
Portions of the Proxy Statement for the 2023 2024 Annual Meeting of Shareholders are incorporated by reference into Part III of this report.

WESTERN NEW ENGLAND BANCORP, INC. ANNUAL REPORT ON FORM 10-K FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

TABLE OF CONTENTS

WESTERN NEW ENGLAND BANCORP, INC.
ANNUAL REPORT ON FORM 10-K
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

We may, from time to time, make written or oral “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995, including statements contained in our filings with the Securities and Exchange Commission (the “SEC”), our reports to shareholders and in other communications by us. This Annual Report on Form 10-K contains “forward-looking statements” with respect to the Company’s financial condition, liquidity, results of operations, future performance, business, measures being taken in response to the coronavirus disease 2019 (“COVID-19”) pandemic and the impact of the COVID-19 impact on the Company’s business. Forward-looking statements may be identified by the use of such words as “believe,” “expect,” “anticipate,” “should,” “planned,” “estimated,” and “potential.” Examples of forward-looking statements include, but are not limited to, estimates with respect to our financial condition, results of operations and business that are subject to various factors which could cause actual results to differ materially from these estimates. These factors include, but are not limited to:

- unpredictable changes in general economic conditions, financial markets, fiscal, monetary and regulatory policies; policies, including actual or potential stress in the banking industry;
- the duration and scope of the continuing COVID-19 pandemic, potential pandemics, including the emergence of new COVID-19 variants and the response thereto;
- changes in economic conditions which could materially impact credit quality trends and the ability to generate loans and gather deposits;
- inflation and governmental responses to inflation, including increasing recent and potential future increases in interest rates that reduce margin; margins;

- the effect on our operations of governmental legislation and regulation, including changes in accounting regulation or standards, the nature and timing of the adoption and effectiveness of new requirements under the Dodd-Frank Act Wall Street Reform and Consumer Protection Act of 2010, Basel guidelines, capital requirements and other applicable laws and regulations;
- significant changes in accounting, tax or regulatory practices or requirements;
- new legal obligations or liabilities or unfavorable resolutions of litigation;
- disruptive technologies in payment systems and other services traditionally provided by banks;
- the highly competitive industry and market area in which we operate;
- uncertainty about the discontinued use of LIBOR and the transition to an alternative rate;
- changes in business conditions and inflation;
- operational risks or risk management failures by us or critical third parties, including without limitation with respect to data processing, information systems, cybersecurity, technological changes, vendor issues, business interruption, and fraud risks;
- failure or circumvention of our internal controls or procedures;
- changes in the securities markets which affect investment management revenues;
- increases in Federal Deposit Insurance Corporation deposit insurance premiums and assessments;
- the soundness of other financial services institutions which may adversely affect our credit risk;
- certain of our intangible assets may become impaired in the future;
- new lines of business or new products and services, which may subject us to additional risks;
- changes in key management personnel which may adversely impact our operations;
- severe weather, natural disasters, acts of war or terrorism and other external events which could significantly impact our business; and
- other risk factors detailed from time to time in our SEC filings.

Investors should consider these risks, uncertainties, and other factors in addition to the factors under the heading "Risk Factors" included in this filing and our other filings with the SEC.

Although we believe that the expectations reflected in such forward-looking statements are reasonable, actual results may differ materially from the results discussed in these forward-looking statements. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. We do not undertake any obligation to republish revised forward-looking statements to reflect events or circumstances after the date hereof or to reflect the occurrence of unanticipated events, except to the extent required by law.

Unless the context indicates otherwise, all references in this prospectus to "Western New England Bancorp," "WNEB," "we," "us," "our company," and "our" refer to Western New England Bancorp, Inc. and its subsidiaries (including Westfield Bank, CSB Colts, Inc., Elm Street Securities Corporation, WFD Securities, Inc. and WB Real Estate Holdings, LLC).

PART I

ITEM 1. BUSINESS

General.

Western New England Bancorp, Inc. ("WNEB" or "Company") (f/k/a "Westfield Financial, Inc.") headquartered in Westfield, Massachusetts, is a Massachusetts-chartered stock holding company and is registered as a savings and loan holding company with the Federal Reserve Board under the Bank Holding Company Act of 1956, as amended (the "BHC Act"). In 2001, the Company reorganized from a Massachusetts-chartered savings bank holding company to a Massachusetts-chartered stock corporation with the second step conversion being completed in 2007. WNEB is the parent company and owns all of the capital stock of Westfield Bank ("Westfield" or "Bank"). The Company is also subject to the jurisdiction of the SEC and is subject to the disclosure and other regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. Western New England Bancorp is traded on the NASDAQ under the ticker symbol "WNEB" and is subject to the NASDAQ stock market rules. At December 31, 2022 December 31, 2023, WNEB had consolidated total assets of $2.6 billion, total net loans of $2.0 billion, total deposits of $2.2 billion $2.1 billion and total shareholders' equity of $228.1 million $237.4 million.

Westfield Bank, headquartered in Westfield, Massachusetts, is a federally-chartered savings bank organized in 1853 and is regulated by the Office of the Comptroller of the Currency ("OCC"). The Bank is a full-service, community oriented financial institution offering a full range of commercial and retail products and services as well as wealth management financial products. As of December 31, 2022 December 31, 2023, the Bank had twenty-five branches and ten freestanding automated teller machines ("ATMs"). The Bank also conducts business through an additional fourteen freestanding and thirty-one thirty-three seasonal or temporary ATMs that are owned and serviced by a third party, whereby the Bank pays a rental fee and shares in the surcharge revenue. All branch and ATM locations serve Hampden County and Hampshire County in western Massachusetts and Hartford County and Tolland County in northern Connecticut. The Bank also provides a variety of banking services including telephone and online banking, remote deposit capture, cash management services, overdraft facilities, night deposit services, and safe deposit facilities. As a member of the Federal Deposit Insurance Corporation ("FDIC"), the Bank's deposits are insured up to the maximum FDIC insurance coverage limits. The Bank is also a member of the Federal Home Loan Bank of Boston ("FHLB").

On October 21, 2016, the Company acquired Chicopee Bancorp, Inc. ("Chicopee"), the holding company for Chicopee Savings Bank and in conjunction with the acquisition, the name of the Company was changed to Western New England Bancorp, Inc. The transaction qualified as a tax-free reorganization for federal income tax purposes.

Subsidiary Activities.

Western New England Bancorp, Inc. has two subsidiaries that are included in the Company's consolidated financial statements:

- **Westfield Bank.** The Company conducts its principal business activities through its wholly owned subsidiary Westfield Bank.

- **WFD Securities, Inc. ("WFD")**. WFD is a Massachusetts chartered security corporation, for the primary purpose of holding qualified securities.

Westfield Bank has three wholly owned subsidiaries that are included in the Company's consolidated financial statements:

- **Elm Street Securities Corporation ("Elm").** Elm is a Massachusetts-chartered security corporation, formed for the primary purpose of holding qualified securities.

- **WB Real Estate Holdings, LLC. (“WB”).** WB is a Massachusetts-chartered limited liability company formed for the primary purpose of holding other real estate owned (“OREO”).

- **CSB Colts, Inc. (“CSB Colts”).** CSB Colts is a Massachusetts-chartered security corporation, formed for the primary purpose of holding qualified securities. CSB Colts was acquired on October 21, 2016, in conjunction with the acquisition of Chicopee.

Market Area.

Westfield Bank’s headquarters are located at 141 Elm Street in Westfield, Massachusetts. The Bank’s primary lending and deposit market areas include all of Hampden County and Hampshire County in western Massachusetts and Hartford and Tolland Counties in northern Connecticut. The Bank operates twenty-five banking offices in Agawam, Chicopee, Feeding Hills, East Longmeadow, Holyoke, Huntington, Ludlow, South Hadley, Southwick, Springfield, Ware, West Springfield and Westfield, Massachusetts and Bloomfield, Enfield, Granby and West Hartford, Connecticut. We operate full-service ATMs at our branch locations and have ten freestanding ATM locations in Chicopee, Holyoke, Ludlow, Southwick, Springfield, West Springfield and Westfield, Massachusetts. The Bank also conducts business through an additional fourteen freestanding and thirty-one thirty-three seasonal or temporary ATMs that are owned and serviced by a third party, whereby the Bank pays a rental fee and shares in the surcharge revenue. In addition, we provide online banking services, including online deposit account opening and residential mortgage and consumer loan applications through our website at www.westfieldbank.com.

The markets served by our branches are primarily suburban markets located in western Massachusetts and in northern Connecticut. Westfield, Massachusetts, is located near the intersection of U.S. Interstates 90 (the Massachusetts Turnpike) and 91. Our middle market and commercial real estate lending team is located in Springfield, the Pioneer Valley’s primary urban market. The Pioneer Valley of western Massachusetts encompasses the sixth largest metropolitan area in New England. The Springfield Metropolitan area covers a relatively diverse area ranging from densely populated urban areas, such as Springfield, to outlying rural areas. Our Financial Services Center in West Hartford serves as our Connecticut hub, housing employees across all commercial and retail lines of business. Our markets fall within New England’s Knowledge Corridor, an interstate partnership of regional economic development, planning, business, tourism and educational institutions that work together to advance the region’s economic progress.

A diversified mix of industry groups are concentrated in western Massachusetts and northern Connecticut, including manufacturing, health care, higher education, wholesale and retail trade and service. The economies of our primary markets have benefited from the presence of large employers such as Baystate Medical Center, Big Y World Class Markets, Center for Human Development, Holyoke Medical Center, MassMutual Financial Group, Mercy Medical Center/Trinity Health of New England, Mestek, Inc., MGM Springfield, Verizon and Westover Air Reserve Base in Massachusetts, and Aetna, Inc., Air National Guard, Collins Aerospace, Connecticut Children’s Medical Center, Hartford Financial Services Group, Hartford Hospital, Institute of Living, Kaman Aerospace Corporation, Lego Systems Inc., Stanadyne LLC, Talcott Resolution Life Insurance Company and Travelers Indemnity Company in Connecticut. Other employment and economic activity is provided by financial institutions, colleges and universities, hospitals, and a variety of wholesale and retail trade business. Our Hampden County market also enjoys a strong tourism business with attractions such as the Eastern States Exposition, which operates The Big E, the largest fair in the northeast, the Basketball Hall of Fame, MGM Springfield and Six Flags New England.

Competition.

The Bank Company faces significant competition to attract and retain customers within existing and neighboring geographic markets. This competition stems from The Company competes actively with local, regional, and national and larger regional banks, numerous local savings banks, commercial banks, cooperative banks and financial institutions, as well as credit unions which have a large presence in the region. Competition for loans, deposits and cash management services, and investment advisory assets also comes from other businesses that provide financial services, including consumer finance companies, mortgage brokers and lenders, private lenders, insurance companies, securities brokerage firms, institutional mutual funds, registered investment advisors, non-bank electronic payment and funding channels, internet-based banks and other financial intermediaries.

We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Technological advances, for example, have lowered the barriers to market entry, allowed banks and other lenders to expand their geographic reach by providing services over the internet and made it possible for non-depository institutions to offer products and services that traditionally have been provided by banks. Changes in federal laws permit affiliation among banks, securities firms and insurance companies, which promotes a competitive environment in the financial services industry.

At June 30, 2022 June 30, 2023, which is the most recent date for which data is available from the FDIC, we held approximately 13.7% 14.0% of the deposits in Hampden County, which was the second third largest market share out of the 16 seventeen banks and thrifts with offices in Hampden County.

Human Capital.

Diversity, Equity and Inclusion

We understand that our human capital is the one of our most valuable asset we have assets and we a key to our success. We are committed to fostering, cultivating and preserving a culture of diversity, equity and inclusion. The Company strives We are dedicated to create an intentionally providing a workplace for our employees that is inclusive, diverse supportive, and thriving workplace where each person feels valued, respected free of any form of discrimination or harassment; rewarding and understood recognizing our employees based on their individual results and performance as well as a respectful, productive environment where everyone is encouraged to achieve that of their full potential. department and the Company overall; and recognizing and respecting all of the characteristics and differences that make each of our employees unique.
At December 31, 2022 December 31, 2023, our employees were representative of our commitment to recruit, develop, and retain diverse individuals, wherein approximately 66% 64% of our employees were women and 18% 24% of our employees were ethnic minorities, veterans or persons with disabilities. We remain focused on bolstering our workforce through inclusive hiring and retention practices, which we feel reflects and better serves our communities.

We embrace and value our inclusive culture of belonging that celebrates unique perspectives and experiences. We leverage our strong and inclusive culture to provide quality service to our customers, the communities in which we operate and each other. In 2023, we established the Westfield Bank Culture and Diversity Committee (the “Diversity Committee”), which is comprised of a cross-section of employees representing diverse backgrounds. The Diversity Committee is committed to creating opportunities for our employees to connect with each other, learn from one another and celebrate employee commonalities and differences.
Talent Management

We have been successful in attracting, developing and retaining qualified and competent staff. The Company believes that it has had and continues to have good strong employee relations. Our talent management strategy ensures we leverage the talent needed, not just for today, but also for our future. Our employees are the foundation of our success and are responsible for upholding our guiding principles of integrity, trust, empathy, collaboration, strong work ethic, loyalty, inclusion and a professional and positive attitude.

As of December 31, 2022 December 31, 2023, the Bank employed 337 348 total employees, with 289 294 employed full-time and 48 54 employed part-time. Employee retention helps the Company operate efficiently and effectively. As of December 31, 2023, our average employee tenure was 7.9 years.

There are many factors that contribute to the success of the Company. We actively encourage and support the growth and development of our employees. Whenever practical, Management generally seeks to fill positions by promotion and transfer opportunities from within the organization. Career development is advanced through ongoing mentoring and professional development programs, as well as internally and externally developed training programs.
In 2021, a customized Corporate Leadership Development Program was established for the Company to enhance the core capabilities of our top talent in leadership, including through the development of management skills to prepare them for future roles in the Company. During 2022, fifty 2023, twenty-seven employees were nominated to participate in the program and successfully completed the program. In addition, the Company offers educational reimbursement programs to employees enrolled in pre-approved degree or certification programs at accredited institutions that teach skills or knowledge relevant to the financial services industry. Each year, we also attract rising juniors and seniors from colleges and universities across our footprint who have the opportunity to be assigned an internship within the Company and have the potential to be hired upon graduation.

6

Employee Compensation and Benefits

Management promotes its core values through prioritizing concern for employees' well-being, supporting employees' career goals, offering competitive wages, and providing valuable fringe benefits. The Company maintains a comprehensive employee benefit program providing, among other benefits, group medical, dental and vision insurance, health savings accounts and flexible spending accounts, life insurance and disability insurance, a 401(k) Safe Harbor Plan with a competitive company match, an employee stock ownership plan ("ESOP"), short-term and long-term incentive compensation programs, tuition reimbursement, paid time off, including vacation days personal days and paid holidays. holidays, and wellness and employee assistance programs.

Workplace Health and Safety

The safety, health and wellness of our employees is considered a top priority. On an ongoing basis, the Company promotes the health and wellness of its employees and strives to keep the employee portion of health care premiums competitive with local competition. We communicate to our employees on a monthly basis through email and the Company's intranet, sharing articles and best practices on mental, emotional and physical well-being, health savings account and flexible spending account use, resources to find cheaper prescriptions and other related topics. Our employees also have access to a platform that gives them access to interactive activities for wellness classes, stress management, mindfulness, healthy eating and health plan literacy. All employees are working in person; however, when they experience signs or symptoms of a possible COVID-19 illness, they have been asked not to come to work and test for COVID-19 as necessary. We follow the Center for Disease Control guidance as to when employees may return to in-person work.

In 2023, we established the Westfield Bank Wellness Committee (the "Wellness Committee"), which is comprised of a cross-section of employees from the Bank. The Wellness Committee is committed to promoting a culture of physical, mental and emotional well-being for our employees by providing activities, services and support that will foster living healthy and happy lifestyles. The Wellness Committee looks to inspire and empower our employees to make their health a top priority through encouraging and providing employees healthy lifestyle choices and options.

6

Lending Activities.

General. The Company's Bank has loan policies which are approved by its Board of Directors on an annual basis. The loan policies govern the conditions under which loans may be made, addresses the lending authority of loan officers, documentation requirements, appraisal policy, charge-off policies and desired portfolio mix. The Bank's lending limit to any one borrower is subject to regulation by the OCC. The Bank continually monitors its loan portfolio to review compliance with new and existing regulations.
The Bank offers a variety of loan products to its customers, including residential and commercial real estate mortgage loans, commercial loans, and installment loans. The Bank primarily extends loans to customers located within the Company's footprint. Interest income on loans represented 90.2% of the total interest income of the Company in 2023 compared with 89.9% in 2022. The Bank's loan portfolio totaled $2.0 billion, or 79.1% of total assets, at December 31, 2023, compared to $2.0 billion, or 78.0% of total assets, at December 31, 2022, compared to $1.9 billion, or 73.5% of total assets, at December 31, 2021. The Company lends to individuals, business entities, non-profit organizations and professional practices.
The Company's primary lending focus is on the development of to generate high quality commercial loan relationships achieved through active business development efforts, long-term relationships with established commercial developers, community involvement, and focused marketing strategies. Loans made to businesses, non-profits, and professional practices may include commercial mortgage loans, construction and land development loans, commercial and industrial loans, including lines of credit and letters of credit. Loans made to individuals may include conventional residential mortgage loans, home equity loans and lines, residential construction loans on owner-occupied primary and secondary residences, and secured and unsecured personal loans and lines of credit. The Company manages its loan portfolio to avoid concentration by industry, relationship size, and source of repayment to lessen its credit risk exposure.

Interest rates on loans may be fixed or variable and variable rate loans may have fixed initial periods before periodic rate adjustments begin. Individual rates offered are dependent on the associated degree of credit risk, term, underwriting and servicing costs, loan amount, and the extent of other banking relationships maintained with the borrower, and may be subject to interest rate floors. Rates are also subject to competitive pressures, the current interest rate environment, availability of funds, and government regulations.

7

The Company employs a seasoned commercial lending staff, with commercial lenders supporting to support the Company's loan growth strategy. The Company contracts with an external third-party loan review company to review the internal credit ratings assigned to loans loan relationships in the commercial loan portfolio on a pre-determined schedule, based on the type, size, rating, and overall risk of the loan. During the course of their review, the third party examines a sample of loans, including new loans, existing relationships over certain dollar amounts and classified assets. loans. The Company's internal residential origination and underwriting staff originate residential loans and are responsible for compliance with residential lending regulations, consumer protection and internal policy guidelines. The Company's internal compliance department monitors the residential loan origination activity for regulatory compliance.

The Executive Committee of the Company's Board of Directors (the "Board") approves loan relationships exceeding certain prescribed dollar limits as outlined in the Company's lending policy. Bank's loan policies.

At December 31, 2022 December 31, 2023, our general regulatory limit on loans to one borrower was $39.7 million $40.7 million. Our largest lending exposure was a $32.2 million $24.9 million commercial lending relationship, of which $21.1 million $9.9 million was outstanding at December 31, 2022 December 31, 2023. The This relationship is primarily secured by business assets and commercial real estate located in Agawam, Massachusetts. At December 31, 2022 December 31, 2023, this relationship was performing in accordance with its original terms.

Commercial Real Estate Loans and Commercial and Industrial Loans.

At December 31, 2022 December 31, 2023, commercial real estate loans totaled $1.1 billion, or 53.8% 53.3% of total loans, compared to $980.0 million $1.1 billion, or 52.6% 53.8% of total loans, at December 31, 2021 December 31, 2022.

The Company originates commercial real estate loans throughout its market area for the purpose of acquiring, developing, and refinancing commercial real estate where the property is the primary collateral securing the loan. These loans are typically secured by a variety of commercial and industrial property types, including one-to-four and multi-family apartment buildings, office, industrial, or mixed-use facilities, or other commercial properties, and are generally guaranteed by the principals of the borrower. Commercial real estate loans generally have repayment periods of approximately fifteen to thirty years. Variable interest rate loans in the commercial real estate loan portfolio have a variety of adjustment terms and underlying interest rate indices, and are generally fixed for an initial period before periodic rate adjustments begin.

7

Commercial construction loans may include the development of residential housing and condominium projects, the development of commercial and industrial use property, and loans for the purchase and improvement of raw land. These loans are secured in whole or in part by underlying real estate collateral and are generally guaranteed by the principals of the borrowers. Construction lenders work to cultivate long-term relationships with established developers. The Company limits the amount of financing provided to any single developer for the construction of properties built on a speculative basis. Funds for construction projects are disbursed as pre-specified stages of construction are completed. Regular site inspections are performed, prior to advancing additional funds, at each construction phase, either by experienced construction lenders on staff or by independent outside inspection companies. Commercial construction loans generally are variable rate loans and lines with interest rates that are periodically adjusted and generally have terms of one to three years. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, there was $91.7 million $111.0 million and $83.2 million $91.7 million, respectively, in commercial construction loans included within commercial real estate loans. At December 31, 2023, the largest concentration of commercial loans to an industry was to hotels, which comprised approximately 2.3% of total loans and 16.4% of total risk-based capital as of December 31, 2023.

At December 31, 2023, our total commercial and industrial loan portfolio totaled $217.4 million, or 10.7% of our total loans. At December 31, 2022, our total commercial and industrial loan portfolio totaled $219.8 million, or 11.0% of our total loans, with commercial and industrial loans totaling $217.6 million, or 10.9% of total loans, and Paycheck Protection Program (“PPP”) loans totaling $2.2 million, or 0.1% of total loans. At December 31, 2021, our total commercial and industrial loan portfolio was $226.6 million, or 12.2% of total loans, with commercial and industrial loans totaling $201.3 million, or 10.8% of total loans, and PPP loans totaling $25.3 million, or 1.4% of total loans. Commercial and industrial loans include seasonal revolving lines of credit, working capital loans, equipment financing and term loans. Commercial and industrial credits may be unsecured loans and lines to financially strong borrowers, loans secured in whole or in part by real estate unrelated to the principal purpose of the loan or secured by inventories, equipment, or receivables, and are generally guaranteed by the principals of the borrower. Variable rate loans and lines in this portfolio have interest rates that are periodically adjusted, with term loans generally having fixed initial periods. Commercial and industrial loans have average repayment periods of one to seven years. Our commercial and industrial loan portfolio does not have any significant loan concentration by type of property or borrower.

The largest concentration of commercial loans to an industry was to hotels and accommodation, which comprised approximately 6.9% of the commercial loan portfolio as of December 31, 2022. At December 31, 2022, our largest commercial and industrial loan relationship was $32.2 million to a hardware merchant wholesaler. The loan relationship is secured by business assets and real estate. At December 31, 2022, this relationship was performing according to its original terms.

8

As a Preferred Lender with the Small Business Administration (“SBA”), the Company offered PPP Paycheck Protection Program (“PPP”) loans through the March 27, 2020 $2.2 trillion fiscal stimulus bill known as the Coronavirus Aid, Relief and Economic Security Act (the “CARES Act”) launched by the U.S. Department of Treasury (“Treasury”) and the SBA. An eligible business was able to apply for a PPP loan up to the lesser of: (1) 2.5 times its average monthly “payroll costs,” or (2) $10.0 million. PPP loans have: (a) an interest rate of 1.0%, (b) a two-year loan term to maturity, subsequently extended to a five-year loan term maturity for loans granted on or after June 5, 2020 and (c) principal and interest payments deferred from six months to ten months from the date of disbursement. The SBA will guarantee 100% of the PPP loans made to eligible borrowers. The entire principal amount of the borrower’s PPP loan, including any accrued interest, is eligible to be reduced by the loan forgiveness amount under the PPP so long as employee and compensation levels of the business are maintained and 60% of the loan proceeds are used for payroll expenses, with the remaining 40% of the loan proceeds used for other qualifying expenses. PPP loans totaled $756,000 and $2.3 million, or 0.1% of at December 31, 2023 and 2022, and were included in total loans, at December 31, 2022. commercial and industrial loans.

Letters of credit are conditional commitments issued by the Company to guarantee the financial obligation or performance of a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. If the letter of credit is drawn upon, a loan is created for the customer, generally a commercial loan, with the same criteria associated with similar commercial loans.

8

The Company participates with other banks in the financing of certain commercial projects. Participating loans with other institutions provide banks the opportunity to retain customer relationships and reduce credit risk exposure among each participating bank, while providing customers with larger credit facilities than the individual bank might be willing or able to offer independently. In some cases, the Company may act as the lead lender, originating and servicing the loans, but participating out a portion of the funding to other banks. In other cases, the Company may participate in loans originated by other institutions. In each case, the participating bank funds a percentage of the loan commitment and takes on the related pro-rata risk. In each case in which the Company participates in a loan, the rights and obligations of each participating bank are divided proportionately among the participating banks in an amount equal to their share of ownership and with equal priority among all banks. The Company performs an independent credit analysis of each commitment and a review of the participating institution prior to participation in the loan, and an annual review of the borrower thereafter. Loans originated by other banks in which the Company is a participating institution are carried in the loan portfolio at the Company’s pro-rata share of ownership. Loans originated by other banks in which the Company is a participating institution amounted to $129.9 million at December 31, 2023 and $132.6 million at December 31, 2022 and $121.7 million at December 31, 2021. The Company was servicing commercial loans originated by the Company and participated out to various other institutions totaling $65.0 million and $70.5 million at December 31, 2023 and $63.2 million at December 31, 2022 and December 31, 2021, respectively.

Residential Real Estate Loans.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the residential real estate loan portfolio totaled $589.5 million $612.3 million, or 29.6% 30.3% of total loans, and $552.3 million $589.5 million, or 29.6%, of total loans, respectively. The Company originates and funds residential real estate loans, including first mortgages, home equity loans, and home equity lines, secured by one-to-four family residential properties primarily located in western Massachusetts and northern Connecticut. The Company processes and underwrites all of its originations internally through its Residential Loan Center located in Westfield, MA.

These residential properties may serve as the borrower’s primary residence, or as vacation homes or investment properties. First mortgages may be underwritten in amounts up to 97% of the lesser of the appraised value or purchase price of the property for owner-occupied homes, 90% for second homes and 85% for investment properties. Private mortgage insurance is required on all loans with a loan-to-value ratio greater than 80%. We do not grant subprime loans. In addition, financing is provided for the construction of owner-occupied primary and secondary residences. Residential mortgage loans may have terms of up to 30 years at either fixed or adjustable rates of interest. Fixed and adjustable rate residential mortgage loans are generally originated using secondary market underwriting and documentation standards. Home equity loans and lines are secured by first or second mortgages on one-to-four family owner-occupied properties. Equity loans and lines are underwritten by a maximum combined loan-to-value of 85% of the appraised value of the property. Underwriting approval is dependent on review of the borrower’s ability to repay and credit history in accordance with Westfield the Bank’s policy. loan policies. The overall health of the economy, including unemployment rates and housing pricing, will have an effect on the credit quality in this segment.

9

Depending on the current interest rate environment, management may elect to sell those fixed and adjustable rate residential mortgage loans which are eligible for sale in the secondary market, or hold some or all of this residential loan production for the Company’s portfolio. The Company may retain or sell the servicing when selling the loans. The Company is an approved servicer with Fannie Mae and an approved seller and servicer with Fannie Mae, Freddie Mac and the FHLB. In order to reduce interest rate risk, during the twelve months ended December 31, 2022 and December 31, 2021, the Company sold $277,000 and $59.7 million of fixed rate, low coupon residential real estate loans to the secondary market, respectively. market. The Company did not sell residential real estate loans during the twelve months ended December 31, 2023. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company serviced $79.3 million $72.7 million and $88.2 million $79.3 million, respectively, in residential loans sold to the secondary market. The servicing rights will likely continue to be retained on all loans sold over the life of the loan. The largest owner-occupied residential real estate loan was $1.9 million $2.0 million and was performing according to its original terms as of December 31, 2022 December 31, 2023.

Home Equity Loans.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, home equity loans totaled $105.6 million $109.8 million, or 5.3% 5.4% of total loans, and $99.8 million $105.6 million, or 5.4% 5.3% of total loans, respectively. The Company originates home equity revolving loans and lines of credit for one-to-four family residential properties with maximum original loan-to-value ratios generally up to 85%. Home equity lines generally have interest rates that adjust monthly based on changes in the Wall Street Journal Prime Rate, although minimum rates may be applicable. Some home equity line rates may be fixed for a period of time and then adjusted monthly thereafter. The payment schedule for home equity lines require interest only payments for the first ten years of the lines. Generally at the end of ten years, the line may be frozen to future advances, and principal plus interest payments are collected over a fifteen-year amortization schedule.

9

Consumer Loans.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, consumer loans totaled $5.0 million $5.5 million, or 0.3%, of total loans and $4.3 million $5.0 million, or 0.2% 0.3%, of total loans, respectively. Consumer loans are generally originated at higher interest rates than residential and commercial real estate loans, but they also generally tend to have a higher credit risk than residential real estate loans because they are usually unsecured or secured by rapidly depreciable assets. Management, however, believes that offering consumer loan products helps to expand and create stronger ties to our existing customer base by increasing the number of customer relationships and providing cross-marketing opportunities. We offer a variety of consumer loans to retail customers in the communities we serve. Examples of our consumer loans include automobile loans, spa and pool loans, collateral loans and personal lines of credit tied to deposit accounts to provide overdraft protection.

The following table presents the composition of our loan portfolio in dollar amounts and in percentages of the total portfolio at the dates indicated.

	At December 31,			
	2022		2021	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Real estate loans:				
Commercial	$ 1,069,323	53.8 %	$ 979,969	52.6 %
Residential one-to-four family	589,503	29.6	552,332	29.6
Home equity	105,557	5.3	99,759	5.4
Total real estate loans	1,764,383	88.7	1,632,060	87.6
Commercial and industrial loans:				
Commercial and industrial	217,574	10.9	201,340	10.8
PPP loans	2,274	0.1	25,329	1.4
Total commercial and industrial	219,848	11.0	226,669	12.2
Consumer	5,045	0.3	4,250	0.2
Total gross loans	1,989,276	100.00 %	1,862,979	100.00 %
Unamortized PPP loan fees	(109)		(781)	
Unamortized premiums and net deferred loan fees and costs	2,233		2,518	
Allowance for loan losses	(19,931)		(19,787)	
Total loans, net	$ 1,971,469		$ 1,844,929	

10

	At December 31,			
	2023		2022	
	Amount	Percent of Total	Amount	Percent of Total
	(Dollars in thousands)			
Real estate loans:				
Commercial	$ 1,079,751	53.3 %	$ 1,069,323	53.8 %
Residential one-to-four family	612,315	30.3	589,503	29.6
Home equity	109,839	5.4	105,557	5.3
Total real estate loans	1,801,905	89.0	1,764,383	88.7
Commercial and industrial loans:				
Commercial and industrial	216,691	10.7	217,574	10.9
PPP loans	756	0.0	2,274	0.1
Total commercial and industrial	217,447	10.7	219,848	11.0
Consumer	5,472	0.3	5,045	0.3
Total gross loans	2,024,824	100.00 %	1,989,276	100.00 %
Unamortized premiums and net deferred loan fees and costs	2,493		2,124	
Allowance for credit losses	(20,267)		(19,931)	
Total loans, net	$ 2,007,050		$ 1,971,469	

Loan Maturity and Repricing.

The following table shows the repricing dates or contractual maturity dates of our loans as of December 31, 2022 December 31, 2023. The table does not reflect prepayments or scheduled principal amortization. Demand loans, loans having no stated maturity, and overdrafts are shown as due in within one year.

	At December 31, 2022							At D		
	Commercial Real Estate	Residential One-to-Four Family	Home Equity	Commercial and Industrial	Consumer	Unallocated	Totals	Commercial Real Estate	Residential One-to-Four Family	Home Equity
	(In thousands)									
Amount due:										
Within one year	$ 146,262	$ 24,202	$ 61,782	$ 86,161	$ 272	$ —	$ 318,679	$ 158,842	$ 25,728	$ 62,685
After one year:										
One to five years	406,772	38,643	2,398	94,979	3,925	—	546,717	497,991	33,788	2,494
Five to fifteen years	500,615	72,357	27,117	22,585	228	—	622,902	408,206	82,584	31,428
Over fifteen years	15,674	454,301	14,260	16,123	620	—	500,978	14,712	470,215	13,232
Total due after one year	923,061	565,301	43,775	133,687	4,773	—	1,670,597	920,909	586,587	47,154
Total amount due:	1,069,323	589,503	105,557	219,848	5,045	—	1,989,276	1,079,751	612,315	109,839
Unamortized PPP loan fees	—	—	—	(109)	—	—	(109)			
Net deferred loan origination fees and costs and premiums	(631)	1,691	812	343	18	—	2,233	(594)	1,878	849
Allowance for loan losses	(12,199)	(3,657)	(655)	(3,160)	(245)	(15)	(19,931)			
Allowance for credit losses								(15,141)	(2,161)	(387)
Loans, net	$ 1,056,493	$ 587,537	$ 105,714	$ 216,922	$ 4,818	$ (15)	$ 1,971,469	$ 1,064,016	$ 612,032	$ 110,301

The following table presents, as of December 31, 2022 December 31, 2023, the dollar amount of all loans contractually due or scheduled to reprice after December 31, 2023 December 31, 2024, and whether such loans have fixed interest rates or adjustable interest rates.

	Due After December 31, 2023		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
Residential one-to-four family	$ 515,872	$ 49,429	$ 565,301
Home equity	43,775	—	43,775
Commercial real estate	391,084	531,977	923,061
Total real estate loans	950,731	581,406	1,532,137

Other loans:			
Commercial and industrial	109,380	24,307	133,687
Consumer	4,773	—	4,773
Total other loans	114,153	24,307	138,460
Total loans	$ 1,064,884	$ 605,713	$ 1,670,597

	Due After December 31, 2024		
	Fixed	Adjustable	Total
	(In thousands)		
Real estate loans:			
Residential one-to-four family	$ 526,985	$ 59,602	$ 586,587
Home equity	47,154	—	47,154
Commercial real estate	414,697	506,212	920,909
Total real estate loans	988,836	565,814	1,554,650
Other loans:			
Commercial and industrial	119,702	23,239	142,941
Consumer	5,092	—	5,092
Total other loans	124,794	23,239	148,033
Total loans	$ 1,113,630	$ 589,053	$ 1,702,683

Asset Quality.

Maintaining a high level of asset quality continues to be one of the Company's key objectives. Credit Administration reports directly to the Chief Credit Officer and is responsible for the completion of independent credit analyses for all loans above a specific threshold.

The Company's policy requires loan policies require that management continuously monitor the status of the loan portfolio and report to the Board of Directors on a monthly basis. These reports include information on concentration levels, delinquent loans, nonaccrual loans, criticized loans and foreclosed real estate, as well as our actions and plans to cure the nonaccrual status of the loans and to dispose of the foreclosed property.

The Company contracts with an external third-party loan review company to review the internal risk ratings assigned to loans in the commercial loan portfolio on a pre-determined schedule, based on the type, size, rating, and overall risk of the loan. During the course of their review, the third party examines a sample of loans, including new loans, existing relationships over certain dollar amounts and classified assets. The findings are reported to the Chief Credit Officer and the full report is then presented to the Audit Committee.

Potential Problem Loans.

The Bank's loan policies contain an internal rating system which evaluates the overall risk of a problem loan. The Company performs an internal analysis of the loan portfolio in order to identify and quantify loans with higher than normal risk. Loans having a higher risk profile are assigned a risk rating corresponding to the level of weakness identified in the loan.

Criticized and Classified Loans.

The Company's internal credit risk grades are based on the definitions currently utilized by the banking regulatory agencies. The grades assigned and definitions are as follows, and loans graded excellent, above average, good (risk ratings 1-4) are treated as "pass" for grading purposes. All loans risk rated "Special Mention special mention (5)", "Substandard substandard (6)", "Doubtful Doubtful (7)" and "Loss Loss (8)" are listed on the Company's criticized report and are reviewed by management not less than on a quarterly basis to assess the level of risk and to ensure that appropriate actions are being taken to minimize potential loss exposure. Loans identified as containing a loss are partially charged-off or fully charged-off. In addition, the Company closely monitors the classified loans, defined as substandard, doubtful, and loss for signs of deterioration to mitigate the growth in nonaccrual loans, including performing additional due diligence, updating valuations and requiring additional financial reporting from the borrower. Loans identified as containing a loss are partially charged-off or fully charged-off.

The "criticized" risk rating (5) and the "classified" risk ratings (6-8) are detailed below:
5 – Special Mention- Loans rated 5 are considered "*Special Mention*" and may exhibit potential credit weaknesses or downward trends and are being monitored by management. Loans in this category are currently protected based on collateral and repayment capacity and do not constitute undesirable credit risk, but have potential weakness that may result in deterioration of the repayment process at some future date. This classification is used if a negative trend is evident in the obligor's financial situation. Special mention loans do not sufficiently expose the Company to warrant adverse classification.
6 – Substandard- Loans rated 6 are considered "*Substandard*." A loan is classified as substandard if the borrower exhibits a well-defined weakness and may be inadequately protected by the current net worth and cash flow capacity to pay the current debt.
7 – Doubtful- Loans rated 7 are considered "*Doubtful*." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added characteristic that the weaknesses make collection or liquidation of the loan highly questionable and improbable. The possibility of some loss is extremely high, but because of specific pending factors that may work to the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.
8 – Loss- Loans rated 8 are considered uncollectible. The loss classification does not mean that the asset has absolutely no recovery or salvage value, but rather that it is not practical or desirable to defer writing off the asset because recovery and collection time may be affected in the future.
The grades are determined through the use of qualitative and quantitative matrices that consider various characteristics of the loan such as payment performance, quality of management, principals'/guarantors' character, balance sheet strength, collateral quality, cash flow coverage, position within the industry, loan structure and documentation.
At December 31, 2022 December 31, 2023, the Company's criticized loans inclusive totaled $39.5 million, or 1.9% of "adversely classified loans" (defined as "Substandard," "Doubtful" or "Loss"), totaled total loans, compared to $64.0 million, or 3.2% of total loans, compared to $82.6 million at December 31, 2022. The Company's classified loans totaled $33.7 million, or 4.4% 1.7% of total loans, at December 31, 2021.
The Company's adversely classified loans totaled December 31, 2023 and $42.3 million, or 2.1% of total loans, at December 31, 2022 and $31.1 million, or 1.7%, of total loans, at December 31, 2021 December 31, 2022. Adversely classified Classified loans that were performing but possessed potential weaknesses and, as a result, could ultimately become nonperforming loans totaled $27.7 million, or 1.4% of total loans, at December 31, 2023 and $36.6 million, or 1.8% of total loans, at December 31, 2022 and $26.4 million, or 1.4% of total loans, at December 31, 2021. The remaining balance of adversely classified loans were nonaccrual loans totaling $6.0 million, or 0.3% of total loans, at December 31, 2023 and $5.7 million, or 0.3% of total loans, at December 31, 2022 and $4.7 million, or 0.3% of total loans, at December 31, 2021.

Total impaired loans totaled $29.7 million, or 1.5% of total loans, at December 31, 2023, while individually analyzed and impaired loans totaled $18.4 million, or 0.9% of total loans, at December 31, 2022 and $20.5 million, or 1.1% of total loans, at December 31, 2021. Total accruing impaired loans totaled $12.7 million $23.3 million at December 31, 2023, while individually analyzed and $15.5 million at December 31, 2022 and December 31, 2021, respectively, while nonaccrual impaired loans totaled $5.7 million and $5.0 million $12.7 million at December 31, 2022. Nonaccrual impaired loans totaled $6.4 million as of December 31, 2022 December 31, 2023, while individually analyzed and December 31, 2021, respectively. impaired nonaccrual loans totaled $5.7 million as of December 31, 2022.

In management's opinion, all impaired loan balances at December 31, 2022 December 31, 2023 and 2021, 2022, were supported by expected future cash flows or, for those collateral dependent loans, the net realizable value of the underlying collateral. Based on management's assessment at December 31, 2022 At December 31, 2023, commercial and December 31, 2021, no industrial impaired loans with a recorded investment of $517,000 carried a related reserve amount of $179,000. No impaired loans required a specific reserve. reserve at December 31, 2022. Management closely monitors these relationships for collateral or credit deterioration.

At December 31, 2022, 2021, 2020, Total nonaccrual loans totaled $6.4 million, or 0.32% of total loans, at December 31, 2023, and $5.7 million, or 0.29% of total loans, $5.0 million, or 0.27% of total loans, and $7.8 million, and 0.41% of total loans, respectively. at December 31, 2022. If all nonaccrual loans had been performing in accordance with their terms, we would have earned additional interest income of $373,000, $257,000 $262,000 and $275,000 $262,000 for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively.

Other Real Estate Owned ("OREO")

Assets acquired through, or in lieu of, loan foreclosures are held for sale and are initially recorded at fair value less cost to sell at the date of foreclosure, establishing a new cost basis. Subsequent to foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell. Costs relating to development and improvement of property are capitalized, whereas costs relating to the holding of property are expensed. At December 31, 2022, 2021 December 31, 2023 and 2020, 2022, the Company carried no other real estate owned ("OREO") balances.

The following table presents, for the years indicated, an analysis of the allowance for loan credit losses and other related data.

	Years Ended December 31, 2022	Years Ended December 31, 2021	Years Ended December 31,	
	(Dollars in thousands)		(Dollars in thousands)	
Allowance for loan losses to total loans outstanding	1.00%	1.06%		
Allowance for loan losses	$ 19,931	$ 19,787		
Allowance for credit losses to total loans outstanding			1.00%	1.00%
Allowance for credit losses			$ 20,267	$ 19,931
Total loans outstanding	$ 1,991,400	$ 1,864,716	$ 2,027,317	$ 1,991,400
Nonaccrual loans to total loans outstanding	0.29%	0.27%	0.32%	0.29%
Nonaccrual loans	$ 5,694	$ 4,964	$ 6,421	$ 5,694
Total loans outstanding	$ 1,991,400	$ 1,864,716	$ 2,027,317	$ 1,991,400
Allowance for loan losses to nonaccrual loans	350.04%	398.61%		
Allowance for loan losses	$ 19,931	$ 19,787		
Allowance for credit losses to nonaccrual loans			315.64%	350.04%
Allowance for credit losses			$ 20,267	$ 19,931
Nonaccrual loans	$ 5,694	$ 4,964	$ 6,421	$ 5,694
Net charge-offs (recoveries) during the period to daily average loans outstanding:				
Residential one-to-four family recoveries to daily average loans outstanding	(0.01)%	(0.01)%	0.00%	(0.01)%
Net recoveries during the period	$ (30)	$ (64)	$ (23)	$ (30)
Average amount outstanding	$ 576,502	$ 583,225	$ 601,843	$ 576,502
Commercial real estate charge-offs to daily average loans outstanding	0.03%	0.01%	0.07%	0.03%
Net charge-offs during the period	$ 337	$ 96	$ 755	$ 337
Average amount outstanding	$ 1,052,345	$ 886,259	$ 1,076,523	$ 1,052,345
Commercial and industrial charge-offs to daily average loans outstanding	0.03%	0.11%	0.57%	0.03%
Net charge-offs during the period	$ 69	$ 343	$ 1,213	$ 69
Average amount outstanding	$ 216,547	$ 312,000	$ 213,903	$ 216,547

Home equity charge-offs (recoveries) to daily average loans outstanding	0.03 %	(0.01)%		
Net charge-offs (recoveries) during the period	$ 26	$ (9)		
Home equity (recoveries) charge-offs to daily average loans outstanding			0.00 %	0.03 %
Net (recoveries) charge-offs during the period			$ (3)	$ 26
Average amount outstanding	$ 103,565	$ 101,697	$ 108,057	$ 103,565
Consumer charge-offs to daily average loans outstanding	3.37 %	1.66 %	1.66 %	3.37 %
Net charge-offs during the period	$ 154	$ 79	$ 97	$ 154
Average amount outstanding	$ 4,568	$ 4,745	$ 5,840	$ 4,568
Total Loan Charge-offs to Daily Average Loans Outstanding	0.03 %	0.02 %	0.10 %	0.03 %
Net charge-offs during the period	$ 556	$ 445	$ 2,039	$ 556
Average amount outstanding	$ 1,953,527	$ 1,887,926	$ 2,006,166	$ 1,953,527

(1) The Company adopted ASU 2016-13 on January 1, 2023 with a modified retrospective approach. Accordingly, beginning at January 1, 2023, the allowance for credit losses was determined in accordance with ASC 326, "*Financial Instruments-Credit Losses*."

During the year ended December 31, 2023, the Company recorded net charge-offs of $1.2 million on the commercial and industrial loan portfolio. The charge-offs during the year ended December 31, 2023 were related to one commercial relationship acquired on October 21, 2016 from Chicopee Bancorp, Inc., which was recently placed on nonaccrual status. During the year ended December 31, 2023, the Company recorded a $1.9 million charge-off on the relationship, which represented the non-accretable credit mark that was required to be grossed-up to the loan's amortized cost basis with a corresponding increase to the allowance for credit losses under the Current Expected Credit Losses ("CECL") implementation. At December 31, 2023, the Company has charged-off 61% of the total relationship and the remaining exposure of $940,000 is collateralized at this time.

Allowance for Loan Credit Losses.

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments - Credit Losses* (*Topic326*): *Measurement of Credit Losses on Financial Instruments*, which requires the recognition of the allowance for credit losses be estimated using the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity ("HTM") debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale ("AFS") debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on AFS debt securities that are determined to have impairment related to credit losses.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net increase to retained earnings of $9,000 as of January 1, 2023 for the cumulative effect of adopting ASC 326, which includes a net deferred tax liability of $4,000. The transition adjustment includes a $1.2 million increase to the allowance for credit losses and the recording of a $918,000 allowance for credit losses on off-balance sheet credit exposures.

The allowance for loan credit losses is an estimate of probable expected losses inherent within the Company's existing loans held for investment portfolio. The allowance for credit risk inherent losses for loans held for investment, as reported in the loan portfolio as of the specified our consolidated balance sheet, dates. The Company maintains is adjusted by a credit loss expense, which is reported in earnings, and reduced by the allowance charge-off of loan amounts, net of recoveries. Accrued interest receivable on loans held for investment was $7.5 million at a level that it deems adequate to absorb all reasonably anticipated probable losses December 31, 2023 and is excluded from specifically known and other the estimate of credit risks associated with the portfolio. The adoption of the Current Expected Credit Loss ("CECL") allowance methodology became effective for the Company as of January 1, 2023. Upon implementation, the Company elected to leverage a CECL compliant Discounted Cash Flow ("DCF") model to calculate projected potential loan losses.

The Company maintains an allowance for loan losses credit loss estimation process involves procedures to absorb losses inherent in appropriately consider the unique characteristics of loan portfolio based on ongoing quarterly assessments segments, which consist of the estimated losses. Our methodology for assessing the appropriateness of the allowance consists of a review of the components, which includes a general allowance for non-impaired loans.

The specific valuation allowance incorporates the results of measuring impairment for specifically identified non-homogenous problem loans and, as applicable, troubled debt restructurings ("TDRs"). A loan is recognized as impaired when it is probable that principal and/or interest are not collectible in accordance with the loan's contractual terms. Impairment is measured on a loan-by-loan basis for commercial real estate and loans, residential real estate loans, commercial and industrial loans, by either and consumer loans. These segments are further disaggregated into loan classes, the present value level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected future cash flows discounted at the loan's effective interest rate or the fair value prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The quantitative component of the collateral if the loan ACL on loans is collateral dependent. An allowance is established when the model-based and utilizes a forward-looking macroeconomic forecast. The Company uses a discounted cash flows (or collateral value) flow method, incorporating probability of the impaired default and loss given default forecasted based on statistically derived economic variable loss drivers, to estimate expected credit losses. This process includes estimates which involve modeling loss projections attributable to existing loan is lower than the carrying value balances, and considering historical experience, current conditions, and future expectations for pools of that loan. Once an impairment has been determined, loans over a reasonable and supportable forecast period. The historical information either experienced by the Company recognizes the charge-off.

The general allowance or by a selection of peer banks, when appropriate, is calculated by applying loss factors to outstanding loans by loan type, excluding loans determined to be impaired. As part derived from a combination of this analysis, each quarter we prepare an allowance recessionary and non-recessionary performance periods for loan losses worksheet which categorizes the loan portfolio by risk characteristics such as loan type and loan grade. The general allowance data is inherently subjective as it requires material estimates that may be susceptible to significant change. There are a number of factors that are considered when evaluating the appropriate level of the allowance. These factors include current economic and business conditions that affect our key lending areas, collateral values, loan volumes and concentrations, credit quality trends such as nonperforming loans, delinquency and loan losses, and specific industry concentrations within the portfolio segments that may impact the collectability of the loan portfolio. In 2020, the Bank added a new qualitative factor category to the allowance calculation – "Economic Impact of COVID-19" based upon an analysis of the loan portfolio that included identifying borrowers sensitive to the shutdown. During the year ended December 31, 2021, the qualitative adjustment factors related to the COVID-19 pandemic and the uncertainty in the economic environment were reduced as Management continued to assess the exposure of the Company's loan portfolio to the COVID-19 pandemic related factors, economic trends and their potential effect on asset quality. available. For information on our methodology for assessing the appropriateness of the allowance for loan credit losses please see Footnote 1 – "*Summary of Significant Accounting Policies*" of our notes to consolidated financial statements.

Commercial real estate loans. Loans in this segment include commercial real estate, multi-family dwellings, owner-occupied commercial real estate and income producing investment properties, as well as commercial construction loans for commercial development projects throughout New England. The allowance for loan losses is established through underlying cash flows generated by the properties or operations can be adversely impacted by a provision for loan losses, downturn in the economy due to increased vacancy rates or diminished cash flows, which is a direct charge to earnings. Loan losses are charged against the allowance when management believes that the collectability of the loan principal is unlikely. Recoveries on loans previously charged-off are credited to the allowance for loan losses.

In making its assessment on the adequacy of the allowance for loan losses, management considers several quantitative and qualitative factors that could in turn, would have an effect on the credit quality of the portfolio. in this segment. Management closely obtains financial information annually and continually monitors the credit quality cash flows of individual delinquent and nonperforming

relationships, the levels of impaired and adversely classified loans, net charge-offs, the growth and composition of the loan portfolio, expansion in geographic market area, and any material changes in underwriting criteria, and the strength of the local and national economy, among other factors.
The level of delinquent and nonperforming assets is largely a function of economic conditions and the overall banking environment and the individual business circumstances of borrowers. Despite prudent loan underwriting, adverse changes within the Company's market area, or deterioration in local, regional or national economic conditions, could negatively impact management's estimate of probable credit losses. these loans.

14 15

Residential real estate loans. This portfolio segment consists of first mortgages, home equity loans, and home equity lines secured by one-to-four family residential properties. First mortgages may be underwritten to a maximum loan-to-value of 97% for owner-occupied homes, 90% for second homes and 85% for investment properties. Mortgages with loan-to-values greater than 80% require private mortgage insurance. We do not grant subprime loans. Home equity loans and lines are secured by first or second mortgages on one-to-four family owner-occupied properties. Equity loans and lines are underwritten to a maximum combined loan-to-value of 85% of the appraised value of the property. Underwriting approval is dependent on review of the borrower's ability to repay and credit history in accordance with the Company's loan policies. The overall health of the economy, including unemployment rates and housing pricing, will have an effect on the credit quality in this segment.
Commercial and industrial loans. Loans in this segment include commercial business loans and are generally secured by assignments of corporate assets and personal guarantees of the business owners. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.
Consumer loans. Loans in this segment are both secured and unsecured and repayment is dependent on the credit quality of the individual borrower.
Discounted Cash Flow Method ("DCF")
In estimating the component of the allowance for credit losses for loans that share similar risk characteristics with other loans, such loans are segregated into loan classes. Loans are designated into loan classes based on loans pooled by product types and similar risk characteristics or areas of risk concentration. In determining the allowance for credit losses, we derive an estimated credit loss assumption from a model that categorizes loan pools based on loan type and purpose. This model calculates an expected loss percentage for each loan class by considering the probability of default, using life-of-loan analysis periods for all loan segments, and the historical severity of loss, based on the aggregate net lifetime losses incurred per loan class. The default and severity factors used to calculate the allowance for credit losses for loans that share similar risk characteristics with other loans are adjusted for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to: (1) lending policies and procedures; (2) international, national, regional and local economic business conditions and developments that affect the collectability of the portfolio; (3) the nature and volume of the loan portfolio including the terms of the loans; (4) the experience, ability, and depth of the lending management and other relevant staff; (5) the volume and severity of past due and adversely classified loans and the volume of nonaccrual loans; (6) the quality of our loan review system and (7) the value of underlying collateral for collateralized loans. Additional factors include the existence and effect of any concentrations of credit, and changes in the level of such concentrations and the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio. Such factors are used to adjust the historical probabilities of default and severity of loss so that they reflect management expectation of future conditions based on a reasonable and supportable forecast. The Company uses regression analysis of historical internal and peer data to determine which variables are best suited to be economic variables utilized when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the economic variables.
For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over four quarters on a straight-line basis. Other internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.
Individually Evaluated Financial Assets
For a loan that does not share risk characteristics with other loans, expected credit loss is measured based on net realizable value, that is, the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the amortized cost basis of the loan. For these loans, we recognize expected credit loss equal to the amount by which the net realizable value of the loan is less than the amortized cost basis of the loan (which is net of previous charge-offs and deferred loan fees and costs), except when the loan is collateral dependent, that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In these cases, expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral.

16

Purchased Credit Deteriorated Loans
The Company has loans acquired with evidence of credit deterioration from Chicopee Bancorp, Inc. Prior to the adoption of CECL, these loans were accounted for under accounting guidance for purchased credit-impaired ("PCI") loans. The Company did not elect the practical expedient to maintain pool accounting for these loans and will measure credit loss at the loan level.
Upon adoption of ASC 326, PCI loans are accounted for as purchase credit deteriorated ("PCD Loans"). PCD Loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the allowance for credit losses are recorded through credit loss expense.
Allowance for Credit Losses on Off-Balance Sheet Credit Exposures, Including Unfunded Loan Commitments
The Company maintains a separate allowance for credit losses from off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the balance sheet. Management continues estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the ACL methodology to closely monitor the necessary allowance levels, including specific reserves. results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan type. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company, such as undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. The allowance for credit losses on off-balance sheet credit exposures is adjusted as credit loss expense. Categories of off-balance sheet credit exposures correspond to the loan losses to total portfolio segments described above. Management evaluates the need for a reserve on unfunded loan commitments in a manner consistent with loans ratio was 1.00% at December 31, 2022 compared to 1.06% at December 31, 2021. The allowance held for loan losses to total loans ratio, excluding PPP loans, was 1.00% and 1.08%, at December 31, 2022 and 2021, respectively. The allowance for loan losses to nonperforming loans ratio was 350.0% and 398.6%, at December 31, 2022 and 2021, respectively. investment.

Based on the foregoing, as well as management's judgment as to the existing credit risks inherent in the loan portfolio, management believes that the Company's allowance Company is appropriately provisioned for loan losses is adequate to absorb probable losses from specifically known the current economic environment and other probable credit risks associated with the portfolio supportable forecast period as of December 31, 2022 December 31, 2023.
For the years year ended December 31, 2022 and December 31, 2021 December 31, 2023, the Company recorded a provision for loan credit losses of $700,000, compared to $872,000, which was comprised of a $1.2 million provision for credit losses, which was partially offset by a $321,000 reversal of credit losses for loan losses of $925,000 to the allowance for loan losses based on our evaluation of the items discussed above. unfunded commitments. The credit for loan losses provision expense during the year ended December 31, 2021 December 31, 2023 was primarily due to a reduction of qualitative adjustment factors that had previously been increased changes in the allowance economic environment and related adjustments to the quantitative components of the CECL methodology. The $321,000 reversal of credit losses for credit losses unfunded commitments for the year ended December 31, 2023 was primarily related to the COVID-19 pandemic and impact of lower unfunded loan commitments, with off-balance sheet unfunded commitment exposures decreasing $46.8 million for the uncertainty in the economic environment. We believe that the allowance for loan losses adequately reflects the level of incurred losses in the current loan portfolio as of December 31, 2022 year ended December 31, 2023.

17

Allocation of Allowance for Loan Credit Losses.

The following tables set forth the allowance for loan credit losses allocated by loan category, the total loan balances by category, and the percent of loans in each category to total loans.

Loan Category	December 31, 2022					December 31, 2021				
	Amount of Allowance for Loan Losses		Loan Balances by Category		Percent of Loans in Each Category to Total Loans	Amount of Allowance for Loan Losses		Loan Balances by Category		Percent of Loans in Each Category to Total Loans
	(In thousands)									
Commercial real estate	$	12,199	$	1,069,323	53.8 %	$	12,970	$	979,969	52.6 %
Real estate mortgage:										
Residential one-to-four family		3,657		589,503	29.6		3,358		552,332	29.6
Home equity		655		105,557	5.3		606		99,759	5.4
Commercial and industrial loans		3,160		219,848	11.0		2,643		226,669	12.2
Consumer loans		245		5,045	0.3		197		4,250	0.2
Unallocated		15		—	0.0		13		—	0.0
Total allowances for loan losses	$	19,931	$	1,989,276	100.0 %	$	19,787	$	1,862,979	100.0 %

Loans Acquired with Deteriorated Credit Quality.

Loan Category	December 31, 2023					December 31, 2022[(1)]				
	Amount of Allowance for Credit Losses		Loan Balances by Category		Percent of Loans in Each Category to Total Loans	Amount of Allowance for Loan Losses		Loan Balances by Category		Percent of Loans in Each Category to Total Loans
	(In thousands)									
Commercial real estate	$	15,141	$	1,079,751	53.3 %	$	12,199	$	1,069,323	53.8 %
Real estate mortgage:										
Residential one-to-four family		2,161		612,315	30.3		3,657		589,503	29.6
Home equity		387		109,839	5.4		655		105,557	5.3
Commercial and industrial loans		2,537		217,447	10.7		3,160		219,848	11.0
Consumer loans		41		5,472	0.3		245		5,045	0.3
Unallocated		—		—	0.0		15		—	0.0
Total allowances for credit losses	$	20,267	$	2,024,824	100.0 %	$	19,931	$	1,989,276	100.0 %

Loans acquired in a transfer, including business combinations, where there is evidence of credit deterioration since origination and it is probable at the date of acquisition the Company will not collect all contractually required principal and interest payments, are accounted for under accounting guidance for purchased credit-impaired loans. This guidance provides that the excess of the cash flows initially expected to be collected over the fair value of the loans at the acquisition date (i.e., the accretable yield) is accreted into interest income over the estimated remaining life of the loans, provided that the timing and amount of future cash flows is reasonably estimated. The difference between the contractually required payments and the cash flows expected to be collected at acquisition is referred to as the non-accretable difference. Subsequent to acquisition, probable decreases in expected cash flows are recognized through a provision for loan losses, resulting in an increase to the allowance for loan losses. If the Company has probable and significant increases in cash flows expected to be collected, the Company will first reverse any previously established allowance for loan losses and then increase interest income as a prospective yield adjustment. At December 31, 2022 and 2021, the Company had $5.2 million and $6.9 million in purchased credit-impaired loans.

15

(1) The Company adopted ASU 2016-13 on January 1, 2023 with a modified retrospective approach. Accordingly, beginning at January 1, 2023, the allowance for credit losses was determined in accordance with ASC 326, “*Financial Instruments-Credit Losses*.”

Investment Activities.

The primary objectives of the Bank’s securities portfolio are to provide liquidity and maximize income while preserving safety of principal. Secondary objectives include: providing collateral to secure local municipal deposits, the investment of funds during periods of decreased loan demand, interest rate sensitivity considerations, supporting local communities through the purchase of tax-exempt securities and tax planning considerations. The Bank’s Board of Directors reviews is responsible for establishing overall policy and approves our investment reviewing performance of the Bank’s investments.

Under the Bank’s policy, on an annual basis. acceptable portfolio investments include: United States Government obligations, obligations of federal agencies or U.S. Government-sponsored enterprises, mortgage-backed securities, municipal obligations (general obligations, revenue obligations, school districts and non-rated issues from the Bank’s general market area), banker’s acceptances, certificates of deposit, Industrial Development Authority Bonds, Public Housing Authority Bonds, corporate bonds (each corporation limited to the Bank’s legal lending limit), marketable equity securities, collateralized mortgage obligations, Small Business Investment Companies (SBIC), Federal Reserve stock and FHLB stock.

The Chief Executive Officer and Chief Financial Officer, as authorized by the Board of Directors, implement this policy based on the established guidelines within the written policy. The Company’s Bank’s internal investment policy sets limits as a percentage of the total portfolio, identifies acceptable and unacceptable investment practices, and denotes approved security dealers. The effect of changes in interest rates, market values, timing of principal payments and credit risk are considered when purchasing securities.

The Company’s investment portfolio activities are an integral part of the overall asset liability management program of the Company. The investment function provides readily available funds to support loan growth, as well as to meet withdrawals and maturities of deposits, and attempts to provide maximum return consistent with liquidity constraints and general prudence, including diversification and safety of investments.

The securities in which the Company may invest are limited by regulation. Federally-chartered savings banks have authority to invest in various types of assets, including U.S. Treasury obligations, securities of various government-sponsored enterprises, mortgage-backed securities, certain certificates of deposit of insured financial institutions, repurchase agreements, overnight and short-term loans to other banks, corporate debt instruments and marketable equity securities.

As of the balance sheet dates reflected in this annual report, held-to-maturity HTM securities are carried at amortized cost and available-for-sale AFS securities are carried at fair value. On a quarterly basis, we review January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and HTM debt securities. The Company measures expected credit losses on HTM debt securities on a collective basis by security type and risk rating where available. Any expected credit losses on HTM securities would be presented as an allowance for credit loss.

18

In addition, ASC 326 made changes to the accounting for AFS debt securities. The Company measures expected credit losses on AFS debt securities based upon the gain or loss position of the security. If the Company does not expect to recover the entire amortized cost basis of an AFS debt security, an allowance for credit losses would be recorded, with a decline in related charge to earnings, limited by the amount of the fair value below the amortized cost of the investment to determine whether security less its amortized cost. If the decline in fair value is temporary or other-than-temporary (“OTTI”). In estimating OTTI losses for debt securities, impairment is required to be recognized if (1) we intend Company intends to sell the security; (2) AFS debt security or it is “more more likely than not” not that we the Company will be required to sell the AFS debt security before recovery of its amortized cost basis; or (3) for debt securities, basis, the present value of expected cash flows is not sufficient to recover Company recognizes the entire difference between the amortized cost basis. For all impaired debt securities that we intend to sell, or more likely than not will be required to sell, the full amount basis of the other-than-temporary security and its fair value in earnings. Any impairment is recognized that has not been recorded through earnings. For all other impaired debt securities, credit-related other-than-temporary impairment is recognized through earnings, while non-credit-related other-than-temporary impairment an allowance for credit loss is recognized in other comprehensive income/loss, net of applicable taxes. income. Marketable equity securities are measured at fair value with changes in fair value reported on the Company's income statement as a component of non-interest income, regardless of whether such gains and losses are realized.

Management reports investment transactions, portfolio allocation, effective duration, market value at risk and projected cash flows to the Board on a periodic basis. The Board also approves the Company's ongoing investment strategy.

Restricted Equity Securities.

At December 31, 2022 December 31, 2023 and 2021, December 31, 2022, the Company held $2.9 million $3.3 million and $2.2 million $2.9 million, respectively, of FHLB stock. This stock is classified as a restricted investment and carried at cost which management believes approximates the fair value. The investment must be held as a condition of membership in the FHLB and as a condition for the Bank to borrow from the FHLB. The Company periodically evaluates its investment in FHLB stock for impairment based on, among other factors, the capital adequacy of the FHLB and its overall financial condition.

At December 31, 2022 December 31, 2023 and 2021, December 31, 2022, the Company held $423,000 of Atlantic Community Bankers Bank stock. The stock is restricted and carried in other assets at cost. The stock is evaluated for impairment based on an estimate of the ultimate recovery to the par value. No impairment losses have been recorded through December 31, 2022 December 31, 2023.

Securities Portfolio Maturities.

The composition and maturities of the debt securities portfolio and the mortgage-backed securities portfolio at December 31, 2022 December 31, 2023 are summarized in the following table. Maturities are based on the final contractual payment dates, and do not reflect the impact of prepayments or redemptions that may occur. Weighted average yield is calculated using the amortized cost and yield to maturity of securities divided by the total amortized cost of the segment, and does not adjust for tax-equivalent basis for any tax-exempt obligations.

	One Year or Less		More than One Year through Five Years		More than Five Years through Ten Years		More than Ten Years		Total Securities		
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Fair Value	Weigh Avera Yiel
	(Dollars in thousands)										
Available-for-sale:											
Debt securities:											
Government-sponsored enterprise obligations	$ —	— %	$ —	— %	$ 9,913	1.23 %	$ 5,000	1.30 %	$ 14,913	$ 11,568	1
State and municipal bonds	—	—	270	3.00	—	—	—	—	270	270	3
Corporate bonds	—	—	3,012	3.33	5,000	5.70	—	—	8,012	7,493	4
Total debt securities	—	—	3,282	3.31	14,913	2.73	5,000	1.30	23,195	19,331	2
Mortgage-backed securities:											
Government-sponsored residential mortgage-backed	—	—	564	2.00	1,088	1.98	146,892	1.89	148,544	121,718	1

U.S. Government guaranteed residential mortgage-backed	—	—	—	—	—	—	7,417	1.47	7,417	5,948	1
Total mortgage-backed securities	—	—	564	2.00	1,088	1.98	154,309	1.87	155,961	127,666	1
Total available-for-sale	$ —	—%	$ 3,846	3.11%	$ 16,001	2.68%	$ 159,309	$ 1.85%	$ 179,156	$ 146,997	1
Held-to-maturity:											
Debt securities:											
U.S. Treasury securities	$ —	—%	$ 9,987	1.08%	$ —	—%	$ —	—%	$ 9,987	$ 9,162	1
Total debt securities	—	—	9,987	1.08	—	—	—	—	9,987	9,162	1
Mortgage-backed securities:											
Government-sponsored residential mortgage-backed	—	—	—	—	—	—	220,181	2.16	220,181	181,788	2
Total mortgage-backed securities	—	—	—	—	—	—	220,181	2.16	220,181	181,788	2
Total held-to-maturity	$ —	—%	$ 9,987	1.08%	$ —	—%	$ 220,181	2.16%	$ 230,168	$ 190,950	2

At December 31, 2023, the Company had $137.1 million in securities classified as AFS, $223.4 million in HTM, marketable equity securities of $196,000, and no securities classified as trading. Securities classified as AFS were reported for financial reporting purposes at the fair value with net changes in the fair value from period to period included as a separate component of shareholders' equity, net of income taxes. Changes in the fair value of debt securities classified as HTM or AFS do not affect our income, unless we determine there to be incurred credit losses for those securities in an unrealized loss position.

At December 31, 2023, the Company reported unrealized losses on the AFS securities portfolio of $29.2 million, or 17.5% of the amortized cost basis of the AFS securities portfolio, compared to unrealized losses of $32.2 million, or 18.0% of the amortized cost basis of the AFS securities at December 31, 2022. At December 31, 2023, the Company reported unrealized losses on the HTM securities portfolio of $35.7 million, or 16.0%, of the amortized cost basis of the HTM securities portfolio, compared to $39.2 million, or 17.0% of the amortized cost basis of the HTM securities portfolio at December 31, 2022. As of December 31, 2023, management concluded that there were no incurred credit losses at December 31, 2023 as all unrealized losses were related to interest rate fluctuations rather than any underlying credit quality of the issuers. Additionally, the Company has no plans to sell these securities and has concluded that it is unlikely it would have to sell these securities prior to the anticipated recovery of the unrealized losses.

Deposits.

Deposits have traditionally been Customer deposits represent the principal primary source of the Company's funds. Bank's funds for lending and other investment purposes. The Company offers a wide variety of deposit products, including commercial, checking, small business, nonprofit and municipal checking, money market and sweep accounts, as well as certificates of deposit and specialty products including escrow management accounts, Interest on Lawyers Trust Accounts, and Interest on Real Estate Brokers Trust Accounts. time deposits. A broad selection of competitive retail deposit products are also offered, including interest-bearing and noninterest-bearing checking, money market and savings accounts, as well as certificates of deposit time deposits and individual retirement accounts, with terms on time deposits ranging from three months to sixty months. As a member of the FDIC, the Bank's depositors are provided deposit protection up to the maximum FDIC insurance coverage limits.

Management determines the interest rates offered on deposit accounts based on current and expected economic conditions, competition, and the Bank's liquidity needs, volatility of existing deposits, asset/liability position and overall objectives regarding the growth and retention of relationships. We may also utilize brokered deposits, both term and overnight, from a number of available sources, as part of our asset liability management strategy and as an alternative to borrowed funds to support asset growth in excess of internally generated deposits. Brokered deposits along with borrowed funds may be referred to as wholesale funding. There were $1.7 million in brokered deposits on the balance sheet at December 31, 2023 reported within time deposits. There were no brokered deposits on the balance sheet at December 31, 2022 and December 31, 2021 .

At December 31, 2023, uninsured deposits, defined as deposits that exceed the limits provided by the FDIC, were 27% of total deposits, compared to 31% of total deposits, at December 31, 2022.

Core deposits (defined (which the Company defines as regular accounts, money market accounts, interest-bearing and noninterest-bearing demand accounts) all deposits except time deposits) represented 81.5% 71.5% of total deposits on at December 31, 2023 and 81.5% at December 31, 2022 and 82.2% on December 31, 2021. At December 31, 2022 and December 31, 2021 December 31, 2023, time deposits with remaining terms to maturity of less than one year amounted to $288.7 million $596.3 million and $363.3 million $288.7 million, respectively. See *"Management's Discussion and Analysis of Financial Condition and Results of Operations — Net Interest and Dividend Income"* for information relating to the average balances and costs of our deposit accounts for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021.

Cash Management Services.

In addition to the deposit products discussed above, commercial banking and municipal customers may take advantage of cash management services including remote deposit capture, Automated Clearing House credit and debit origination, check payment fraud prevention, international and domestic wire transfers and corporate credit cards.

IntraFi/CDARS.
We participate in the IntraFi Network which provides depositors with FDIC pass-through insurance. Depositors can open a reciprocal time deposit through the Certificate of Deposit Account Registry Service ("CDARS") or an Insured Cash Sweep Service ("ICS") account. We use CDARS and ICS to place client funds into time deposit accounts and money market accounts, respectively, into other participating banks. These transactions occur in amounts that are less than FDIC insurance limits to ensure that deposits are eligible for FDIC insurance on the full amount of their deposits. The IntraFi Network allows for up to $250.0 million per customer of pass-through FDIC insurance. At December 31, 2023 and December 31, 2022, there were $28.7 million and $250,000, respectively, in CDARS deposits reported within time deposits, and $35.1 million and $3.2 million, respectively, in ICS accounts reflected within core deposits.

Deposit Distribution and Weighted Average Rates.

The following table sets forth the Company's average deposit balances and weighted average rates for the periods presented:

	For the Years Ended December 31,								
	2022			2021			2020		
	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates
	(Dollars in thousands)								
Demand deposits	$ 647,971	28.6 %	— %	$ 608,936	28.0 %	— %	$ 489,602	26.0 %	— %
Interest-bearing checking accounts	139,993	6.2	0.38	109,648	5.0	0.36	86,086	4.6	0.45
Regular savings accounts	222,267	9.8	0.07	205,394	9.4	0.07	153,073	8.1	0.09
Money market accounts	890,763	39.4	0.36	776,725	35.7	0.31	521,692	27.7	0.54
Total core deposit accounts	1,900,994	84.0	0.20	1,700,703	78.1	0.17	1,250,453	66.4	0.27
Time deposit accounts	363,258	16.0	0.41	477,067	21.9	0.53	634,111	33.6	1.60
Total deposits	$ 2,264,252	100.0 %	0.24 %	$ 2,177,770	100.0 %	0.25 %	$ 1,884,564	100.0 %	0.72 %

	For the Years Ended December 31,								
	2023			2022			2021		
	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates
	(Dollars in thousands)								
Demand deposits	$ 602,652	27.8 %	— %	$ 647,971	28.6 %	— %	$ 608,936	28.0 %	— %
Interest-bearing checking	142,005	6.5	0.73	139,993	6.2	0.38	109,648	5.0	0.36
Regular savings	202,354	9.3	0.09	222,267	9.8	0.07	205,394	9.4	0.07
Money market	697,621	32.2	1.37	890,763	39.4	0.36	776,725	35.7	0.31
Total core deposits	1,644,632	75.8	0.65	1,900,994	84.0	0.20	1,700,703	78.1	0.17
Time deposits	524,827	24.2	3.03	363,258	16.0	0.41	477,067	21.9	0.53
Total deposits	$ 2,169,459	100.0 %	1.23 %	$ 2,264,252	100.0 %	0.24 %	$ 2,177,770	100.0 %	0.25 %

The following table sets forth the maturity of time deposits at the dates indicated:

	At December 31,												
	2022			2021			2020			2023			
	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates	Amount	Percent	Weighted Average Rates	An
	(Dollars in thousands)												
Due within the year	$ 288,697	70.1 %	0.69 %	$ 363,290	90.3 %	0.34 %	$ 503,187	85.2 %	0.75 %	$ 596,292	97.5 %	3.81 %	$ 28
Over 1 year through 3 years	119,117	28.9	2.91	32,411	8.1	0.85	81,847	13.9	0.86	12,472	2.1	0.85	11
Over 3 years	3,876	1.0	0.14	6,279	1.6	0.31	5,302	0.9	0.84	2,588	0.4	0.05	

Total certificated accounts	$ 411,690	100.0 %	1.33 %	$ 401,980	100.0 %	0.38 %	$ 590,336	100.0 %	0.77 %			
Total time deposits										$ 611,352	100.0 %	3.73 %	$ 41

The following table sets forth the uninsured portion of our core deposit accounts, by account type, at the dates indicated.

	At December 31, 2022	At December 31, 2021	At December 31, 2020
	(Dollars in thousands)		
Core deposit accounts:(1)			
Demand deposits	$ 177,464	$ 194,735	$ 150,588
Interest-bearing checking accounts	105,644	104,985	61,334
Regular savings accounts	3,218	76,753	65,971
Money market accounts	303,898	309,739	205,471
Total core deposit accounts	$ 590,224	$ 686,212	$ 483,364

	At December 31, 2023	At December 31, 2022	At December 31, 2021
	(Dollars in thousands)		
Core deposits:(1)			
Demand deposits	$ 156,646	$ 177,464	$ 194,735
Interest-bearing checking	64,097	105,644	104,985
Regular savings	2,243	3,218	76,753
Money market	226,536	303,898	309,739
Total core deposits	$ 449,522	$ 590,224	$ 686,212

The following table sets forth the uninsured portion of our time deposits, by remaining maturity.

	At December 31, 2022 (Dollars in thousands)	At December 31, 2023 (Dollars in thousands)
Time deposit accounts:(1)		
Time deposits:(1)		
3 months or less	$ 574	$ 46,151
Over 3 months through 6 months	1,623	71,554
Over 6 months through 12 months	23	7,482
Over 12 months	94,146	232
Total time deposit accounts	$ 96,366	
Total time deposits		$ 125,419

(1) Uninsured deposits for the periods indicated have been estimated using the same methodologies and assumptions used for the Bank's regulatory reporting requirements.

Time Deposit Maturities.

A summary of time deposits totaling $250,000 or more by maturity is as follows:

	December 31, 2022 Amount	December 31, 2022 Weighted Average Rate	December 31, 2021 Amount	December 31, 2021 Weighted Average Rate	December 31, 2023 Amount	December 31, 2023 Weighted Average Rate	December 31, 2022 Amount	December 31, 2022 Weighted Average Rate
	(In thousands)				(In thousands)			
3 months or less	$ 9,809	0.21 %	$ 19,243	0.43 %	$ 110,400	3.96 %	$ 9,809	0.21 %
Over 3 months through 6 months	11,021	0.37	23,304	0.43	55,540	4.31	11,021	0.37
Over 6 months through 12 months	35,820	1.60	18,353	0.46	30,357	4.51	35,820	1.60
Over 12 months	75,087	3.61	4,960	0.90	2,294	0.72	75,087	3.61

Total:	$	131,737	2.54 %	$	65,860	0.47 %	$ 198,591	4.10 %	$ 131,737	2.54 %

23

Other Sources of Funds.

As discussed above, deposit gathering has been In addition to deposits, other sources of funds include loan repayments, loan sales on the Company's principal source secondary market, interest and dividend income from investments, matured investments, borrowings from the FHLB and from correspondent banks, and issuance of funds. Asset growth in excess of deposits may be funded through cash flows from our loan and investment portfolios, or the following sources: securities.

Federal Home Loan Bank, Federal Reserve Bank of Boston and Other Borrowings.

Total borrowing capacity includes borrowing arrangements at The Company utilizes advances from the FHLB and the Federal Reserve Bank of Boston ("FRB"), as well as other funding sources, as part of our overall funding strategy, to meet short-term liquidity needs and borrowing arrangements with correspondent banks. to manage interest rate risk arising from the difference in asset and liability maturities.

The Company Bank is a member of the FHLB, and uses borrowings as an additional source which is part of funding to finance the Company's lending and investing activities and to provide liquidity for daily operations. FHLB advances also provide more pricing and option alternatives for particular asset/liability needs. The FHLB provides a central credit facility primarily for member institutions. As an FHLB member, the Company is Federal Home Loan Bank System. Members are required to own capital stock of the FHLB, calculated periodically based primarily and borrowings are collateralized by qualifying assets not otherwise pledged. The maximum amount of credit that the FHLB will extend varies from time to time, depending on its level policies and the amount of qualifying collateral the member can pledge. The Bank had satisfied its collateral requirement at December 31, 2023.
On March 12, 2023, the FRB made available the Bank Term Funding Program ("BTFP"), which enhances the ability of banks to borrow greater amounts against certain high-quality, unencumbered investments at par value. During the year ended December 31, 2023, the Company participated in the BTFP, which enabled the Company to pay off higher rate FHLB advances. With the BTFP, the Company has the ability to pay off the BTFP advance prior to maturity without incurring a penalty or termination fee.
At December 31, 2023, total borrowings increased $94.1 million, or 221.6%, from $42.6 million at December 31, 2022 to $136.7 million. Short-term borrowings decreased $25.3 million, or 61.1%, to $16.1 million, at December 31, 2023 compared to $41.4 million at December 31, 2022. Long-term borrowings increased $119.4 million, from $1.2 million at December 31, 2022, to $120.6 million at December 31, 2023, to replace deposit attrition. Long-term borrowings consisted of $30.6 million outstanding with the FHLB. FHLB and $90.0 million outstanding under the FRB's BTFP. There were no borrowings at the Federal Reserve at December 31, 2022.
Total short-term borrowings and long-term debt outstanding and weighted average rates at the periods indicated are secured by presented below:

	December 31, 2023			December 31, 2022		
	Balance Outstanding (In millions)		Weighted Average Rate	Balance Outstanding (In millions)		Weighted Average Rate
Short-term borrowings	$	16.1	5.47 %	$	41.4	4.37 %
Long-term debt		120.6	4.73		1.2	—
Total	$	136.7	4.82 %	$	42.6	4.25 %

The Bank has additional borrowing capacity at the FHLB up to a certain securities from percentage of the Company's investment portfolio not otherwise value of qualified collateral. In accordance with agreements with the FHLB, the qualified collateral must be free and clear of liens, pledges and encumbrances. At December 31, 2023, the Bank had pledged as well as certain residential real estate and commercial real estate loans. Advances are made under several different credit programs with different lending standards, interest rates and range $601.2 million of maturities. eligible collateral to support borrowing capacity at the FHLB of Boston. This relationship is an integral component of the Company's asset-liability management program. At December 31, 2022 December 31, 2023, the Bank had $407.4 million immediate availability at the FHLB, including its overnight Ideal Way Line of Credit, to borrow an additional $535.6 million based on qualified collateral. At December 31, 2023, the Company had $23.6 million in additional available borrowing capacity under the BTFP and available borrowing capacity of $48.6 million from the FHLB. Federal Reserve Discount Window.

The Company also has an available overnight Ideal Way line of credit with the FHLB for of $9.5 million. Interest on this line of credit is payable at a rate determined and reset by the FHLB on a daily basis. The outstanding principal is due daily but the portion not repaid will be automatically renewed. There were no At December 31, 2023 and 2022, the Company did not have any outstanding advances outstanding under this line at December 31, 2022 and December 31, 2021, respectively. the facility.

The

24

In addition, the Company has an available line of credit of $4.4 million $48.6 million with the FRB Discount Window at an interest rate determined and reset on a daily basis. Borrowings from the FRB Discount Window are secured by certain securities from the Company's investment portfolio not otherwise pledged. At As of December 31, 2023 and December 31, 2022 and December 31, 2021, there were no advances outstanding under this line. either of these lines.
The following table lists FHLB and FRB liquidity information as of December 31, 2023:

	At December 31, 2023					
	Total Available Borrowing Capacity		Required Collateral on Balance Outstanding		Net Available Borrowing Capacity	
	(In millions)					
FHLB(1)	$	601.2	$	65.6	$	535.6
FRB BTFP		113.6		90.0		23.6
FRB Discount Window		48.6		—		48.6
Total	$	763.4	$	155.6	$	607.8

(1) FHLB required collateral includes short and long-term advances, FHLB letters of credit and Ideal Way Line of Credit availability.

The Company also has pre-established, non-collateralized overnight borrowing arrangements with large national and regional correspondent banks to provide additional overnight and short-term borrowing capacity for the Company. The At December 31, 2023, the Company has $65.0 million in available lines had a $15.0 million line of credit with a correspondent banks bank and a $10.0 million line of credit with another correspondent bank, both at an interest rates rate determined and reset on a daily basis. At As of December 31, 2023 and December 31, 2022 and December 31, 2021, we had there were no advances outstanding under these lines.

20

Long-term debt consists of FHLB advances with an original maturity of one year or more. At December 31, 2022, we had $1.2 million in long-term debt with the FHLB, compared to $2.7 million in long-term debt with the FHLB at December 31, 2021.

Subordinated Debt.

On April 20, 2021, the Company completed an offering of $20 million in aggregate principal amount of its 4.875% fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers in a private placement transaction. The Company intends to use the net proceeds of the offering for general corporate purposes, including organic growth and repurchase of the Company's common shares.

Unless earlier redeemed, the Notes mature on May 1, 2031. The Notes will bear interest from the initial issue date to, but excluding, May 1, 2026, or the earlier redemption date, at a fixed rate of 4.875% per annum, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year, beginning August 1, 2021, and (ii) from and including May 1, 2026, but excluding the maturity date or earlier redemption date, equal to the benchmark rate, which is the 90-day average secured overnight financing rate, plus 412 basis points, determined on the determination date of the applicable interest period, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year. The Company may also redeem the Notes, in whole or in part, on or after May 1, 2026, and at any time upon the occurrence of certain events, subject in each case to the approval of the Board of Governors of the Federal Reserve System (the "Federal Reserve"). The Notes were designed to qualify as Tier 2 capital under the Federal Reserve's capital adequacy regulations.

Financial Services.

Westfield Bank also provides access to insurance and investment products through Westfield Investment Services through LPL Financial ("LPL"), a third-party registered broker-dealer. Westfield Investment Services representatives provide a broad range of wealth management, investment, insurance, financial planning and strategic asset management services, helping clients meet all of their financial needs.

Securities and advisory services are offered through LPL Financial (LPL), a registered investment advisor and broker/dealer (member FINRA/SIPC). *Insurance products are offered through LPL or its licensed affiliates. Westfield Bank and Westfield Investment Services* ***are not*** *registered as a broker/dealer or investment advisor. Registered representatives of LPL offer products and services using Westfield Investment Services, and may also be employees of Westfield Bank. These products and services are being offered through LPL or its affiliates, which are separate entities from and not affiliates of Westfield Bank or Westfield Investment Services. Securities and insurance offered through LPL or its affiliates are:*

Not Insured by FDIC or Any Other Government Agency	**Not Bank Guaranteed**
Not Bank Deposits or Obligations	**May Lose Value**

Supervision and Regulation.

The Company and the Bank are subject to extensive regulation under federal and state laws. The regulatory framework applicable to savings and loan holding companies and their insured depository institution subsidiaries is intended to protect depositors, the federal deposit insurance fund (the "DIF"), consumers and the U.S. banking system, rather than investors.

Set forth below is a summary of the significant laws and regulations applicable to Western New England Bancorp and its subsidiaries. The summary description that follows is qualified in its entirety by reference to the full text of the statutes, regulations, and policies that are described. Such statutes, regulations, and policies are subject to ongoing review by Congress and state legislatures and federal and state regulatory agencies. A change in any of the statutes, regulations, or regulatory policies applicable to Western New England Bancorp and its subsidiaries could have a material effect on the results of the Company.

Overview.

Western New England Bancorp is a separate and distinct legal entity from the Bank. The Company is a Massachusetts-chartered stock holding company and a registered savings and loan holding company under the Home Owners' Loan Act (the "HOLA"), as amended, and is subject to the supervision of and regular examination by the Board of Governors of the Federal Reserve System (the "FRB," the "Federal Reserve Board" or the "Federal Reserve") as its primary federal regulator. In addition, the Federal Reserve Board has enforcement authority over Western New England Bancorp and its non-savings association subsidiaries. Western New England Bancorp is also subject to the jurisdiction of the SEC and is subject to the disclosure and other regulatory requirements of the Securities Act of 1933, as amended, and the Securities Exchange Act of 1934, as amended, as administered by the SEC. Western New England Bancorp is traded on the NASDAQ under the ticker symbol, "*WNEB*," and is subject to the NASDAQ stock market rules.

Westfield Bank is organized as a federal savings association under the HOLA. The Bank is subject to the supervision of, and to regular examination by, the OCC as its chartering authority and primary federal regulator. To a limited extent, the Bank is also subject to the supervision and regulation of the FDIC as its deposit insurer. Financial products and services offered by Western New England Bancorp and the Bank are subject to federal consumer protection laws and implementing regulations promulgated by the Consumer Financial Protection Bureau (the "CFPB"). Western New England Bancorp and the Bank are also subject to oversight by state attorneys general for compliance with state consumer protection laws. The Bank's deposits are insured by the FDIC up to the applicable deposit insurance limits in accordance with FDIC laws and regulations. The Bank is a member of the FHLB, and is subject to the rules and requirements of the FHLB. The subsidiaries of Western New England Bancorp and the Bank are subject to federal and state laws and regulations, including regulations of the FRB and the OCC, respectively.

Set forth below is a description of the significant elements of the laws and regulations applicable to Western New England Bancorp and its subsidiaries. Statutes, regulations and policies are subject to ongoing review by Congress, state legislatures and federal and state agencies. A change in any statute, regulation or policy applicable to Western New England Bancorp may have a material effect on the results of Western New England Bancorp and its subsidiaries.

Federal Savings and Loan Holding Company Regulation.

Western New England Bancorp is a savings and loan holding company as defined by the HOLA. In general, the HOLA restricts the business activities of savings and loan holding companies to those permitted for financial holding companies under the BHC Act. Permissible businesses activities include banking, managing or controlling banks and other activities that the FRB has determined to be so closely related to banking "as to be a proper incident thereto," as well as any activity that is either (i) financial in nature or incidental to such financial activity (as determined by the FRB in consultation with the Secretary of the Treasury) or (ii) complementary to a financial activity, and that does not pose a substantial risk to the safety and soundness of depository institutions or the financial system generally (as determined solely by the FRB). Activities that are financial in nature include, among others, securities underwriting and dealing, insurance underwriting and making merchant banking investments.

Mergers and Acquisitions.

The HOLA, the federal Bank Merger Act and other federal and state statutes regulate direct and indirect acquisitions of savings associations by savings and loan holding companies or other savings associations. The HOLA requires the prior approval of the FRB for the direct or indirect acquisition of more than 5% of the voting shares of a savings association or its parent holding company and for a company, other than a savings and loan holding company, to acquire "control" of a savings association or a savings and loan holding company. A company can be deemed to "control" a savings association or a savings and loan holding company by owning or controlling, directly or indirectly, more than 25% of the voting shares, but even below that threshold, a company can be found to have "control" through other controlling influences. Under the Change in Bank Control Act, no person, including a company, may acquire, directly or indirectly, control of an insured depository institution without providing 60 days' prior notice and receiving a non-objection from the appropriate federal banking agency.

Under the Bank Merger Act, the prior approval of the OCC is required for a federal savings association to merge with another insured depository institution, where the resulting institution is a federal savings association, or to purchase the assets or assume the deposits of another insured depository institution. In reviewing applications seeking approval of merger and acquisition transactions, the federal bank regulatory agencies must consider, among other things, the competitive effect and public benefits of the transactions, the capital position of the combined organization, performance records under the Community Reinvestment Act of 1977 (see the section captioned "Community Reinvestment Act of 1977" included elsewhere in this section) and the effectiveness of the subject organizations in combating money laundering.

Source of Strength Doctrine.

FRB policy requires savings and loan holding companies to act as a source of financial and managerial strength to their subsidiary savings associations. Section 616 of the Dodd-Frank Act codified the requirement that holding companies act as a source of financial strength to their insured depository institution subsidiaries. As a result, Western New England Bancorp is expected to commit resources to support the Bank, including at times when Western New England Bancorp may not be in a financial position to provide such resources. Any capital loans by a savings and loan holding company to any of its subsidiary savings associations are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary savings associations. In the event of a savings and loan holding company's bankruptcy, any commitment by the savings and loan holding company to a federal banking agency to maintain the capital of a subsidiary insured depository institution will be assumed by the bankruptcy trustee and entitled to priority of payment.

Dividends.

The principal source of Western New England Bancorp's liquidity is dividends from the Bank. The OCC imposes various restrictions and requirements on the Bank's ability to make capital distributions, including cash dividends. The OCC's prior approval is required if the total of all distributions, including the proposed distribution, declared by a federal savings association in any calendar year would exceed an amount equal to the Bank's net income for the year-to-date plus the Bank's retained net income for the previous two years, or that would cause the Bank to be less than well capitalized. In addition, section 10(f) of the HOLA requires a subsidiary savings association of a savings and loan holding company, such as the Bank, to file a notice with the Federal Reserve prior to declaring certain types of dividends.

Western New England Bancorp and the Bank are also subject to other regulatory policies and requirements relating to the payment of dividends, including requirements to maintain adequate capital above regulatory minimums. The appropriate federal banking agency is authorized to determine, under certain circumstances relating to the financial condition of a savings and loan holding company or a savings association, that the payment of dividends would be an unsafe or unsound practice and to prohibit payment thereof. The federal banking agencies have indicated that paying dividends that deplete an insured depository institution's capital base to an inadequate level would be an unsafe and unsound banking practice and that banking organizations should generally pay dividends only out of current operating earnings.

Capital Adequacy.

In July 2013, the FRB, the OCC and the FDIC approved final rules (the "Capital Rules") that established a new capital framework for U.S. banking organizations. The Capital Rules generally implement the Basel Committee on Banking Supervision's December 2010 final capital framework referred to as "Basel III" for strengthening international capital standards. In addition, the Capital Rules implement certain provisions of the Dodd-Frank Act. Pursuant to the Dodd-Frank Act, Western New England Bancorp, as a savings and loan holding company, is subject to the Capital Rules.

The Capital Rules substantially revised the risk-based capital requirements applicable to holding companies and their depository institution subsidiaries as compared to prior U.S. general risk-based capital rules. The Capital Rules revised the definitions and the components of regulatory capital and impacted the calculation of the numerator in banking institutions' regulatory capital ratios. The Capital Rules became effective on January 1, 2015, subject to phase-in periods for certain components and other provisions.

The Capital Rules: (i) require a capital measure called "Common Equity Tier 1" ("CET1") and related regulatory capital ratio of CET1 to risk-weighted assets; (ii) specify that Tier 1 capital consists of CET1 and "Additional Tier 1 capital" instruments meeting certain revised requirements; (iii) mandate that most deductions/adjustments to regulatory capital measures be made to CET1 and not to the other components of capital; and (iv) expand the scope of the deductions from and adjustments to capital as compared to existing regulations. Under the Capital Rules, for most banking organizations, including Western New England Bancorp, the most common form of Additional Tier 1 capital is non-cumulative perpetual preferred stock and the most common forms of Tier 2 capital are subordinated notes and a portion of the allocation for loan and lease losses, in each case, subject to the Capital Rules' specific requirements.

Pursuant to the Capital Rules, the minimum capital ratios are:

- 4.5% CET1 to risk-weighted assets;
- 6.0% Tier 1 capital (that is, CET1 plus Additional Tier 1 capital) to risk-weighted assets;
- 8.0% Total capital (that is, Tier 1 capital plus Tier 2 capital) to risk-weighted assets; and
- 4.0% Tier 1 capital to average consolidated assets as reported on consolidated financial statements (known as the "leverage ratio").

The Capital Rules also require a "capital conservation buffer," composed entirely of CET1, on top of these minimum risk-weighted asset ratios. The capital conservation buffer is designed to absorb losses during periods of economic stress. Banking institutions with a ratio of CET1 to risk-weighted assets above the minimum but below the capital conservation buffer will face constraints on dividends, equity and other capital instrument repurchases and compensation based on the amount of the shortfall. The additional capital conservation buffer must be 2.5% of CET1, effectively resulting in minimum ratios inclusive of the capital conservation buffer of (i) CET1 to risk-weighted assets of at least 7%, (ii) Tier 1 capital to risk-weighted assets of at least 8.5%, and (iii) Total capital to risk-weighted assets of at least 10.5%.

The Capital Rules provide for a number of deductions from and adjustments to CET1, which have been simplified for non-advanced approaches institutions since the time the Capital Rules were initially finalized.

In addition, under the current general risk-based capital rules, the effects of accumulated other comprehensive income or loss ("AOCI") items included in shareholders' equity (for example, marks-to-market of securities held in the available-for-sale AFS portfolio) under generally accepted accounting principles in the United States of America ("GAAP") are reversed for the purposes of determining regulatory capital ratios. Under the Capital Rules, the effects of certain AOCI items are not excluded; however, banking organizations not using advanced approaches, were permitted to make a one-time permanent election to continue to exclude these items in January 2015. The Company and the Bank made this election.

The risk-weighting categories in the Capital Rules are standardized and include a risk-sensitive number of categories, depending on the nature of the assets, generally ranging from 0% for U.S. government and agency securities, to 600% for certain equity exposures, and resulting in higher risk weights for a variety of assets. The implementation of the Capital Rules did not have a material impact on the Company's or the Bank's consolidated capital levels.

The Bank is subject to the Capital Rules as well. The Company and the Bank are each in compliance with the targeted capital ratios under the Capital Rules at December 31, 2022 December 31, 2023.

In September 2019, the Office of the Comptroller of the Currency, the Federal Reserve Board and the FDIC adopted a final rule that is was intended to further simplify the Capital Rules for depository institutions and their holding companies that have less than $10 billion in total consolidated assets, such as us, if such institutions meet certain qualifying criteria. This final rule became effective on January 1, 2020. Under this final rule, if we meet the qualifying criteria, including having a leverage ratio (equal to tier 1 capital divided by average total consolidated assets) of greater than 9 percent, we will be eligible to opt into the community bank leverage ratio framework. If we opt into this framework, we will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the Capital Rules (as modified pursuant to the simplification rule) and will be considered to have met the well-capitalized ratio requirements for PCA (as defined below) purposes.The Company and the Bank evaluated the simplified Capital Rules to determine our adoption status for the applicable filings periods beginning in 2020 and decided not to opt in to the community bank leverage ratio framework.

Prompt Corrective Action.

Pursuant to Section 38 of the Federal Deposit Insurance Act ("FDIA"), federal banking agencies are required to take "prompt corrective action" ("PCA") should an insured depository institutions fail to meet certain capital adequacy standards. At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on payment of dividends and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment.

For purposes of PCA, to be: (i) well-capitalized, an insured depository institution must have a total risk based capital ratio of at least 10%, a Tier 1 risk based capital ratio of at least 8%, a CET1 risk based capital ratio of at least 6.5%, and a Tier 1 leverage ratio of at least 5%; (ii) adequately capitalized, an insured depository institution must have a total risk based capital ratio of at least 8%, a Tier 1 risk based capital ratio of at least 6%, a CET1 risk based capital ratio of at least 4.5%, and a Tier 1 leverage ratio of at least 4%; (iii) undercapitalized, an insured depository institution would have a total risk based capital ratio of less than 8%, a Tier 1 risk based capital ratio of less than 6%, a CET1 risk based capital ratio of less than 4.5%, and a Tier 1 leverage ratio of less than 4%; (iv) significantly undercapitalized, an insured depository institution would have a total risk based capital ratio of less than 6%, a Tier 1 risk based capital ratio of less than 4%, a CET1 risk based capital ratio of less than 3%, and a Tier 1 leverage ratio of less than 3%.; and (v) critically undercapitalized, an insured depository institution would have a ratio of tangible equity to total assets that is less than or equal to 2%. As of December 31, 2022 December 31, 2023, the most recent notification from the OCC categorized the Bank as was "well-capitalized" under the PCA framework.

29

Business Activities.

The Bank derives its lending and investment powers from the HOLA and its implementing regulations promulgated by the OCC. Those laws and regulations limit the Bank's authority to invest in certain types of assets and to make certain types of loans. Permissible investments include, but are not limited to, mortgage loans secured by residential and commercial real estate, commercial and consumer loans, certain types of debt securities, and certain other assets. The Bank may also establish service corporations that may engage in activities not otherwise permissible for the Bank, including certain real estate equity investments and securities and insurance brokerage.

Loans to One Borrower.

Generally, a federal savings bank may not make a loan or extend credit to a single borrower or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the loan is secured by readily marketable collateral, which generally does not include real estate. As of December 31, 2022 December 31, 2023, we were in compliance with these limitations on loans to one borrower.

Concentrated Commercial Real Estate Lending Regulations.

The federal banking agencies, including the OCC, have promulgated guidance governing financial institutions with concentrations in commercial real estate lending. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development, and other land represent 100% or more of total capital or (ii) total reported loans secured by multifamily and nonfarm nonresidential properties (excluding loans secured by owner-occupied properties) and loans for construction, land development, and other land represent 300% or more of total capital and the bank's commercial real estate loan portfolio has increased 50% or more during the prior 36 months.

If a concentration is present, management must employ heightened risk management practices that address the following key elements: board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. On December 18, 2015, the federal banking agencies jointly issued a "Statement on Prudent Risk Management for Commercial Real Estate Lending" reminding banks of the need to engage in risk management practices for commercial real estate lending.

Qualified Thrift Lender Test.

Under federal law, as a federal savings association, the Bank must comply with the qualified thrift lender test (the "QTL test"). Under the QTL test, the Bank is required to maintain at least 65% of its "portfolio assets" in certain "qualified thrift investments" in at least nine months of the most recent twelve-month period. "Portfolio assets" means, in general, the Bank's total assets less the sum of:

- specified liquid assets up to 20% of total assets;
- goodwill and other intangible assets; and
- value of property used to conduct the Bank's business.

"Qualified thrift investments" include certain assets that are includable without limit, such as residential and manufactured housing loans, home equity loans, education loans, small business loans, credit card loans, mortgage backed securities, Federal Home Loan Bank FHLB stock and certain U.S. government obligations. In addition, certain assets are includable as "qualified thrift investments" in an amount up to 20% of portfolio assets, including certain consumer loans and loans in "credit-needy" areas.

30

The Bank may also satisfy the QTL test by qualifying as a "domestic building and loan association" as defined in the Internal Revenue Code. Failure by the Bank to maintain its status as a QTL would result in restrictions on activities, including restrictions on branching and the payment of dividends. If the Bank were unable to correct that failure within a specified period of time, it must either continue to operate under those restrictions on its activities or convert to a national bank charter. The Bank met the QTL test in each of the prior 12 months and, therefore, is a "qualified thrift lender."

The Community Reinvestment Act.

The Community Reinvestment Act of 1977 (the "CRA") and the regulations issued thereunder are intended to encourage banks to help meet the credit needs of their entire assessment area, including low and moderate income neighborhoods, consistent with the safe and sound operations of such banks. The CRA requires the OCC to evaluate the record of each financial institution in meeting such credit needs. The CRA evaluation is also considered by the bank regulatory agencies in evaluating approvals for mergers, acquisitions, and applications to open, relocate or close a branch or facility. Failure to adequately meet the criteria within CRA guidelines could impose additional requirements and limitations on the Bank. Additionally, the Bank must publicly disclose the ability to request the Bank's CRA Performance Evaluation and other various related documents. The Bank received a rating of "Outstanding" on its most recent Community Reinvestment Act examination.

Consumer Protection and CFPB Supervision.

The Dodd-Frank Act centralized responsibility for consumer financial protection by creating the CFPB, an independent federal agency responsible for implementing, enforcing, and examining compliance with federal consumer financial laws. As Western New England Bancorp has less than $10 billion in total consolidated assets, the OCC continues to exercise primary examination authority over the Bank with regard to compliance with federal consumer financial laws and regulations. Under the Dodd-Frank Act, state attorneys general are also empowered to enforce rules issued by the CFPB.

The Company and the Bank are subject to a number of federal and state laws designed to protect borrowers and promote fair lending. These laws include, among others, the Equal Credit Opportunity Act, the Fair Credit Reporting Act, the Truth in Lending Act, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, various state law counterparts, and the Consumer Financial Protection Act of 2010.

Transactions with Affiliates and Loans to Insiders.

Under federal law, transactions between insured depository institutions and their affiliates are governed by Sections 23A and 23B of the Federal Reserve Act ("FRA"), and the FRB's implementing Regulation W. In a holding company context, at a minimum, the parent holding company of a bank or savings association, and any companies which are controlled by such parent holding company, are "affiliates" of the bank or savings association. Generally, sections 23A and 23B are intended to protect insured depository institutions from losses arising from transactions with non-insured affiliates, by limiting the extent to which a depository institution or its subsidiaries may engage in covered transactions with any one affiliate and with all affiliates of the depository institution in the aggregate, and by requiring that such transactions be on terms that are consistent with safe and sound banking practices.

Section 22(h) of the FRA restricts loans to directors, executive officers, and principal stockholders ("Insiders"). Under Section 22(h), loans to Insiders and their related interests may not exceed, together with all other outstanding loans to such persons and affiliated entities, the insured depository institution's total capital and surplus. Loans to Insiders above specified amounts must receive the prior approval of the Board. Further, under Section 22(h), loans to insiders must be made on terms substantially the same as offered in comparable transactions to other persons, except that such Insiders may receive preferential loans made under a benefit or compensation program that is widely available to the bank's employees and does not give preference to the insider over the employees. Section 22(g) of the FRA places additional limitations on loans to executive officers.

Enforcement.

The OCC has primary enforcement responsibility over federal savings associations, including the Bank. This enforcement authority includes, among other things, the ability to assess civil money penalties, to issue cease and desist orders and to remove directors and officers. In general, these enforcement actions may be initiated in response to unsafe or unsound practices, and any violation of laws and regulations.

Standards for Safety and Soundness.

The Bank is subject to certain standards designed to maintain the safety and soundness of individual insured depository institutions and the banking system. The OCC has prescribed safety and soundness guidelines relating to (i) internal controls, information systems and internal audit systems; (ii) loan documentation; (iii) credit underwriting; (iv) interest rate exposure; (v) asset growth, concentration, and quality; (vi) earnings; and (vii) compensation and benefit standards for officers, directors, employees and principal shareholders. A savings association not meeting one or more of the safety and soundness guidelines may be required to file a compliance plan with the OCC.

Under the FDIA, the FDIC may terminate deposit insurance upon a finding that the institution has engaged in unsafe and unsound practices, is in an unsafe or unsound condition to continue operations, or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. Management is not aware of any practice, condition or violation that might lead to the termination of the Bank's deposit insurance.

Federal Deposit Insurance.

The FDIC's deposit insurance limit is $250,000 per depositor, per insured bank, for each account ownership category. The deposits of the Bank are insured up to applicable limits by the DIF of the FDIC. The Bank is subject to deposit insurance assessments to maintain the DIF. The FDIC uses a risk-based assessment system that imposes insurance premiums based upon a risk matrix that takes into account an insured depository institution's capital level and supervisory rating, commonly known as the "CAMELS" rating. The risk matrix utilizes different risk categories which are distinguished by capital levels and supervisory ratings. As a result of the Dodd-Frank Act, the base for insurance assessments is now consolidated average assets less average tangible equity. Assessment rates are calculated using formulas that take into account the risk of the institution being assessed.

Depositor Preference.

The FDIA provides that, in the event of the "liquidation or other resolution" of an insured depository institution, the claims of depositors of the institution, including the claims of the FDIC as subrogee of insured depositors, and certain claims for administrative expenses of the FDIC as a receiver, will have priority over other general unsecured claims against the institution. If an insured depository institution fails, insured and uninsured depositors, along with the FDIC, will have priority in payment ahead of unsecured, non-deposit creditors, including the parent bank holding company, with respect to any extensions of credit they have made to such insured depository institution.

Federal Home Loan Bank System.

The Bank is a member of the FHLB, which is one of the regional Federal Home Loan Banks comprising the Federal Home Loan Bank System. Each Federal Home Loan Bank serves as a central credit facility primarily for its member institutions. The Bank, as a member of the FHLB, is required to acquire and hold shares of capital stock in the FHLB. Required percentages of stock ownership are subject to change by the FHLB, and the Bank was in compliance with this requirement with an investment in FHLB capital stock at December 31, 2022 December 31, 2023. If there are any developments that cause the value of our stock investment in the FHLB to become impaired, we would be required to write down the value of our investment, which could affect our net income and shareholders' equity.

Reserve Requirements.

FRB regulations authorize the Federal Reserve Board to require insured depository institutions to maintain non-interest earning reserves against their transaction accounts (primary interest-bearing and regular checking accounts). The Bank's required reserves can be in the form of vault cash. If vault cash does not fully satisfy the required reserves, they may be satisfied in the form of a balance maintained with the Federal Reserve Bank of Boston. FRB. Currently, there is no reserve requirement because the Federal Reserve Board reduced the reserve requirement to zero percent.

Financial Privacy and Data Security.

Western New England Bancorp is subject to federal laws, including the Gramm-Leach Bliley Act, and certain state laws containing consumer privacy protection provisions. These provisions limit the ability of banks and other financial institutions to disclose non-public information about consumers to affiliated and non-affiliated third parties and limit the reuse of certain consumer information received from non-affiliated institutions. These provision require notice of privacy policies to consumers and, in some circumstances, allow consumers to prevent disclosure of certain personal information to affiliates or non-affiliated third parties by means of “opt out” or “opt in” authorizations.

The Gramm-Leach Bliley Act requires that financial institutions implement comprehensive written information security programs that include administrative, technical, and physical safeguards to protect consumer information. Further, pursuant to interpretive guidance issued under the Gramm-Leach Bliley Act and certain state laws, financial institutions are required to notify customers of security breaches that result in unauthorized access to their nonpublic personal information.

Preventing Suspicious Activity.

Under Title III of the USA PATRIOT Act (“Patriot Act”), all financial institutions are required to take certain measures to identify their customers, prevent money laundering, monitor customer transactions and report suspicious activity to U.S. law enforcement agencies. Financial institutions also are required to respond to requests for information from federal banking agencies and law enforcement agencies. Information sharing among financial institutions for the above purposes is encouraged by an exemption granted to complying financial institutions from the privacy provisions of Gramm-Leach Bliley Act and other privacy laws. Financial institutions are required to have anti-money laundering programs in place, which include, among other things, performing risk assessments and customer due diligence. The primary federal banking agencies and the Secretary of the Treasury have adopted regulations to implement several of these provisions. The Bank must also comply with the Customer Due Diligence Rule, which clarifies and strengthens the existing obligations for identifying new and existing customers and explicitly includes risk-based procedures for conducting ongoing customer due diligence. Financial institutions also are required to establish internal anti-money laundering programs. The effectiveness of institutions in combating money laundering activities is a factor to be considered in any application submitted by an insured depository institution under the Bank Merger Act. Western New England Bancorp and the Bank have in place a Bank Secrecy Act and Patriot Act compliance program and engage in limited transactions with foreign financial institutions or foreign persons.

The Fair Credit Reporting Act’s Red Flags Rule requires financial institutions with covered accounts (e.g. consumer bank accounts and loans) to develop, implement, and administer an identity theft prevention program. This program must include reasonable policies and procedures to detect suspicious patterns or practices that indicate the possibility of identity theft, such an inconsistencies in personal information or changes in account activity.

Office of Foreign Assets Control Regulation.

The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These are typically known as the “OFAC” rules based on their administration by the Office of Foreign Assets Control, which is an office within the U.S. Department of Treasury (the “OFAC”). The OFAC-administered sanctions targeting countries take many different forms. Generally, the sanctions contain one or more of the following elements: (i) restrictions on trade with or investment in a sanctioned country, including prohibitions against direct or indirect imports from and exports to a sanctioned country and prohibitions on “U.S. persons” engaging in financial transactions relating to making investments in, or providing investment-related advice or assistance to, a sanctioned country; and (ii) a blocking of assets in which the government or specially designated nationals of the sanctioned country have an interest, by prohibiting transfers of property subject to U.S. jurisdiction (including property in the possession or control of U.S. persons). Blocked assets (e.g., property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without an OFAC license. Failure to comply with these sanctions could have legal and reputational consequences.

Home Mortgage Disclosure Act (“HMDA”).

On October 15, 2015, pursuant to section 1094 of the Dodd-Frank Act, the CFPB issued amended rules in regards to the collection, reporting and disclosure of certain residential mortgage transactions under the Home Mortgage Disclosure Act (the “HMDA Rules”). The Dodd-Frank Act mandated additional loan data collection points in addition to authorizing the CFPB to require other data collection points under implementing Regulation C. Most of the provisions of the HMDA Rule went into effect on January 1, 2018 and apply to data collected in 2018 and reporting in 2019 and later years. The HMDA Rule adopts a uniform loan volume threshold for all financial institutions, modifies the types of transactions that are subject to collection and reporting, expands the loan data information being collected and reported, and modifies procedures for annual submission and annual public disclosures.

UDAP and UDAAP.

Banking regulatory agencies have increasingly used a general consumer protection statute to address “unethical” or otherwise “bad” business practices that may not necessarily fall directly under the purview of a specific banking or consumer finance law. The law of choice for enforcement against such business practices has been Section 5 of the Federal Trade Commission Act, referred to as the FTC Act, which is the primary federal law that prohibits unfair or deceptive acts or practices, referred to as UDAP, and unfair methods of competition in or affecting commerce. “Unjustified consumer injury” is the principal focus of the FTC Act. Prior to the Dodd-Frank Act, there was little formal guidance to provide insight to the parameters for compliance with UDAP laws and regulations. However, UDAP laws and regulations have been expanded under the Dodd-Frank Act to apply to “unfair, deceptive or abusive acts or practices,” referred to as UDAAP, which have been delegated to the CFPB for rule-making. The federal banking agencies have the authority to enforce such rules and regulations.

Incentive Compensation.

The Dodd-Frank Act requires publicly traded companies to give stockholders a non-binding vote on executive compensation at their first annual meeting taking place six months after the date of enactment and at least every three years thereafter and on “golden parachute” payments in connection with approvals of mergers and acquisitions. The legislation also authorized the SEC to promulgate rules that would allow stockholders to nominate their own candidates using a company’s proxy materials. The Dodd-Frank Act requires the federal banking agencies and the SEC to establish joint regulations or guidelines prohibiting incentive-based payment arrangements at specified regulated entities with at least $1 billion in total consolidated assets that encourage inappropriate risks by providing an executive officer, employee, director or principal shareholder with excessive compensation, fees, or benefits that could lead to material financial loss to the entity. The federal banking agencies and the SEC most recently proposed such regulations in 2016, but the 2016. The regulations have not yet been finalized. finalized, but it is expected that this rulemaking will be a priority in 2024. If the regulations are adopted in the form initially proposed or a similar form, they will restrict the manner in which executive compensation is structured.

The Dodd-Frank Act also gives the SEC authority to prohibit broker discretionary voting on elections of directors, executive compensation matters and any other significant matter. At the 2012, 2017, and 2017 2023 Annual Meeting of Shareholders, Western New England Bancorp’s shareholders voted on a non-binding, advisory basis to hold a non-binding, advisory vote on the compensation of named executive officers of Western New England Bancorp annually. In light of the results, the Western New England Bancorp Board of Directors determined to hold the vote annually.

Future Legislative and Regulatory Initiatives.

Various legislative and regulatory initiatives are introduced by Congress, state legislatures and different financial regulatory agencies. Such initiatives may include proposals to expand or contract the powers of bank holding companies, savings and loan holding companies and/or depository institutions. Proposed legislation and regulatory initiatives could change banking statutes and the operating environment of Western New England Bancorp in substantial and unpredictable ways. If enacted, such legislation could increase or decrease the cost of doing business, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Western New England Bancorp cannot predict whether any such legislation will be enacted, and, if enacted, the effect that it or any implementing regulations would have on the financial condition or results of operations of Western New England Bancorp. Other legislation may be introduced in Congress, which would further regulate, deregulate or restructure the financial services industry, including proposals to substantially reform the financial regulatory framework. It is not possible to predict whether any such proposals will be enacted into law or, if enacted, the effect which they may have on our business and earnings.

34

Available Information.

We maintain a website at **www.westfieldbank.com**. The website contains information about us and our operations. Through a link to the Investor Relations section of our website, copies of each of our filings with the SEC, including our Annual Report on Form 10-K, Quarterly Reports Form 10-Q and Current Reports on Form 8-K and all amendments to those reports, can be viewed and downloaded free of charge as soon as reasonably practicable after the reports and amendments are electronically filed with or furnished to the SEC. The SEC maintains a website at www.sec.gov that contains reports, proxy and information statements, and other information regarding issuers that file or furnish such information electronically with the SEC. The information found on our website or the website of the SEC is not incorporated by reference into this Annual Report on Form 10-K or any other report we file with or furnish to the SEC.

35

ITEM 1A. RISK FACTORS

An investment in the Company's common stock is subject to a variety of risks and uncertainties including, without limitation, those set forth below, any of which could cause the Company's actual results to vary materially from recent results, or from the other forward looking statements that the Company may make from time to time in news releases, annual reports and other written or oral communications. The material risks and uncertainties that management believes may affect the Company are described below. These risks and uncertainties are not listed in any particular order of priority and are not necessarily the only ones facing the Company. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair the Company's business, financial condition and results of operations.

This annual report on Form 10-K is qualified in its entirety by these risk factors. If any of the following risks actually occur, the Company's business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of the Company's common stock could decline significantly, and stockholders could lose some or all of their investment.

Risks Related to our Business and Industry

Our Business and Results of Operations May be Adversely Affected by the Financial Markets, Fiscal, Monetary, and Regulatory Policies and Economic Conditions. These Factors Could Have a Material Adverse Effect on Our Earnings, Net Interest Margin, Rate of Growth, Financial Condition and Stock Price. The economy in the United States and globally has experienced volatility in recent years and may continue to do so for the foreseeable future, particularly as a result of the COVID-19 pandemic. There can be no assurance that economic conditions will not worsen. Our business may be affected by unfavorable or uncertain economic conditions such as the level and volatility of interest rates, availability and market conditions of financing, business activity or investor or business confidence, unexpected changes in gross domestic product, economic growth or its sustainability, inflation, supply chain disruptions, consumer spending, employment levels, labor shortages, wage inflation, federal government shutdowns, developments related to the U.S. federal debt ceiling, energy prices, home prices, commercial property values, bankruptcies, fluctuations or other significant changes in both debt and equity capital markets and currencies, liquidity of financial markets and the availability and cost of capital and credit, natural disasters, epidemics and pandemics (including COVID-19), terrorist attacks, acts of war or a combination of these or other factors.

Market fluctuations may impact our margin requirements and affect our business liquidity. Also, any sudden or prolonged market downturn, as a result of the above factors or otherwise, could result in a decline in net interest income and noninterest income and adversely affect our results of operations and financial condition, including asset quality, capital and liquidity levels.
In particular, the Company may face the following risks in connection with the economic or market environment:

- The Company's and the Bank's ability to borrow from other financial institutions or to access the debt of equity capital markets on favorable terms or at all could be adversely affected by further disruptions in the capital markets or other events, including actions by ratings agencies and deteriorating investor expectations.
- The Company faces increased regulation of the banking and financial services industry. Compliance with such regulation may increase its costs and limit its ability to pursue business opportunities. The regulators of the Company and the Bank are increasingly focused on liquidity and other risks after the bank failures of 2023.
- Lowered consumer and business confidence levels that could result in declines in credit usage, adverse changes in payment patterns and increases in loan delinquencies and default rates, which management expects would adversely impact the Bank's charge-offs and provision for loan losses.
- Market developments may adversely affect the Bank's securities portfolio by causing other-than-temporary-impairments, prompting write-downs and securities losses.

36

- Competition in banking and financial services industry could intensify as a result of the increase consolidation of financial services companies in connection with current market conditions or otherwise.
- The Company's ability to assess the creditworthiness of its customers may be impaired if the models and approaches the Company uses to select, manage, and underwrite its customers become less predictive of future behaviors.
- The Company could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with the Company.
- The value of loans and other assets or collateral securing loans may decrease.

As economic conditions relating to the COVID-19 pandemic have improved, the Federal Reserve has shifted its focus to limiting inflationary and other potentially adverse effects of the extensive pandemic-related government stimulus, which signals the potential for a continued period of economic uncertainty even though the pandemic has subsided. In addition, there are continuing concerns related to, among other things, the level of U.S. government debt and fiscal actions that may be taken to address that debt, a potential resurgence of economic and political tensions with China and the Russian invasion of Ukraine, all of which may have a destabilizing effect on financial markets and economic activity. Economic pressure on consumers and overall economic uncertainty may result in changes in consumer and business spending, borrowing and saving habits. These economic conditions and/or other negative developments in the domestic or international credit markets or economies may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability. Declines in real estate values and sales volumes and high unemployment or underemployment may also result in higher than expected loan delinquencies, increases in our levels of nonperforming and classified assets and a decline in demand for our products and services. These negative events may cause us to incur losses and may adversely affect our capital, liquidity and financial condition.

The Continuing COVID-19 Pandemic Could Adversely Affect Our Businesses and Our Customers, Counterparties, Employees, and Third-Party Service Providers. The pandemic has adversely affected, and may continue to adversely affect, our customers and other businesses in our market area, as well as counterparties and third party vendors. Although many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may continue to persist. The growth in economic activity and demand for goods and services, alongside labor shortages and supply chain complications and/or disruptions, has also contributed to rising inflationary pressures. The final outcome and/or potential duration of the economic disruption that resulted from the onset and subsequent recovery from COVID-19 remains uncertain at this time as the financial markets continue to be impacted. Our business and operations have not been materially impacted by COVID-19 as of December 31, 2022. However, the ongoing pandemic could cause us to experience higher credit losses in our lending portfolio, impairment of our goodwill and other financial assets, reduced demand for our products and services and other negative impacts on our financial position, results of operations and prospects. Sustained adverse effects may also prevent us from satisfying our minimum regulatory capital ratios and other supervisory requirements or result in downgrades in our credit ratings. As a result, the full extent of the resulting adverse impacts on our business, financial condition, liquidity and results of operations remains inestimable at this time, and will depend on a number of evolving factors and future developments beyond our control and that we are unable to predict.

Interest Rate Volatility Could Adversely Affect Our Results of Operations and Financial Condition. We cannot predict or control changes in interest rates. Interest rates are highly sensitive to many factors that are beyond the Company's control, including monetary policy of the federal government, inflation and deflation, volatility of domestic and global financial markets, volatility of credit markets, and competition. In response to the economic conditions resulting from the COVID-19 pandemic, the Federal Reserve Board's Board's target Fed Funds Rate was reduced to nearly 0% in March 2020. However, in a series of actions to combat rising inflation that began in March 2022, the Federal Reserve Board raised the Fed Funds Rate to 4.50% - 4.75% as of February 1, 2023. Changes in monetary policy, including changes in interest rates, influence not only the interest we receive on loans and securities and the interest we pay on deposits and borrowings, but such changes could affect our ability to originate loans and obtain deposits, the fair value of financial assets and liabilities, and the average duration of our assets.

The Company's earnings and cash flows are largely dependent upon its net interest income, meaning the difference between interest income earned on interest-earning assets and interest expense paid on interest-bearing liabilities. Net interest income is the most significant component of our net income, accounting for approximately 85.5% 86.2% of total revenues in 2022. 2023. Changes in market interest rates, in the shape of the yield curve or in spreads between different market interest rates can have a material effect on our net interest margin. The rates on some interest-earning assets, such as loans and investments, and interest-bearing liabilities, such as deposits and borrowings, adjust concurrently with, or within a brief period after, changes in market interest rates, while others adjust only periodically or not at all during their terms. Thus, changes in market interest rates might, for example, result in an increase in the interest paid on interest-bearing liabilities that is not accompanied by a corresponding increase in the interest earned on interest-earning assets, or the increase in interest earned might be at a slower pace, or in a smaller amount, than the increase in interest paid, reducing our net interest income and/or net interest margin. In addition, we rely on lower-cost, core deposits as our primary source of funding and changes in interest rates could increase our cost of funding, reduce our net interest margin and/or create liquidity challenges We have policies and procedures designed to manage the risks associated with changes in interest rates and actively manage these risks through hedging and other risk mitigation strategies. However, if our assumptions are wrong or overall economic conditions are significantly different than anticipated, our hedging and other risk mitigation strategies may be ineffective and may adversely impact our financial condition and results of operations.

Our Loan Portfolio Includes Loans with a Higher Risk of Loss. The Company originates commercial and industrial loans, commercial real estate loans, consumer loans, and residential mortgage loans primarily within its market area. The lending strategy focuses on residential real estate lending as well as servicing commercial customers, including increased emphasis on commercial and industrial lending and commercial deposit relationships. Commercial and industrial loans, commercial real estate loans, and consumer loans may expose a lender to greater credit risk than loans secured by residential real estate because the collateral securing these loans may not be sold as easily as residential real estate. In addition, commercial real estate and commercial and industrial loans may also involve relatively large loan balances to individual borrowers or groups of borrowers.

These loans also have greater credit risk than residential real estate for the following reasons:

- *Commercial Real Estate Loans.* Repayment is dependent on income being generated in amounts sufficient to cover operating expenses and debt service.
- *Commercial and Industrial Loans.* Repayment is generally dependent upon the successful operation of the borrower's borrower's business.
- *Consumer Loans.* Consumer loans are collateralized, if at all, with assets that may not provide an adequate source of payment of the loan due to depreciation, damage or loss.

Any downturn in the real estate market or local economy could adversely affect the value of the properties securing the loans or revenues from the borrowers' businesses thereby increasing the risk of nonperforming loans.

Inflation Can Have an Adverse Impact on the Company's Business and its Customers. Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Inflation continued at elevated levels in 2023 and inflationary pressures may remain elevated in 2024. Additionally, the Federal Reserve has raised certain benchmark interest rates in response to this elevated inflation. As discussed above, changes in interest rates could hurt our profits, as inflation increases and market interest rates rise, the value of the Company's investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services the Company uses in its business operations, such as electricity and other utilities, and also generally increases employee wages, any of which can increase the Company's non-interest expenses. Furthermore, the Company's customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with the Company. Sustained higher interest rates by the Federal Reserve Board to tame persistent inflationary price pressures could also push down asset prices and weaken economic activity. A deterioration in economic conditions in the United States and the Company's markets could result in an increase in loan delinquencies and non-performing assets, decreases in loan collateral values and a decrease in demand for the Company's products and services, all of which, in turn, would adversely affect the Company's business, financial condition and results of operations.

The Company's Allowance for Loan Credit Losses May Not be Adequate to Cover Loan Losses, Which Could Have a Material Adverse Effect on the Company's Business, Financial Condition and Results of Operations. A significant source of risk for the Company arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail to perform in accordance with the terms of their loan agreements. Most loans originated by the Bank are secured, but some loans are unsecured based upon management's evaluation of the creditworthiness of the borrowers. With respect to secured loans, the collateral securing the repayment of these loans principally includes a wide variety of real estate, and to a lesser extent personal property, either of which may be insufficient to cover the obligations owed under such loans.

Collateral values and the financial performance of borrowers may be adversely affected by changes in prevailing economic, environmental and other conditions, including declines in the value of real estate, changes in interest rates and debt service levels, changes in oil and gas prices, changes in monetary and fiscal policies of the federal government, widespread disease, terrorist activity, environmental contamination and other external events, which are beyond the control of the Company. In addition, collateral appraisals that are out of date or that do not meet industry recognized standards might create the impression that a loan is adequately collateralized when in fact it is not. Although the Company may acquire any real estate or other assets that secure defaulted loans through foreclosures or other similar remedies, the amounts owed under the defaulted loans may exceed the value of the assets acquired.

The Company maintains an allowance for loan credit losses, which is established through a provision for loan credit losses charged to earnings that represents management's estimate of probable expected losses inherent within the Company's existing loans held for investment portfolio. The allowance for credit losses for loans held for investment, as reported in our consolidated balance sheet, is adjusted by a credit loss expense, which is reported in earnings, and reduced by the charge-off of loan amounts, net of recoveries.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of loan portfolio segments, which consist of commercial real estate loans, residential real estate loans, commercial and industrial loans, and consumer loans. These segments are further disaggregated into loan classes, the level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The determination modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The quantitative component of the ACL on loans is model-based and utilizes a forward-looking macroeconomic forecast. The Company uses a discounted cash flow method, incorporating probability of default and loss given default forecasted based on statistically derived economic variable loss drivers, to estimate expected credit losses. This process includes estimates which involve modeling loss projections attributable to existing loan balances, and considering historical experience, current conditions, and future expectations for pools of loans over a reasonable and supportable forecast period. The historical information either experienced by the Company or by a selection of peer banks, when appropriate, level is derived from a combination of the recessionary and non-recessionary performance periods for which data is available.

The allowance for loan credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks and trends, all of which may undergo material changes. In addition, bank regulatory agencies periodically review the Company's allowance for loan credit losses and may require an increase in the provision for loan credit losses or the recognition of further loan charge-offs, based on judgments that differ from those of the Company's management. While the Company strives to carefully monitor credit quality and to identify loans that may become nonperforming, it may not be able to identify deteriorating loans before they become nonperforming assets, or be able to limit losses on those loans that have been identified to be nonperforming. On January 1, 2023, FASB-announced changes the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses* (*Topic 326*): *Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to accounting standards that impact the way banking organizations estimate their allowance for loan losses became effective for the Company. These changes or any others to accounting rules governing credit impairment estimates and recognition may increase the level as CECL methodology. The adoption of the allowance for loan losses. Any increases in the allowance for loan losses subsequent to adoption will result in a decrease in net income and, depending upon the magnitude of the changes, could this ASU did not have a material adverse effect on the Company's financial condition and results of operations. operation.

Increases in the Company's Company's Nonperforming Assets Could Adversely Affect the Company's Company's Results of Operations and Financial Condition in the Future. Nonperforming assets adversely affect net income in various ways. While the Company pays interest expense to fund nonperforming assets, no interest income is recorded on nonaccrual loans or other real estate owned, thereby adversely affecting income and returns on assets and equity. In addition, loan administration and workout costs increase, resulting in additional reductions of earnings. When taking collateral in foreclosures and similar proceedings, the Company is required to carry the property or loan at its then-estimated fair market value less estimated cost to sell, which, when compared to the carrying value of the loan, may result in a loss. These nonperforming loans and other real estate owned also increase the Company's Company's risk profile and the capital that regulators believe is appropriate in light of such risks, and have an impact on the Company's Company's FDIC risk based deposit insurance premium rate. The resolution of nonperforming assets requires significant time commitments from management and staff. The Company may experience further increases in nonperforming loans in the future, and nonperforming assets may result in further costs and losses in the future, either of which could have a material adverse effect on the Company's Company's financial condition and results of operations.

The Company's Company's Use of Appraisals in Deciding Whether to Make a Loan Does Not Ensure the Value of the Collateral. In considering whether to make a loan secured by real property or other business assets, the Company generally requires an internal evaluation or independent appraisal of the asset. However, these assessment methods are only an estimate of the value of the collateral at the time the assessment is made, and involve a large degree of estimates and assumptions and an error in fact or judgment could adversely affect the reliability of the valuation. Changes in those estimates resulting from continuing change in the economic environment and events occurring after the initial assessment may cause the value of the assets to decrease in future periods. As future events and their effects cannot be determined with precision, actual values could differ significantly from these estimates. As a result of any of these factors, the value of collateral backing a loan may be less than estimated at the time of assessment, and if a default occurs the Company may not recover the outstanding balance of the loan.

The Company's Investments are Subject to Interest Rate Risks, Credit Risk and Liquidity Risk and Declines in Value in its Investments May Require the Company to Record OTTI Impairment Charges That Could Have a Material Adverse Effect on the Company's Results of Operations and Financial Condition. There are inherent risks associated with the Company's investment activities, many of which are beyond the Company's control. These risks include the impact from changes in interest rates, weakness in real estate, municipalities, government-sponsored enterprises, or other industries, the impact of changes in income tax rates on the value of tax-exempt securities, adverse changes in regional or national economic conditions, and general turbulence in domestic and foreign financial markets, among other things. These conditions could adversely impact the fair market value and/or the ultimate collectability of the Company's investments. In addition to fair market value impairment, carrying values may be adversely impacted due to a fundamental deterioration of the individual municipality, government agency, or corporation whose debt obligations the Company owns or of the individual company or fund in which the Company has invested.

If an investment's value is deemed other than temporarily impaired, then the Company is required does not expect to write down recover the carrying entire amortized cost basis of the security, an allowance for credit losses would be recorded, with a related charge to earnings, limited by the amount of the fair value of the investment which may involve a charge security less its amortized cost. If the Company intends to earnings. The determination sell the security or it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis, the Company recognizes the entire difference between the amortized cost basis of the level of OTTI involves a high degree of judgment security and requires the Company to make significant estimates of current market risks and future trends, all of which may undergo material changes. its fair value in earnings. Any OTTI impairment that has not been recorded through an allowance for credit loss is recognized in other comprehensive income. Any impairment charges, depending upon the magnitude of the charges, could have a material adverse effect on the Company's financial condition and results of operations.

We Depend Primarily on Net Interest Income for our Earnings Rather Than Fee Income. Net interest income is the most significant component of our operating income. We have less reliance on traditional sources of fee income utilized by some community banks, such as fees from sales of insurance, securities, or investment advisory products or services. For the years ended December 31, 2023, 2022 and 2021, our net interest income was $67.9 million, $79.2 million, and $73.2 million, respectively. The amount of our net interest income is influenced by the overall interest rate environment, competition, and the amount of our interest-earning assets relative to the amount of our interest-bearing liabilities. In the event that one or more of these factors were to result in a decrease in our net interest income, we do not have significant sources of fee income to make up for decreases in net interest income.

Events Similar to the COVID-19 Pandemic Could Adversely Affect our Business Activities, Financial Condition, and Results of Operations. The occurrence of events which adversely affect the global, national and regional economies, like the COVID-19 pandemic, may have a negative impact on our business. Like other financial institutions, our business relies upon the ability and willingness of our customers to transact business with us, including banking, borrowing and other financial transactions. A strong and stable economy at each of the local, federal and global levels is often a critical component of consumer confidence and typically correlates positively with our customers' ability and willingness to transact certain types of business with us. Local and global events outside of our control may therefore negatively impact our business and financial condition. A public health crisis such as the COVID-19 pandemic is no exception, and its adverse health and economic effects may adversely impact our business and financial condition.

The Company is Subject to Environmental Risks Associated with Real Estate Held as Collateral or Occupied. When a borrower defaults on a loan secured by real property, the Company may purchase the property in foreclosure or accept a deed to the property surrendered by the borrower. The Company may also take over the management of commercial properties whose owners have defaulted on loans. The Company also occupies owned and leased premises where branches and other bank facilities are located. While the Company's Company's lending, foreclosure and facilities policies and guidelines are intended to exclude properties with an unreasonable risk of contamination, hazardous substances could exist on some of the properties that the Company may own, acquire, manage or occupy. Environmental laws could force the Company to clean up the properties at the Company's Company's expense. The Company may also be held liable to a governmental entity or to third parties for property damage, personal injury, investigation and clean-up costs incurred by these parties in connection with environmental contamination, or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. The cost associated with investigation or remediation activities could be substantial and could increase the Company's operating expenses. It may cost much more to clean a property than the property is worth and it may be difficult or impossible to sell contaminated properties. The Company could also be liable for pollution generated by a borrower's operations if the Company takes a role in managing those operations after a default. In addition, as the owner or former owner of a contaminated site, we may be subject to common law claims by third parties based on damages and costs resulting from environmental contamination emanating from the property.

Climate Change or Government Action and Societal Responses to Climate Change Could Adversely Affect Our Results of Operations. Climate change can increase the likelihood of the occurrence and severity of natural disasters and can also result in longer-term shifts in climate patterns such as extreme heat, sea level rise and more frequent and prolonged drought. Such significant climate change effects may negatively impact the Company's geographic markets, disrupting the operations of the Company, our customers or third parties on which we rely. Damages to real estate underlying mortgage loans or real estate collateral and declines in economic conditions in geographic markets in which the Company's customers operate may impact our customers' ability to repay loans or maintain deposits due to climate change effects, which could increase our delinquency rates and average credit loss.

Moreover, as the effects of climate change continue to create a level of concern for the state of the global environment, companies are facing increasing scrutiny from customers, regulators, investors and other stakeholders related to their environmental, social and governance ("ESG") practices and disclosure. New government regulations could result in more stringent forms of ESG oversight and reporting and diligence and disclosure requirements. Increased ESG related compliance costs, in turn, could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards, including with respect to the Company's involvement in certain industries or projects associated with causing or exacerbating climate change, may negatively affect the Company's reputation and commercial relationships, which could adversely affect our business.

Competition in Our Primary Market Area May Reduce Our Ability to Attract and Retain Deposits and Originate Loans. We operate in a competitive market for both attracting deposits, which is our primary source of funds, and originating loans. Historically, our most direct competition for deposits has come from savings and commercial banks. Our competition for loans comes principally from commercial banks, savings institutions, mortgage banking firms, credit unions, finance companies, mutual funds, insurance companies and brokerage and investment banking firms. We also face additional competition from internet-based institutions, brokerage firms and insurance companies. Competition for loan originations and deposits may limit our future growth and earnings prospects.

Deposit Outflows May Increase Reliance on Borrowings and Brokered Deposits as Sources of Funds. The Company has traditionally funded asset growth principally through deposits and borrowings. As a general matter, deposits are typically a lower cost source of funds than external wholesale funding (brokered deposits and borrowed funds), because interest rates paid for deposits are typically less than interest rates charged for wholesale funding. If, as a result of competitive pressures, market interest rates, alternative investment opportunities that present more attractive returns to customers, general economic conditions or other events, the balance of the Company's deposits decreases relative to the Company's overall banking operations, the Company may have to rely more heavily on wholesale or other sources of external funding, or may have to increase deposit rates to maintain deposit levels in the future. Any such increased reliance on wholesale funding, or increases in funding rates in general could have a negative impact on the Company's net interest income and, consequently, on its results of operations and financial condition.

The Bank's Reliance on Brokered and Reciprocal Deposits Could Adversely Affect its Liquidity and Operating Results. Among other sources of funds, the Company, from time to time, relies on brokered deposits to provide funds with which to make loans and provide for other liquidity needs. At December 31, 2023, the Bank had $1.7 million in brokered time deposits. One of the Bank's sources for deposits is CDARS. At December 31, 2023, the Bank has $28.7 million in CDARS reciprocal deposits and $35.1 million in Insured Cash Sweep or ICS network deposits. These amounts, are reciprocal and are not considered brokered deposits under recent regulatory reform.

The Company, as Part of its Strategic Plans, Periodically Considers Potential Acquisitions. The Risks Presented by Acquisitions Could Adversely Affect Our Financial Condition and Results of Operations. Any acquisitions will be accompanied by the risks commonly encountered in acquisitions including, among other things: our ability to realize anticipated cost savings and avoid unanticipated costs relating to the merger, the difficulty of integrating operations and personnel, the potential disruption of our or the acquired company's ongoing business, the inability of our management to maximize our financial and strategic position, the inability to maintain uniform standards, controls, procedures and policies, and the impairment of relationships with the acquired company's employees and customers as a result of changes in ownership and management. These risks may prevent us from fully realizing the anticipated benefits of an acquisition or cause the realization of such benefits to take longer than expected.

The Company Relies on Third-Party Service Providers. The Company relies on independent firms to provide critical services necessary to conducting its business. These services include, but are not limited to: electronic funds delivery networks; check clearing houses; electronic banking services; investment advisory, management and custodial services; correspondent banking services; information security assessments and technology support services; and loan underwriting and review services. The occurrence of any failures or interruptions of the independent firms' systems or in their delivery of services, or failure to perform in accordance with contracted service level agreements, for any number of reasons could also impact the Company's Company's ability to conduct business and process transactions and result in loss of customer business and damage to the Company's Company's reputation, any of which may have a material adverse effect on the Company's business, financial condition and results of operation.

The Company Relies on Dividends from the Bank for Substantially All of its Revenue. The Company is a separate and distinct legal entity from the Bank. It receives substantially all of its revenue from dividends paid by the Bank. These dividends are the principal source of funds used to pay dividends on the Company's common stock and interest and principal on the Company's subordinated debt. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Company. If the Bank, due to its capital position, inadequate net income levels, or otherwise, is unable to pay dividends to the Company, then the Company will be unable to service debt, pay obligations or pay dividends on the Company's common stock. The OCC also has the authority to use its enforcement powers to prohibit the Bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. The Bank's inability to pay dividends could have a material adverse effect on the Company's business, financial condition, results of operations and the market price of the Company's common stock.

The Carrying Value of the Company's Goodwill Could Become Impaired. In accordance with GAAP, the Company does not amortize goodwill and instead, at least annually, evaluates whether the carrying value of goodwill has become impaired. Impairment of goodwill may occur when the estimated fair value of the Company is less than its recorded book value (i.e., the net book value of its recorded assets and liabilities). This may occur, for example, when the estimated fair value of the Company declines due to changes in the assumptions and inputs used in management's estimate of fair value. A determination that goodwill has become impaired results in an immediate write-down of goodwill to its determined value with a resulting charge to operations. Any write down of goodwill will result in a decrease in net income and, depending upon the magnitude of the charge, could have a material adverse effect on the Company's financial condition and results of operations.

Risks Related to Legal, Governmental and Regulatory Changes

If Dividends Are Not Paid on Our Investment in the FHLB, or if Our Investment is Classified as Other-Than-Temporarily Impaired, Our Earnings and/or Shareholders' Equity Could Decrease. As a member of the FHLB, the Company is required to own a minimum required amount of FHLB capital stock, calculated periodically based primarily on its level of borrowings from the FHLB. This stock is classified as a restricted investment and carried at cost, which management believes approximates fair value of the FHLB stock. If negative events or deterioration in the FHLB financial condition or capital levels occurs, the Company's Company's investment in FHLB capital stock may become other-than-temporarily impaired to some degree. There can be no assurance that FHLB stock dividends will be declared in the future. If either of these were to occur, the Company's results of operations and financial condition may be adversely affected.

Concentration in Commercial Real Estate Lending is Subject to Heightened Risk Management and Regulatory Review. If a concentration in commercial real estate lending is present, as measured under government banking regulations, management must employ heightened risk management practices that address the following key elements: board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. If a concentration is determined to exist, the Company may incur additional operating expenses in order to comply with additional risk management practices and increased capital requirements which could have a material adverse effect on the Company's financial condition and results of operations.

Replacement of the London Interbank Offered Rate Could Adversely Affect Our Business, Financial Condition, and Results of Operations. In 2017, the United Kingdom's Financial Conduct Authority ("FCA"), which regulates the London Interbank Offered Rate ("LIBOR"), announced that the FCA intends to stop persuading or compelling banks to submit the rates required to calculate LIBOR after 2021. This announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The U.S. bank regulators issued a *Statement on LIBOR Transition* on November 30, 2020 and subsequent guidance encouraging banks to transition away from U.S. Dollar (USD) LIBOR by December 31, 2021 at the latest for new contracts. LIBOR is currently anticipated to be fully phased out by June 30, 2023. The Alternative Reference Rates Committee ("ARRC") has proposed that the Secured Overnight Financing Rate ("SOFR") is the rate that represents best practice as the alternative to LIBOR for use in derivatives and other financial contracts that are currently indexed to LIBOR. ARRC has proposed a paced market transition plan to SOFR from LIBOR and organizations are currently working on industry wide and company specific transition plans as it relates to derivatives and cash markets exposed to LIBOR. Management is monitoring ARRC publications for best practices as the Company transitions legacy LIBOR loans by the June 30, 2023 deadline. The Company adopted SOFR as its preferred benchmark as an alternative to LIBOR for use in new and legacy contracts beginning on January 1, 2022.

We have certain loans, derivative contracts, and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. The transition from LIBOR, or any changes or reforms to the determination or supervision of LIBOR, could have an adverse impact on the market for or value of any LIBOR-linked securities, loans, and other financial obligations or extensions of credit held by or due to us, could create considerable costs and additional risk and could have an adverse impact on our overall financial condition or results of operations. Since proposed alternative rates are calculated differently, payments under contracts referencing new rates will differ from those referencing LIBOR. The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design and hedging strategies. Furthermore, failure to adequately manage this transition process with our customers could adversely impact our reputation. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, failure to adequately manage the transition could have a material adverse effect on our business, financial condition and results of operations.

Sources of External Funding Could Become Restricted and Impact the Company's Liquidity. The Company's external wholesale funding sources include borrowing capacity at the FHLB, capacity in the brokered deposit markets, other borrowing arrangements with correspondent banks, as well as accessing the public markets through offerings of the Company's stock or issuance of debt. If, as a result of general economic conditions or other events, these sources of external funding become restricted or are eliminated, the Company may not be able to raise adequate funds or may incur substantially higher funding costs or operating restrictions in order to raise the necessary funds to support the Company's Company's operations and growth. In particular, regulators are increasingly focused on liquidity risk after the bank failures of 2023. Any such increase in funding costs or restrictions could have a negative impact on the Company's net interest income and, consequently, on its results of operations and financial condition.

We Operate In a Highly-Regulated Environment That is Subject to Extensive Government Supervision and Regulation, Which May Interfere With Our Ability to Conduct Business and May Adversely Impact the Results of our Operations. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds and the banking system as a whole, not the interests of stockholders. These regulations affect the Company's lending practices, capital structure, investment practices, dividend policy and growth, among other things. In particular, regulators are increasingly focused on liquidity risk after the bank failures of 2023. The Company is subject to extensive federal and state supervision and regulation that govern nearly all aspects of our operations and can have a material impact on our business. Federal banking agencies have significant discretion regarding the supervision, regulation and enforcement of banking laws and regulations.

Financial laws, regulations and policies are subject to amendment by Congress, state legislatures and federal and state regulatory agencies. Changes to statutes, regulations or policies, including changes in the interpretation of regulations or policies, could materially impact our business. These changes could also impose additional costs on us and limit the types of products and services that we may offer our customers. Compliance with laws and regulations can be difficult and costly, and the failure to comply with any law, regulation or policy could result in sanctions by financial regulatory agencies, including civil monetary penalties, private lawsuits, or reputational damage, any of which could adversely affect our business, financial condition, or results of operations. While we have policies and procedures designed to prevent such violations, there can be no assurance that violations will not occur. See the section titled, “Supervision and Regulation” in ITEM 1. Business.

Since the 2008 global financial crisis, financial institutions have been subject to increased scrutiny from Congress, state legislatures and federal and state financial regulatory agencies. Changes to the legal and regulatory framework have significantly altered the laws and regulations under which we operate. Compliance with these changes and any additional or amended laws, regulations and regulatory policies may reduce our ability to effectively compete in attracting and retaining customers. The passage and continued implementation of the Dodd-Frank Act, among other laws and regulations, has increased our costs of doing business and resulted in decreased revenues and net income. We cannot provide assurance that future changes in laws, regulations and policies will not adversely affect our business.
State and Federal Regulatory Agencies Periodically Conduct Examinations of Our Business, Including for Compliance With Laws and Regulations, and Our Failure to Comply With Any Supervisory Actions to Which We Are or Become Subject as a Result of Such Examinations May Adversely Affect Our Business. Federal and state regulatory agencies periodically conduct examinations of our business, including our compliance with applicable laws and regulations. If, as a result of an examination, an agency were to determine that the financial, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of our operations had become unsatisfactory, or violates any law or regulation, such agency may take certain remedial or enforcement actions it deems appropriate to correct any deficiency. Remedial or enforcement actions include the power to enjoin “unsafe or unsound” practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced against a bank, to direct an increase in the bank’s capital, to restrict the bank’s growth, to assess civil monetary penalties against a bank’s officers or directors, and to remove officers and directors. In the event that the FDIC concludes that, among other things, our financial conditions cannot be corrected or that there is an imminent risk of loss to our depositors, it may terminate our deposit insurance. The OCC, as the supervisory and regulatory authority for federal savings associations, has similar enforcement powers with respect to our business. The CFPB also has authority to take enforcement actions, including cease-and-desist orders or civil monetary penalties, if it finds that we offer consumer financial products and services in violation of federal consumer financial protection laws.

If we were unable to comply with future regulatory directives, or if we were unable to comply with the terms of any future supervisory requirements to which we may become subject, then we could become subject to a variety of supervisory actions and orders, including cease and desist orders, prompt corrective actions, memoranda of understanding, and other regulatory enforcement actions. Such supervisory actions could, among other things, impose greater restrictions on our business, as well as our ability to develop any new business. We could also be required to raise additional capital, or dispose of certain assets and liabilities within a prescribed time period, or both. Failure to implement remedial measures as required by financial regulatory agencies could result in additional orders or penalties from federal and state regulators, which could trigger one or more of the remedial actions described above. The terms of any supervisory action and associated consequences with any failure to comply with any supervisory action could have a material negative effect on our business, operating flexibility and overall financial condition.
The Company’s Capital Levels Could Fall Below Regulatory Minimums. The Company and the Bank are subject to the capital adequacy guidelines of the FRB and the OCC, respectively. Failure to meet applicable minimum capital ratio requirements (including the capital conservation "buffer" “buffer” imposed by Basel III) may subject the Company and/or the Bank to various enforcement actions and restrictions. If the Company’s capital levels decline, or if regulatory requirements increase, and the Company is unable to raise additional capital to offset that decline or meet the increased requirements, then its capital ratios may fall below regulatory capital adequacy levels. The Company’s capital ratios could decline due to it experiencing rapid asset growth, or due to other factors, such as, by way of example only, possible future net operating losses, impairment charges against tangible or intangible assets, or adjustments to retained earnings due to changes in accounting rules. The Company's Company’s failure to remain "adequately-capitalized" “adequately-capitalized” for bank regulatory purposes could affect customer confidence, restrict the Company's Company’s ability to grow (both assets and branching activity), increase the Company's Company’s costs of funds and FDIC insurance costs, prohibit the Company's Company’s ability to pay dividends on common shares, and its ability to make acquisitions, and have a negative impact on the Company's Company’s business, results of operation and financial conditions, generally. If the Bank ceases to be a "well-capitalized" “well-capitalized” institution for bank regulatory purposes, its ability to accept brokered deposits and the interest rates that it pays may be restricted.

Changes in Tax Policies at Both the Federal and State Levels Could Impact the Company's Company’s Financial Condition and Results of Operations. The Company’s financial performance is impacted by federal and state tax laws. Enactment of new legislation, or changes in the interpretation of existing law, may have a material effect on the Company’s financial condition and results of operations. A deferred tax asset is created by the tax effect of the differences between an asset’s book value and its tax basis. The deferred tax asset is measured using enacted tax rates expected to apply to taxable income in the years in which the temporary differences are expected to be recovered or settled. Accordingly, a reduction in enacted tax rates may result in a decrease in current tax expense and a decrease to the Company’s deferred tax asset, with an offsetting charge to current tax expense. The alternative would occur with an increase to enacted tax rates. In addition, certain tax strategies taken in the past derive their tax benefit from the current enacted tax rates. Accordingly, a change in enacted tax rates may result in a decrease/increase to anticipated benefit of the Company’s previous transactions which in turn, could have a material effect on the Company's Company’s financial condition and results of operations.
Risks Related to Cybersecurity and Data Privacy

We Face Cybersecurity Risks and Risks Associated With Security Breaches Which Have the Potential to Disrupt Our Operations, Cause Material Harm to Our Financial Condition, Result in Misappropriation of Assets, Compromise Confidential Information and/or Damage Our Business Relationships and Can Provide No Assurance That the Steps We and Our Service Providers Take in Response to These Risks Will Be Effective. We depend upon data processing, communication and information exchange on a variety of computing platforms and networks and over the internet. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. We face cybersecurity risks and risks associated with security breaches or disruptions such as those through cyber-attacks or cyber intrusions over the internet, malware, computer viruses, attachments to emails, social engineering and phishing schemes or persons inside our organization. The risk of a security breach or disruption, particularly through cyber-attacks or cyber intrusions, including by computer hackers, nation-state affiliated actors, and cyber terrorists, has generally increased as the number, intensity and sophistication of attempted attacks and intrusions from around the world have increased. These incidents may result in disruption of our operations, material harm to our financial condition, cash flows and the market price of our common stock, misappropriation of assets, compromise or corruption of confidential information collected in the course of conducting our business, liability for stolen information or assets, increased cybersecurity protection and insurance costs, regulatory enforcement, litigation and damage to our stakeholder relationships. These risks require continuous and likely increasing attention and other resources from us to, among other actions, identify and quantify these risks, upgrade and expand our technologies, systems and processes to adequately address them and provide periodic training for our employees to assist them in detecting phishing, malware and other schemes. Such attention diverts time and other resources from other activities and there is no assurance that our efforts will be effective.

In the normal course of business, we collect and retain certain personal information provided by our customers, employees and vendors. We also rely extensively on computer systems to process transactions and manage our business. We can provide no assurance that the data security measures designed to protect confidential information on our systems established by us will be able to prevent unauthorized access to this personal information. There can be no assurance that our efforts to maintain the security and integrity of the information we and our service providers collect and our and their computer systems will be effective or that attempted security breaches or disruptions would not be successful or damaging. Even the most well protected information, networks, systems and facilities remain potentially vulnerable because the techniques used in such attempted security breaches evolve and generally are not recognized until launched against a target, and in some cases are designed not be detected and, in fact, may not be detected. Accordingly, we may be unable to anticipate these techniques or to implement adequate security barriers or other preventative measures, and thus it is impossible for us to entirely mitigate this risk.

We Continually Encounter Technological Change and The Failure to Understand and Adapt to These Changes Could Hurt Our Business. The financial services industry is undergoing rapid technological change with frequent introductions of new technology-driven products and services and technological advances are likely to intensify competition. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology-driven products and services or be successful in marketing these products and services to customers. Failure to successfully keep pace with technological changes affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations.

<u>General Risk Factors</u>

Changes in the Local Economy May Affect our Future Growth Possibilities. The Company's success depends principally on the general economic conditions of the primary market areas in which the Company operates. The local economic conditions in these regions have a significant impact on the demand for the Company's products and services, as well as the ability of the Company's customers to repay loans, the value of the collateral securing loans and the stability of the Company's deposit funding sources. The Company's market area is principally located in Hampden and Hampshire Counties, Massachusetts and Hartford and Tolland Counties in northern Connecticut. The local economy may affect future growth possibilities. The Company's future growth opportunities depend on the growth and stability of our regional economy and the ability to expand in our market area.

Natural Disasters, Acts of Terrorism, Public Health Issues and Other External Events Could Harm Our Business. Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. The emergence of widespread health emergencies or pandemics, such as the spread of COVID-19, has and may again lead to regional quarantines, business shutdowns, labor shortages, disruptions to supply chains, and overall economic instability. Events such as these may become more common in the future and could cause significant damage such as disruptions to power and communication services, impacting the stability of our facilities and result in additional expenses, impairing the ability of our borrowers to repay outstanding loans or reducing the value of collateral securing the repayment of our loans, which could result in the loss of revenue and/or cause us to incur additional expenses. A significant natural disaster, such as a tornado, hurricane, earthquake, fire or flood, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, violence or human error could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

The Company May Not be Able to Attract, Retain or Develop Key Personnel. The Company's success depends, in large part, on its ability to attract, retain and develop key personnel. Competition for the best people in most activities engaged in by the Company can be intense, and the Company may not be able to hire or retain the key personnel that it depends upon for success. The unexpected loss of key personnel or the inability to identify and develop individuals for planned succession to key senior positions within management, or on the Board, could have a material adverse impact on the Company's business because of the loss of their skills, knowledge of the Company's market, years of industry or business experience and the difficulty of promptly finding qualified replacements.

Controls and Procedures Could Fail, or Be Circumvented by Theft, Fraud or Robbery. Management regularly reviews and updates the Company's internal controls over financial reporting, corporate governance policies, compensation policies, Code of Business Conduct and Ethics and security controls to prevent and detect theft, fraud or robbery from both internal and external sources. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the Company's internal controls and procedures, or failure to comply with regulations related to controls and procedures, or a physical theft or robbery, whether by employees, management, directors, or external elements, or any illegal activity conducted by a Bank customer, could result in loss of assets, regulatory actions against the Company, financial loss, damage the Company's reputation, cause a loss of customer business, and expose the Company to civil litigation and possible financial liability, any of which could have a material adverse effect on the Company's business, results of operations and financial condition.

Damage to the Company's Reputation Could Affect the Company's Profitability and Shareholders' Shareholders' Value. The Company is dependent on its reputation within its market area, as a trusted and responsible financial company, for all aspects of its business with customers, employees, vendors, third-party service providers, and others, with whom the Company conducts business or potential future business. Any negative publicity or public complaints, whether real or perceived, disseminated by word of mouth, by the general media, by electronic or social networking means, or by other methods, regarding, among other things, the Company's current or potential business practices or activities, cyber-security issues, regulatory compliance, an inability to meet obligations, employees, management or directors' ethical standards or actions, or about the banking industry in general, could harm the Company's reputation. Any damage to the Company's reputation could affect its ability to retain and develop the business relationships necessary to conduct business which in turn could negatively impact the Company's profitability and shareholders' value.

There has been a marked increase in the use of social media platforms, including weblogs (blogs), social media websites, and other forms of Internet-based communications which allow individuals' access to a broad audience of consumers and other interested persons. Many social media platforms immediately publish the content their subscribers and participants' post, often without filters or checks on accuracy of the content posted. Information posted on such platforms at any time may be adverse to the Bank's interests and/or may be inaccurate. The dissemination of information online could harm the Bank's business, prospects, financial condition, and results of operations, regardless of the information's accuracy. The harm may be immediate without affording the Bank an opportunity for redress or correction.

Other risks associated with the use of social media include improper disclosure of proprietary information, negative comments about the Bank's business, exposure of personally identifiable information, fraud, out-of-date information, and improper use by employees, directors and customers. The inappropriate use of social media by the Bank's customers, directors or employees could result in negative consequences such as remediation costs including training for employees, additional regulatory scrutiny and possible regulatory penalties, litigation, or negative publicity that could damage the Bank's reputation adversely affecting customer or investor confidence.

The Company is Exposed to Legal Claims and Litigation. The Company is subject to legal challenges under a variety of circumstances in the course of its normal business practices in regards to laws and regulations, duties, customer expectations of service levels, in addition to potentially illegal activity (at a federal or state level) conducted by any of our customers, use of technology and patents, operational practices and those of contracted third-party service providers and vendors, and stockholder matters, among others. Regardless of the scope or the merits of any claims by potential or actual litigants, the Company may have to engage in litigation that could be expensive, time-consuming, disruptive to the Company's Company's operations, and distracting to management. Whether claims or legal action are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to the Company, they may result in significant financial liability, damage the Company's reputation, subject the Company to additional regulatory scrutiny and restrictions, and/or adversely affect the market perception of our products and services, as well as impact customer demand for those products and services. Any financial liability or reputation damage could have a material adverse effect on the Company's Company's business, which in turn, could have a material adverse effect on the Company's Company's financial condition and results of operations.

The Company's Insurance Coverage May Not be Adequate to Prevent Additional Liabilities or Expenses. The Company maintains insurance policies that provide coverage for various risks at levels the Company deems adequate to provide reasonable coverage for losses. The coverage applies to incidents and events which may impact such areas as: loss of bank facilities; accidental injury or death of employees; injuries sustained on bank premises; cyber and technology attacks or breaches; loss of customer nonpublic personal information; processing of fraudulent transactions; robberies, embezzlement and theft; improper processing of negotiable items or electronic transactions; improper loan underwriting and perfection of collateral, among others. These policies will provide varying degrees of coverage for losses under specific circumstances, and in most cases after related deductible amounts are paid by the Company. However, there is no guarantee that the circumstance of an incident will meet the criteria for insurance coverage under a specific policy, and despite the insurance policies in place the Company may experience a loss incident or event which could have a material adverse effect on the Company's business, reputation, financial condition and results of operations.

The Trading Volume in the Company's Common Stock is Less Than That of Larger Companies. Although the Company's common stock is listed for trading on the NASDAQ, the trading volume in the Company's common stock is substantially less than that of larger companies. Given the lower trading volume of the Company's common stock, significant purchases or sales of the Company's common stock, or the expectation of such purchases or sales, could cause significant volatility in the price for the Company's common stock.

The Market Price of the Company's Common Stock May Fluctuate Significantly, and This May Make it Difficult for You to Resell Shares of Common Stock Owned by You at Times or at Prices You Find Attractive. The price of the Company's common stock on the NASDAQ constantly changes. The Company expects that the market price of its common stock will continue to fluctuate, and the Company cannot give you any assurances regarding any trends in the market prices for its common stock.

The Company’s stock price may fluctuate significantly as a result of a variety of factors, many of which are beyond its control. These factors include, but are not limited to, the Company’s:

- past and future dividend practice;
- financial condition, performance, creditworthiness and prospects;
- quarterly variations in the Company’s operating results or the quality of the Company’s assets;
- operating results that vary from the expectations of management, securities analysts and investors;
- changes in expectations as to the Company’s future financial performance;
- announcements of innovations, new products, strategic developments, significant contracts, acquisitions and other material events by the Company or its competitors;
- the operating and securities price performance of other companies that investors believe are comparable to the Company’s;
- future sales of the Company’s equity or equity-related securities;
- the credit, mortgage and housing markets, the markets for securities relating to mortgages or housing, and developments with respect to financial institutions generally;
- catastrophic events, including natural disasters, and public health crises; and
- instability in global financial markets and global economies and general market conditions, such as interest or foreign exchange rates, stock, commodity or real estate valuations or volatility, budget deficits or sovereign debt level concerns and other geopolitical, regulatory or judicial events.

47

In addition, the banking industry may be more affected than other industries by certain economic, credit, regulatory or information security issues. Although the Company itself may or may not be directly impacted by such issues, the Company’s stock price may vary due to the influence, both real and perceived, of these issues, among others, on the banking industry in general. Investment in the Company's Company’s stock is not insured against loss by the FDIC, or any other public or private entity. As a result, and for the other reasons described in this "Risk Factors" “Risk Factors” section and elsewhere in this report, if you acquire our common stock, you may lose some or all of your investment.

Shareholder Dilution Could Occur if Additional Stock is Issued in the Future. If the Company’s Board of Directors should determine in the future that there is a need to obtain additional capital through the issuance of additional shares of the Company’s common stock or securities convertible into shares of common stock, such issuances could result in dilution to existing stockholders’ ownership interest. Similarly, if the Board of Directors decides to grant additional stock awards or options for the purchase of shares of common stock, the issuance of such additional stock awards and/or the issuance of additional shares upon the exercise of such options would expose stockholders to dilution.

The Company's Company’s Financial Condition and Results of Operation Rely in Part on Management Estimates and Assumptions. In preparing the financial statements in conformity with GAAP, management is required to exercise judgment in determining many of the methodologies, estimates and assumptions to be utilized. These estimates and assumptions affect the reported values of assets and liabilities at the balance sheet date and income and expenses for the years then ended. Changes in those estimates resulting from continuing change in the economic environment and other factors will be reflected in the financial statements and results of operations in future periods. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates and be adversely affected should the assumptions and estimates used be incorrect, or change over time due to changes in circumstances.

42 48

BUSINESS, FINANCIAL CONDITION, RESULTS OF OPERATIONS AND THE MARKET PRICE OF THE COMPANY’S COMMON STOCK.

ITEM 1B. UNRESOLVED STAFF COMMENTS.

None.

ITEM 2. C. PROPERTIES. CYBERSECURITY

Risk Management & Strategy

The Company uses an enterprise risk management and financial framework to oversee its risks, including risks from cybersecurity incidents, as further described below. The Company’s information technology & cybersecurity risk management is a continuous process that includes identification, assessment, classification, and management of threats that could adversely impact our ability to maintain the integrity of Bank data and systems, prevent unauthorized access to confidential data and Bank systems, and achieve the Company’s operational, financial, reputational, legal and regulatory compliance requirements or objectives. Please see Item 1A. Risk Factors – Risks Related to Cybersecurity and Data Privacy – “*We Face Cybersecurity Risks and Risks Associated With Security Breaches Which Have the Potential to Disrupt Our Operations, Cause Material Harm to Our Financial Condition, Result in Misappropriation of Assets, Compromise Confidential Information and/or Damage Our Business Relationships and Can Provide No Assurance That the Steps We and Our Service Providers Take in Response to These Risks Will Be Effective*” for our disclosures regarding the most pertinent risks we may experience from cybersecurity threats.

The Bank has a management-level Strategic Technology Oversight Committee (the “TOC”). Members of the TOC include the Bank’s Information Security Officer (the “ISO”), the Chief Information Officer as well as representatives of each department, including Senior Officers and/or their designees. The TOC reviews the status of various tactical and strategic projects; cybersecurity, availability and performance metrics; IT policies and IT Risk Assessment results to monitor the extent of risk, evaluate the effectiveness of mitigating controls in place and ensure the level of risk remains within tolerance through acceptance, or further mitigation, transfer or elimination of the risk.

Additionally, the Bank has an ISO Metrics Oversight Committee (the “ISO Metrics Committee”) which meets on a monthly basis with a focus on cybersecurity. Members of the ISO Metrics Committee include the ISO, the Chief Information Officer, the Chief Risk Officer, as well as members of the information technology team involved with cybersecurity and infrastructure. The function of the ISO Metrics Committee is to review monthly cybersecurity metrics to support discussion of cyber threats, cyber risk trends, and risk mitigation.

All employees participate in cybersecurity and social engineering training. The Board also receives formal training annually. The Bank conducts social engineering tests for employees, such as phishing tests, throughout the year. We consider employee awareness and training to be a critical component of the Bank’s cybersecurity program.

Third-party relationships, including vendor relationships, can offer the Bank a variety of opportunities to enhance its product and servicing offerings along with facilitating operational functions or business activities. Outsourcing processes or functions does not diminish the Bank’s responsibility to ensure that the third-party activity is conducted in a safe and sound manner and in compliance with applicable laws, regulations, and internal policies. Oversight for the potential risks of third-party relationships lies with the Bank’s management and the Board of Directors.

The Bank maintains a third-party risk management oversight program to effectively assess, measure, monitor and control the risks associated with vendor relationships. The Bank manages its third-party relationships through the use of informed risk assessments, due-diligence reviews, and ongoing oversight and monitoring. Information security and cybersecurity risks are included as elements in the third-party risk management process and are assessed for vendor relationships with access to confidential Bank or customer data.

The Bank uses industry standard assessment frameworks as part of its overall cybersecurity risk assessment. Industry standard assessment frameworks are used to evaluate the effectiveness of the Bank’s mitigating controls and support initiatives to achieve continuous improvements in the efficacy of the control environment. The Bank’s TOC and Enterprise Risk Management framework provide ongoing oversight and governance of technology and cybersecurity risk management activities to ensure alignment with the Bank’s risk appetite. Independent audits are performed periodically to review the Bank’s mitigating controls as well as to conduct penetration testing of the Bank’s internal and external systems to help assess the effectiveness of the Bank’s security controls. Additionally, on an annual basis, an independent auditor tests our employees’ awareness of and resilience to various social engineering tactics to provide independent verification and to augment the Bank’s internal testing. Results of the audits are reported through the Bank’s Audit Committee, and ultimately to the Bank’s Board of Directors.

49

The Bank also has a relationship with a third-party Security Operations Center that provides continuous monitoring of all traffic in our environment for anomalies as well as services, as needed, to assist in conducting forensic analysis, correlation and remediation activities for any potential indications of compromise.

Governance

The Finance and Risk Management Committee is a standing committee of the Board formed in January 2014 to assist the Board and the Executive Committee of the Board in fulfilling their responsibility with respect to the oversight of the Company's (1) enterprise risk management and financial framework, including all risks associated therewith, including risks related to cyber incidents and (2) policies and practices relating to financial matters, including but not limited to, capital, liquidity and financing, as well as to merger, acquisition and divestiture activity. The Finance and Risk Management Committee reports to the Board regarding the Company's risk profile, as well as its enterprise risk management framework, including the significant policies and practices employed to manage such risks, as well as the overall adequacy of the enterprise risk management function.

Material risks and results from any industry standard risk assessments parties, including any recommendations to further mitigate, transfer or eliminate risk(s) if applicable, are reported annually to the TOC, as well as to the Board's Finance and Risk Management Committee, who then reports the results to the Bank's Board of Directors. Further, these results are included in the Board's annual Information Security Program Report.

Technology and cybersecurity risk metrics are two of the Bank's primary categorical risks defined in the Bank's enterprise risk management framework. The Enterprise Risk Management Dashboard, which includes ongoing monitoring of technology and cybersecurity risks, is presented to the Finance and Risk Management Committee and to the Bank's Board of Directors on a tri-annual basis. In addition, reports on the monitoring of third-party relationships, particularly critical relationships, are presented to the Finance and Risk Management Committee and to the Bank's Board of Directors.

The Bank's Board of Directors, through the Finance and Risk Management Committee, has oversight of cybersecurity incident disclosures, if applicable. The Finance and Risk Management Committee shall annually review with Management the Company's Business Continuity Plan (the "BCP"), the BCP Policy, BCP testing results and the Company's Pandemic Plan and Cyber Incident Response Plan and programs, including escalation protocols with respect to the prompt reporting of material cyber incidents to the Finance and Risk Management Committee and the Bank's Board of Directors. The Finance and Risk Management Committee shall further review with Management and report to the Bank's Board of Directors any cyber incident disclosure reports to or from regulators with respect thereto, and the root cause and remediation and enhancement efforts with respect thereto.

The Bank's information technology team maintains and develops their knowledge through various business, technical and cybersecurity-related programs, certificates and degrees, including a senior member of the team with a Master's Degree in Business and another team member with a Master's Degree in Cybersecurity Management. Collectively, the senior members of the information technology team have a combined 75 years of experience in technology and cybersecurity, and the information technology team collectively holds and maintains continuing education in various technology and cybersecurity certification areas. The Bank's ISO holds the designation of Certified Cyber Crimes Investigator from the IAFCI and also maintains continuing education related to cybersecurity.

ITEM 2. PROPERTIES.

The Company currently conducts business through our twenty-five banking offices, ten free-standing ATMs and an additional fourteen free-standing and thirty-one thirty-three seasonal or temporary ATMs that are owned and serviced by a third party, whereby the Bank pays a rental fee and shares in the surcharge revenue. The following table sets forth certain information regarding our properties as of December 31, 2022 December 31, 2023. As of this date, the premises and equipment, net of depreciation, owned by us had an aggregate net book value of $25.0 million $25.6 million. We believe that our existing facilities are sufficient for our current needs.

Location	Ownership	Year Opened	Year of Lease or License Expiration
Main Office: 141 Elm Street Westfield, MA	Owned	1964	N/A
Technology Center: 9-13 Chapel Street Westfield, MA	Leased	2015	2028
Retail Lending: 136 Elm Street Westfield, MA	Owned	2011	N/A
Commercial Lending & Middle Market: 1500 Main Street Springfield, MA	Leased	2014	2024
Commercial Lending/Credit Admin and Training Center: 219/229 Exchange Street Chicopee, MA	Owned	2009/1998	N/A
Branch Offices: 206 Park Street West Springfield, MA	Owned	1957	N/A
655 Main Street Agawam, MA	Owned	1968	N/A
26 Arnold Street Westfield, MA	Owned	1976	N/A
300 Southampton Road Westfield, MA	Owned	1987	N/A
462 College Highway Southwick, MA	Owned	1990	N/A
382 North Main Street East Longmeadow, MA	Leased	1997	2027
1500 Main Street Springfield, MA	Leased	2006	2023

Location	Ownership	Year Opened	Year of Lease or License Expiration
Main Office: 141 Elm Street Westfield, MA	Owned	1964	N/A
Technology Center: 9-13 Chapel Street Westfield, MA	Leased	2015	2028
Retail Lending: 136 Elm Street Westfield, MA	Owned	2011	N/A
Commercial Lending & Middle Market: 1500 Main Street Springfield, MA	Leased	2014	2024
Commercial Lending/Credit Admin and Training Center: 219/229 Exchange Street Chicopee, MA	Owned	2009/1998	N/A
Branch Offices: 206 Park Street West Springfield, MA	Owned	1957	N/A
655 Main Street Agawam, MA	Owned	1968	N/A
26 Arnold Street Westfield, MA	Owned	1976	N/A
300 Southampton Road Westfield, MA	Owned	1987	N/A
462 College Highway Southwick, MA	Owned	1990	N/A
382 North Main Street East Longmeadow, MA	Leased	1997	2027
1500 Main Street Springfield, MA	Leased	2006	2028

4351

Location	Ownership	Year Opened	Year of Lease or License Expiration
1650 Northampton Street Holyoke, MA	Owned	2001	N/A
560 East Main Street Westfield, MA	Owned	2007	N/A
237 South Westfield Street Feeding Hills, MA	Leased	2009	2023
12 East Granby Road Granby, CT	Owned	2021	N/A
47 Palomba Drive Enfield, CT	Leased	2014	2024
39 Morgan Road West Springfield, MA	Owned	2005	N/A
1342 Liberty Street (1) Springfield, MA	Owned	2008	N/A

70 Center Street Chicopee, MA	Owned	1973	N/A
569 East Street Chicopee, MA	Owned	1976	N/A
599 Memorial Drive Chicopee, MA	Leased	1977	2027
435 Burnett Road Chicopee, MA	Owned	1990	N/A
477A Center Street Ludlow, MA	Leased	2002	2032
350 Palmer Road Ware, MA	Leased	2009	2027
32 Willamansett Street South Hadley, MA	Leased	2008	2027
14 Russell Road Huntington, MA	Owned	2020	N/A
337 Cottage Grove Road Bloomfield, CT	Leased	2020	2035
977 Farmington Avenue West Hartford, CT	Leased	2020	2030

Location	**Ownership**	**Year Opened**	**Year of Lease or License Expiration**
1650 Northampton Street Holyoke, MA	Owned	2001	N/A
560 East Main Street Westfield, MA	Owned	2007	N/A
237 South Westfield Street Feeding Hills, MA	Leased	2009	2028
12 East Granby Road Granby, CT	Owned	2021	N/A
47 Palomba Drive Enfield, CT	Leased	2014	2024
39 Morgan Road West Springfield, MA	Owned	2005	N/A
1342 Liberty Street (1) Springfield, MA	Owned	2008	N/A
70 Center Street Chicopee, MA	Owned	1973	N/A
569 East Street Chicopee, MA	Owned	1976	N/A
599 Memorial Drive Chicopee, MA	Leased	1977	2027
435 Burnett Road Chicopee, MA	Owned	1990	N/A
477A Center Street Ludlow, MA	Leased	2002	2032
350 Palmer Road Ware, MA	Leased	2009	2027
32 Willamansett Street South Hadley, MA	Leased	2008	2027
14 Russell Road Huntington, MA	Owned	2020	N/A

Location	Ownership	Year Opened	Year of Lease or License Expiration
337 Cottage Grove Road Bloomfield, CT	Leased	2020	2035
977 Farmington Avenue West Hartford, CT	Leased	2020	2030

44 52

Location	Ownership	Year Opened	Year of Lease or License Expiration
ATMs[2]:			
516 Carew Street Springfield, MA	Leased	2002	2023
1000 State Street Springfield, MA	Leased	2003	2023
788 Memorial Avenue West Springfield, MA	Leased	2006	2025
2620 Westfield Street West Springfield, MA	Tenant at will	2006	N/A
98 Southwick Road Westfield, MA	Leased	2006	2026
115 West Silver Street Westfield, MA	Tenant at will	2005	N/A
98 Lower Westfield Road Holyoke, MA	Leased	2010	2025
Westfield State University 577 Western Avenue Westfield, MA			
Ely Hall	Tenant at will	2010	N/A
Wilson Hall	Tenant at will	2010	N/A
208 College Highway Southwick, MA	Leased	2010	2025
110 Cherry Street Holyoke, MA	Tenant at will	2018	N/A
291 Springfield Street Chicopee, MA	Tenant at will	2015	N/A
Springfield Visitors Center 1319 Main Street Springfield, MA	Leased	2018	2023
Union Station 55 Frank B. Murray Street Springfield, MA	Leased	2018	2023
701 Center Street Chicopee, MA	Tenant at will	2015	N/A
627 Randall Road Ludlow, MA	Tenant at will	2015	N/A
26 Central Street West Springfield, MA	Tenant at will	2021	N/A
1144 Southampton Road Westfield, MA	Leased	2022	2027

Location	Ownership	Year Opened	Year of Lease or License Expiration
ATMs[2]:			

516 Carew Street Springfield, MA	Leased	2002	2024
1000 State Street Springfield, MA	Leased	2003	2024
788 Memorial Avenue West Springfield, MA	Leased	2006	2025
2620 Westfield Street West Springfield, MA	Tenant at will	2006	N/A
98 Southwick Road Westfield, MA	Leased	2006	2026
115 West Silver Street Westfield, MA	Tenant at will	2005	N/A
98 Lower Westfield Road Holyoke, MA	Leased	2010	2025
Westfield State University 577 Western Avenue Westfield, MA			
Ely Hall	Tenant at will	2010	N/A
Wilson Hall	Tenant at will	2010	N/A
208 College Highway Southwick, MA	Leased	2010	2025
110 Cherry Street Holyoke, MA	Tenant at will	2018	N/A
291 Springfield Street Chicopee, MA	Tenant at will	2015	N/A
Springfield Visitors Center 1319 Main Street Springfield, MA	Leased	2018	2026
Union Station 55 Frank B. Murray Street Springfield, MA	Leased	2018	2028
701 Center Street Chicopee, MA	Tenant at will	2015	N/A
627 Randall Road Ludlow, MA	Tenant at will	2015	N/A
26 Central Street West Springfield, MA	Tenant at will	2021	N/A
1144 Southampton Road Westfield, MA	Leased	2022	2027

Location	Ownership	Year Opened	Year of Lease or License Expiration
Big E ATMs: 1305 Memorial Avenue West Springfield, MA			
Better Living Center	Leased	2011	2026
Better Living Center	Leased	2011	2026
Better Living Center (Door 6)	Leased	2011	2026
Big E Coliseum	Leased	2015	2026
Big E Young Building	Leased	2011	2026
Big E Mallary Complex	Leased	2011	2026

Location	Ownership	Year Opened	Year of Lease or License Expiration
Big E ATMs:			
1305 Memorial Avenue West Springfield, MA			
Better Living Center	Leased	2011	2026
Better Living Center	Leased	2011	2026
Better Living Center (Door 6)	Leased	2011	2026
Big E Coliseum	Leased	2015	2026
Big E Young Building	Leased	2011	2026
Big E Mallary Complex	Leased	2011	2026

(1) (1) The parking lot on this property is leased. The lease expires in 2023 and the Company intends to renew the lease.2028.

(2) (2) Thirty-one Thirty-three of the Bank's ATMs are seasonal and not listed individually above. Thirty Thirty-two of the seasonal ATMs are located on the Big E grounds during events and one additional ATM is located in Westfield.

ITEM 3. LEGAL PROCEEDINGS.

There are no During the fiscal year ended December 31, 2023, except as set forth below, the Company was not involved in any material pending legal proceedings to which the Company as a plaintiff or its subsidiaries are as a party or to which any of its property is subject, defendant, other than routine legal proceedings occurring in the ordinary course of business. Management does not believe resolution believes that those routine legal proceedings involve, in the aggregate, amounts that are immaterial to the Company's financial condition and results of any present litigation will have a material adverse effect on the business, consolidated operations financial condition or results of operations operations.

In the fourth quarter of 2023, the Company reached an agreement to settle two (2) purported class action lawsuits concerning the Company's deposit products and related disclosures, specifically involving overdraft fees and insufficient funds fees.

The matters, which asserted claims for breach of contract including the covenant of good faith and fair dealing against the Company, were filed in the Massachusetts Superior Court, County of Suffolk, on June 10, 2022 and July 29, 2022, respectively. Also in March 2022, the Company received from the named plaintiff in one of the Company. putative class action lawsuits a demand letter pursuant to the Massachusetts Consumer Protection Act, M.G.L Ch. 93A ("Chapter 93A"). The demand letter sought restitution and debt forgiveness for the named plaintiff and the putative class, plus double or treble damages and reasonable attorneys' fees, as may be allowed under Chapter 93A. The Bank retained outside litigation counsel in these matters, and discussions to find a mutually acceptable resolution, including an arms-length mediation before a neutral mediator, proceeded between the parties.

On January 5, 2024, the cases were refiled as a single action in federal court in Massachusetts, where the plaintiffs have moved for preliminarily approval of a class settlement, under which the Bank expects to pay damages of approximately $510,000 in exchange for the dismissal with prejudice and release of all claims that were or could have been asserted in the putative class action lawsuits on behalf of the plaintiffs and all putative settlement class members. The proposed settlement remains subject to preliminary court approval, notice to class members, and final court approval. The $510,000 in settlement expense was included in non-interest expense in the Company's Consolidated Statements of Net Income for the year ended December 31, 2023.

ITEM 4. MINE SAFETY DISCLOSURES.

Not Applicable.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.

Market Information.

The Company's common stock is currently listed on NASDAQ under the trading symbol "WNEB." As of December 31, 2022 December 31, 2023, there were 22,216,789 21,666,807 shares of the Company's common stock outstanding by approximately 1,973 1,921 shareholders, as obtained through our transfer agent. Such number of shareholders does not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

Dividend Policy.

The Company maintains a dividend reinvestment and direct stock purchase plan (the "DRSPP" "DRSPP"). The DRSPP enables stockholders, at their discretion, to continue to elect to reinvest cash dividends paid on their shares of the Company's common stock by purchasing additional shares of common stock from the Company at a purchase price equal to fair market value. Under the DRSPP, stockholders and new investors also have the opportunity to purchase shares of the Company's Company's common stock without brokerage fees, subject to monthly minimums and maximums.

Although the Company has historically paid quarterly dividends on its common stock, the Company's ability to pay such dividends depends on a number of factors, including restrictions under federal laws and regulations on the Company's ability to pay dividends, and as a result, there can be no assurance that dividends will be paid in the future.

Recent Sales of Unregistered Securities.

There were no sales by the Company of unregistered securities during the year ended December 31, 2022 December 31, 2023.

Purchases of Equity Securities by the Issuer and Affiliated Purchasers.

The following table sets forth information with respect to purchases made by the Company during the three months ended December 31, 2022 December 31, 2023.

Period	Total Number of Shares Purchased	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)(2)(3)
October 1 - 31, 2022	78,826	8.54	78,826	1,056,344
November 1 - 30, 2022	—	—	—	1,056,344
December 1 - 31, 2022	14,099	9.42	—	1,056,344
Total	92,925	8.67	78,826	1,056,344

Period	Total Number of Shares Purchased	Average Price Paid per Share ($)	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Number of Shares that May Yet Be Purchased Under the Program (1)
October 1 - 31, 2023	228,427	7.08	228,427	423,012
November 1 - 30, 2023	16,412	7.31	16,412	406,600
December 1 - 31, 2023(2)	15,596	8.95	—	406,600
Total	260,435	7.20	244,839	406,600

(1) (1) On April 27, 2021, the Board of Directors approved an additional stock repurchase plan authorizing the Company to purchase up to 2,400,000 shares, or 10%, of its outstanding common stock.

(2) On July 26, 2022, the Board of Directors approved an additional stock repurchase plan authorizing the Company to purchase up to 1,100,000 shares, or 5%, of its outstanding common stock.

(2) (3) Repurchase of 14,099 15,596 shares related to tax obligations for shares of restricted stock that vested on December 31, 2022 December 31, 2023 under our 2014 Omnibus Incentive Plan. These repurchases were reported by each reporting person on January 4, 2023 January 4, 2024.

Stock Performance Graph.

The following graph compares our total cumulative shareholder return (which assumes the reinvestment of all dividends) by an investor who invested $100.00 on December 31, 2017 December 31, 2018 to December 31, 2022 December 31, 2023, to the total return by an investor who invested $100.00 in the S&P U.S. Banks Index $1 Billion - $5 Billion, the S&P U.S. BMI Banks New England Region Index and the NASDAQ Bank Index.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among Western New England Bancorp, Inc., the S&P U.S. Banks Index $1 Billion - $5 Billion, the S&P U.S. BMI Banks New England Region Index and the NASDAQ Bank Index

	Period Ending					
Index	**12/31/17**	**12/31/18**	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**
Western New England Bancorp, Inc.	100.00	93.11	91.22	67.50	87.88	97.53
S&P U.S. Banks $1 Billion - $5 Billion	100.00	83.20	103.71	93.89	127.16	114.69
S&P U.S. BMI Banks New England Region Index	100.00	73.26	87.15	75.48	105.35	96.49
NASDAQ Bank Index	100.00	83.36	104.19	96.44	137.82	115.38

	Period Ending					
Index	**12/31/18**	**12/31/19**	**12/31/20**	**12/31/21**	**12/31/22**	**12/31/23**
Western New England Bancorp, Inc.	100.00	97.97	72.50	94.38	104.75	103.62
S&P U.S. Banks $1 Billion - $5 Billion	100.00	124.65	112.84	152.84	137.84	139.95
S&P U.S. BMI Banks New England Region Index	100.00	118.96	103.03	143.80	131.71	121.68
NASDAQ Bank Index	100.00	124.38	115.04	164.44	137.65	132.92

ITEM 6. SELECTED FINANCIAL DATA.

[Reserved.]

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

The following discussion should be read in conjunction with the Company's Consolidated Financial Statements and notes thereto, each appearing elsewhere in this Annual Report on Form 10-K. Management's discussion focuses on 2023 results compared to 2022. For a discussion of 2022 results compared to 2021. For a discussion of 2021, results compared to 2020, refer to Part II, Item 7 of our Annual Report filed on Form 10-K, which was filed with the SEC on March 11, 2022 March 10, 2023.

Overview.

We strive to remain a leader in meeting the financial service needs of the local community and to provide quality service to the individuals and businesses in the market areas that we have served since 1853. Historically, we have been a community-oriented provider of traditional banking products and services to business organizations and individuals, including products such as residential and commercial real estate loans, consumer loans and a variety of deposit products. We meet the needs of our local community through a community-based and service-oriented approach to banking.

We have adopted a growth-oriented strategy that continues to focus on increasing commercial lending and residential lending. Our strategy also calls for increasing deposit relationships, specifically core deposits, and broadening our product lines and services. We believe that this business strategy is best for our long-term success and viability, and complements our existing commitment to high quality customer service.

In connection with our overall growth strategy, we seek to:

- Increase market share and achieve scale to improve the Company's profitability and efficiency and return value to shareholders;
- Grow the Company's commercial loan portfolio and related commercial deposits by targeting businesses in our primary market area of Hampden County and Hampshire County in western Massachusetts and Hartford and Tolland Counties in northern Connecticut to increase the net interest margin and loan income;
- Supplement the commercial portfolio by growing the residential real estate portfolio to diversify the loan portfolio and deepen customer relationships;
- Focus on expanding our retail banking deposit franchise and increase the number of households served within our designated market area;
- Invest in people, systems and technology to grow revenue, improve efficiency and enhance the overall customer experience;

- Grow revenues, increase book value per share and tangible book value, continue to pay competitive dividends to shareholders and utilize the Company's stock repurchase plan to leverage our capital and enhance franchise value; and

- Consider growth through acquisitions. We may pursue expansion opportunities in existing or adjacent strategic locations with companies that add complementary products to our existing business and at terms that add value to our existing shareholders.

You should read the following financial results for the year ended December 31, 2022 December 31, 2023 in the context of this strategy.

For the twelve months ended December 31, 2022 December 31, 2023, net income was $25.9 million $15.1 million, or $1.18 $0.70 diluted earnings per share, compared to net income of $23.7 million $25.9 million, or $1.02 $1.18 diluted earnings per share, for the twelve months ended December 31, 2021 December 31, 2022. The results for the twelve months ended December 31, 2022 December 31, 2023 showed increases decreases in net interest income and non-interest income, which were both partially offset by as well as increases in non-interest expense and the provision for loan losses and non-interest expense. credit losses.

During the twelve months ended December 31, 2022 December 31, 2023, net interest income increased $6.0 million decreased $11.3 million, or 8.3% 14.3%, to $79.2 million $67.9 million, compared to $73.2 million $79.2 million for the twelve months ended December 31, 2021 December 31, 2022. The increase decrease in net interest income was due to an increase in interest and dividend income expense of $6.1 million, or 7.6% $26.5 million, partially offset by an increase in interest expense and dividend income of $24,000, $15.2 million, or 0.4% 17.7%. For

During the twelve months ended December 31, 2022 December 31, 2023, the Company generated net interest income growth recorded a provision for credit losses of 8.3%, overcoming a $6.0 million, or 89.2%, decrease in PPP income as $872,000 under the PPP program comes CECL model, compared to a close. Excluding PPP income provision for credit losses of $728,000 and $6.8 million for $700,000 during the twelve months ended December 31, 2022 under the incurred loss model. The increase in reserves was primarily due to changes in the economic environment and related adjustments to the twelve months ended December 31, 2021, respectively, net interest income increased $12.1 million, or 18.2% for quantitative components of the same period. CECL methodology.

For the twelve months ended December 31, 2022, the provision for loan losses was $700,000, compared to a credit for loan losses of $925,000 for the twelve months ended December 31, 2021. The Company recorded net charge-offs of $556,000 for the twelve months ended December 31, 2022, as compared to net charge-offs of $445,000 for the twelve months ended December 31, 2021. General.

General.

Our consolidated results of operations depend primarily on net interest and dividend income. Net interest and dividend income is the difference between the interest income earned on interest-earning assets and the interest paid on interest-bearing liabilities. Interest-earning assets consist primarily of commercial real estate loans, commercial and industrial loans, residential real estate loans and securities. Interest-bearing liabilities consist primarily of certificates of deposit time deposits and money market accounts, demand deposit deposits, savings accounts and savings account deposits and borrowings from the FHLB. The consolidated results of operations also depend on the provision for loan losses, non-interest income, and non-interest expense. Non-interest income includes service fees and charges, income on bank-owned life insurance, gains on sales of mortgages, gains on non-marketable equity investments and gains (losses) on securities. Non-interest expense includes salaries and employee benefits, occupancy expenses, data processing, advertising expense, FDIC insurance assessment, professional fees and other general and administrative expenses.

Loan Modifications/Troubled Debt Restructurings.

The Company implemented a modification deferral program under the CARES Act, which allowed residential, commercial and consumer borrowers who were adversely affected by the COVID-19 pandemic, to defer loan payments for a set period of time. As of December 31, 2022, the Company had no modified loans remaining under the CARES Act.

Allowance for Loan Losses.

In determining the allowance for loan losses, the Company considers quantitative loss factors and a number of qualitative factors, such as underwriting policies, current economic conditions, delinquency statistics, the adequacy of the underlying collateral and the financial strength of the borrower. The long-term consequences of the COVID-19 pandemic could cause us to experience higher credit losses in our lending portfolio, reduce demand for our products and services and other negative impacts on our financial position, results of operations and prospects. As of December 31, 2022, the Company's delinquency and nonperforming assets have not been materially impacted by the COVID-19 pandemic, and therefore, have not resulted in material credit losses within the lending portfolio.

Critical Accounting Policies.

Our accounting policies are disclosed in Note 1 to our consolidated financial statements. Given our current business strategy and asset/liability structure, the more critical policy is the allowance for loan credit losses and provision for loan credit losses. In addition to the informational disclosure in the notes to the consolidated financial statements, our policy on this accounting policy is described in detail in the applicable sections of *"Management's Discussion and Analysis of Financial Condition and Results of Operations."* Senior management has discussed the development and selection of this accounting policy and the related disclosures with the Audit Committee of our Board of Directors.

The process of evaluating the loan portfolio, classifying loans and determining the allowance and provision is described in detail in Part I under *"Business – Lending Activities - Allowance for Loan Credit Losses."* On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and HTM debt securities. In addition, ASC 326 made changes to the accounting for AFS debt securities.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net increase to retained earnings of $9,000 as of January 1, 2023 for the cumulative effect of adopting ASC 326, which includes a net deferred tax liability of $4,000. The transition adjustment includes a $1.2 million increase to the allowance for credit losses and the recording of a $918,000 allowance for credit losses on off-balance sheet credit exposures.

The allowance for credit losses is an estimate of expected losses inherent within the Company's existing loans held for investment portfolio. The allowance for credit losses for loans held for investment, as reported in our consolidated balance sheet, is adjusted by a credit loss expense, which is reported in earnings, and reduced by the charge-off of loan amounts, net of recoveries. Accrued interest receivable on loans held for investment was $7.5 million at December 31, 2023 and is excluded from the estimate of credit losses.

This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change. Our methodology The credit loss estimation process involves procedures to appropriately consider the unique characteristics of loan portfolio segments, which consist of commercial real estate loans, residential real estate loans, commercial and industrial loans, and consumer loans. These segments are further disaggregated into loan classes, the level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for assessing the allocation estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The quantitative component of the allowance consists ACL on loans is model-based and utilizes a forward-looking macroeconomic forecast. The Company uses a discounted cash flow method, incorporating probability of two key components, which are a specific allowance for impaired loans default and a general allowance for the remainder of the portfolio. Measurement of impairment can be loss given default forecasted based on present value statistically derived economic variable loss drivers, to estimate expected credit losses. This process includes estimates which involve modeling loss projections attributable to existing loan balances, and considering historical experience, current conditions, and future expectations for pools of expected future cash flows discounted at loans over a reasonable and supportable forecast period. The historical information either experienced by the loan's effective interest rate, the loan's observable market price Company or the fair value by a selection of the collateral, if the loan peer banks, when appropriate, is collateral dependent. The allocation derived from a combination of the allowance recessionary and non-recessionary performance periods for which data is also reviewed by management based upon our evaluation of then-existing economic and business conditions affecting our key lending areas and other conditions, such as new loan products, credit quality trends (including trends in nonperforming loans expected to result from existing conditions), collateral values, loan volumes and concentrations, specific industry conditions within portfolio segments that existed as of the balance sheet date and the impact that such conditions were believed to have had on the collectability of the loan portfolio. available.

Although management believes it has established and maintained the allowance for loan credit losses at adequate levels for the current economic environment and supportable forecast period, if management's assumptions and judgments prove to be incorrect due to continued deterioration changes in the economic real estate environment and other conditions, related adjustments to the quantitative components of the CECL methodology, and the allowance for loan credit losses is not adequate to absorb inherent forecasted losses, our earnings and capital could be significantly and adversely affected. There were no changes to the Company's allowance for loan losses methodology during the year ended December 31, 2022.

Analysis of Net Interest Income.

The Company's earnings are largely dependent on its net interest income, which is the difference between interest earned on loans and investments and the cost of funding (primarily deposits and borrowings). Net interest income expressed as a percentage of average interest-earning assets is referred to as net interest margin. For more information regarding the Company's use of Non-GAAP financial measures see "Explanation of Use of Non-GAAP Financial Measurements."

Average Balance Sheet.

The following table sets forth information relating to the Company for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020. 2021. The average yields and costs are derived by dividing interest income or interest expense by the average balance of interest-earning assets or interest-bearing liabilities, respectively, for the periods shown. Average balances are derived from average daily balances. The yields include fees which are considered adjustments to yields. Loan interest and yield data does not include any accrued interest from non-accruing loans.

	For the Years Ended December 31,								
	2022			2021			2020		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)								
ASSETS:									
Interest-earning assets									
Loans(1)(2)	$ 1,953,527	$ 77,758	3.98 %	$ 1,887,926	$ 74,620	3.95 %	$ 1,922,607	$ 78,284	4.07 %
Securities(2)	407,444	8,299	2.04	319,778	5,398	1.69	214,312	4,360	2.03
Other investments - at cost	10,289	177	1.72	10,242	115	1.12	14,915	587	3.94
Short-term investments(3)	25,712	191	0.74	111,931	139	0.12	45,858	109	0.24
Total interest-earning assets	2,396,972	86,425	3.61	2,329,877	80,272	3.45	2,197,692	83,340	3.79
Total non-interest-earning assets	152,941			147,980			140,725		
Total assets	$ 2,549,913			$ 2,477,857			$ 2,338,417		
LIABILITIES AND EQUITY:									
Interest-bearing liabilities									
Interest-bearing checking accounts	$ 139,993	530	0.38	$ 109,648	399	0.36	$ 86,086	387	0.45
Savings accounts	222,267	161	0.07	205,394	154	0.07	153,073	136	0.09
Money market accounts	890,763	3,187	0.36	776,725	2,412	0.31	521,692	2,838	0.54
Time deposits	363,258	1,474	0.41	477,067	2,543	0.53	634,111	10,139	1.60
Total interest-bearing deposits	1,616,281	5,352	0.33	1,568,834	5,508	0.35	1,394,962	13,500	0.97
Short-term borrowings and long-term debt	31,556	1,344	4.26	38,294	1,164	3.04	190,752	4,945	2.59
Interest-bearing liabilities	1,647,837	6,696	0.41	1,607,128	6,672	0.42	1,585,714	18,445	1.16
Non-interest-bearing deposits	647,971			608,936			489,602		
Other non-interest-bearing liabilities	35,615			39,108			32,251		
Total non-interest-bearing liabilities	683,586			648,044			521,853		
Total liabilities	2,331,423			2,255,172			2,107,567		
Total equity	218,490			222,685			230,850		
Total liabilities and equity	$ 2,549,913			$ 2,477,857			$ 2,338,417		
Less: Tax-equivalent adjustment(2)		(497)			(424)			(465)	
Net interest and dividend income		$ 79,232			$ 73,177			$ 64,430	
Net interest rate spread(4)			3.18 %			3.01 %			2.61 %
Net interest rate spread, on a tax-equivalent basis(5)			3.20 %			3.03 %			2.63 %
Net interest margin(6)			3.31 %			3.14 %			2.93 %
Net interest margin, on a tax-equivalent basis(7)			3.33 %			3.16 %			2.95 %
Ratio of average interest-earning assets to average interest-bearing liabilities			145.46 %			144.97 %			138.59 %

	For the Years Ended December 31,								
	2023			2022			2021		
	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost	Average Balance	Interest	Average Yield/ Cost
	(Dollars in thousands)								
ASSETS:									
Interest-earning assets									
Loans(1)(2)	$ 2,006,166	$ 91,640	4.57 %	$ 1,953,527	$ 77,758	3.98 %	$ 1,887,926	$ 74,620	3.95 %
Securities(2)	368,201	8,371	2.27	407,444	8,299	2.04	319,778	5,398	1.69
Other investments - at cost	12,425	558	4.49	10,289	177	1.72	10,242	115	1.12
Short-term investments(3)	20,459	1,021	4.99	25,712	191	0.74	111,931	139	0.12
Total interest-earning assets	2,407,251	101,590	4.22	2,396,972	86,425	3.61	2,329,877	80,272	3.45
Total non-interest-earning assets	155,511			152,941			147,980		
Total assets	$ 2,562,762			$ 2,549,913			$ 2,477,857		
LIABILITIES AND EQUITY:									

Interest-bearing liabilities									
Interest-bearing checking accounts	$ 142,005	1,041	0.73	$ 139,993	530	0.38	$ 109,648	399	0.36
Savings accounts	202,354	181	0.09	222,267	161	0.07	205,394	154	0.07
Money market accounts	697,621	9,529	1.37	890,763	3,187	0.36	776,725	2,412	0.31
Time deposits	524,827	15,898	3.03	363,258	1,474	0.41	477,067	2,543	0.53
Total interest-bearing deposits	1,566,807	26,649	1.70	1,616,281	5,352	0.33	1,568,834	5,508	0.35
Short-term borrowings and long-term debt	135,532	6,560	4.84	31,556	1,344	4.26	38,294	1,164	3.04
Interest-bearing liabilities	1,702,339	33,209	1.95	1,647,837	6,696	0.41	1,607,128	6,672	0.42
Non-interest-bearing deposits	602,652			647,971			608,936		
Other non-interest-bearing liabilities	24,885			35,615			39,108		
Total non-interest-bearing liabilities	627,537			683,586			648,044		
Total liabilities	2,329,876			2,331,423			2,255,172		
Total equity	232,886			218,490			222,685		
Total liabilities and equity	$ 2,562,762			$ 2,549,913			$ 2,477,857		
Less: Tax-equivalent adjustment(2)		(472)			(497)			(424)	
Net interest and dividend income		$ 67,909			$ 79,232			$ 73,177	
Net interest rate spread(4)			2.25 %			3.18 %			3.01 %
Net interest rate spread, on a tax-equivalent basis(5)			2.27 %			3.20 %			3.03 %
Net interest margin(6)			2.82 %			3.31 %			3.14 %
Net interest margin, on a tax-equivalent basis(7)			2.84 %			3.33 %			3.16 %
Ratio of average interest-earning assets to average interest-bearing liabilities			141.41 %			145.46 %			144.97 %

(1) Loans, including nonaccrual loans, are net of deferred loan origination costs and unadvanced funds.

(2) Loan and securities income are presented on a tax-equivalent basis using a tax rate of 21% for 2023, 2022 2021 and 2020. 2021. The tax-equivalent adjustment is deducted from tax-equivalent net interest and dividend income to agree to the amount reported on the consolidated statements of net income. See “Explanation of Use of Non-GAAP Financial Measurements”.

(3) Short-term investments include federal funds sold.

(4) Net interest rate spread represents the difference between the weighted average yield on interest-earning assets and the weighted average cost of interest-bearing liabilities.

(5) Net interest rate spread, on a tax-equivalent basis, represents the difference between the tax-equivalent weighted average yield on interest-earning assets and the tax-equivalent weighted average cost of interest-bearing liabilities. See “Explanation of Use of Non-GAAP Financial Measurements”.

(6) Net interest margin represents net interest and dividend income as a percentage of average interest-earning assets.

(7) Net interest margin, on a tax-equivalent basis, represents tax-equivalent net interest and dividend income as a percentage of average interest-earning assets. See “Explanation of Use of Non-GAAP Financial Measurements”.

Rate/Volume Analysis.

The following table shows how changes in interest rates and changes in the volume of interest-earning assets and interest-bearing liabilities have affected our interest and dividend income and interest expense during the periods indicated. Information is provided in each category with respect to: (1) interest income changes attributable to changes in volume (changes in volume multiplied by prior rate); (2) interest income changes attributable to changes in rate (changes in rate multiplied by prior volume); and (3) the net change.

The changes attributable to the combined impact of volume and rate have been allocated proportionately to the changes due to volume and the changes due to rate.

	Year Ended December 31, 2022 Compared to Year Ended December 31, 2021			Year Ended December 31, 2021 Compared to Year Ended December 31, 2020			Year Ended December 31, 2023 Compared to Year Ended December 31, 2022			Year Ended December 31, 2022 Compared to Year Ended December 31, 2021		
	Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to			Increase (Decrease) Due to		
	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net	Volume	Rate	Net
Interest-earning assets	(In thousands)			(In thousands)			(In thousands)			(In thousands)		
Loans (1)	$ 2,593	$ 545	$ 3,138	$ (1,428)	$ (2,236)	$ (3,664)	$ 2,095	$ 11,787	$ 13,882	$ 2,593	$ 545	$ 3,138
Investment securities (1)	1,480	1,421	2,901	2,136	(1,098)	1,038	(799)	871	72	1,480	1,421	2,901
Other investments - at cost	1	60	61	(184)	(287)	(471)	37	344	381	1	60	61
Short-term investments	(107)	159	52	160	(130)	30	(39)	869	830	(107)	159	52
Total interest-earning assets	3,967	2,185	6,152	684	(3,751)	(3,067)	1,294	13,871	15,165	3,967	2,185	6,152
Interest-bearing liabilities												
Interest-bearing checking accounts	110	21	131	106	(94)	12	8	503	511	110	21	131

Savings accounts	13	(6)	7	48	(30)	18	(14)	34	20	13	(6)	7
Money market accounts	354	421	775	1,367	(1,793)	(426)	(691)	7,033	6,342	354	421	775
Time deposits	(607)	(462)	(1,069)	(2,510)	(5,086)	(7,596)	656	13,768	14,424	(607)	(462)	(1,069)
Short-term borrowing and long-term debt	(205)	385	180	(3,951)	170	(3,781)	4,428	788	5,216	(205)	385	180
Total interest-bearing liabilities	(335)	359	24	(4,940)	(6,833)	(11,773)	4,387	22,126	26,513	(335)	359	24
Change in net interest and dividend income	$ 4,302	$ 1,826	$ 6,128	$ 5,624	$ 3,082	$ 8,706	$ (3,093)	$ (8,255)	$ (11,348)	$ 4,302	$ 1,826	$ 6,128

(1) Securities and loan income and net interest income are presented on a tax-equivalent basis using a tax rate of 21% for 2023, 2022 2021 and 2020. 2021. The tax-equivalent adjustment is deducted from tax-equivalent net interest income to agree to the amount reported in the consolidated statements of net income. See “Explanation of Use of Non-GAAP Financial Measurements”.Measurements.”

Explanation of Use of Non-GAAP Financial Measurements.

We believe that it is common practice in the banking industry to present interest income and related yield information on tax-exempt loans and securities on a tax-equivalent basis and that such information is useful to investors because it facilitates comparisons among financial institutions. However, the adjustment of interest income and yields on tax-exempt loans and securities to a tax-equivalent amount is considered a non-GAAP financial measure. A reconciliation from GAAP to non-GAAP is provided below.

	For the twelve months ended (In thousands)			For the twelve months ended (In thousands)		
	12/31/2022	12/31/2021	12/31/2020	12/31/2023	12/31/2022	12/31/2021
Loans (no tax adjustment)	$ 77,264	$ 74,200	$ 77,837	$ 91,169	$ 77,264	$ 74,200
Tax-equivalent adjustment (1)	494	420	447	471	494	420
Loans (tax-equivalent basis)	$ 77,758	$ 74,620	$ 78,284	$ 91,640	$ 77,758	$ 74,620
Securities (no tax adjustment)	$ 8,296	$ 5,394	$ 4,342	$ 8,370	$ 8,296	$ 5,394
Tax-equivalent adjustment (1)	3	4	18	1	3	4
Securities (tax-equivalent basis)	$ 8,299	$ 5,398	$ 4,360	$ 8,371	$ 8,299	$ 5,398
Net interest income (no tax adjustment)	$ 79,232	$ 73,177	$ 64,430	$ 67,909	$ 79,232	$ 73,177
Tax equivalent adjustment (1)	497	424	465	472	497	424
Net interest income (tax-equivalent basis)	$ 79,729	$ 73,601	$ 64,895	$ 68,381	$ 79,729	$ 73,601
Net interest income (no tax adjustment)	$ 79,232	$ 73,177	$ 64,430	$ 67,909	$ 79,232	$ 73,177
Less:						
Purchase accounting adjustments	175	(55)	976	(50)	175	(55)
Prepayment penalties and fees	281	181	409	64	281	181
PPP fee income	728	6,769	4,842	99	728	6,769
Adjusted net interest income (non-GAAP)	$ 78,048	$ 66,282	$ 58,203	$ 67,796	$ 78,048	$ 66,282
Average interest-earning assets	$ 2,396,972	$ 2,329,877	$ 2,197,692	$ 2,407,251	$ 2,396,972	$ 2,329,877
Average interest-earnings asset, excluding average PPP loans	$ 2,391,252	$ 2,219,286	$ 2,052,188	$ 2,405,525	$ 2,391,252	$ 2,219,286
Net interest margin (no tax adjustment)	3.31 %	3.14 %	2.93 %	2.82 %	3.31 %	3.14 %
Net interest margin, tax-equivalent	3.33 %	3.16 %	2.95 %	2.84 %	3.33 %	3.16 %
Adjusted net interest margin, excluding purchase accounting adjustments, PPP fee income and prepayment penalties (non-GAAP)	3.26 %	2.99 %	2.84 %	2.82 %	3.26 %	2.99 %

	For the twelve months ended			At or for the twelve months ended		
	12/31/2022	12/31/2021	12/31/2020	12/31/2023	12/31/2022	12/31/2021

	(In thousands)			(In thousands)		
Book Value per Share (GAAP)				$ 10.96	$ 10.27	$ 9.87
Non-GAAP adjustments:						
Goodwill				(0.58)	(0.56)	(0.55)
Core deposit intangible				(0.08)	(0.10)	(0.11)
Tangible Book Value per Share (non-GAAP)				$ 10.30	$ 9.61	$ 9.21
Income Before Income Taxes (GAAP)	$ 34,629	$ 31,724	$ 14,156	$ 19,584	$ 34,629	$ 31,724
Provision (credit) for loan losses	700	(925)	7,775			
PPP income	(728)	(6,769)	(4,842)			
Gain on defined benefit plan curtailment	(2,807)	—	—			
Income Before Taxes, Provision, PPP Income and Defined Benefit Curtailment (non-GAAP)	$ 31,794	$ 24,030	$ 17,089			
Non-GAAP adjustments:						
Provision for (reversal of) credit losses				872	700	(925)
PPP Income				(99)	(728)	(6,769)
Gain on bank-owned life insurance death benefit				(778)	-	—
Loss (gain) on defined benefit plan termination				1,143	(2,807)	—
Income Before Taxes, Provision, PPP Income, Bank-Owned Life Insurance Death Benefit and Defined Benefit Termination (non-GAAP)				$ 20,722	$ 31,794	$ 24,030
Adjusted Efficiency Ratio:						
Non-interest Expense (GAAP)	$ 57,235	$ 54,942	$ 51,750	$ 58,350	$ 57,235	$ 54,942
Non-GAAP adjustments:						
Loss on prepayment of borrowings	—	(45)	(987)	—	—	(45)
Non-interest Expense for Adjusted Efficiency Ratio (non-GAAP)	$ 57,235	$ 54,897	$ 50,763	$ 58,350	$ 57,235	$ 54,897
Net Interest Income (GAAP)	$ 79,232	$ 73,177	$ 64,430	$ 67,909	$ 79,232	$ 73,177
Non-interest Income (GAAP)	$ 13,332	$ 12,564	$ 9,251	$ 10,897	$ 13,332	$ 12,564
Non-GAAP adjustments:						
Loss (gain) on securities, net	4	72	(1,965)			
Unrealized losses (gain) on marketable equity securities	717	168	(109)			
Loss on disposal of premises and equipment				3	—	—
Loss on securities, net				—	4	72
Unrealized losses on marketable equity securities				1	717	168
Loss on interest rate swap termination	—	402	2,353	—	—	402
Gain on bank-owned life insurance death benefit				(778)	—	—
Gain on non-marketable equity investments	(422)	(898)	—	(590)	(422)	(898)
Gain on defined benefit plan curtailment	(2,807)	—	—			
Loss (gain) on defined benefit plan termination				1,143	(2,807)	—
Non-interest Income for Adjusted Efficiency Ratio (non-GAAP)	$ 10,824	$ 12,308	$ 9,530	$ 10,676	$ 10,824	$ 12,308
Total Revenue for Adjusted Efficiency Ratio (non-GAAP)	$ 90,056	$ 85,485	$ 73,960	$ 78,585	$ 90,056	$ 85,485
Efficiency Ratio (GAAP)	61.83 %	64.08 %	70.24 %	74.04 %	61.83 %	64.08 %
Adjusted Efficiency Ratio (Non-interest Expense for Efficiency Ratio (non-GAAP)/Total Revenue for Efficiency Ratio (non-GAAP))	63.55 %	64.64 %	69.97 %			

Adjusted Efficiency Ratio (Non-interest Expense for Adjusted Efficiency Ratio (non-GAAP)/Total Revenue for Adjusted Efficiency Ratio (non-GAAP))	74.25 %	63.55 %	64.64 %

(1) The tax equivalent adjustment is based upon a 21% tax rate for 2023, 2022 2021 and 2020. 2021.

55 64

Comparison of Financial Condition at December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

At December 31, 2022 December 31, 2023, total assets were $2.6 billion, an increase of $14.7 million $11.4 million, or 0.6% 0.4%, from December 31, 2021 December 31, 2022. The balance sheet composition and changes since December 31, 2021 December 31, 2022 are discussed below.

Cash and Cash Equivalents.

Cash and cash equivalents is comprised of cash on hand and amounts due from banks, interest-earning deposits in other financial institutions and federal funds sold. Cash and cash equivalents totaled $28.8 million, or 1.1% of total assets, at December 31, 2023 and $30.3 million, or 1.2% of total assets, at December 31, 2022 and $103.5 million, or 4.1% of total assets, at December 31, 2021. Balances in cash and cash equivalents will fluctuate due primarily to the timing of net deposit flows, borrowing and loan inflows and outflows, investment purchases and maturities, calls and sales proceeds, and the immediate liquidity needs of the Company. The decrease in cash

Investments.

At December 31, 2023, the AFS and cash equivalents HTM securities portfolio represented 14.1% of total assets compared to 14.8% at December 31, 2022 is primarily due to the Company utilizing cash on hand to fund loan growth during the year ended December 31, 2022.

Investments.

At December 31, 2022 December 31, 2023, the Company's available-for-sale AFS securities portfolio, recorded at fair market value, decreased $47.4 million $9.9 million, or 24.4% 6.7%, from $194.4 million at December 31, 2021 to $147.0 million at December 31, 2022 to $137.1 million. The held-to-maturity HTM securities portfolio, recorded at amortized cost, increased $7.9 million decreased $6.8 million, or 3.6% 3.0%, from $222.3 million at December 31, 2021 to $230.2 million at December 31, 2022 to $223.4 million at December 31, 2023. The marketable equity securities portfolio decreased $5.7 million $6.0 million, or 47.6% 96.9%, from $11.9 million at December 31, 2021 to $6.2 million at December 31, 2022 to $196,000 at December 31, 2023. The decreases were decrease in the AFS and HTM securities portfolios was primarily due to principal pay downs amortization and redemptions, as well as an increase in payoffs recorded during the twelve months ended December 31, 2023.

At December 31, 2023, the Company reported unrealized loss losses on the AFS securities available-for-sale. The primary objective portfolio of $29.2 million, or 17.5% of the investment amortized cost basis of the AFS securities portfolio, is compared to provide liquidity and maximize income while preserving unrealized losses of $32.2 million, or 18.0% of the safety amortized cost basis of principal. the AFS securities at December 31, 2022. At December 31, 2023, the Company reported unrealized losses on the HTM securities portfolio of $35.7 million, or 16.0%, of the amortized cost basis of the HTM securities portfolio, compared to $39.2 million, or 17.0% of the amortized cost basis of the HTM securities portfolio at December 31, 2022.

The Bank is required to purchase FHLB stock at par value in association with advances from the FHLB. The stock is classified as a restricted investment and carried at cost which management believes approximates fair value. The Company's investment in FHLB capital stock amounted to $3.2 million and $2.9 million at December 31, 2023 and $2.2 million at December 31, 2022 and December 31, 2021, respectively.

At December 31, 2022 December 31, 2023 and 2021, 2022, the Company held $423,000 of Atlantic Community Bankers Bank stock. The stock is restricted and carried in other assets at cost. The stock is evaluated for impairment based on an estimate of the ultimate recovery to the par value.

Loans.

At December 31, 2022 December 31, 2023, total loans were $2.0 billion, an increase of $126.7 million increased $35.9 million, or 6.8% 1.8%, to $2.0 billion from December 31, 2021 December 31, 2022. Excluding PPP Residential real estate loans, total including home equity loans, increased $149.7 million $27.1 million, or 8.1% 3.9%, driven by an increase in commercial real estate loans of $89.4 million increased $10.4 million, or 9.1% 1.0%, an increase in total and commercial and industrial loans of $16.2 million decreased $2.4 million, or 8.1%, an increase in residential real estate loans, which include home equity loans, of $43.0 million, or 6.6%, and a decrease in PPP loans of $23.1 million, or 91.0%, from December 31, 2021 1.1%. During the twelve months ended December 31, 2022 and 2021, the Company sold $277,000 and $59.7 million, respectively, of fixed rate, low coupon residential real estate loans to the secondary market. As of December 31, 2022, the Company serviced $79.3 million in loans sold to the secondary market, compared to $88.2 million at December 31, 2021. Servicing rights will likely continue to be retained on all loans written and sold to the secondary market.

Bank-Owned Life Insurance ("BOLI" ("BOLI").

The Company indirectly utilizes the earnings on BOLI to offset the cost of the Company's benefit plans. The cash surrender value of BOLI was $75.1 million and $74.6 million at December 31, 2023 and $72.9 million at December 31, 2022 and 2021, 2022, respectively.

Deposits.

At December 31, 2022 December 31, 2023, total deposits were $2.2 billion, a decrease of $27.5 million decreased $85.7 million, or 1.2% 3.8%, from December 31, 2021 December 31, 2022, primarily to $2.1 billion at December 31, 2023, due to industry-wide pressures and a decrease in core deposits of $37.1 million, or 2.0%. competitive market for deposits. Core deposits, which the Company defines as all deposits except time deposits, decreased from $1.9 billion $285.4 million, or 82.2% of total deposits, at December 31, 2021 15.7%, to from $1.8 billion, or 81.5% of total deposits, at December 31, 2022. Non-interest-bearing deposits increased $4.2 million, to $1.5 billion, or 0.7% 71.5% of total deposits, at December 31, 2023. Money market accounts decreased $166.7 million, or 20.8%, to $645.5 million $634.4 million, non-interest-bearing deposits decreased $65.9 million, or 10.2%, to $579.6 million, savings accounts decreased $35.0 million, or 15.7%, to $187.4 million and interest-bearing checking accounts increased $3.0 million decreased $17.7 million, or 2.1% 11.9%, to $148.7 million, savings accounts increased $4.8 million, or 2.2%, to $222.4 million, and money market accounts decreased $49.3 million, or 5.8%, to $801.1 million $131.0 million. Time deposits increased $9.7 million $199.7 million, or 2.4% 48.5%, from $402.0 million at December 31, 2021 to $411.7 million at December 31, 2022 to $611.4 million at December 31, 2023. Brokered time deposits, which are included in time deposits, totaled $1.7 million at December 31, 2023. The Company did not have any brokered deposits at December 31, 2022. At December 31, 2023, the Bank's uninsured deposits represented 26.8% of total deposits, compared to 30.8% at December 31, 2022.

56

Borrowed Funds.

At December 31, 2022 December 31, 2023, total borrowings increased $39.9 million $94.3 million, or 178.9% 151.5%, from $22.3 million $62.2 million at December 31, 2021, December 31, 2022 to $62.2 million $156.5 million. Short-term borrowings and long-term debt increased $39.9 million decreased $25.3 million, or 61.1%, to $42.5 million and subordinated debt outstanding totaled $19.7 million $16.1 million, compared to $41.4 million at December 31, 2022. Long-term borrowings increased $119.5 million, from $1.2 million at December 31, 2022, to $120.6 million at December 31, 2023, to replace deposit attrition. Long-term borrowings consisted of $30.6 million outstanding with the FHLB and $19.6 million at December 31, 2021.$90.0 million outstanding under the FRB's BTFP. At December 31, 2023, borrowings also consisted of $19.7 million in fixed-to-floating rate subordinated notes.

Shareholders' Equity.

At December 31, 2022 December 31, 2023, shareholders' equity was $237.4 million, or 9.3% of total assets, compared to $228.1 million, or 8.9% of total assets, compared to $223.7 million, or 8.8% of total assets, at December 31, 2021 December 31, 2022. The increase in shareholders' equity reflects was primarily attributable to net income of $25.9 million $15.1 million, partially offset by $6.4 million for the repurchase of the Company's common stock, the payment of regular cash dividends of $5.3 million and an increase a decrease in accumulated other comprehensive loss of $12.7 million $3.3 million, $5.0 million for the repurchase of common stock and cash dividends paid of $6.1 million. Total At December 31, 2023, total shares outstanding as of December 31, 2022 were 22,216,789.21,666,807.

The Company's book value per share was $10.96 at December 31, 2023 compared to $10.27 at December 31, 2022 compared to $9.87 at December 31, 2021, while tangible book value per share, a non-GAAP financial measure, increased $0.40, $0.69, or 4.3% 7.2%, from $9.21 at December 31, 2021 to $9.61 at December 31, 2022. Reflected in the book value and tangible book value changes during the year ended December 31, 2022 are the Federal Reserve's 425 basis points interest rate increases, which resulted in significant changes in unrealized gains and losses on investment securities. Such unrealized gains and losses are generally due to changes in interest rates and represent the difference, net of applicable income tax effect, between the estimated fair value and amortized cost of investment securities classified as available-for-sale. $10.30 at December 31, 2023. The Company had no other-than-temporary impairment charges incurred credit losses in its investment portfolio in 2022 2023 or 2021. 2022. Tangible book value is a Non-GAAP measure. For more information regarding the Company's use of Non-GAAP financial measures see "Explanation of Use of Non-GAAP Financial Measurements." As of December 31, 2022 December 31, 2023, the Company's and the Bank's regulatory capital ratios continued to exceed the levels required to be considered "well-capitalized" under federal banking regulations.

Pension Plan.

On October 31, 2022, the The Board of Director's Directors previously approved announced the termination of the Westfield Bank Defined Benefit Pension Plan ("DB (the "DB Plan") became effective, on October 31, 2022, subject to required regulatory approvals. Once the Company has received regulatory approval to terminate the DB Plan, which is expected in the first quarter of 2023, the Company will make an additional cash contribution during the second quarter of 2023, if necessary, in order to fully fund the DB Plan on a plan termination basis, followed by the purchase of annuity contracts to transfer its remaining liabilities under the DB Plan, for those participants who do not opt for a one-time lump sum payment. The actual amount of this cash contribution, if any, will depend upon the nature and timing of participant settlements, as well as prevailing market conditions. approval. At December 31, 2022, the Company reversed $7.3 million in net unrealized losses recorded in accumulated other comprehensive income attributed to both the DB plan Plan curtailment resulting from the termination of the DB Plan as well as changes in discount rates. In addition, during the three months ended December 31, 2022, the Company recorded a gain on curtailment of $2.8 million through non-interest income. The improvement in book value and tangible book value for During the three twelve months ended December 31, 2022 were primarily December 31, 2023, the Company made an additional cash contribution of $1.3 million in order to fully fund the DB Plan on a plan termination basis. In addition, for those participants who did not opt for a one-time lump sum payment, the Company funded $6.3 million to purchase a group annuity contract to transfer its remaining liabilities under the DB Plan. During the twelve months ended December 31, 2023, the Company recognized the final termination expense of $1.1 million related to the DB Plan termination, of the DB Plan. which was recorded through non-interest income.

Assets under Management.

Total assets under management include loans serviced for others and investment assets under management. Loans serviced for others and investment assets under management are not carried as assets on the Company's Company's consolidated balance sheet, and as such, total assets under management is not a financial measurement recognized under GAAP, however, management believes its disclosure provides information useful in understanding the trends in total assets under management.

The Company provides a wide range of investment advisory and wealth management services through Westfield Investment Services through LPL Financial, a third-party broker-dealer. Investment assets under management decreased $35.6 million increased $19.6 million, or 18.9% 12.9%, to $172.1 million as of December 31, 2023, from $188.1 million for the year ended December 31, 2021, to $152.5 million for the year ended as of December 31, 2022.

Comparison of Operating Results for Years Ended December 31, 2022 December 31, 2023 and 2021. 2022.

General.

For the twelve months ended December 31, 2022 December 31, 2023, the Company reported net income of $25.9 million $15.1 million, or $1.18 $0.70 per diluted share, compared to $23.7 million $25.9 million, or $1.02 $1.18 per diluted share, for the twelve months ended December 31, 2021 December 31, 2022. Return on average assets and return on average equity were 0.59% and 6.47% for the twelve months ended December 31, 2023, respectively, compared to 1.02% and 11.85% for the twelve months ended December 31, 2022, respectively.

Net Interest Income and Net Interest Margin.

During the twelve months ended December 31, 2022 December 31, 2023, net interest income increased $6.0 million decreased $11.3 million, or 8.3% 14.3%, to $79.2 million $67.9 million, compared to $73.2 million $79.2 million for the twelve months ended December 31, 2021 December 31, 2022. The increase decrease in net interest income was due to an increase in interest and dividend income expense of $6.1 million, or 7.6% $26.5 million, partially offset by an increase in interest expense and dividend income of $24,000, or 0.4%. For the twelve months ended December 31, 2022, the Company generated net interest income growth of 8.3%, overcoming a $6.0 million $15.2 million, or 89.2%, decrease in PPP income as the PPP program comes to a close. Excluding PPP income of $728,000 and $6.8 million for the twelve months ended December 31, 2022 and the twelve months ended December 31, 2021, respectively, net interest income increased $12.1 million, or 18.2% for the same period. 17.7%.

The net interest margin for the twelve months ended December 31, 2022 December 31, 2023 was 3.31% 2.82%, compared to 3.14% 3.31% during the twelve months ended December 31, 2021 December 31, 2022. The net interest margin, on a tax-equivalent basis, was 2.84% for the twelve months ended December 31, 2023, compared to 3.33% for the twelve months ended December 31, 2022, compared to 3.16% for the twelve months ended December 31, 2021. Excluding the PPP income, the net interest margin increased 29 basis points from 2.99% for the twelve months ended December 31, 2021 to 3.28% for the twelve months ended December 31, 2022.

The average yield on interest-earning assets, without the impact of tax-equivalent adjustments, increased 15 62 basis point points from 3.43% for the twelve months ended December 31, 2021 to 3.58% for the twelve months ended December 31, 2022 to 4.20% for the twelve months ended December 31, 2023. During the twelve months ended December 31, 2023, average interest-earning assets increased $10.3 million, or 0.4%, to $2.4 billion compared to the twelve months ended December 31, 2022, primarily due to an increase in average loans of $52.6 million, or 2.7%, and an increase in average other investments of $2.1 million, or 20.8%, partially offset by a decrease in average securities of $39.2 million, or 9.6%, and a decrease in average short-term investments, consisting of cash and cash equivalents, of $5.3 million, or 20.4%.

During the twelve months ended December 31, 2023, the average cost of funds, including non-interest-bearing demand accounts and borrowings, decreased one increased 115 basis point points from 0.30% for the twelve months ended December 31, 2021 to 0.29% for the twelve months ended December 31, 2022 to 1.44%. For the twelve months ended December 31, 2022 December 31, 2023, the average cost of core deposits, including non-interest-bearing demand deposits, increased three 45 basis points from 0.17% for the twelve months ended December 31, 2021 to 0.20% for the twelve months ended December 31, 2022 to 0.65% for the twelve months ended December 31, 2023. The average cost of time deposits decreased 12 increased 262 basis points from 0.53% 0.41% for the twelve months ended December 31, 2021 December 31, 2022 to 0.41% 3.03% during the same period in 2022. 2023. The average cost of borrowings, which include FHLB advances and subordinated debt, increased 122 58 basis points from 3.04% for the twelve months ended December 31, 2021 to 4.26% for the twelve months ended December 31, 2022, due to 4.84% for the issuance of $20.0 million in subordinated debt in April 2021. twelve months ended December 31, 2023.

For the twelve months ended December 31, 2022 December 31, 2023, average demand deposits, an interest-free source of funds, increased $39.0 million decreased $45.3 million, or 6.4% 7.0%, from $609.0 million, or 28.0% of total average deposits, for the twelve months ended December 31, 2021, to $648.0 million, or 28.6% of total average deposits, for the twelve months ended December 31, 2022., to $602.7 million, or 27.8% of total average deposits.

Provision for Credit Losses.

The credit loss estimation process involves procedures to appropriately consider the unique characteristics of loan portfolio segments, which consist of commercial real estate loans, residential real estate loans, commercial and industrial loans, and consumer loans. These segments are further disaggregated into loan classes, the level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on historical internal data. The quantitative component of the ACL on loans is model-based and utilizes a forward-looking macroeconomic forecast. The Company uses a discounted cash flow method, incorporating probability of default and loss given default forecasted based on statistically derived economic variable loss drivers, to estimate expected credit losses. This process includes estimates which involve modeling loss projections attributable to existing loan balances, and considering historical experience, current conditions, and future expectations for pools of loans over a reasonable and supportable forecast period. The historical information either experienced by the Company or by a selection of peer banks, when appropriate, is derived from a combination of recessionary and non-recessionary performance periods for which data is available.

During the twelve months ended December 31, 2022 December 31, 2023, average interest-earning assets increased $67.1 million, or 2.9%, the Company recorded a provision for credit losses of $872,000 under the CECL model, compared to $2.4 billion. a provision for credit losses of $700,000 during the twelve months ended December 31, 2022 under the incurred loss model. The increase in average interest-earning assets reserves was primarily due to an increase changes in average loans of $65.6 million, or 3.5%, as well as an increase in average securities of $87.7 million, or 27.4%, partially offset by a decrease of $86.2 million, or 77.0%, in short-term investments, which consists of cash the economic environment and cash equivalents. Excluding average PPP loans, average loans increased $170.5 million, or 9.6%, and average interest-earnings assets increased $172.0 million, or 7.7%.

Provision for Loan Losses.

The provision for loan losses is reviewed by management based upon our evaluation of then-existing economic and business conditions affecting our key lending areas and other conditions, such as new loan products, credit quality trends (including trends in nonperforming loans expected related adjustments to result from existing conditions), collateral values, loan volumes and concentrations, specific industry conditions within portfolio segments that existed as the quantitative components of the balance sheet date and the impact that such conditions were believed to have had on the collectability CECL methodology.

The Company recorded net charge-offs of the loan portfolio.

The provision for loan losses increased $1.6 million, to $700,000 $2.0 million for the twelve months ended December 31, 2022 December 31, 2023, from a credit for loan losses of $925,000 for the twelve months ended December 31, 2021, primarily driven by loan growth during the year ended December 31, 2022. The credit for loan losses for the twelve months ended December 31, 2021 was due as compared to the Company reducing its qualitative factors related to the impact of the COVID-19 pandemic and other economic trends used in the Company's allowance.

The Company recorded net charge-offs of $556,000 for the twelve months ended December 31, 2022, as compared to net. The charge-offs of $445,000 for the twelve months ended December 31, 2021. December 31, 2023 were related to one commercial relationship acquired on October 21, 2016 from Chicopee Bancorp, Inc., which was placed on nonaccrual status during the first quarter of 2023. The allowance for loan losses as Company recorded a percentage of total loans $1.9 million charge-off on the relationship, which represented the non-accretable credit mark that was 1.00% at December 31, 2022, compared required to 1.06% at December 31, 2021. At December 31, 2022, be grossed-up to the loan's amortized cost basis with a corresponding increase to the allowance for loan credit losses as a percentage under CECL implementation. At December 31, 2023, the Company had charged-off 61% of nonperforming loans was 350.0%, compared to 398.6%, the total relationship and the remaining exposure of $940,000 is collateralized at December 31, 2021.this time.

Although management believes it has established and maintained the allowance for loan credit losses at appropriate levels for the current economic environment and supportable forecast period, future adjustments may be necessary if economic, real estate and other conditions differ substantially from the current operating environment.

Non-Interest Income.

For the twelve months ended December 31, 2022 December 31, 2023, non-interest income increased $768,000, decreased $2.4 million, or 6.1% 18.3%, from $12.6 million $13.3 million for the twelve months ended December 31, 2021 December 31, 2022 to $13.3 million $10.9 million for the twelve months ended December 31, 2023. During the twelve months ended December 31, 2023, the Company recorded a $1.1 million final termination expense related to the DB Plan termination, compared to a curtailment gain related to the DB Plan termination of $2.8 million, during the twelve months ended December 31, 2022. The Company also recorded a non-taxable gain of $778,000 on BOLI death benefits during the twelve months ended December 31, 2023. The Company did not have comparable income during the twelve months ended December 31, 2022. Excluding the termination expense and the curtailment gain related to the DB Plan termination and the BOLI death benefit, non-interest income increased $737,000, or 7.0%.

During the twelve months ended December 31, 2023, service charges and fees decreased $216,000, or 2.4%, primarily due to changes in the Company's overdraft program that were implemented in 2023. Income from BOLI increased $95,000, or 5.5%, from $1.7 million for the twelve months ended December 31, 2022 to $1.8 million for the twelve months ended December 31, 2023. Other income from loan-level swap fees on commercial loans decreased $25,000 for the twelve months ended December 31, 2023. During the twelve months ended December 31, 2023, the Company reported a gain of $590,000 on non-marketable equity investments compared to a gain of $422,000 during the twelve months ended December 31, 2022. During the twelve months ended December 31, 2021 December 31, 2023, non-interest income included the recognition of $555,000 in BOLI death benefits. During the twelve months ended December 31, 2022, service charges and fees increased $712,000, or 8.5%, and mortgage banking income decreased $1.4 million from the twelve months ended December 31, 2021 to the twelve months ended December 31, 2022. In 2021, the Company sold $59.7 million in fixed rate residential real estate loans to reported a loss on the secondary market, compared to $277,000 in sales disposal of premises and equipment of $3,000. The Company did not have comparable activity during the twelve months ended December 31, 2022. Other income from loan-level swap fees on commercial loans decreased $33,000, or 56.9%, and income from BOLI decreased $187,000, or 9.8%.

On October 31, 2022, the termination of the Westfield Bank Defined Benefit Pension Plan (the "DB Plan") became effective, subject to regulatory approvals expected same period in the first quarter of 2023, with final settlement expected to occur occurring in the second quarter of 2023. 2022. During the twelve months ended December 31, 2022, the Company recorded a curtailment gain related to the DB Plan termination of $2.8 million through non-interest income. Excluding the defined benefit curtailment gain as a result of the termination of the DB Plan and BOLI death benefits, non-interest income decreased $1.5 million, or 12.5%. During the twelve months ended December 31, 2022, the Company also reported unrealized losses on marketable equity securities of $717,000, compared to unrealized losses on marketable equity securities of $168,000 $1,000 during the twelve months ended December 31, 2021 December 31, 2023. During the twelve months ended December 31, 2022, the Company also reported realized losses on the sale of securities of $4,000, compared to realized losses on the sale of securities of $72,000 $4,000. The Company did not have a comparable gain or loss during the twelve months ended December 31, 2021. In addition, the Company reported a gain of $422,000 on non-marketable equity investments during the twelve months ended December 31, 2022, compared to $898,000 during the twelve months ended December 31, 2021. Gains and losses from the investment portfolio vary from quarter to quarter based on market conditions, as well as the related yield curve and valuation changes. During the twelve months ended December 31, 2021, the Company also recognized a loss on interest rate swap termination of $402,000 representing the unamortized portion of a $3.4 million loss associated with the previous termination of a $32.5 million interest rate swap on March 16, 2016.same period in 2023.

Non-Interest Expense.

For the twelve months ended December 31, 2022 December 31, 2023, non-interest expense increased $2.3 million $1.1 million, or 4.2% 1.9%, to $57.2 million $58.4 million, compared to $54.9 million $57.2 million for the twelve months ended December 31, 2021 December 31, 2022. The increase in non-interest expense was primarily due to an increase in salaries and employee benefits other expense of $511,000, $953,000, or 1.6% 10.1%, due as a result of a $510,000 legal settlement accrual. During the three months ended December 31, 2023, the Company reached an agreement-in-principle to normal annual salary increases as well as higher incentive compensation costs. Other settle purported class action lawsuits concerning the Company's deposit products and related disclosures, specifically involving overdraft fees and insufficient funds fees. This agreement-in-principle reflects our business decision to avoid the costs, uncertainties and distractions of further litigation. Excluding the legal settlement accrual, non-interest expense increased $878,000, $605,000, or 10.2% 1.1%, from $57.2 million, for the twelve months ended December 31, 2022 to $57.8 million for the twelve months ended December 31, 2023.

During the same period, FDIC insurance expense increased $273,000, or 26.0%, data processing increased $272,000, or 9.4%, professional fees, increased $531,000, or 24.3%, which is comprised of legal fees, audit and compliance professional fees, as well as other professional fees. Occupancy expense increased $328,000, $161,000, or 7.0% 5.9%, due to the recent settlement of litigation, and advertising expense increased $116,000, $87,000, or 9.0%, and FDIC insurance expense increased $50,000, or 5.0% 6.2%. These increases were partially offset by a decrease in salaries and employee benefits of $483,000, or 1.5%, due to lower incentive compensation costs, occupancy expense decreased $76,000, or 1.5%, and furniture and equipment expense of $58,000, decreased $72,000, or 2.8%, and a decrease in data processing expense of $18,000, or 0.6% 3.6%. During the twelve months ended December 31, 2021, the Company prepaid $32.5 million of FHLB borrowings resulting in a loss of $45,000.

For the twelve months ended December 31, 2022 December 31, 2023, the efficiency ratio was 61.8% 74.0%, compared to 64.1% 61.8% for the twelve months ended December 31, 2021 December 31, 2022. For the twelve months ended December 31, 2022 December 31, 2023, the adjusted efficiency ratio, a non-GAAP financial measure, was 63.6% 74.3%, compared to 64.6% 63.6% for the twelve months ended December 31, 2021 December 31, 2022. For more information regarding the Company's use of Non-GAAP financial measures see "Explanation of Use of Non-GAAP Financial Measurements."

Income Taxes.

Income tax expense for the twelve months ended December 31, 2022 December 31, 2023 was $4.5 million, with an effective tax rate of 23.1%, compared to $8.7 million, representing with an effective tax rate of 25.2%, compared to $8.0 million, representing an effective tax rate of 25.3%, for twelve months ended December 31, 2021 December 31, 2022. The decrease in income tax expense for the twelve months ended December 31, 2023 compared to the twelve months December 31, 2022 was due to lower income before income taxes in 2023.

Liquidity and Capital Resources.

The term "liquidity" refers to our ability to generate adequate amounts of cash to fund loan originations, loan purchases, deposit withdrawals and operating expenses. Our primary sources of liquidity are deposits, scheduled amortization and prepayments of loan principal and mortgage-backed securities, maturities and calls of investment securities and funds provided by our operations. We also can borrow funds from the FHLB based on eligible collateral of loans and securities. Our material cash commitments include funding loan originations, fulfilling contractual obligations with third-party service providers, maintaining operating leases for certain of our Bank properties and satisfying repayment of our long-term debt obligations.

Primary Sources of Liquidity

The Company, on an ongoing basis, closely monitors the Company's liquidity position for compliance with internal policies, and believes that available sources of liquidity are adequate to meet funding needs in the normal course of business. As part of that monitoring process, the Company stresses the potential liabilities calculation to ensure a strong liquidity position. Included in the calculation are assumptions of some significant deposit run-off as well as funds needed for loan closing and investment purchases. The Company does not anticipate engaging in any activities, either currently or over the long-term, for which adequate funding would not be available and which would therefore result in significant pressure on liquidity. However, an economic recession could negatively impact the Company's liquidity. The Bank relies heavily on FHLB as a source of funds, particularly with its overnight line of credit. In past economic recessions, some FHLB branches have suspended dividends, cut dividend payments, and not bought back excess FHLB stock that members hold in an effort to conserve capital. FHLB has stated that it expects to be able to continue to pay dividends, redeem excess capital stock, and provide competitively priced advances in the future.

At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, outstanding borrowings from the FHLB were $36.2 million $40.6 million and $2.7 million $36.2 million, respectively. At December 31, 2022 December 31, 2023, we had $407.4 million $535.6 million in available borrowing capacity with the FHLB. We have the ability to increase our borrowing capacity with the FHLB by pledging investment securities or additional loans.

The Company has an available line of credit of $48.6 million with the FRB Discount Window at an interest rate determined and reset on a daily basis. Borrowings from the FRB Discount Window are secured by certain securities from the Company's investment portfolio not otherwise pledged. As of December 31, 2023 and December 31, 2022, there were no advances outstanding under either of these lines.

On March 12, 2023, the FRB made available the BTFP, which enhances the ability of banks to borrow greater amounts against certain high-quality, unencumbered investments at par value. During the year ended December 31, 2023, the Company participated in the BTFP, which enabled the Company to pay off higher rate FHLB advances. With the BTFP, the Company has the ability to pay off the BTFP advance prior to maturity without incurring a penalty or termination fee.

At December 31, 2023, long-term debt included $90.0 million in outstanding advances under the BTFP with a weighted average fixed rate of 4.71%. There were no advances outstanding with the FRB under the BTFP at December 31, 2022. At December 31, 2023, the Company had $23.6 million in available borrowing capacity under the BTFP.

In addition, we have available lines of credit of $15.0 million and $50.0 million $10.0 million with other correspondent banks. Interest rates on these lines are determined and reset on a daily basis by each respective bank. At December 31, 2022 December 31, 2023 and 2021, 2022, we did not have an outstanding balance under either of these lines of credit. In addition, we may enter into reverse repurchase agreements with approved broker-dealers. Reverse repurchase agreements are agreements that allow us to borrow money using our securities as collateral.

We also have outstanding at any time, a significant number of commitments to extend credit and provide financial guarantees to third parties. These arrangements are subject to strict credit control assessments. Guarantees specify limits to our obligations. Because many commitments and almost all guarantees expire without being funded in whole or in part, the contract amounts are not estimates of future cash flows. We are also obligated under agreements with the FHLB to repay borrowed funds and are obligated under leases for certain of our branches and equipment.

Maturing investment securities are a relatively predictable source of funds. However, deposit flows, calls of securities and prepayments of loans and mortgage-backed securities are strongly influenced by interest rates, general and local economic conditions and competition in the marketplace. These factors reduce the predictability of the timing of these sources of funds.

The Company's primary activities are the origination of commercial real estate loans, commercial and industrial loans and residential real estate loans, as well as and the purchase of mortgage-backed and other investment securities. During the year ended December 31, 2022 December 31, 2023, we originated $447.4 million $225.6 million in loans, compared to $611.4 million $447.4 million in 2021. 2022. During the year ended December 31, 2022 December 31, 2023, cash and cash equivalents decreased $73.1 million total loans increased $35.9 million, or 70.7% 1.8%, compared to $30.3 million an increase of $126.7 million, as cash on hand was used during the year to fund loan growth. We purchased securities totaling $33.0 million or 6.8%, for the year ended December 31, 2022, compared to purchases of $296.6 million for the year ended December 31, 2021. At December 31, 2022 December 31, 2023, the Company had approximately $176.7 million $92.0 million in loan commitments and letters of credit to borrowers and approximately $328.8 million $352.5 million in available home equity and other unadvanced lines of credit.

Deposit inflows and outflows are affected by the level of interest rates, the products and interest rates offered by competitors and by other factors. At December 31, 2022 December 31, 2023, time deposit accounts scheduled to mature within one year totaled $288.7 million $596.3 million. Based on the Company's deposit retention experience and current pricing strategy, we anticipate that a significant portion of these time deposits will remain on deposit. We monitor our liquidity position frequently and anticipate that it will have sufficient funds to meet our current funding commitments for the next 12 months and beyond.

At December 31, 2022 December 31, 2023, the Company and the Bank exceeded each of the applicable regulatory capital requirements (See Note 13, *Regulatory Capital*, to our consolidated financial statements for further information on our regulatory requirements).

Material Cash Commitments

The Company entered into a long-term contractual obligation with a vendor for use of its core provider and ancillary services beginning in 2016. Total remaining contractual obligations outstanding with this vendor as of December 31, 2022 December 31, 2023 were estimated to be $10.7 million $11.6 million, with $4.9 million $5.4 million expected to be paid within one year and the remaining $5.8 million $6.2 million to be paid within the next three years. Further, the Company has operating leases for certain of its banking offices and ATMs. Our leases have remaining lease terms of less than one year to sixteen fifteen years, some of which include options to extend the leases for additional five-year terms up to ten years. Undiscounted lease liabilities totaled $11.2 million $9.9 million as of December 31, 2022 December 31, 2023. Principal payments expected to be made on our lease liabilities during the twelve months ended December 31, 2023 December 31, 2024 were $1.4 million $1.5 million. The remaining lease liability payments totaled $9.8 million $8.4 million and are expected to be made after December 31, 2023 December 31, 2024 (See Note 12, *Leases*, to our consolidated financial statements for further information on our lease obligations).

In addition, the Company completed an offering of $20 million in aggregate principal amount of its 4.875% fixed-to-floating rate subordinated notes (the "Notes") to certain qualified institutional buyers in a private placement transaction on April 20, 2021. Unless earlier redeemed, the Notes mature on May 1, 2031. At December 31, 2022, $19.7 million aggregate principle amount of the Notes was outstanding. The Notes will bear interest from the initial issue date to, but excluding, May 1, 2026, or the earlier redemption date, at a fixed rate of 4.875% per annum, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year, beginning August 1, 2021, and from and including May 1, 2026, but excluding the maturity date or earlier redemption date, equal to the benchmark rate, which is the 90-day average secured overnight financing rate, plus 412 basis points, determined on the determination date of the applicable interest period, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year. The Company may also redeem the Notes, in whole or in part, on or after May 1, 2026, and at any time upon the occurrence of certain events, subject in each case to the approval of the Board of Governors of the Federal Reserve (See Note 8, *Long-Term Debt*, to our consolidated financial statements for further information on our long-term debt).

We do not anticipate any material capital expenditures during the calendar year 2023, 2024, except in pursuance of the Company's strategic initiatives. The Company does not have any balloon or other payments due on any long-term obligations or any off-balance sheet items other than the commitments and unused lines of credit noted above.

Off-Balance Sheet Arrangements.

The Company does not have any off-balance sheet arrangements, other than noted above and in Note 16, *Commitments and Contingencies*, to our consolidated financial statements, that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Management of Market Risk.

As a financial institution, our primary market risk is interest rate risk since substantially all transactions are denominated in U.S. dollars with no direct foreign exchange or changes in commodity price exposure. Fluctuations in interest rates will affect both our level of income and expense on a large portion of our assets and liabilities. Fluctuations in interest rates will also affect the market value of all interest-earning assets and interest-bearing liabilities.

The Company's interest rate management strategy is to limit fluctuations in net interest income as interest rates vary up or down and control variations in the market value of assets, liabilities and net worth as interest rates vary. We seek to coordinate asset and liability decisions so that, under changing interest rate scenarios, net interest income will remain within an acceptable range.

In order to achieve the Company's objectives of managing interest rate risk, the Asset and Liability Management Committee ("ALCO") meets periodically to discuss and monitor the market interest rate environment relative to interest rates that are offered on our products. ALCO presents quarterly reports to the Board of Directors which includes the Company's interest rate risk position and liquidity position.

The Company's primary source of funds are deposits, consisting primarily of time deposits, money market accounts, savings accounts, demand accounts and interest-bearing checking accounts, which have shorter terms to maturity than the loan portfolio. Several strategies have been employed to manage the interest rate risk inherent in the asset/liability mix, including but not limited to:

- maintaining the diversity of our existing loan portfolio through residential real estate loans, commercial and industrial loans and commercial real estate loans;
- emphasizing investments with an expected average duration of five years or less; and
- when appropriate, using interest rate swaps to manage the interest rate position of the balance sheet.

In 2022, cash flows from deposit inflows were used to fund loan growth and purchase held-to-maturity HTM and available-for-sale AFS securities. The Company continues its emphasis on growing commercial loans, which typically have variable interest rates and shorter maturities than residential loans.

The actual amount of time before loans are repaid can be significantly affected by changes in market interest rates. Prepayment rates will also vary due to a number of other factors, including the regional economy in the area where the loans were originated, seasonal factors, demographic variables and the assumability of the loans. However, the major factors affecting prepayment rates are prevailing interest rates, related financing opportunities and competition. We monitor interest rate sensitivity so that we can adjust our asset and liability mix in a timely manner and minimize the negative effects of changing rates.

The Company's liquidity sources are vulnerable to various uncertainties beyond our control. Loan amortization and investment cash flows are a relatively stable source of funds, while loan and investment prepayments and calls, as well as deposit flows vary widely in reaction to market conditions, primarily prevailing interest rates. Asset sales are influenced by pledging activities, general market interest rates and unforeseen market conditions. Our financial condition is affected by our ability to borrow at attractive rates, retain deposits at market rates and other market conditions. We consider our sources of liquidity to be adequate to meet expected funding needs and also to be responsive to changing interest rate markets.

Interest Rate Risk.

Interest rate risk represents the sensitivity of earnings to changes in market interest rates. As interest rates change, the interest income and expense streams associated with our financial instruments also change, thereby impacting net interest income, the primary component of our earnings. ALCO utilizes the results of a detailed and dynamic simulation model to quantify the estimated exposure of net interest income to sustained interest rate changes. While ALCO routinely monitors simulated net interest income sensitivity over a rolling two-year horizon, they also utilize additional tools to monitor potential longer-term interest rate risk.

The simulation model captures the impact of changing interest rates on the interest income received and interest expense paid on all interest-earning assets and interest-bearing liabilities reflected on our consolidated balance sheet, as well as for derivative financial instruments. This sensitivity analysis is compared to ALCO policy limits, which specify a maximum tolerance level for net interest income exposure over a one and two-year horizon, assuming no balance sheet growth.

The repricing and/or new rates of assets and liabilities moved in tandem with market rates. However, in certain deposit products, the use of data from a historical analysis indicated that the rates on these products would move only a fraction of the rate change amount. Pertinent data from each loan account, deposit account and investment security was used to calculate future cash flows. The data included such items as maturity date, payment amount, next repricing date, repricing frequency, repricing index, repricing spread, caps and floors. Prepayment speed assumptions were based upon the difference between the account rate and the current market rate. We also evaluate changes in interest rate sensitivity under various scenarios including but not limited to nonparallel shifts in the yield curve, variances in prepayment speeds and variances to correlations of instrument rates to market indexes.

The table below shows our net interest income sensitivity analysis reflecting the following changes to net interest income for the first and second years of the simulation model. The analysis assumes no balance sheet growth, a parallel shift in interest rates, and all rate changes were "ramped" over the first 12-month period and then maintained at those levels over the remainder of the simulation horizon.

	Estimated Changes in Net Interest Income		**Estimated Changes in Net Interest Income**	
Changes in Interest Rates	**At December 31, 2022**	**At December 31, 2021**	At December 31, 2023	At December 31, 2022
1 – 12 Months				
+200 basis points	-3.9%	-3.9%	-4.1%	-3.9%
-100 basis points	1.4%	-2.8%		
-200 basis points	2.2%	N/A (1)	3.4%	2.2%
13 – 24 Months				
+200 basis points	0.2%	-4.5%	-0.4%	0.2%
-100 basis points	9.2%	-8.6%		
-200 basis points	11.4%	N/A (1)	23.3%	11.4%

(1) The down 200 basis points scenario for 2021 is not presented due to certain market rates being below 200 basis points.

The preceding sensitivity analysis does not represent a forecast of net interest income, nor do the calculations represent any actions that management may undertake in response to changes in interest rates. They should not be relied upon as being indicative of expected operating results. These hypothetical estimates are based upon numerous assumptions including, among others, the nature and timing of interest rate levels, yield curve shape, prepayments on loans and securities, deposit decay rates, pricing decisions on loans and deposits and reinvestment/replacement of asset and liability cash flows. While assumptions are developed based upon current economic and local market conditions, we cannot make any assurances as to the predictive nature of these assumptions, including how customer preferences or competitor influences might change.

Periodically, if deemed appropriate, we may use interest rate swaps, floors and caps, which are common derivative financial instruments, to hedge our interest rate exposure to interest rate movements. The Board of Directors has approved hedging policy statements governing the use of these instruments. These interest rate swaps are designated as cash flow hedges and involve the receipt of variable rate amounts from a counterparty in exchange for our making fixed payments. We did not have any interest rate swap agreements designated as cash flow hedges at December 31, 2022 or 2021.

Recent Accounting Pronouncements.

Refer to Note 1 to our consolidated financial statements for a summary of the recent accounting pronouncements.

Impact of Inflation and Changing Prices.

The Company's consolidated financial statements and accompanying notes have been prepared in accordance with GAAP. GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration for changes in the relative purchasing power of money over time due to inflation. The impact of inflation is reflected in the increased cost of our operations. Unlike industrial companies, our assets and liabilities are primarily monetary in nature. As a result, changes in market interest rates have a greater impact on performance than do the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

See Item 7, *"Management's Discussion and Analysis of Financial Condition and Results of Operations-Management of Market Risk,"* for a discussion of quantitative and qualitative disclosures about market risk.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Our consolidated financial statements and the accompanying notes may be found on pages F-1 through F-51 F-56 of this report.

ITEM 9. **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

None.

ITEM 9A. **ITEM 9A. CONTROLS AND PROCEDURES.**

Evaluation of Disclosure Controls and Procedures

Management, including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer has evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) as of the end of the period covered by this report. Based upon that evaluation, our Chief Executive Officer and Executive Vice President and Chief Financial Officer concluded that the disclosure controls and procedures were effective to ensure that information required to be disclosed in the reports we file and submit under the Exchange Act (i) is recorded, processed, summarized and reported as and when required and (ii) accumulated and communicated to our management including the Chief Executive Officer and Executive Vice President and Chief Financial Officer, as appropriate to allow timely discussion regarding required disclosure.

Management's Annual Report on Internal Control over Financial Reporting

The management of Western New England Bancorp, Inc. and Subsidiaries subsidiaries (collectively, the "Company"), including our President and Chief Executive Officer and Executive Vice President and Chief Financial Officer, is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rule 13a-15(f) of the Exchange Act. Our management assessed the effectiveness of our internal control over financial reporting as of December 31, 2022 December 31, 2023 based on the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in *Internal Control-Integrated Framework* (2013). Based on this assessment, management concluded that our internal control over financial reporting was effective as of December 31, 2022 December 31, 2023.

There have been no changes in our internal control over financial reporting identified in connection with the evaluation that occurred during our last fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

Report of Independent Registered Public Accounting Firm
On Internal Control over Financial Reporting

To the Shareholders and Board of Directors of Western New England Bancorp, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Western New England Bancorp, Inc. and subsidiaries' (the "Company") internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control — Integrated Framework (2013)* issued by the COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the consolidated financial statements of the Company and our report dated March 10, 2023 March 8, 2024 expressed an unqualified opinion.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying *Management's Annual Report on Internal Control over Financial Reporting.* Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company's company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Wolf & Company, P.C.
Boston, Massachusetts
March 8, 2024
March 10, 2023

ITEM 9B. OTHER INFORMATION.

During the quarter ended December 31, 2023, no director or officer of the Company adopted or terminated any Rule 10b5-1 trading arrangements or non-Rule 10b5-1 trading arrangements. None.

ITEM 9C. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The following information included in the Proxy Statement is incorporated herein by reference: "Information About Our Board of Directors," "Information About Our Executive Officers Who Are Not Directors," and "Corporate Governance."

ITEM 11. EXECUTIVE COMPENSATION.

The following information included in the Proxy Statement is incorporated herein by reference: "Compensation Committee Interlocks and Insider Participation," "Compensation Discussion and Analysis," "Compensation Committee Report," "Executive Compensation" and "Director Compensation."

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS.

The following information included in the Proxy Statement is incorporated herein by reference: "Security Ownership of Certain Beneficial Owners and Management" and "Securities Authorized For Issuance Under Equity Compensation Plans."

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

The following information included in the Proxy Statement is incorporated herein by reference: "Transactions with Related Persons" and "Board of Directors Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES.

The following information included in the Proxy Statement is incorporated herein by reference: "Independent Registered Public Accounting Firm Fees and Services." Our independent registered public accounting firm is Wolf & Company, P.C., Boston, Massachusetts, Auditor ID: 392.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

(a)(1) **Financial Statements**

Reference is made to our consolidated financial statements and accompanying notes included in Item 8 of Part II hereof.

(a)(2) **Financial Statement Schedules**

Consolidated financial statement schedules have been omitted because the required information is not present, or not present in amounts sufficient to require submission of the schedules, or because the required information is provided in the consolidated financial statements or notes thereto.

(a)(3) **Exhibits**

EXHIBIT INDEX

3.1			Restated Articles of Organization of Western New England Bancorp, Inc. (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the SEC on October 26, 2016).
3.3		3.2	Amended and Restated Bylaws of Western New England Bancorp, Inc. (incorporated by reference to Exhibit 3.1 of the Form 8-K filed with the SEC on February 2, 2017).
4.1			Form of Stock Certificate of Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 4.1 of the Registration Statement on Form S-1 (No. 333-137024) filed with the SEC on August 31, 2006).
4.2†			Description of Securities Registered Under Section 12 of the Securities Exchange Act of 1934.
10.1*			Form of Director's Deferred Compensation Plan (incorporated by reference to Exhibit 10.7 of the Form 8-K filed with the SEC on December 22, 2005).
10.2*			Amended and Restated Benefit Restoration Plan of Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 10.5 of the Form 8-K filed with the SEC on October 29, 2007).
10.3*			Amended and Restated Employment Agreement between James C. Hagan and Westfield Bank (incorporated by reference to Exhibit 10.9 of the Form 8-K filed with the SEC on January 5, 2009).
10.4*			Amended and Restated Employment Agreement between James C. Hagan and Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 10.12 of the Form 8-K filed with the SEC on January 5, 2009).
10.5*			Employment Agreement between Leo R. Sagan, Jr. and Westfield Bank (incorporated by reference to Exhibit 10.15 of the Form 8-K filed with the SEC on January 5, 2009).
10.6*			Employment Agreement between Leo R. Sagan, Jr. and Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 10.16 of the Form 8-K filed with the SEC on January 5, 2009).
10.7*			Employment Agreement between Allen J. Miles, III and Westfield Bank (incorporated by reference to Exhibit 10.19 of the Form 8-K filed with the SEC on January 5, 2009).
10.8*			Employment Agreement between Allen J. Miles, III and Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 10.20 of the Form 8-K filed with the SEC on January 5, 2009).
10.9*			Employment Agreement between Darlene M. Libiszewski and Western New England Bancorp, Inc. (f/k/a Westfield Financial, Inc.) (incorporated by reference to Exhibit 10.4 of the Registration Statement on Form S-4 (No. 333-212221) filed with the SEC on June 24, 2016).
10.10*			Employment Agreement between Darlene M. Libiszewski and Westfield Bank (incorporated by reference to Exhibit 10.5 of the Registration Statement on Form S-4 (No. 333-212221) filed with the SEC on June 24, 2016).
10.11*			Employment Agreement between Guida R. Sajdak and Western New England Bancorp (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the SEC on February 8, 2018).
10.12*			Employment Agreement between Guida R. Sajdak and Westfield Bank (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the SEC on February 8, 2018).
10.13*			Employment Agreement between Louis Gorman, III and Western New England Bancorp (incorporated by reference to Exhibit 10.1 of the Form 8-K filed with the SEC on March 23, 2018).
	10.14*		Employment Agreement between Louis Gorman, III and Westfield Bank (incorporated by reference to Exhibit 10.2 of the Form 8-K filed with the SEC on March 23, 2018).
	10.15*		Employment Agreement between Kevin C. O'Connor and Westfield Bank dated February 17, 2017 (incorporated by reference to Exhibit 10.20 of the Form 10-K filed with the SEC on March 11, 2021).
10.16*		10.14*	Employment Agreement between Kevin C. O'Connor and Western New England Bancorp, Inc. dated February 17, 2017 (incorporated by reference to Exhibit 10.21 of the Form 10-K filed with the SEC on March 11, 2021).
10.17*		10.15*	Change of Control Agreement between John Bonini and Western New England Bancorp, Inc. dated as of January 1, 2021 (incorporated by reference to Exhibit 10.22 of the Form 10-K filed with the SEC on March 11, 2021).
10.16†		Employment Agreement between John Bonini and Western New England Bancorp dated as of February 22, 2024.	
10.17†		Employment Agreement between John Bonini and Westfield Bank dated as of February 22, 2024.	
10.18*			Change of Control Agreement between Christine Phillips and Western New England Bancorp, Inc. dated as of January 1, 2021(incorporated by reference to Exhibit 10.23 of the Form 10-K filed with the SEC on March 11, 2021).

10.19†	Employment Agreement between Christine Phillips and Western New England Bancorp dated as of February 22, 2024.	
10.20†	Employment Agreement between Christine Phillips and Westfield Bank dated as of February 22, 2024.	
10.21*	Employment Agreement between Filipe B. Goncalves and Western New England Bancorp dated as of January 1, 2021. (incorporated by reference to Exhibit 10.19 of the Form 10-K filed with the SEC on March 10, 2023).	
10.20†10.22*		Employment Agreement between Filipe B. Goncalves and Westfield Bank dated as of January 1, 2021. (incorporated by reference to Exhibit 10.20 of the Form 10-K filed with the SEC on March 10, 2023).
10.21†10.23*		Change of Control Agreement between Daniel A. Marini, Westfield Bank and Western New England Bancorp, Inc. dated as of January 1, 2022. (incorporated by reference to Exhibit 10.21 of the Form 10-K filed with the SEC on March 10, 2023).
10.22*	10.24*	2014 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 to the Form 8-K filed with the SEC on May 19, 2014).
10.23*	10.25*	Chicopee Bancorp, Inc. 2007 Equity Incentive Plan (incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-8 (No. 333-214261) filed with the SEC on October 26, 2016).
10.24*	10.26*	Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.1 of the Form S-8 filed with the SEC on May 19, 2021).
10.25*	10.27*	Form of Incentive Stock Option Agreement under the Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.2 of the Form S-8 filed with the SEC on May 19, 2021).
10.26*	10.28*	Form of Non-Qualified Stock Option Agreement under the Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.3 of the Form S-8 filed with the SEC on May 19, 2021).
10.27*	10.29*	Form of Director Incentive Award Agreement under the Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.4 of the Form S-8 filed with the SEC on May 19, 2021).
10.28*	10.30*	Form of Restricted Stock Award Agreement under the Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.5 of the Form S-8 filed with the SEC on May 19, 2021).
10.29*	10.31*	Form of Long-Term Incentive and Retention Equity Award Agreement under the Western New England Bancorp, Inc. 2021 Omnibus Incentive Plan (incorporated by reference to Exhibit 10.6 of the Form S-8 with the SEC on May 19, 2021).
21.1†21.1†		Subsidiaries of Western New England Bancorp, Inc Inc..
23.1†		Consent of Wolf & Company, P.C.
31.1†31.1†		Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2†31.2†		Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†32.1†		Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†32.2†		Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97†	Western New England Bancorp, Inc. Incentive Compensation Recovery Policy as Adopted by the Board of Directors on November 20, 2023.	

101**	Financial statements from the annual report on Form 10-K of Western New England Bancorp, Inc. for the year ended December 31, 2022 December 31, 2023, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Net Income, (iii) the Consolidated Statements of Comprehensive Income, (iv) the Consolidated Statements of Changes in Shareholders' Equity, (v) the Consolidated Statements of Cash Flows and (vi) Notes to Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

† Filed herewith.

* † Filed herewith.

* Management contract or compensatory plan or arrangement.

** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

ITEM 16. FORM 10-K SUMMARY.

None.

SIGNATURES

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 10, 2023 March 8, 2024.

WESTERN NEW ENGLAND BANCORP, INC.

By: /s/ James C. Hagan
James C. Hagan
Chief Executive Officer and President
(Principal Executive Officer)

By: /s/ Guida R. Sajdak
Guida R. Sajdak
Chief Financial Officer and Executive Vice President (Principal Financial Officer and Principal Accounting Officer)

POWER OF ATTORNEY

Each person whose individual signature appears below hereby authorizes and appoints James C. Hagan and Guida R. Sajdak, and each of them, with full power of substitution and resubstitution and full power to act without the other, as his or her true and lawful attorney-in-fact and agent to act in his or her name, place and stead and to execute in the name and on behalf of each person, individually and in each capacity stated below, and to file any and all amendments to this report on Form 10-K, and to file the same, with all exhibits thereto, and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing, ratifying and confirming all that said attorneys-in-fact and agents or any of them or their or his substitute or substitutes may lawfully do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed by the following persons on behalf of the registrant and in the capacities indicated on March 10, 2023 March 8, 2024.

Name	Title
/s/ James C. Hagan James C. Hagan	Chief Executive Officer, President and Director (Principal Executive Officer)
/s/ Guida R. Sajdak Guida R. Sajdak	Chief Financial Officer and Executive Vice President (Principal Financial Officer and Principal Accounting Officer)
/s/ Lisa G. McMahon Lisa G. McMahon	Chairperson of the Board
/s/ Laura Benoit Laura Benoit	Director
/s/ Donna J. Damon Donna J. Damon	Director
/s/ Gary G. Fitzgerald Gary G. Fitzgerald	Director
/s/ William D. Masse William D. Masse	Director
/s/ Gregg F. Orlen Gregg F. Orlen	Director
/s/ Paul C. Picknelly Paul C. Picknelly	Director

Name	Title
/s/ Steven G. Richter Steven G. Richter	Director
/s/ Philip R. Smith	Director

Philip R. Smith

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors of
Western New England Bancorp, Inc.

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Western New England Bancorp, Inc. and subsidiaries (the Company) as of December 31, 2022 December 31, 2023 and 2021, 2022, the related consolidated statements of net income, comprehensive income, changes in shareholders' equity and cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, and the related notes to the consolidated financial statements (collectively referred to as the financial statements) "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 December 31, 2023 and 2021, 2022, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2022 December 31, 2023, in conformity with accounting principles generally accepted in the United States of America.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022 December 31, 2023, based on criteria established in *Internal Control - Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 10, 2023 March 8, 2024 expressed an unqualified opinion on the effectiveness of the Company's internal controls over financial reporting.

Change in Accounting Principle

As discussed in the financial statements, the Company changed its method of accounting for measurement and recognition of credit losses as of January 1, 2023 upon the adoption of Accounting Standards Codification Topic 326, *Financial Instruments - Credit Losses* ("ASC 326").

Basis for Opinion

These financial statements are the responsibility of the Company's Company's management. Our responsibility is to express an opinion on the Company's Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter Matters

The critical audit matter matters communicated below is a matter are matters arising from the current period audit of the financial statements that was communicated or required to be communicated to the Company's Audit Committee and that: (1) relates relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter matters below, providing a separate opinion opinions on the critical audit matter matters or on the accounts or disclosures to which it relates. they relate.

Allowance for Credit Losses – Loans Evaluated on a Pooled Basis

Critical Audit Matter Description

As described in Notes 1 and 3 to the financial statements, the Company has recorded an allowance for credit losses (ACL) for its loan losses portfolio in the amount of $19.9 million $20.3 million as of December 31, 2022 December 31, 2023, representing management's estimate of credit losses over the probable losses inherent in remaining expected life of the Company's loan portfolio as of that date. Upon adoption of ASC 326 on January 1, 2023, the Company recorded a cumulative effect adjustment to opening retained earnings which increased the ACL and established a reserve for off-balance sheet credit exposures recorded in other liabilities. Management determined the amounts, and corresponding provision for credit loss expense for the year, pursuant to the application of Accounting Standards Codification Topic 326, *Financial Instruments – Credit Losses*.

The Company's methodology to determine its allowance for credit losses incorporates quantitative and qualitative assessments of its historical losses, current loan portfolio and economic conditions, the application of forecasted economic conditions, and related modeling. Management incorporates the use of third-party software to arrive at an expected life-of-loan loss amount based on discounted cash flow estimate at the loan level. The amount and timing of cash flows is established as losses determined using assumptions for probability of default and loss given default (PD/LGD); expected term; and forecasted economic factors. The results of these calculations are estimated then qualitatively adjusted by management based on pool-specific attributes. We determined that performing procedures relating to have occurred through a provision (credit) for loan losses charged to earnings.

The determination these components of the allowance Company's methodology is a critical audit matter.

The principal considerations for loan losses requires our determination are (i) the application of significant judgment by and estimation on the part of management, including the determination which in turn led to a high degree of qualitative adjustments to historical loss experience. auditor judgment and subjectivity in performing procedures and evaluating audit evidence obtained, and (ii) significant audit effort was necessary in evaluating management's methodology, significant assumptions and calculations.

How the Critical Audit Matter was addressed in the Audit

Following are some of the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the collectively evaluated ACL, including controls over the:

- Segmentation of loans into pools with similar risk characteristics
- Validation of the third-party model and recalculation of model results
- Role of peer loss data and the appropriate peer group
- Completeness and accuracy of loan data
- Evaluation of modeling assumptions including the economic factors indicative of expected losses, length of the forecast period, and expected term of loans
- Development of qualitative adjustments to model results

Addressing the above matters involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included, among others, reviewing the Company's procedures to validate the model, testing assumptions used in the calculation of discounted cash flows, testing management's process for determining the qualitative reserve component, and testing the completeness and accuracy of data used in the model.

Goodwill Impairment Analysis

Critical Audit Matter Description

Our As discussed in Note 5 to the consolidated financial statements, goodwill is tested for impairment at least annually, or more frequently as events or circumstances change. The evaluation is performed on the basis that the consolidated company is the reporting unit. The carrying value of the Company's equity exceeded its market capitalization for a period in 2023 due to recent events affecting the banking industry and declines in bank stock prices. Management used relevant valuation multiples from recent comparable whole bank merger and acquisition transactions to determine the estimated fair value of the Company. Based on the results of this analysis management determined that the fair value of the Company exceeded the carrying value of the reporting unit and as a result goodwill was not impaired.

We determined that performing procedures relating to the Company's impairment analysis of goodwill in 2023 is a critical audit matter. The principal considerations for our determination are (i) the application of significant judgment and estimation on the part of management, which in turn led to a high degree of auditor judgment and subjectivity in performing procedures and evaluating audit evidence obtained, and (ii) significant audit effort was necessary in evaluating management's methodology and significant assumptions.

How the Critical Audit Matter was addressed in the Audit

We obtained an understanding, evaluated the design and tested the operating effectiveness of the controls over the Company's goodwill impairment process, including controls over management's review of the significant assumptions.

To test management's estimate of the fair value of the Company's reporting unit we performed audit procedures to evaluate management's estimates that included, among others, assessing the reasonableness of the allowance for loan losses included tests methodology and testing the significant assumptions and the underlying data used by the Company in its analysis. We compared the significant assumptions used by management to current industry and economic trends. In addition, we tested management's reconciliation of the following: fair value of the reporting unit to the market capitalization of the Company.

- Management's determination of general reserves, including determination of historical loss experience and qualitative adjustments to historical loss experience.
- The accuracy of management's calculation of the allowance for loan losses, including relevant internal controls.

We have served as the Company's Company's auditor since 2004.
/s/ Wolf & Company, P.C.
Boston, Massachusetts
March 8, 2024

March 10, 2023

WESTERN NEW ENGLAND BANCORP, INC., AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except share data)

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
ASSETS				
Cash and due from banks	$ 25,577	$ 15,233	$ 20,784	$ 25,577
Federal funds sold	1,652	4,901	2,991	1,652
Interest-bearing deposits and other short-term investments	3,113	83,322	5,065	3,113
Cash and cash equivalents	30,342	103,456	28,840	30,342
Available-for-sale securities, at fair value	146,997	194,352	137,115	146,997
Held-to-maturity securities, at amortized cost (Fair value of $190,950 at December 31, 2022 and $219,748 at December 31, 2021)	230,168	222,272		
Held-to-maturity securities, at amortized cost (Fair value of $187,692 at December 31, 2023 and $190,950 at December 31, 2022)			223,370	230,168
Marketable equity securities, at fair value	6,237	11,896	196	6,237
Federal Home Loan Bank stock and other restricted stock, at cost	3,352	2,594	3,707	3,352
Loans, net of allowance for loan losses of $19,931 and $19,787 at December 31, 2022 and 2021, respectively	1,971,469	1,844,929		
Loans, net of allowance for credit losses of $20,267 and $19,931 at December 31, 2023 and 2022, respectively			2,007,050	1,971,469
Premises and equipment, net	24,953	26,162	25,575	24,953
Accrued interest receivable	8,140	7,775	8,528	8,140
Bank-owned life insurance	74,620	72,895	75,145	74,620
Deferred tax asset, net	15,027	12,092	13,636	15,027
Goodwill	12,487	12,487	12,487	12,487
Core deposit intangible	2,188	2,563	1,813	2,188
Other assets	27,170	24,952	27,109	27,170
TOTAL ASSETS	$ 2,553,150	$ 2,538,425	$ 2,564,571	$ 2,553,150
LIABILITIES AND SHAREHOLDERS' EQUITY				
LIABILITIES:				
Deposits:				
Non-interest-bearing	$ 645,529	$ 641,284	$ 579,594	$ 645,529
Interest-bearing	1,583,914	1,615,614	1,564,150	1,583,914
Total deposits	2,229,443	2,256,898	2,143,744	2,229,443
Short-term borrowings	41,350	—	16,100	41,350
Long-term debt	1,178	2,653	120,646	1,178
Subordinated debt	19,673	19,633	19,712	19,673
Other liabilities	33,363	35,553	26,960	33,363
Total liabilities	2,325,007	2,314,737	2,327,162	2,325,007
COMMITMENTS AND CONTINGENCIES (see Note 16)				
SHAREHOLDERS' EQUITY:				
Preferred stock - $0.01 par value, 5,000,000 shares authorized, none outstanding at December 31, 2022 and December 31, 2021	—	—		
Common stock - $0.01 par value, 75,000,000 shares authorized, 22,216,789 shares issued and outstanding at December 31, 2022; 22,656,515 shares issued and outstanding at December 31, 2021	222	227		
Preferred stock - $0.01 par value, 5,000,000 shares authorized, none outstanding at December 31, 2023 and December 31, 2022			-	-

Common stock - $0.01 par value, 75,000,000 shares authorized, 21,666,807 shares issued and outstanding at December 31, 2023; 22,216,789 shares issued and outstanding at December 31, 2022			217	222
Additional paid-in capital	128,899	132,821	125,448	128,899
Unearned compensation - ESOP	(2,906)	(3,441)	(2,394)	(2,906)
Unearned compensation - Equity Incentive Plan	(1,012)	(981)	(1,111)	(1,012)
Retained earnings	127,982	107,376	136,993	127,982
Accumulated other comprehensive loss	(25,042)	(12,314)	(21,744)	(25,042)
TOTAL SHAREHOLDERS' EQUITY	228,143	223,688	237,409	228,143
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 2,553,150	$ 2,538,425	$ 2,564,571	$ 2,553,150

See accompanying notes to consolidated financial statements.

WESTERN NEW ENGLAND BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF NET INCOME
(Dollars in thousands, except per share data)

	Years Ended December 31,			Years Ended December 31,		
	2022	**2021**	**2020**	**2023**	**2022**	**2021**
Interest and dividend income:						
Residential and commercial real estate loans	$ 66,609	$ 58,682	$ 62,115	$ 77,964	$ 66,609	$ 58,682
Commercial and industrial loans	10,397	15,263	15,409	12,865	10,397	15,263
Consumer loans	258	255	313	340	258	255
Debt securities, taxable	8,095	5,286	4,163	8,241	8,095	5,286
Debt securities, tax-exempt	11	12	56	7	11	12
Marketable equity securities	190	96	123	122	190	96
Other investments	177	116	587	558	177	116
Short-term investments	191	139	109	1,021	191	139
Total interest and dividend income	85,928	79,849	82,875	101,118	85,928	79,849
Interest expense:						
Deposits	5,352	5,508	13,500	26,649	5,352	5,508
Short-term borrowings				1,589	330	—
Long-term debt	—	458	3,333	3,957	—	458
Subordinated debt	1,014	706	—	1,014	1,014	706
Short-term borrowings	330	—	1,612			
Total interest expense	6,696	6,672	18,445	33,209	6,696	6,672
Net interest and dividend income	79,232	73,177	64,430	67,909	79,232	73,177
Provision (credit) for loan losses	700	(925)	7,775			
Net interest and dividend income after provision (credit) for loan losses	78,532	74,102	56,655			
Provision for (reversal of) credit losses				872	700	(925)
Net interest and dividend income after provision for (reversal of) credit losses				67,037	78,532	74,102
Non-interest income:						
Service charges and fees	9,072	8,360	7,067	8,856	9,072	8,360
Income from bank-owned life insurance	1,725	1,912	1,809	1,820	1,725	1,912
Bank-owned life insurance death benefit	—	555	—	778	—	555
(Loss) gain on available-for-sale securities, net	(4)	(72)	1,965			
Loss on disposal of premises and equipment				(3)	—	—
Loss on available-for-sale securities, net				—	(4)	(72)
Gain on sale of mortgages	2	1,423	—	—	2	1,423
Net (losses) gains on marketable equity securities	(717)	(168)	109			
Net loss on marketable equity securities				(1)	(717)	(168)
Gain on non-marketable equity investments	422	898	—	590	422	898
Gain on defined benefit plan curtailment	2,807	—	—			

(Loss) gain on defined benefit plan curtailment				(1,143)	2,807	—
Loss on interest rate swap termination	—	(402)	(2,353)	—	—	(402)
Other income	25	58	654	—	25	58
Total non-interest income	13,332	12,564	9,251	10,897	13,332	12,564
Non-interest expense:						
Salaries and employees benefits	32,697	32,186	29,349			
Salaries and employee benefits				32,214	32,697	32,186
Occupancy	4,984	4,656	4,520	4,908	4,984	4,656
Furniture and equipment	2,026	2,084	1,537	1,954	2,026	2,084
Data processing	2,885	2,903	2,901	3,157	2,885	2,903
Professional fees	2,716	2,185	2,372	2,877	2,716	2,185
FDIC insurance assessment	1,048	998	1,032	1,321	1,048	998
Advertising	1,408	1,292	1,106	1,495	1,408	1,292
Loss on prepayment of borrowings	—	45	987	—	—	45
Other expenses	9,471	8,593	7,946	10,424	9,471	8,593
Total non-interest expense	57,235	54,942	51,750	58,350	57,235	54,942
Income before income taxes	34,629	31,724	14,156	19,584	34,629	31,724
Income tax provision	8,742	8,025	2,941	4,516	8,742	8,025
Net income	$ 25,887	$ 23,699	$ 11,215	$ 15,068	$ 25,887	$ 23,699
Earnings per common share:						
Basic earnings per share	$ 1.18	$ 1.02	$ 0.45	$ 0.70	$ 1.18	$ 1.02
Weighted average shares outstanding	21,879,657	23,223,633	25,047,195			
Weighted average basic shares outstanding				21,535,888	21,879,657	23,223,633
Diluted earnings per share	$ 1.18	$ 1.02	$ 0.45	$ 0.70	$ 1.18	$ 1.02
Weighted average diluted shares outstanding	21,938,323	23,300,637	25,062,476	21,610,329	21,938,323	23,300,637
Dividends per share	$ 0.24	$ 0.20	$ 0.20	$ 0.28	$ 0.24	$ 0.20

See accompanying notes to consolidated financial statements.

WESTERN NEW ENGLAND BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Dollars (Dollars in thousands)

	Years Ended December 31,		
	2023	**2022**	**2021**
Net income	$ 15,068	$ 25,887	$ 23,699
Other comprehensive income (loss):			
Unrealized losses on available-for-sale securities:			
Unrealized holding gain (losses)	2,993	(27,478)	(6,059)
Reclassification adjustment for amounts realized in income (1)	—	4	72
Net amount	2,993	(27,474)	(5,987)
Tax effect	(775)	7,037	1,499
Net-of-tax amount	2,218	(20,437)	(4,488)
Cash flow hedges:			
Reclassification adjustment for amounts realized in income for interest rate swap termination (2)	—	—	402
Reclassification adjustment for amounts realized in interest expense (3)	—	—	282
Net amount	—	—	684
Tax effect	—	—	(192)
Net-of-tax amount	—	—	492
Defined benefit pension plan:			
Gains arising during the period	358	13,000	3,209
Reclassification adjustment for amounts realized in income for defined benefit plan termination (4)	1,143	(2,807)	—
Amortization of defined benefit plan actuarial loss (5)	—	531	910
Net amount	1,501	10,724	4,119
Tax effect	(421)	(3,015)	(1,158)
Net-of-tax amount	1,080	7,709	2,961

Other comprehensive income (loss)	3,298	(12,728)	(1,035)
Comprehensive income	$ 18,366	$ 13,159	$ 22,664

	Years Ended December 31, 2022	2021	2020
Net income	$ 25,887	$ 23,699	$ 11,215
Other comprehensive income (loss):			
Unrealized (losses) gains on available-for-sale securities:			
Unrealized holding (losses) gains	(27,478)	(6,059)	3,660
Reclassification adjustment for net losses (gains) realized in income (1)	4	72	(1,965)
Unrealized (losses) gains	(27,474)	(5,987)	1,695
Tax effect	7,037	1,499	(410)
Net-of-tax amount	(20,437)	(4,488)	1,285
Cash flow hedges:			
Change in fair value of derivatives used for cash flow hedges	—	—	(1,254)
Reclassification adjustment for loss realized in income for interest rate swap termination(2)	—	402	2,353
Reclassification adjustment for loss realized in interest expense (3)	—	—	674
Reclassification adjustment for termination fee realized in interest expense (4)	—	282	842
Unrealized gains on cash flow hedges	—	684	2,615
Tax effect	—	(192)	(736)
Net-of-tax amount	—	492	1,879
Defined benefit pension plan:			
Gains (losses) arising during the period	7,386	3,209	(8,037)
Reclassification adjustment for gain realized in income for defined benefit plan curtailment(5)	2,807	—	—
Amortization of defined benefit plan actuarial loss(6)	531	910	421
Unrecognized actuarial gains (losses) on defined benefit plan	10,724	4,119	(7,616)
Tax effect	(3,015)	(1,158)	2,141
Net-of-tax amount	7,709	2,961	(5,475)
Other comprehensive loss	(12,728)	(1,035)	(2,311)
Comprehensive income	$ 13,159	$ 22,664	$ 8,904

(1) (1) Realized gains and losses on available-for-sale securities are recognized as a component of non-interest income in the consolidated statements of net income. The tax effects associated with the reclassification adjustments applicable to net realized gains were $(1,000), $(15,000) 1,000 and $502,000 15,000 for the years ended December 31, 2022, 2021 and 2020, respectively.2021. There were no tax effects applicable to net realized gains for the year ended December 31, 2023.

(2) (2) Loss realized in income on interest rate swap termination is recognized as a component of non-interest income. Income tax effects associated with the reclassification adjustments were $113,000 and $661,000 for the years ended December 31, 2021 and 2020.

(3) Loss realized in interest expense on derivative instruments is recognized as a component of interest expense on long-term debt in the consolidated statements of net income. Income tax effects associated with the reclassification adjustment was $189,000for the year ended December 31, 2020 December 31, 2021.

(3) (4) Termination fee realized in interest expense on derivative instruments is recognized as a component of interest expense on long-term debt in the consolidated statements of net income. Income tax effects associated with the reclassification adjustments were $79,000 and $237,000for the years year ended December 31, 2021 and 2020, respectively..

(4) (5) Realized gains on Amounts represent the reclassification of defined benefit plan curtailment are termination realized in income and have been recognized as a component of non-interest income in the consolidated statements of net income. The Income tax effects associated with the reclassification adjustment adjustments were $321,000 and $789,000for the year years ended December 31, 2023 and December 31, 2022., respectively.

(5) (6) Amounts represent the reclassification of defined benefit plan amortization and have been recognized as a component of non-interest expense in the consolidated statements of net income. expense. Income tax effects associated with the reclassification adjustments were $149,000, and $256,000 and $118,000 for the years ended December 31, 2022, 2021 and 2020, respectively.2021. There were no tax effects applicable to reclassification adjustments for the year ended 2023.

See accompanying notes to consolidated financial statements.

WESTERN NEW ENGLAND BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2023, 2022 2021 AND 2020 2021
(Dollars in thousands, except share data)

Common Stock								Common Stock				
Shares	Par Value	Additional Paid-in Capital	Unearned Compensation-ESOP	Unearned Compensation-Equity Incentive Plan	Retained Earnings	Accumulated Other Comprehensive Loss	Total	Shares	Par Value	Additional Paid-in Capital	Unearned Compensation-ESOP	Comp I Ince

BALANCE AT DECEMBER 31, 2019	26,557,981	$ 266	$ 164,248	$ (4,574)	$ (1,124)	$ 82,176	$ (8,968)	$ 232,024					
Comprehensive income (loss)	—	—	—	—	—	11,215	(2,311)	8,904					
Common stock held by ESOP committed to be released (85,101 shares)	—	—	(26)	577	—	—	—	551					
Forfeited equity incentive plan shares (30,193 shares)	—	—	(319)	—	319	—	—	—					
Common stock repurchased	(1,416,362)	(14)	(10,665)	—	—	—	—	(10,679)					
Share-based compensation - equity incentive plan	—	—	—	—	834	—	—	834					
Issuance of common stock in connection with stock option exercises	7,239	—	43	—	—	—	—	43					
Issuance of common stock in connection with equity incentive plan	127,335	1	1,268	—	(1,269)	—	—	—					
Cash dividends declared and paid on common stock ($0.20 per share)	—	—	—	—	—	(5,037)	—	(5,037)					
BALANCE AT DECEMBER 31, 2020	25,276,193	$ 253	$ 154,549	$ (3,997)	$ (1,240)	$ 88,354	$ (11,279)	$ 226,640	25,276,193	$ 253	$ 154,549	$ (3,997)	$
Comprehensive income (loss)	—	—	—	—	—	23,699	(1,035)	22,664	—	—	—	—	
Common stock held by ESOP committed to be released (81,893 shares)	—	—	126	556	—	—	—	682	—	—	126	556	
Forfeited equity incentive plan shares (24,506 shares)	—	—	(259)	—	259	—	—	—	—	—	(259)	—	
Common stock repurchased	(2,775,134)	(27)	(23,094)	—	—	—	—	(23,121)	(2,775,134)	(27)	(23,094)	—	
Share-based compensation - equity incentive plan	—	—	—	—	1,307	—	—	1,307	—	—	—	—	

Issuance of common stock in connection with stock option exercises	33,094	—	193	—	—	—	—	193	33,094	—	193	—	
Issuance of common stock in connection with equity incentive plan	122,362	1	1,020	—	(1,021)	—	—	—	122,362	1	1,020	—	
Forfeited equity incentive plan shares reissued (32,544 shares)	—	—	286	—	(286)	—	—	—	—	—	286	—	
Cash dividends declared and paid on common stock ($0.20 per share)	—	—	—	—	—	(4,677)	—	(4,677)	—	—	—	—	
BALANCE AT DECEMBER 31, 2021	22,656,515	$ 227	$ 132,821	$ (3,441)	$ (981)	$ 107,376	$ (12,314)	$ 223,688	22,656,515	$ 227	$ 132,821	$ (3,441)	$
Comprehensive income (loss)	—	—	—	—	—	25,887	(12,728)	13,159	—	—	—	—	
Common stock held by ESOP committed to be released (78,526 shares)	—	—	148	535	—	—	—	683	—	—	148	535	
Forfeited equity incentive plan shares (24,440 shares)	—	—	(213)	—	213	—	—	—	—	—	(213)	—	
Common stock repurchased	(754,758)	(8)	(6,343)	—	—	—	—	(6,351)	(754,758)	(8)	(6,343)	—	
Share-based compensation - equity incentive plan	—	—	(2)	—	1,076	—	—	1,074	—	—	(2)	—	
Issuance of common stock in connection with stock option exercises	177,881	2	1,169	—	—	—	—	1,171	177,881	2	1,169	—	
Issuance of common stock in connection with equity incentive plan	137,151	1	1,248	—	(1,249)	—	—	—	137,151	1	1,248	—	
Forfeited equity incentive plan shares reissued (7,289 shares)	—	—	71	—	(71)	—	—	—	—	—	71	—	
Cash dividends declared and paid on common stock ($0.24 per share)	—	—	—	—	—	(5,281)	—	(5,281)	—	—	—	—	

BALANCE AT DECEMBER 31, 2022	22,216,789	$ 222	$ 128,899	$ (2,906)	$ (1,012)	$ 127,982	$ (25,042)	$ 228,143	22,216,789	$ 222	$ 128,899	$ (2,906)	$
Cumulative effect accounting adjustment[(1)]									—	—	—	—	
Comprehensive income									—	—	—	—	
Common stock held by ESOP committed to be released (74,993 shares)									—	—	50	512	
Forfeited equity incentive plan shares (4,219 shares)									—	—	(40)	—	
Forfeited equity incentive plan shares reissued (22,503 shares)									—	—	207	—	
Common stock repurchased									(686,436)	(6)	(5,016)	—	
Share-based compensation - equity incentive plan									—	—	—	—	
Issuance of common stock in connection with equity incentive plan									136,454	1	1,348	—	
Cash dividends declared and paid on common stock ($0.28 per share)									—	—	—	—	
BALANCE AT DECEMBER 31, 2023									21,666,807	$ 217	$ 125,448	$ (2,394)	$

See accompanying notes to consolidated financial statements.

(1) Represents gross transition adjustment amount of $13,000, net of taxes of $4,000, to reflect the cumulative impact on retained earnings pursuant to the Company's adoption of Accounting Standards Update ("ASU") 2016-13 *Financial Instruments-Credit Losses on Financial Instruments* and relevant amendments. Refer to Note 3, "*Loans*" within the accompanying notes to the consolidated financial statements.

WESTERN NEW ENGLAND BANCORP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31,			Years Ended December 31,		
	2022	**2021**	**2020**	**2023**	**2022**	**2021**
OPERATING ACTIVITIES:						
Net income	$ 25,887	$ 23,699	$ 11,215	$ 15,068	$ 25,887	$ 23,699
Adjustments to reconcile net income to net cash provided by operating activities:						
Provision (credit) for loan losses	700	(925)	7,775			

Provision for (reversal of) credit losses				872	700	(925)
Depreciation and amortization of premises and equipment	2,312	2,322	2,145	2,219	2,312	2,322
Net (accretion) amortization of purchase accounting adjustments	(135)	95	(946)			
Net amortization (accretion) of purchase accounting adjustments				95	(135)	95
Amortization of core deposit intangible	375	374	375	375	375	374
Net amortization of premiums and discounts on securities and mortgage loans	1,553	2,251	2,540	1,267	1,553	2,251
Amortization of subordinated debt issuance costs	40	27	—			
Net amortization of deferred costs on loans				497	681	1,251
Net amortization of premiums on subordinated debt				39	40	27
Share-based compensation expense	1,074	1,307	834	1,417	1,074	1,307
ESOP expense	683	682	551	562	683	682
Gain on sale of portfolio mortgages	—	(227)	—	—	—	(227)
Principal balance of loans originated for sale	(277)	(52,130)	—	—	(277)	(52,130)
Principal balance of loans sold	277	52,130	—	—	277	52,130
Net loss (gain) on marketable equity securities	717	168	(109)			
Net loss (gain) on sales of available-for-sale securities	4	72	(1,965)			
Net loss on marketable equity securities				1	717	168
Net loss on sales of available-for-sale securities				—	4	72
Loss on disposal of premises and equipment				3	—	—
Loss on prepayment of borrowings	—	45	987	—	—	45
Gain on bank-owned life insurance death benefit	—	(555)	—	(778)	—	(555)
Deferred income tax provision (benefit)	1,088	644	(2,431)			
Deferred income tax provision				191	1,088	644
Income from bank-owned life insurance	(1,725)	(1,912)	(1,809)	(1,820)	(1,725)	(1,912)
Net change in:						
Accrued interest receivable	(365)	702	(3,164)	(388)	(365)	702
Other assets	(4,218)	(4,914)	5,182	(968)	(4,218)	(4,914)
Other liabilities	8,099	3,687	3,887	(3,879)	8,099	3,687
Net cash provided by operating activities	36,089	27,542	25,067	14,773	36,770	28,793
INVESTING ACTIVITIES:						
Purchases of held-to-maturity securities	(28,030)	(231,292)	—	(7,701)	(28,030)	(231,292)
Proceeds from calls, maturities, and principal collections of held-to-maturity securities	19,650	8,714	—	14,090	19,650	8,714
Purchases of available-for-sale securities	(5,000)	(65,291)	(158,979)	(196)	(5,000)	(65,291)
Proceeds from redemption and sales of available-for-sale securities	20	9,562	96,320	—	20	9,562
Proceeds from calls, maturities, and principal collections of available-for-sale securities	23,644	55,382	84,774	12,047	23,644	55,382
Proceeds from redemption of marketable equity securities	5,131	—	—	6,237	5,131	—
Loan originations and principal payments, net	(127,142)	54,322	(151,474)	(37,023)	(127,823)	53,071
Redemption of Federal Home Loan Bank of Boston stock, net	(758)	2,566	9,317			
(Purchase) redemption of Federal Home Loan Bank of Boston stock, net				(355)	(758)	2,566
Proceeds from sale of portfolio mortgages	—	7,801	—	—	—	7,801
Purchases of premises and equipment	(1,143)	(3,457)	(3,581)	(2,902)	(1,143)	(3,457)
Proceeds from sale of premises and equipment	—	36	66	18	—	36
Proceeds from payout on Bank owned life insurance	2,435	—	—			
Proceeds from payout on bank-owned life insurance				2,079	2,435	—
Net cash used in investing activities	(111,193)	(161,657)	(123,557)	(13,706)	(111,874)	(162,908)
FINANCING ACTIVITIES:						
Net (decrease) increase in deposits	(27,427)	213,516	360,313	(85,699)	(27,427)	213,516
Net increase (decrease) in short-term borrowings	41,350	—	(35,000)			

Net (decrease) increase in short-term borrowings				(25,250)	41,350	—
Repayment of long-term debt	(1,472)	(55,230)	(207,524)	(532)	(1,472)	(55,230)
Proceeds from subordinated debt issuance	—	20,000	—	—	—	20,000
Payment of subordinated debt issuance costs	—	(394)	—	—	—	(394)
Proceeds from long-term debt	—	—	58,917	120,000	—	—
Cash dividends paid	(5,281)	(4,677)	(5,037)	(6,066)	(5,281)	(4,677)
Common stock repurchased	(6,351)	(23,281)	(10,519)	(5,022)	(6,351)	(23,281)
Issuance of common stock in connection with stock option exercises	1,171	193	43	—	1,171	193
Net cash provided by financing activities	1,990	150,127	161,193			
Net cash (used in) provided by financing activities				(2,569)	1,990	150,127
NET CHANGE IN CASH AND CASH EQUIVALENTS:	(73,114)	16,012	62,703	(1,502)	(73,114)	16,012
Beginning of year	103,456	87,444	24,741	30,342	103,456	87,444
End of year	$ 30,342	$ 103,456	$ 87,444	$ 28,840	$ 30,342	$ 103,456
Supplemental cash flow information:						
Net change in due to broker for common stock repurchased	$ —	$ (160)	$ 160	$ —	$ —	$ (160)

See the accompanying notes to consolidated financial statements.

WESTERN NEW ENGLAND BANCORP, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023, 2022 2021 AND 2020 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations and Basis of Presentation. Western New England Bancorp, Inc. (“Western New England Bancorp,” “WNEB,” “Company,” “we,” or “us”) is a Massachusetts-chartered stock holding company for Westfield Bank, a federally-chartered savings bank (“Bank”).

The Bank operates 25 banking offices in Hampden County and Hampshire County in western Massachusetts and Hartford County and Tolland County in northern Connecticut, and its primary sources of revenue are interest income from loans as well as interest income from investment securities. The West Hartford Financial Services Center serves as the Company’s Connecticut hub, housing Commercial Lending, Cash Management and a Mortgage Loan Officer. The Bank’s deposits are insured up to the maximum Federal Deposit Insurance Corporation (“FDIC”) coverage limits.

Wholly-owned Subsidiaries. Elm Street Securities Corporation, WFD Securities, Inc. and CSB Colts, Inc., are Massachusetts chartered securities corporations, formed for the primary purpose of holding qualified securities. WB Real Estate Holdings, LLC, is a Massachusetts-chartered limited liability company that holds real property acquired as security for debts previously contracted by the Bank.

Principles of Consolidation. The consolidated financial statements include the accounts of Western New England Bancorp, the Bank, CSB Colts, Inc., Elm Street Securities Corporation, WB Real Estate Holdings, LLC and WFD Securities, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

Estimates. The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses for each. Actual results could differ from those estimates. An estimate Estimates that is are particularly susceptible to significant change in the near-term relates relate to the determination of the allowance for loan losses. credit losses and goodwill impairment.

Reclassifications. Amounts in the prior year financial statements are reclassified when necessary to conform to the current year presentation.

Significant Group Concentrations of Credit Risk. Most of the Company’s lending activities are with customers located within the New England region of the country. The Company does not have any significant concentrations to any one industry or customer.

Cash and Cash Equivalents. We define cash on hand, cash due from banks, federal funds sold and interest-bearing deposits having an original maturity of 90 days or less as cash and cash equivalents.

Securities and Mortgage-Backed Securities. Debt securities, including mortgage-backed securities, which management has the positive intent and ability to hold until maturity are classified as held to maturity and are carried at amortized cost. Debt securities, including mortgage-backed securities, which have been identified as assets for which there is not a positive intent to hold to maturity are classified as available-for-sale and are carried at fair value with unrealized gains and losses, net of income taxes, reported as a separate component of comprehensive income (loss). Marketable equity securities are measured at fair value with changes in fair value reported on the Company’s consolidated statements of net income as a component of non-interest income, regardless of whether such gains and losses are realized. We do not acquire securities and mortgage-backed securities for purposes of engaging in trading activities.

Realized gains and losses on sales of securities and mortgage-backed securities are computed using the specific identification method and are included in non-interest income on the trade date. The amortization of premiums and accretion of discounts are determined by using the level yield method to the maturity date, except that premiums are amortized to the earliest call date or maturity.

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities.

Allowance for Credit Losses – Available-for-Sale Securities

The Company measures expected credit losses on available-for-sale debt securities based upon the gain or loss position of the security. For available-for-sale debt securities in an unrealized loss position which the Company does not intend to sell, and it is not more likely than not that the Company will be required to sell the security before recovery of the Company's amortized cost, the Company evaluates qualitative criteria to determine any expected loss. This includes among other items the financial health of, and specific prospects for the issuer, including whether the issuer is in compliance with the terms and covenants of the security. The Company also evaluates quantitative criteria including determining whether there has been an adverse change in expected future cash flows of the security. Available-for-sale securities which are guaranteed by government agencies do not currently have an allowance for credit loss as the Company determined these securities are either backed by the full faith and credit of the U.S. government and/or there is an unconditional commitment to make interest payments and to return the principal investment in full to investors when a debt security reaches maturity. In assessing the Company's investments in government-sponsored and U.S. government guaranteed mortgage-backed securities and government-sponsored enterprise obligations, the contractual cash flows of these investments are guaranteed by the respective government-sponsored enterprise; Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank ("FFCB"), or Federal Home Loan Bank ("FHLB"). Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Company's investments. The Company will evaluate this position no less than annually, however, certain items which may cause the Company to change this methodology include legislative changes that remove a government-sponsored enterprise's ability to draw funds from the U.S. government, or legislative changes to housing policy that reduce or eliminate the U.S. government's implicit guarantee on such securities. Accrued interest receivable on available-for-sale securities guaranteed by government agencies totaled $333,000 at December 31, 2023 and is excluded from the estimate of credit losses. If the Company does not expect to recover the entire amortized cost basis of the security, an allowance for credit losses would be recorded, with a related charge to earnings, limited by the amount of the fair value of the security less its amortized cost. If the Company intends to sell the security or it is more likely than not that the Company will be required to sell the debt security before recovery of its amortized cost basis, the Company recognizes the entire difference between the amortized cost basis of the security and its fair value in earnings. Any impairment that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Allowance for Credit Losses – Held-to-Maturity Securities

The Company measures expected credit losses on held-to-maturity debt securities on a collective basis by security type and risk rating where available. The reserve for each pool is calculated based on a Probability of Default/Loss Given Default basis taking into consideration the expected life of each security. Held-to-maturity securities which are issued by the United States Treasury or are guaranteed by government agencies do not currently have an allowance for credit loss as the Company determined these securities are either backed by the full faith and credit of the U.S. government and/or there is an unconditional commitment to make interest payments and to return the principal investment in full to investors when a debt security reaches maturity. In assessing the Company's investments in government-sponsored and U.S. government guaranteed mortgage-backed securities and government-sponsored enterprise obligations, the contractual cash flows of these investments are guaranteed by the respective government-sponsored enterprise; FHLMC, FNMA, FFCB, or FHLB. Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Company's investments. The Company will evaluate this position no less than annually, however, certain items which may cause the Company to change this methodology include legislative changes that remove a government-sponsored enterprise's ability to draw funds from the U.S. government, or legislative changes to housing policy that reduce or eliminate the U.S. government's implicit guarantee on such securities. Any expected credit losses on held-to-maturity securities would be presented as an allowance for credit loss.

Non-marketable Equity Securities. Investments in equity securities without readily determinable fair values are measured at cost, less any impairment, with re-measurement to fair value when there are observable price changes. Impairment is evaluated on such securities based on a qualitative assessment that considers various potential impairment indicators. Upon determining that an impairment exists, a loss is recognized for the amount by which the carrying value exceeds the fair value of the investment.

Derivatives. We enter into interest rate swap agreements as part of our interest-rate risk management strategy for certain assets and liabilities and not for speculative purposes. Based on our intended use for interest rate swaps, these are hedging instruments subject to hedge accounting provisions. Cash flow hedges are recorded at fair value in other assets or other liabilities within our balance sheets. Changes in the fair value of these cash flow hedges are initially recorded in accumulated other comprehensive income (loss) and subsequently reclassified into earnings when the forecasted transaction affects earnings.

Other-than-Temporary Impairment of Securities. On a quarterly basis, we review debt securities with a decline in fair value below the amortized cost of the investment to determine whether the decline in fair value is temporary or other-than-temporary ("OTTI"). In estimating OTTI losses for debt securities, impairment is required to be recognized if (1) we intend to sell the security; (2) it is "more likely than not" that we will be required to sell the security before recovery of its amortized cost basis; or (3) for debt securities, the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. For all impaired debt securities that we intend to sell, or more likely than not will be required to sell, the full amount of the other-than-temporary impairment is recognized through earnings. For all other impaired debt securities, credit-related other-than-temporary impairment is recognized through earnings, while non-credit related other-than-temporary impairment is recognized in other comprehensive income/loss, net of applicable taxes.

Fair Value Hierarchy. We group our assets and liabilities measured at fair value in three levels, based on the markets in which the assets and liabilities are traded and the reliability of the assumptions used to determine fair value.

Level 1: Valuation is based on quoted prices in active markets for identical assets. Level 1 assets generally include debt and equity securities that are traded in an active exchange market. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2: Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets and liabilities.

Level 3: Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. Level 3 assets include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

Federal Home Loan Bank of Boston Stock. The Bank, as a member of the Federal Home Loan Bank ("FHLB") system, is required to maintain an investment in capital stock of the FHLB of Boston. Based on the redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. Management reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. As of December 31, 2022 December 31, 2023, no impairment has been recognized.

Loans Held for Sale. Loans originated and intended for sale in the secondary market are carried at the lower of amortized cost or fair value, as determined by aggregate outstanding commitments from investors or current investor yield requirements. Net unrealized losses, if any, are recognized through a valuation allowance by charges to non-interest income. Gains or losses on sales of mortgage loans are recognized based on the difference between the selling price and the carrying value of the related mortgage loans sold on the trade date and reported within non-interest income on the accompanying consolidated statements of net income.

Loans Receivable. Loans are recorded at the principal amount outstanding, adjusted for charge-offs, the allowance for loan credit losses, unearned premiums, discounts and deferred loan fees and costs. Interest on loans is calculated using the effective yield method on daily balances of the principal amount outstanding and is credited to income on the accrual basis to the extent it is deemed collectible. Our general policy is to discontinue the accrual of interest when principal or interest payments are delinquent 90 days or more based on the contractual terms of the loan, or earlier if the loan is considered impaired. Any unpaid amounts previously accrued on these loans are reversed from current period interest income. Subsequent cash receipts are applied to the outstanding principal balance or to interest income if, in the judgment of management, collection of the principal balance is not in question. Loans are returned to accrual status when they become current as to both principal and interest and when subsequent performance reduces the concern as to the collectability of principal and interest. Loan fees, discounts and premiums on purchased loans, and certain direct loan origination costs are deferred and the net fee or cost is recognized as an adjustment to interest income over the estimated average lives of the related loans.

Allowance for Loan Credit Losses. The allowance for credit losses (“ACL”) is an estimate of expected losses inherent within the Company’s existing loans held for investment portfolio. The ACL for loans held for investment, as reported in our consolidated balance sheet, is adjusted by a credit loss expense, which is reported in earnings, and reduced by the charge-off of loan losses amounts, net of recoveries. Accrued interest receivable on loans held for investment was $7.5 million at December 31, 2023 and is established through provisions for loan losses charged to expense. Loans are charged-off against excluded from the allowance when management believes that the collectability estimate of the principal is unlikely. Subsequent recoveries, if any, are credited to the allowance. credit losses.

The allowance credit loss estimation process involves procedures to appropriately consider the unique characteristics of loan portfolio segments, which consist of commercial real estate loans, residential real estate loans, commercial and industrial loans, and consumer loans. These segments are further disaggregated into loan classes, the level at which credit risk is monitored. For each of these pools, the Company generates cash flow projections at the instrument level wherein payment expectations are adjusted for loan losses is evaluated estimated prepayment speed, curtailments, time to recovery, probability of default, and loss given default. The modeling of expected prepayment speeds, curtailment rates, and time to recovery are based on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. historical internal data. The allowance consists of general, allocated and unallocated components, as further described below.

General component

The general quantitative component of the allowance for loan losses ACL on loans is model-based and utilizes a forward-looking macroeconomic forecast. The Company uses a discounted cash flow method, incorporating probability of default and loss given default forecasted based on statistically derived economic variable loss drivers, to estimate expected credit losses. This process includes estimates which involve modeling loss projections attributable to existing loan balances, and considering historical loss experience, adjusted current conditions, and future expectations for qualitative factors stratified pools of loans over a reasonable and supportable forecast period. The historical information either experienced by the following loan segments: residential real estate (includes one-to-four family Company or by a selection of peer banks, when appropriate, is derived from a combination of recessionary and home equity), commercial real estate, commercial and industrial, and consumer. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss non-recessionary performance periods for which data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: trends in delinquencies and nonperforming loans; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards and other changes in lending policies, procedures and practices; and national and local economic trends and industry conditions. In 2020, the Bank added a new qualitative factor category to the allowance calculation – “Economic Impact of COVID-19” based upon an analysis of the loan portfolio that included identifying borrowers sensitive to the shutdown. During the year ended December 31, 2021, the qualitative adjustment factors related to the COVID-19 pandemic and the uncertainty in the economic environment were reduced as Management continued to assess the exposure of the Company’s loan portfolio to the COVID-19 pandemic related factors, economic trends and their potential effect on asset quality. There were no changes to the Company’s policies and procedures surrounding the allowance for loan losses during the year ended December 31, 2022.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each loan portfolio segment are as follows: available.

Commercial real estate loans. Loans in this segment include commercial real estate, multi-family dwellings, owner-occupied commercial real estate and income producing investment properties, as well as commercial construction loans for commercial development projects throughout New England. The underlying cash flows generated by the properties or operations can be adversely impacted by a downturn in the economy due to increased vacancy rates or diminished cash flows, which in turn, would have an effect on the credit quality in this segment. Management obtains financial information annually and continually monitors the cash flows of these loans.

Residential real estate loans. This portfolio segment consists of first mortgages, home equity loans, and home equity lines secured by one-to-four family residential properties. First mortgages may be underwritten to a maximum loan-to-value of 97% for owner-occupied homes, 90% for second homes and 85% for investment properties. Mortgages with loan-to-values greater than 80% require private mortgage insurance. We do not grant subprime loans. Home equity loans and lines are secured by first or second mortgages on one-to-four family owner-occupied properties. Equity loans and lines are underwritten to a maximum combined loan-to-value of 85% of the appraised value of the property. Underwriting approval is dependent on review of the borrower’s ability to repay and credit history in accordance with Westfield Bank’s policy. The overall health of the economy, including unemployment rates and housing pricing, will have an effect on the credit quality in this segment.

F-10

Commercial and industrial loans. Loans in this segment include commercial business loans and are generally secured by assignments of corporate assets and personal guarantees of the business owners. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer loans. Loans in this segment are both secured and unsecured and repayment is dependent on the credit quality of the individual borrower.

Allocated Discounted cash flow method (“DCF”)

In estimating the component of the allowance for credit losses for loans that share similar risk characteristics with other loans, such loans are segregated into loan classes. Loans are designated into loan classes based on loans pooled by product types and similar risk characteristics or areas of risk concentration. In determining the allowance for credit losses, we derive an estimated credit loss assumption from a model that categorizes loan pools based on loan type and purpose. This model calculates an expected loss percentage for each loan class by considering the probability of default, using life-of-loan analysis periods for all loan segments, and the historical severity of loss, based on the aggregate net lifetime losses incurred per loan class. The default and severity factors used to calculate the allowance for credit losses for loans that share similar risk characteristics with other loans are adjusted for differences between the historical period used to calculate historical default and loss severity rates and expected conditions over the remaining lives of the loans in the portfolio related to: (1) lending policies and procedures; (2) international, national, regional and local economic business conditions and developments that affect the collectability of the portfolio; (3) the nature and volume of the loan portfolio including the terms of the loans; (4) the experience, ability, and depth of the lending management and other relevant staff; (5) the volume and severity of past due and adversely classified loans and the volume of nonaccrual loans; (6) the quality of our loan review system and (7) the value of underlying collateral for collateralized loans. Additional factors include the existence and effect of any concentrations of credit, and changes in the level of such concentrations and the effect of external factors such as competition and legal and regulatory requirements on the level of estimated credit losses in the existing portfolio. Such factors are used to adjust the historical probabilities of default and severity of loss so that they reflect management expectation of future conditions based on a reasonable and supportable forecast. The Company uses regression analysis of historical internal and peer data to determine which variables are best suited to be economic variables utilized when modeling lifetime probability of default and loss given default. This analysis also determines how expected probability of default and loss given default will react to forecasted levels of the economic variables.

F-12

For all DCF models, management has determined that four quarters represents a reasonable and supportable forecast period and reverts back to a historical loss rate over four quarters on a straight-line basis. Other internal and external indicators of economic forecasts are also considered by management when developing the forecast metrics.

Individually evaluated financial assets

For a loan that does not share risk characteristics with other loans, expected credit loss is measured based on net realizable value, that is, the difference between the discounted value of the expected future cash flows, based on the original effective interest rate, and the amortized cost basis of the loan. For these loans, we recognize expected credit loss equal to the amount by which the net realizable value of the loan is less than the amortized cost basis of the loan (which is net of previous charge-offs and deferred loan fees and costs), except when the loan is collateral dependent, that is, when the borrower is experiencing financial difficulty and repayment is expected to be provided substantially through the operation or sale of the collateral. In these cases, expected credit loss is measured as the difference between the amortized cost basis of the loan and the fair value of the collateral. The fair value of the collateral is adjusted for the estimated cost to sell if repayment or satisfaction of a loan is dependent on the sale (rather than only on the operation) of the collateral.

Purchased Credit Deteriorated Loans

The allocated component relates to Company has loans that are classified as impaired. Impaired loans are identified by analysis of loan performance, internal credit ratings and watch list loans that management believes are subject to a higher risk of loss. Impairment is measured on a loan by loan basis for commercial real estate and commercial and industrial loans by either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, we do not separately identify individual consumer and residential real estate loans for impairment disclosures, unless such loans are subject to a troubled debt restructuring agreement.

A loan is considered impaired when, based on current information and events, it is probable that we will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. We determine the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

We may periodically agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring ("TDR"). All TDRs are classified as impaired.

While we use our best judgment and information available, the ultimate appropriateness of the allowance is dependent upon a variety of factors beyond our control, including the performance of our loan portfolio, the economy, changes in interest rates and the view of the regulatory authorities toward loan classifications.

Unallocated component

An unallocated component may be maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

Loans Acquired acquired with Deteriorated Credit Quality. Loans acquired in a transfer, including business combinations, where there is evidence of credit deterioration since origination and it is probable at from Chicopee Bancorp, Inc. Prior to the date adoption of acquisition the Company will not collect all contractually required principal and interest payments, are Current Expected Credit Losses ("CECL") methodology, these loans were accounted for under accounting guidance for purchased credit-impaired ("PCI") loans. This guidance provides that The Company did not elect the excess practical expedient to maintain pool accounting for these loans and will measure credit loss at the loan level.

Upon adoption of ASC 326, PCI loans are accounted for as purchase credit deteriorated ("PCD loans"). PCD loans are recorded at the amount paid. An allowance for credit losses is determined using the same methodology as other loans held for investment. The initial allowance for credit losses determined on a collective basis is allocated to individual loans. The sum of the cash flows initially expected to be collected over loan's purchase price and allowance for credit losses becomes its initial amortized cost basis. The difference between the fair initial amortized cost basis and the par value of the loans at the acquisition date (i.e., the accretable yield) loan is accreted a noncredit discount or premium, which is amortized into interest income over the estimated remaining life of the loans, provided that the timing and amount of future cash flows is reasonably estimated. The difference between the contractually required payments and the cash flows expected to be collected at acquisition is referred to as the nonaccretable difference. loan. Subsequent to acquisition, probable decreases in expected cash flows are recognized through a provision for loan losses, resulting in an increase changes to the allowance for loan losses. If the Company has probable and significant increases in cash flows expected to be collected, the Company will first reverse any previously established allowance for loan credit losses and then increase interest income as a prospective yield adjustment. are recorded through credit loss expense.

Allowance for credit losses on off-balance sheet credit exposures, including unfunded loan commitments

The Company maintains a separate allowance for credit losses from off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the balance sheet. Management estimates the amount of expected losses by calculating a commitment usage factor over the contractual period for exposures that are not unconditionally cancellable by the Company and applying the loss factors used in the ACL methodology to the results of the usage calculation to estimate the liability for credit losses related to unfunded commitments for each loan type. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company, such as undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement. The allowance for credit losses on off-balance sheet credit exposures is adjusted as credit loss expense. Categories of off-balance sheet credit exposures correspond to the loan portfolio segments described above. Management evaluates the need for a reserve on unfunded loan commitments in a manner consistent with loans held for investment.

Bank-owned Life Insurance. Bank-owned life insurance policies are reflected on the consolidated balance sheets at cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received in excess of carrying value, are reflected in non-interest income on the consolidated statements of net income and are not subject to income taxes.

Transfers and Servicing of Financial Assets. Transfers of financial assets are accounted for as sales, when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from us, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) we do not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

Premises and Equipment. Land is carried at cost. Buildings, furniture and equipment are stated at cost, less accumulated depreciation and amortization, computed on the straight-line method over the estimated useful lives of the assets, or the expected lease term, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. The estimated useful lives of the assets are as follows:

	Years
Buildings	39
Leasehold Improvements	5-20
Furniture and Equipment	3-7

The cost of maintenance and repairs is charged to expense when incurred. Major expenditures for betterments are capitalized and depreciated.

Other Real Estate Owned. Other real estate owned ("OREO") represents property acquired through foreclosure or deeded to us in lieu of foreclosure. OREO is initially recorded at the estimated fair value of the real estate acquired, net of estimated selling costs, establishing a new cost basis. Initial write-downs are charged to the allowance for loan credit losses at the time the loan is transferred to OREO. Subsequent valuations are periodically performed by management and the carrying value is adjusted by a charge to expense to reflect any subsequent declines in the estimated fair value. Operating costs associated with OREO are expensed as incurred.

Servicing. The Company services mortgage loans for others. Mortgage servicing assets are recognized as separate assets at fair value when rights are acquired through purchase or retained through the sale of financial assets. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. Capitalized servicing rights are reported in other assets and are amortized into service charges and fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to the amortized cost. Impairment is determined by stratifying rights by predominant risk characteristics, such as interest rate, loan type and investor type. Impairment is recognized through a valuation allowance for an individual stratum, to the extent that the fair value is less than the capitalized amount for the stratum. Changes in the valuation allowance are reported in service charges and fee income.

Servicing fee income is recorded for fees earned for servicing loans, which is included in service charges and fee income. The fees are based on a contractual percentage of the outstanding principal or a fixed amount per loan and are recorded as income when earned.

Impairment of Long-lived Assets. Long-lived assets, including premises and equipment and certain identifiable intangible assets that are held and used by the Company, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the asset is determined to be impaired, it is written down to its estimated fair value through a charge to earnings.

Goodwill is measured as the excess of the cost of a business combination over the sum of the amounts assigned to identifiable intangible assets acquired less liabilities assumed. Goodwill is not amortized but rather assessed for impairment annually or more frequently if circumstances warrant.

Management has the option of first assessing qualitative factors, such as events and circumstances, to determine whether it is more likely than not, meaning a likelihood of more than 50%, the value of a reporting unit is less than its carrying amount. If, after considering all relevant events and circumstances, management determines it is not more likely than not the fair value of a reporting unit is less than its carrying amount, then performing an impairment test is unnecessary. For the year ended December 31, 2022, management determined that it was not more likely than not the fair value of the reporting unit (the consolidated Company, in our case) was less than its carrying amount. If management had determined otherwise, a fair value analysis would have been completed to determine the impairment and necessary write-down of goodwill.

Retirement Plans and Employee Benefits. We provide The Board of Directors previously announced the termination of the Westfield Bank Defined Benefit Pension Plan (the "DB Plan") for eligible employees in conjunction with a third-party provider. The DB Plan was soft frozen on September 30, 2016, and therefore, no new participants were included in October 31, 2022. Information pertaining to the DB Plan after such effective date. On July 26, 2022 and its termination can be found in Note 10, *Retirement Plans and Employee Benefits*, within the accompanying notes to the financial statements.

The Company also maintains a tax-qualified defined contribution plan through a third party provider (the "401(k) Plan") that provides for deferral of federal and state income taxes on employee contributions allowed under Section 401(k) of the Internal Revenue Code of 1986, as amended (the "Internal Revenue Code"). Participants may make pre-tax salary deferrals to the plan not to exceed the annual IRS limits. Effective January 1, 2023, the Board of Directors approved the termination of the DB Plan, which became effective as of October 31, 2022, subject Company converted to regulatory approvals. Once the Company has received regulatory approval a Safe Harbor 401(k) Plan. In addition to terminate the DB Plan, which is expected salary deferrals, in the first quarter of 2023, the Company will make an additional cash contribution during the second quarter of 2023, if necessary, in order to fully fund the DB Plan on a plan termination basis, followed by the purchase of annuity contracts to transfer its remaining liabilities under the DB Plan, for those participants who do not opt for a one-time lump sum payment. Employees are also eligible to participate in a 401(k) plan through a third-party provider. We make matching contributions to this plan at 50% of match up to 6 100% of the employees' first 4% of the participant's eligible compensation. compensation (for a total maximum employer matching contribution of 4% of a participant's eligible compensation). In addition, on an annual basis, the Company may make a discretionary profit share contribution to each participant.

Share-based Compensation Plans. We measure and recognize compensation cost relating to share-based payment transactions based on the grant-date fair value of the equity instruments issued. Share-based compensation is recognized over the period the employee is required to provide services for the award. Reductions in compensation expense associated with forfeited options are estimated at the date of grant, and this estimated forfeiture rate is adjusted based on actual forfeiture experience. We use a binomial option-pricing model to determine the fair value of the stock options granted.

Employee Stock Ownership Plan. Compensation expense for the Employee Stock Ownership Plan ("ESOP") is recorded at an amount equal to the shares allocated by the ESOP multiplied by the average fair market value of the shares during the period. We recognize compensation expense ratably over the year based upon our estimate of the number of shares expected to be allocated by the ESOP. Unearned compensation applicable to the ESOP is reflected as a reduction of shareholders' equity in the consolidated balance sheets. The difference between the average fair market value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in capital.

Leases. The Company determines if an arrangement is a lease at inception. Operating leases are included within other assets and other liabilities in our consolidated balance sheets. Right-of-use ("ROU") assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. As our leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at commencement date in determining the present value of lease payments. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

Advertising Costs. Advertising costs are accounted for using the accrual basis of accounting.

Income Taxes. We use the asset and liability method for income tax accounting, whereby, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates applied to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. A valuation allowance related to deferred tax assets is established when, in the judgment of management, it is more likely than not that all or a portion of such deferred tax assets will not be realized based on the available evidence including historical and projected taxable income. We do not have any uncertain tax positions at December 31, 2022 December 31, 2023 that require accrual or disclosure. We record interest and penalties as part of income tax expense. No interest or penalties were recorded during the years ended December 31, 2022, 2021, or 2020.

Earnings per Share. Basic earnings per share represents income available to common shareholders divided by the weighted-average number of common shares outstanding during the period. If rights to dividends on unvested awards are non-forfeitable, these unvested awards are considered outstanding in the computation of basic earnings per share. Diluted earnings per share reflect additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance. Potential common shares that may be issued by us relate to stock options and certain performance-based restricted stock awards and are determined using the treasury stock method. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. There were no anti-dilutive shares outstanding during the years ended December 31, 2022 December 31, 2023, 2022 and 2021.

Earnings per common share have been computed based on the following:

	Years Ended December 31,		
	2022	2021	2020
	(In thousands, except per share data)		
Net income applicable to common stock	$ 25,887	$ 23,699	$ 11,215
Average number of common shares issued	22,451	23,849	25,751
Less: Average unallocated ESOP Shares	(415)	(496)	(580)
Less: Average unvested equity incentive plan shares	(156)	(129)	(124)
Average number of common shares outstanding used to calculate basic earnings per common share	21,880	23,224	25,047
Effect of dilutive equity incentive plan	42	36	—
Effect of dilutive stock options	17	41	15
Average number of common shares outstanding used to calculate diluted earnings per common share	21,939	23,301	25,062
Basic earnings per share	$ 1.18	$ 1.02	$ 0.45
Diluted earnings per share	$ 1.18	$ 1.02	$ 0.45
Anti-dilutive shares (1)	—	—	259

Years Ended December 31,		
2023	2022	2021

	(In thousands, except per share data)		
Net income applicable to common stock	$ 15,068	$ 25,887	$ 23,699
Average number of common shares issued	22,037	22,451	23,849
Less: Average unallocated ESOP Shares	(338)	(415)	(496)
Less: Average unvested equity incentive plan shares	(163)	(156)	(129)
Average number of common shares outstanding used to calculate basic earnings per common share	21,536	21,880	23,224
Effect of dilutive equity incentive plan	74	41	36
Effect of dilutive stock options	—	17	41
Average number of common shares outstanding used to calculate diluted earnings per common share	21,610	21,938	23,301
Basic earnings per share	$ 0.70	$ 1.18	$ 1.02
Diluted earnings per share	$ 0.70	$ 1.18	$ 1.02

(1) Shares outstanding but not included because the impact of these shares would be anti-dilutive to the earnings per share calculation for the period presented.

Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the equity section of the balance sheet, such items, along with net income, are components of comprehensive income (loss).

The components of accumulated other comprehensive loss, included in shareholders' equity, are as follows:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
	(In thousands)		(In thousands)	
Net unrealized losses on available-for-sale securities	$ (32,159)	$ (4,685)	$ (29,166)	$ (32,159)
Tax effect	8,197	1,160	7,422	8,197
Net-of-tax amount	(23,962)	(3,525)	(21,744)	(23,962)
Unrecognized actuarial loss on the defined benefit plan	(1,501)	(12,225)	—	(1,501)
Tax effect	421	3,436	—	421
Net-of-tax amount	(1,080)	(8,789)	—	(1,080)
Accumulated other comprehensive loss	$ (25,042)	$ (12,314)	$ (21,744)	$ (25,042)

Recent Accounting Pronouncements. Pronouncements.

In June 2016, December 2023, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-13, 2023-09, *Financial Instruments—Credit Losses* *Income Taxes—Improvements to Income Tax Disclosures* (Topic 326) 740), which requires entities to measure all expected credit losses for financial assets held at disclose specific categories in the reporting date based on historical experience, current conditions, rate reconciliation and reasonable and supportable forecasts. The ASU also requires enhanced disclosures to help financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of an entity's portfolio. These disclosures include qualitative and quantitative requirements that provide additional information about for reconciling items that meet a quantitative threshold. On an annual basis, entities must disclose: (1) the amount of income taxes paid, net of refunds, disaggregated by federal, state, and foreign; and (2) the amount of income taxes paid, net of refunds, disaggregated by individual jurisdictions in which income taxes paid, net of refunds received, for amounts recorded in equal to or greater than 5% of total income taxes paid. Further, the financial statements. amendments also require entities to disclose: (1) income or loss from continued operations before income tax expense (or benefit) disaggregated between domestic and foreign sources; and (2) income or loss from continued operations disaggregated by federal, state, and foreign sources. This ASU, as amended, is effective for the Company in fiscal years beginning after December 15, 2022.
The adoption of the Current Expected Credit ("CECL") methodology December 15, 2024 and is not expected to calculate loan losses became effective for the Company have a material impact onJanuary 1, 2023. The Company applied the standards' provisions as a cumulative effect adjustment to retained earnings as of the first reporting period in which the guidance is effective. The Company has implemented a third-party software to model the allowance for loan losses in conformance with this ASU. The Company completed its allowance for credit losses ("ACL") methodology as of the effectiveness date of January 1, 2023. To estimate the ACL for loans and off-balance sheet credit exposures, such as unfunded loan commitments, the Company utilizes a discounted cash flow model that contains additional assumptions to calculate credit losses over the estimated life of financial assets and off-balance sheet credit exposures and will include the impact of forecasted economic conditions. The estimate includes a one-year reasonable and supportable forecast period and thereafter a one-year reversion period to the historical mean of its macro-economic assumption. The estimate will also include qualitative factors that may not be reflected in quantitatively derived results to ensure that the ACL reflects a reasonable estimate of current expected credit losses. Upon implementation, the Company's CECL transitional amount recorded to retained earnings was $9,000, net of tax. In addition, the estimated ACL and allowance for unfunded commitments under both the incurred loss method and CECL will be affected by various factors, which include but are not limited to, changes in the composition and balance of the Company's loan portfolio and unfunded commitments, changes to internal risk ratings of borrowers, changes to the risk-profile of the loan portfolio, changes in various macro-economic indicators, the impact of COVID-19 and geo-political events on the business environment, and other factors. consolidated financial statements.

2.INVESTMENT INVESTMENT SECURITIES SECURITIES

Available-for-sale and held-to-maturity investment securities at December 31, 2022 December 31, 2023 and 2021 2022 are summarized as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available-for-sale securities:				
Debt securities:				
Government-sponsored enterprise obligations	$ 14,913	$ —	$ (3,345)	$ 11,568
State and municipal bonds	270	—	—	270
Corporate bonds	8,012	—	(519)	7,493
Total debt securities	23,195	—	(3,864)	19,331
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	148,544	—	(26,826)	121,718
U.S. government guaranteed mortgage-backed securities	7,417	—	(1,469)	5,948
Total mortgage-backed securities	155,961	—	(28,295)	127,666
Total available-for-sale	179,156	—	(32,159)	146,997
Held-to-maturity securities:				
Debt securities:				
U.S. Treasury securities	9,987	—	(825)	9,162
Total debt securities	9,987	—	(825)	9,162
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	220,181	67	(38,460)	181,788
Total mortgage-backed securities	220,181	67	(38,460)	181,788
Total held-to-maturity	230,168	67	(39,285)	190,950
Total	$ 409,324	$ 67	$ (71,444)	$ 337,947

	December 31, 2023			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available-for-sale securities:				
Debt securities:				
Government-sponsored enterprise obligations	$ 14,924	$ —	$ (2,898)	$ 12,026
State and municipal bonds	135	—	—	135
Corporate bonds	8,000	—	(1,038)	6,962
Total debt securities	23,059	—	(3,936)	19,123
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	136,533	—	(23,976)	112,557
U.S. government guaranteed mortgage-backed securities	6,689	—	(1,254)	5,435
Total mortgage-backed securities	143,222	—	(25,230)	117,992
Total available-for-sale	166,281	—	(29,166)	137,115
Held-to-maturity securities:				
Debt securities:				
U.S. Treasury securities	9,995	—	(545)	9,450
Total debt securities	9,995	—	(545)	9,450
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	213,375	107	(35,240)	178,242
Total mortgage-backed securities	213,375	107	(35,240)	178,242
Total held-to-maturity	223,370	107	(35,785)	187,692
Total	$ 389,651	$ 107	$ (64,951)	$ 324,807

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Available-for-sale securities:				
Debt securities:				
Government-sponsored enterprise obligations	$ 14,913	$ —	$ (3,345)	$ 11,568
State and municipal bonds	270	—	—	270
Corporate bonds	8,012	—	(519)	7,493
Total debt securities	23,195	—	(3,864)	19,331
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	148,544	—	(26,826)	121,718
U.S. government guaranteed mortgage-backed securities	7,417	—	(1,469)	5,948
Total mortgage-backed securities	155,961	—	(28,295)	127,666
Total available-for-sale	179,156	—	(32,159)	146,997
Held-to-maturity securities:				
Debt securities:				
U.S. Treasury securities	9,987	—	(825)	9,162
Total debt securities	9,987	—	(825)	9,162
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	220,181	67	(38,460)	181,788
Total mortgage-backed securities	220,181	67	(38,460)	181,788
Total held-to-maturity	230,168	67	(39,285)	190,950
Total	$ 409,324	$ 67	$ (71,444)	$ 337,947

The following table presents the unrealized gains (losses) recognized on marketable equity securities for the periods indicated:

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Net (losses) gains recognized during the year on marketable equity securities	$ (717)	$ (168)	$ 109
Net losses recognized during the year on equity securities sold during the year	1,021	—	—
Unrealized gain (loss) recognized during the year on marketable equity securities still held at year end	$ 304	$ (168)	$ 109

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Net losses recognized during the year on marketable equity securities	$ (1)	$ (717)	$ (168)
Net losses recognized during the year on equity securities sold during the year	—	1,021	—
Unrealized (loss) gain recognized during the year on marketable equity securities still held at year end	$ (1)	$ 304	$ (168)

During the second quarter of 2023, $6.3

million in marketable equity securities was redeemed. As the marketable equity securities portfolio was marked to market through income monthly, the fund liquidation resulted in no gain or loss to the income statement. At December 31, 2023, the balance of marketable equity securities was $196,000

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In thousands)			
Available-for-sale securities:				
Debt securities:				
Government-sponsored enterprise obligations	$ 14,902	$ —	$ (676)	$ 14,226
State and municipal bonds	405	1	—	406
Corporate bonds	3,026	86	—	3,112
Total debt securities	18,333	87	(676)	17,744
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	171,011	427	(3,929)	167,509
U.S. government guaranteed mortgage-backed securities	9,693	8	(602)	9,099
Total mortgage-backed securities	180,704	435	(4,531)	176,608
Total available-for-sale	199,037	522	(5,207)	194,352
Held-to-maturity securities:				

Debt securities:				
U.S. Treasury securities	9,979	—	(6)	9,973
Total debt securities	9,979	—	(6)	9,973
Mortgage-backed securities:				
Government-sponsored mortgage-backed securities	212,293	—	(2,518)	209,775
Total mortgage-backed securities	212,293	—	(2,518)	209,775
Total held-to-maturity	222,272	—	(2,524)	219,748
Total	$ 421,309	$ 522	$ (7,731)	$ 414,100

.

At December 31, 2022 December 31, 2023, U.S. Treasury securities with a fair value of $4.5 9.5 million, government-sponsored enterprise obligations with a fair value of $7.6 7.9 million and mortgage-backed securities with a fair value of $44.7 176.6 million were pledged to secure public deposits, the Bank Term Funding Program ("BTFP") and for other purposes as required or permitted by law. The securities collateralizing public deposits are subject to fluctuations in fair value. We monitor the fair value of the collateral on a periodic basis, and pledge additional collateral if necessary based on changes in fair value of collateral or the balances of such deposits.

The amortized cost and fair value of available-for-sale and held-to-maturity investment securities at December 31, 2022 December 31, 2023, by final maturity, are shown below. Actual maturities may differ from contractual maturities because certain issuers have the right to call or prepay obligations.

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)				(In thousands)			
Debt securities:								
Due in one year or less					$ 3,135	$ 3,134	$ 4,992	$ 4,825
Due after one year through five years	$ 3,282	$ 3,188	$ 9,987	$ 9,162	—	—	5,003	4,625
Due after five years through ten years	14,913	12,567	—	—	19,924	15,989	—	—
Due after ten years	5,000	3,576	—	—				
Total debt securities	$ 23,195	$ 19,331	$ 9,987	$ 9,162	$ 23,059	$ 19,123	$ 9,995	$ 9,450

	Available-for-Sale		Held-to-Maturity		Available-for-Sale		Held-to-Maturity	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(In thousands)				(In thousands)			
Mortgage-backed securities:								
Due after one year through five years	$ 564	$ 530	$ —	$ —	$ 1,001	$ 954	$ —	$ —
Due after five years through ten years	1,088	989	—	—	885	811	—	—
Due after ten years	154,309	126,147	220,181	181,788	141,336	116,227	213,375	178,242
Total mortgage-backed securities	155,961	127,666	220,181	181,788	143,222	117,992	213,375	178,242
Total securities	$ 179,156	$ 146,997	$ 230,168	$ 190,950	$ 166,281	$ 137,115	$ 223,370	$ 187,692

Gross realized gains and losses on sales of available-for-sale securities for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 are as follows:

	Years Ended December 31,			Years Ended December 31,		
	2022	2021	2020	2023	2022	2021
	(In thousands)			(In thousands)		
Gross gains realized	$ —	$ 12	$ 2,188	$ —	$ —	$ 12
Gross losses realized	(4)	(84)	(223)	—	(4)	(84)
Net (loss) gain realized	$ (4)	$ (72)	$ 1,965	$ —	$ (4)	$ (72)

Proceeds from the redemption and sales of available-for-sale securities totaled $20,000, $ and $9.6 million and $96.3 million for the years ended December 31, 2022, and 2021, and 2020, respectively. There were no sales of securities for the year ended December 31, 2023.

 Accrued interest receivable on available-for-sale debt securities not guaranteed by government agencies totaled $178,000 at December 31, 2023 and is excluded from the estimate of credit losses. There were no allowance for credit losses established on available-for-sale debt securities during the years ended December 31, 2023 and 2022. At December 31, 2023 and December 31, 2022, there were two available-for-sale corporate bonds that were rated below investment grade by one or more ratings agencies. The Company reviewed the financial strength of these bonds and has concluded that the amortized cost remains supported by the expected future cash flows of the securities.

Accrued interest receivable on held-to-maturity securities totaled $454,000 at December 31, 2023 and is excluded from the estimate of credit losses. There were no allowance for credit losses established on held-to-maturity securities during the years ended December 31, 2023 and 2022.

Information pertaining to investment securities with gross unrealized losses at as of December 31, 2023 for which the Company did not recognize a provision for credit losses under CECL, and as of December 31, 2022 and December 31, 2021, for which the Company did not deem to be impaired under its prior methodology, aggregated by investment category and length of time that individual securities have been in a continuous loss position, are as follows:

	December 31, 2023							
	Less Than Twelve Months				Over Twelve Months			
	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)
	(Dollars in thousands)							
Available-for-sale:								
Government-sponsored mortgage-backed securities	—	$ —	$ —	—%	70	$ 112,557	$ 23,976	17.6%
U.S. government guaranteed mortgage-backed securities	—	—	—	—	9	5,435	1,254	18.7
Government-sponsored enterprise obligations	—	—	—	—	3	12,026	2,898	19.4
Corporate bonds	—	—	—	—	3	6,962	1,038	13.0
Total available-for-sale	—	—	—		85	136,980	29,166	
Held-to-maturity:								
U.S. Treasury securities	—	—	—	—%	2	9,450	545	5.5%
Government-sponsored mortgage-backed securities	4	7,097	56	0.8	36	164,395	35,184	17.6
Total held-to-maturity	4	7,097	56		38	173,845	35,729	
Total	4	$ 7,097	$ 56		123	$ 310,825	$ 64,895	

	December 31, 2022							
	Less Than Twelve Months				Over Twelve Months			
	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)
	(Dollars in thousands)							
Available-for-sale:								
Government-sponsored mortgage-backed securities	10	$ 9,133	$ 776	7.8%	60	$ 112,586	$ 26,050	18.8%
U.S. government guaranteed mortgage-backed securities	1	113	20	15.0	8	5,835	1,449	19.9
Government-sponsored enterprise obligations	—	—	—	—	3	11,568	3,345	22.4
Corporate bonds	3	7,493	519	6.5	—	—	—	—
Total available-for-sale	14	16,739	1,315		71	129,989	30,844	
Held-to-maturity:								
U.S. Treasury securities	—	—	—	—%	2	9,162	825	8.3%
Government-sponsored mortgage-backed securities	6	18,911	2,116	10.1	31	157,947	36,344	18.7
Total held-to-maturity	6	18,911	2,116		33	167,109	37,169	
Total	20	$ 35,650	$ 3,431		104	$ 297,098	$ 68,013	

	December 31, 2021							
	Less Than Twelve Months				Over Twelve Months			
	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)	Number of Securities	Fair Value	Gross Unrealized Loss	Depreciation from Amortized Cost Basis (%)
	(Dollars in thousands)							
Available-for-sale:								
Government-sponsored mortgage-backed securities	34	$ 105,221	$ 2,088	2.0%	18	$ 42,506	$ 1,841	4.5%

U.S. government guaranteed mortgage-backed securities	2	2,426	142	6.2	5	5,107	460	9.9
Government-sponsored enterprise obligations	—	—	—	—	3	14,226	676	5.0
Total available-for-sale	36	107,647	2,230		26	61,839	2,977	
Held-to-maturity:								
U.S. Treasury securities	2	9,973	6	0.1 %	—	—	—	— %
Government-sponsored mortgage-backed securities	31	209,775	2,518	1.2	—	—	—	—
Total held-to-maturity	33	219,748	2,524		—	—	—	
Total	69	$ 327,395	$ 4,754		26	$ 61,839	$ 2,977	

During the years ended December 31, 2022 At December 31, 2023 and 2021, the Company did not record any other-than-temporary impairment ("OTTI") charges on its investments. Management regularly reviews the portfolio for securities with unrealized losses. At December 31, 2022, management attributes attributed the unrealized losses to increases in current market yields compared to the yields at the time the investments were purchased by the Company and not due to credit quality. There was no credit loss during years ended December 31, 2023 or 2022.

The process for assessing investments for OTTI may vary depending on the type of security. In assessing the Company's investments in government-sponsored and U.S. government guaranteed mortgage-backed securities and government-sponsored enterprise obligations, the contractual cash flows of these investments are guaranteed by the respective government-sponsored enterprise; Federal Home Loan Mortgage Corporation ("FHLMC"), Federal National Mortgage Association ("FNMA"), Federal Farm Credit Bank ("FFCB"), or Federal Home Loan Bank ("FHLB"). Accordingly, it is expected that the securities would not be settled at a price less than the par value of the Company's investments. Management's assessment of other debt securities within the portfolio includes reviews of market pricing, ongoing credit quality evaluations, assessment of the investments' materiality, and duration of the investments' unrealized loss position. At December 31, 2022, there was one corporate bond that was below investment grade. The Company reviewed the financial strength of this bond and has concluded that the amortized cost remains supported by the expected future cash flows of the security.**3. LOANS**

3. LOANS

Major classifications of loans as of the dates indicated were as follows:

	December 31, 2022	December 31, 2021	December 31, 2023	December 31, 2022
	(In thousands)		(In thousands)	
Commercial real estate	$ 1,069,323	$ 979,969	$ 1,079,751	$ 1,069,323
Residential real estate:				
Residential one-to-four family	589,503	552,332	612,315	589,503
Home equity	105,557	99,759	109,839	105,557
Total residential real estate	695,060	652,091	722,154	695,060
Commercial and industrial:				
Paycheck protection program ("PPP") loans	2,274	25,329		
Paycheck Protection Program ("PPP") loans			756	2,274
Commercial and industrial	217,574	201,340	216,691	217,574
Total commercial and industrial	219,848	226,669	217,447	219,848
Consumer	5,045	4,250	5,472	5,045
Total gross loans	1,989,276	1,862,979	2,024,824	1,989,276
Unamortized PPP loan fees	(109)	(781)	(27)	(109)
Unearned premiums and deferred loan fees and costs, net	2,233	2,518	2,520	2,233
Total loans, net	1,991,400	1,864,716	2,027,317	1,991,400
Allowance for loan losses	(19,931)	(19,787)		
Allowance for credit losses(1)			(20,267)	(19,931)
Net loans	$ 1,971,469	$ 1,844,929	$ 2,007,050	$ 1,971,469

(1) The Company adopted ASU 2016-13 on January 1, 2023 with a modified retrospective approach. Accordingly, beginning at January 1, 2023, the allowance for credit losses was determined in accordance with ASC 326, "*Financial Instruments-Credit Losses*."

Loans Serviced for Others.

The Company has transferred a portion of its originated commercial loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in our accompanying consolidated balance sheets. We continue to service the loans on behalf of the participating lenders. We share with participating lenders, on a pro-rata basis, any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company was servicing commercial loans participated out to various other institutions totaling $70.5 65.0 million and $63.2 70.5 million, respectively.

Residential real estate mortgages are originated by the Bank Company both for its portfolio and for sale into the secondary market. The Bank Company may sell its loans to institutional investors such as the FHLMC. Under loan sale and servicing agreements with the investor, the Bank Company generally continues to service the residential real estate mortgages. The Bank Company pays the investor an agreed upon rate on the loan, which is less than the interest rate received from the borrower. The Bank Company retains the difference as a fee for servicing the residential real estate mortgages. The Bank Company capitalizes mortgage servicing rights at their fair value upon sale of the related loans, amortizes the asset over the estimated life of the serviced loan, and periodically assesses the asset for impairment. The significant assumptions used by a third party to estimate the fair value of capitalized servicing rights at December 31, 2022 December 31, 2023, include weighted average prepayment speed for the portfolio using the Public Securities Association Standard Prepayment Model (105 101 PSA), weighted average internal rate of return (10.01%), weighted average servicing fee (0.25%), and average cost to service loans ($83.71 83.57 per loan). The estimated fair value of capitalized servicing rights may vary significantly in subsequent periods primarily due to changing market interest rates, and their effect on prepayment speeds and discount rates. For the years year ended December 31, 2022 and 2021, , the Company sold $277,000 and $59.7 million in residential real estate mortgages with servicing retained and recorded gains on the sale of mortgages of $2,000 and $1.4 million, respectively, within non-interest income. There were no sales of residential real estate mortgages to the secondary market during the year ended December 31, 2023.

At December 31, 2022 December 31, 2023 and December 31, 2021, 2022, the Company was servicing residential mortgage loans owned by investors totaling $79.3 72.3 million and $88.2 79.3 million, respectively. Servicing fee income of $208,000 191,000 and $137,000 208,000 was recorded for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively, and is included in service charges and fees on the consolidated statements of net income.

A summary of the activity in the balances of mortgage servicing rights follows:

	Years Ended December 31,	
	2023	2022
	(In thousands)	
Balance at the beginning of year:	$ 550	$ 693
Capitalized mortgage servicing rights	—	2
Amortization	(128)	(145)
Write-down of mortgage servicing asset to fair value	—	—
Balance at the end of year	$ 422	$ 550
Fair value at the end of year	$ 724	$ 794

Loans are recorded at the principal amount outstanding, adjusted for charge-offs, unearned premiums and deferred loan fees and costs. Interest on loans is calculated using the effective yield method on daily balances of the principal amount outstanding and is credited to income on the accrual basis to the extent it is deemed collectable. Our general policy is to discontinue the accrual of interest when principal or interest payments are delinquent 90 days or more based on the contractual terms of the loan, or earlier if there are concerns regarding the collectability of the loan. Any unpaid amounts previously accrued on these loans are reversed from income. Subsequent cash receipts are applied to the outstanding principal balance or to interest income if, in the judgment of management, collection of the principal balance is not in question. Loans are returned to accrual status when they become current as to both principal and interest and perform in accordance with contractual terms for a period of at least six months, reducing the concern as to the collectability of principal and interest. Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income over the estimated average lives of the related loans.

	Years Ended December 31,	
	2022	2021
	(In thousands)	
Balance at the beginning of year:	$ 693	$ 153
Capitalized mortgage servicing rights	2	628
Amortization	(145)	(86)
Write-down of mortgage servicing asset to fair value	—	(2)
Balance at the end of year	$ 550	$ 693
Fair value at the end of year	$ 794	$ 739

Effect of New Financial Accounting Standards.

On January 1, 2023, the Company adopted ASU 2016-13*Financial Instruments - Credit Losses* (*Topic326*): *Measurement of Credit Losses on Financial Instruments*, which requires the recognition of the allowance for credit losses be estimated using the CECL methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities that are determined to have impairment related to credit losses.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance sheet credit exposures. Results for reporting periods beginning January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Company recorded a net increase to retained earnings of $9,000 as of January 1, 2023 for the cumulative effect of adopting ASC 326, which includes a net deferred tax liability of $4,000. The transition adjustment includes a $1.2 million increase to the allowance for credit losses and the recording of a $918,000 allowance for credit losses on off-balance sheet credit exposures.

The following table illustrates the impact of ASC 326:

	Pre-ASC 326 Adoption December 31, 2022	As Reported Under ASC 326 January 1, 2023	Impact of ASC 326 Adoption
	(In thousands)		
Assets			
Loans[(1)]	$ 1,989,276	$ 1,991,389	$ 2,113
Allowance for credit losses on loans[(2)]	(19,931)	(21,113)	(1,182)
Deferred tax asset	15,027	15,023	(4)
Liabilities			
Allowance for credit losses on off-balance sheet exposures	$ —	$ (918)	$ (918)

Shareholders' Equity			
Retained earnings, net of tax	$ (127,982)	$ (127,991)	$ (9)

(1) Purchase credit deteriorated ("PCD loans") gross up of cost basis of loans totaled $422,000 for commercial real estate loans and $1,691,000 for commercial and industrial loans.

(2) Increase to allowance for credit losses on loans of $2,113,000 for PCD loans gross up and a decrease of $931,000 for pooled loans through retained earnings.

Allowance for Loan Credit Losses.
The allowance for credit losses is an estimate of expected losses inherent within the Company's existing loans held for investment portfolio. The allowance for credit losses for loans held for investment, as reported in our consolidated balance sheet, is adjusted by a credit loss expense, which is reported in earnings, and reduced by the charge-off of loan amounts, net of recoveries. Accrued interest receivable on loans held for investment was $7.5 million at December 31, 2023 and is excluded from the estimate of credit losses.

An analysis of changes in the allowance for loan credit losses by segment for the year ended December 31, 2023 and the allowance for credit losses for the years ended December 31, 2022, and 2021 and 2020 is as follows:

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer
			(In thousands)						(In thousands)	
Balance at December 31, 2019	$ 6,807	$ 3,920	$ 3,183	$ 203	$ (11)	$ 14,102				
Provision	6,262	408	939	129	37	7,775				
Balance at December 31, 2022							$ 12,199	$ 4,312	$ 3,160	$ 245
Cumulative effect of change in accounting principle							3,989	(2,518)	(75)	(199)
Adjusted Beginning Balance							$ 16,188	$ 1,794	$ 3,085	46
Provision (reversal) for credit losses							(292)	728	665	92
Charge-offs	(107)	(177)	(543)	(136)	—	(963)	(764)	—	(1,561)	(185)
Recoveries	58	89	51	45	—	243	9	26	348	88
Balance at December 31, 2020	$ 13,020	$ 4,240	$ 3,630	$ 241	$ 26	$ 21,157				
Provision (credit)	46	(349)	(644)	35	(13)	(925)				
Charge-offs	(103)	(44)	(370)	(128)	—	(645)				
Recoveries	7	117	27	49	—	200				
Balance at December 31, 2021	$ 12,970	$ 3,964	$ 2,643	$ 197	$ 13	$ 19,787				
Provision (credit)	(434)	344	586	202	2	700				
Charge-offs	(337)	(28)	(92)	(216)	—	(673)				
Recoveries	—	32	23	62	—	117				
Balance at December 31, 2022	$ 12,199	$ 4,312	$ 3,160	$ 245	$ 15	$ 19,931				
Balance at December 31, 2023(1)							$ 15,141	$ 2,548	$ 2,537	$ 41

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
	(In thousands)					
Allowance for credit losses for off-balance sheet exposures						
Balance at December 31, 2022	$ —	$ —	$ —	$ —	$ —	$ —
Cumulative effect of change in accounting principle	611	267	40	—	—	918
Reversal of credit losses	(236)	(104)	19	—	—	(321)
Balance at December 31, 2023	$ 375	$ 163	$ 59	$ —	$ —	$ 597

(1) The balance of $7.5 million in accrued interest receivable is excluded from amortized cost and the calculation of the allowance for credit losses at December 31, 2023.

The $872,000 provision for credit losses during the year ended December 31, 2023 was comprised of a $1.2 million provision for loan losses, which was partially offset by a $321,000 reversal of credit losses for unfunded commitments. The provision expense during the year ended December 31, 2023 was primarily due to changes in the economic environment and related adjustments to the quantitative components of the CECL methodology. The $321,000 reversal of credit losses for unfunded commitments for the year ended December 31, 2023 was primarily related to the impact of lower unfunded loan commitments, with off-balance sheet unfunded commitment exposures decreasing $46.8 million for the year ended December 31, 2023.

The following table presents information pertaining to the allowance for loan credit losses by segment as of Pre-ASC 326 CECL adoption for the dates indicated:

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
	(In thousands)					
December 31, 2022						
Amount of allowance for impaired loans	$ —	$ —	$ —	$ —	$ —	$ —
Amount of allowance for non-impaired loans	12,199	4,312	3,160	245	15	19,931
Total allowance for loan losses	$ 12,199	$ 4,312	$ 3,160	$ 245	$ 15	$ 19,931
Impaired loans	$ 9,178	$ 3,623	$ 407	$ —	$ —	$ 13,208
Non-impaired loans	1,056,886	689,776	219,163	5,045	—	1,970,870
Impaired loans acquired with deteriorated credit quality	3,259	1,661	278	—	—	5,198
Total loans	$ 1,069,323	$ 695,060	$ 219,848	$ 5,045	$ —	$ 1,989,276
December 31, 2021[(1)]						
Amount of allowance for impaired loans	$ —	$ —	$ —	$ —	$ —	$ —
Amount of allowance for non-impaired loans	12,970	3,964	2,643	197	13	19,787
Total allowance for loan losses	$ 12,970	$ 3,964	$ 2,643	$ 197	$ 13	$ 19,787
Impaired loans	$ 9,601	$ 3,223	$ 699	$ 22	$ —	$ 13,545
Non-impaired loans	965,577	647,098	200,271	4,228	—	1,817,174
Impaired loans acquired with deteriorated credit quality	4,791	1,770	370	—	—	6,931
Total loans	$ 979,969	$ 652,091	$ 201,340	$ 4,250	$ —	$ 1,837,650

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
	(In thousands)					
Balance at December 31, 2020	$ 13,020	$ 4,240	$ 3,630	$ 241	$ 26	$ 21,157
Provision (credit)	46	(349)	(644)	35	(13)	(925)
Charge-offs	(103)	(44)	(370)	(128)	—	(645)
Recoveries	7	117	27	49	—	200
Balance at December 31, 2021	$ 12,970	$ 3,964	$ 2,643	$ 197	$ 13	$ 19,787
Provision (credit)	(434)	344	586	202	2	700
Charge-offs	(337)	(28)	(92)	(216)	—	(673)
Recoveries	—	32	23	62	—	117
Balance at December 31, 2022	$ 12,199	$ 4,312	$ 3,160	$ 245	$ 15	$ 19,931

	Commercial Real Estate	Residential Real Estate	Commercial and Industrial	Consumer	Unallocated	Total
	(In thousands)					
December 31, 2022						
Amount of allowance for impaired loans	$ —	$ —	$ —	$ —	$ —	$ —
Amount of allowance for non-impaired loans	12,199	4,312	3,160	245	15	19,931
Total allowance for credit losses	$ 12,199	$ 4,312	$ 3,160	$ 245	$ 15	$ 19,931
Impaired loans	$ 9,178	$ 3,623	$ 407	$ —	$ —	$ 13,208
Non-impaired loans	1,056,886	689,776	219,163	5,045	—	1,970,870
Impaired loans acquired with deteriorated credit quality	3,259	1,661	278	—	—	5,198
Total loans	$ 1,069,323	$ 695,060	$ 219,848	$ 5,045	$ —	$ 1,989,276

(1) December 31, 2021 non-impaired loan balances exclude PPP loans.

Past Due and Nonaccrual loans. Loans.

The following tables present an age analysis of past due loans as of the dates indicated:

30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days or More Past Due

	30 – 59 Days Past Due	60 – 89 Days Past Due	90 Days or More Past Due	Total Past Due Loans	Total Current Loans	Total Loans	Nonaccrual Loans
				(In thousands)			
December 31, 2023							
Commercial real estate	$ 272	$ 647	$ 403	$ 1,322	$ 1,078,429	$ 1,079,751	$ 1,347
Residential real estate:							
Residential one-to-four family	2,354	934	881	4,169	608,146	612,315	4,739
Home equity	263	112	102	477	109,362	109,839	109
Total:	2,617	1,046	983	4,646	717,508	722,154	4,848
Commercial and industrial	20	—	8	28	217,419	217,447	218
Consumer	3	—	—	3	5,469	5,472	8
Total loans	$ 2,912	$ 1,693	$ 1,394	$ 5,999	$ 2,018,825	$ 2,024,824	$ 6,421
December 31, 2022							
Commercial real estate	$ —	$ —$ 211	$ 211$ 1,404	$ 1,404$ 1,615	$ 1,615$ 1,067,708	$ 1,067,708$ 1,069,323	$ 1,069,323$ 1,933 $ 1,933
Residential real estate:							
Residential one-to-four family	1,768	100	414	2,282	587,221	589,503	3,290
Home equity	209	97	51	357	105,200	105,557	181
Total:	1,977	197	465	2,639	692,421	695,060	3,471
Commercial and industrial	170	10	22	202	219,646	219,848	290
Consumer	13	Consumer —	—	13	5,032	5,045	— 13 — —
Total loans	$ 2,160	$ 418	$ 1,891	$ 4,469	$ 1,984,807	$ 1,989,276	$ 5,694
December 31, 2021 (1)							
Commercial real estate	$ 139	$ —	$ 436	$ 575	$ 979,394	$ 979,969	$ 1,224
Residential real estate:							
Residential one-to-four family	787	41	507	1,335	550,997	552,332	3,214
Home equity	57	5	63	125	99,634	99,759	94
Commercial and industrial	58	10	22	90	201,250	201,340	410
Consumer	5	—	11	16	4,234	4,250	22
Total loans	$ 1,046	$ 56	$ 1,039	$ 2,141	$ 1,835,509	$ 1,837,650	$ 4,964

(1) December 31, 2021 balances exclude PPP loans.

At December 31, 2022 December 31, 2023 and December 31, 2021, all 2022, total past due loans totaled $6.0 million, or 0.30% of total loans, and $4.5 million, or 0.22% of to

F-25

Nonaccrual Loans.
Accrual of interest on loans is generally discontinued when contractual payment of principal or interest becomes past due 90 days or, more were carried if in management's doubt exists as nonaccrual. The ratio to the full timely collection of interest. Exceptions may be made if the loan has matured and is in the process of renewal or is well-secure collection. When a loan is placed on nonaccrual status, interest accruals cease and uncollected accrued interest is reversed and charged against current interest income nonaccrual loans are generally applied to total loans was 0.29% principal. If collection of the principal is reasonably assured, interest payments are recognized as income on th generally returned to accrual status when principal and 0.27% interest payments are current, full collectability of principal and interest is reasonably assured and a consistent 31, 2022 and December 31, 2021, respectively.
Impaired Loans. least six consecutive months of performance has been achieved.

The following is a summary table presents information regarding nonaccrual loans as of impaired loans by class: the date indicated:

	At December 31, 2022			Year Decemb
Impaired Loans (1)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
		(In thousands)		

Commercial real estate	$ 12,437	$ 13,795	$ —	$ 13,427
Residential real estate:				
Residential one-to-four family	5,088	5,823	—	4,792
Home equity	196	214	—	172
Commercial and industrial	685	3,095	—	891
Consumer	—	—	—	3
Total impaired loans	$ 18,406	$ 22,927	$ —	$ 19,285

	As of December 31, 2023(1)				
	Nonaccrual Loans with Allowance for Credit Loss	Nonaccrual Loans Without Allowance for Credit Loss	Total Nonaccrual Loans	Amortized Cost of Loans Greater than 90 Days Past Due and Still Accruing	R
			(In thousands)		
Commercial real estate	$ —	$ 1,347	$ 1,347	$ —	$
Residential real estate:					
Residential	—	4,739	4,739	—	
Home equity	—	109	109	—	
Commercial and industrial	—	218	218	—	
Consumer	—	8	8	—	
Total loans	$ —	$ 6,421	$ 6,421	$ —	$

(1) The Company adopted ASU 2016-13 as of January 1, 2023.

At December 31, 2023 and December 31, 2022, nonaccrual loans totaled $6.4 million, or 0.32% of total loans, and $5.7 million, or 0.29%, of total loans, respectively. recognize any interest income on nonaccrual loans for the years ended December 31, 2023 and 2022. At December 31, 2023 and 2022, there were no commitments to lend borrower on nonaccrual status.

Individually Evaluated Loans.

In connection with the adoption of ASU-2016-13, the Company no longer provides information on impaired loans. Loans that do not share similar risk characteristics with lo portfolio segments are individually evaluated. A loan is considered individually evaluated when, based on current information and events, the borrower is experiencing repayment, both principal and interest, is expected to be provided substantially through the operation or sale of the collateral. Loans that are rated substandard, have an L demonstrated a specific weakness (i.e. slow payment history, industry weakness, or other clear credit deterioration) may be considered for individual evaluation if they are similar risk characteristics within the segment. Individually evaluated assets will be measured primarily using the collateral dependent financial asset practical expedient, a cash flow method may be used when management deems it more appropriate or collateral values cannot be supported. For individually evaluated assets, an ACL is determi financial asset. Management must measure the expected credit losses based on an appropriate method per ASC Subtopic 326-20, similar to collectively evaluated financial a 2023, the Company had $13.8 million in individually evaluated commercial loans, collateralized by business assets, $15.9 million in individually evaluated real estate loans estate property and $8,000 in individually evaluated consumer loans.

The following table summarizes the Company's individually evaluated loans by class as of December 31, 2023:

	Recorded Investment	Related
	(In thousands)	
With no related allowance recorded:		
Commercial real estate	$ 10,648	$
Residential real estate:		
Residential one-to-four family	5,163	
Home equity	109	
Commercial and industrial	13,273	
Consumer	8	
Loans with no related allowance recorded	$ 29,201	$
With an allowance recorded:		
Commercial real estate	$ —	$
Residential real estate:		
Residential one-to-four family	—	
Home equity	—	
Commercial and industrial	517	
Consumer	—	
Loans with an allowance recorded	$ 517	$
Total individually evaluated loans	$ 29,718	$

Pre-ASC 326 CECL adoption impaired loan information as of December 31, 2022 is as follows:

	At December 31, 2022			Year End December 31	
Impaired Loans (1)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	
			(In thousands)		
Commercial real estate	$ 12,437	$ 13,795	$ —	$ 13,427	$
Residential real estate:					
Residential one-to-four family	5,088	5,823	—	4,792	

Home equity	196	214	—	172
Commercial and industrial	685	3,095	—	891
Consumer	—	—	—	3
Total impaired loans	$ 18,406	$ 22,927	$ —	$ 19,285

Impaired Loans (1)	At December 31, 2021 Recorded Investment	Unpaid Principal Balance	Related Allowance	Year En December 3 Average Recorded Investment
			(In thousands)	
Commercial real estate	$ 14,392	$ 15,563	$ —	$ 15,757
Residential real estate:				
Residential one-to-four family	4,881	5,381	—	5,693
Home equity	112	136	—	146
Commercial and industrial	1,069	3,850	—	2,551
Consumer	22	37	—	25
Total impaired loans	$ 20,476	$ 24,967	$ —	$ 24,172

(1) Includes loans acquired with deteriorated credit quality and performing troubled debt restructurings.

The majority of impaired loans are included within the nonaccrual balances; however, not every loan on nonaccrual status has been designated as impaired. Impaired loans been modified in a TDR.

Impaired loans are individually evaluated and exclude large groups of smaller-balance homogeneous loans, such as residential mortgage loans and consumer loans, which are for impairment, and loans that are measured at fair value, unless the loan is amended in a TDR.

All payments received on impaired loans in nonaccrual status are applied to principal. There was no interest income recognized on nonaccrual impaired loans during the yea 2022 and December 31, 2021. The Company's obligation to fulfill the additional funding commitments on impaired loans is generally contingent on the borrower's complianc credit agreement. If the borrower is not in compliance, additional funding commitments may or may not be made at the Company's discretion. As of December 31, 2022, we lend any additional funds for loans that are classified as impaired. Payments received on impaired loans in accrual status are recorded in accordance with the contractual terms

Troubled Debt Restructurings. Modified Loans.

Loans are designated as a TDR modified when, as part of an agreement to modify the original contractual terms of the loan as a result of financial difficulties of the borrov grants the borrower a concession on the terms that would not otherwise be considered. Typically, such concessions may consist of a reduction in interest rate to a below r account the credit quality of the note, extension of additional credit based on receipt of adequate collateral, or a deferment or reduction of payments (principal or interest) whi Bank's Company's position or significantly extends the note's maturity date, such that the present value of cash flows to be received is materially less than those contractu loan's origination. All loans that are modified are reviewed by the Company to identify if a TDR has occurred. All TDR loans are classified as impaired.

When we modify loans in a TDR, we measure impairment similar to other impaired loans based on the present value of expected future cash flows, discounted at the contrac original loan agreement, or use the current fair value of the collateral, less selling costs for collateral dependent loans. If we determine that the value of the modified loan is investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through a specific allowanc allowance. Nonperforming TDRs are included in nonperforming loans.

There were no charge-offs on TDRs during loan modifications for the years ended December 31, 2022 December 31, 2023 and 2021. 2022. During the years ended Decemb 31, 2023 and 2021, 2022, no TDRs modified loans defaulted (defined as 30 days or more past due) within 12 months of restructuring.

Loans Acquired with Deteriorated Credit Quality. There were no charge-offs on modified loans during the years ended December 31, 2023 or 2022.

The following is a summary of loans acquired with evidence of credit deterioration from Chicopee as of December 31, 2022.

	Contractual Required Payments Receivable	Cash Expected To Be Collected	Non-Accretable Discount	Accretable Yield	I
			(In thousands)		
Balance at December 31, 2021	$ 12,134	$ 9,430	$ 2,704	$ 2,499	$
Collections	(1,792)	(1,576)	(216)	(213)	
Dispositions	(589)	(439)	(150)	(69)	
Balance at December 31, 2022	$ 9,753	$ 7,415	$ 2,338	$ 2,217	$

Credit Quality Information.

The Company utilizes an eight-grade internal loan rating system for commercial real estate and commercial and industrial loans. The Company's internal credit risk gı definitions currently utilized by the banking regulatory agencies. The grades assigned and definitions are as follows, and loans graded excellent, above average, good (risk rat "pass" for grading purposes. All loans risk rated special mention (5), substandard (6), Doubtful (7) and Loss (8) are listed on the Company's criticized report and are revie quarterly basis to assess the level of risk and to ensure that appropriate actions are being taken to minimize potential loss exposure. In addition, the Company closely mo defined as substandard, doubtful, and loss for signs of deterioration to mitigate the growth in nonaccrual loans, including performing additional due diligence, updating va additional financial reporting from the borrower. Loans identified as containing a loss are partially charged-off or fully charged-off. Performing residential real estate, hom loans are grouped with "Pass" rated loans. Nonperforming residential real estate, home equity and consumer loans are monitored individually for impairme "substandard." "substandard" and individually evaluated.

Loans rated 1 – 4: Loans rated 1-4 represent groups of loans that are not subject to adverse criticism as defined in regulatory guidance. Loans in these groups exhibit chara acceptable risk.

Loans rated 5: Loans rated 5 are considered "*Special Mention*" and may exhibit potential credit weaknesses or downward trends and are being monitored by management. are currently protected based on collateral and repayment capacity and do not constitute undesirable credit risk, but have potential weakness that may result in deterioration of at some future date. This classification is used if a negative trend is evident in the obligor's financial situation. Special mention loans do not sufficiently expose the Comp classification.

Loans rated 6: Loans rated 6 are considered "*Substandard*." A loan is classified as substandard if the borrower exhibits a well-defined weakness and may be inadequately p net worth and cash flow capacity to pay the current debt.

Loans rated 7: Loans rated 7 are considered "*Doubtful*." Loans classified as doubtful have all the weaknesses inherent in those classified substandard with the added weaknesses make collection or liquidation of the loan highly questionable and improbable. The possibility of some loss is extremely high, but because of specific pending fa the advantage and strengthening of the asset, its classification as an estimated loss is deferred until its more exact status may be determined.

Loans rated 8: Loans rated 8 are considered uncollectible. The loss classification does not mean that the asset has absolutely no recovery or salvage value, but rather th desirable to defer writing off the asset because recovery and collection time may be affected in the future.

On an annual basis, or more often if needed, we formally review the ratings on all commercial real estate and commercial and industrial loans. In addition, management utiliz the criticized loan report and other loan reports to monitor credit quality. In addition, at least on an annual basis, the Company contracts with an external loan review compan credit ratings assigned to loans in the commercial loan portfolio on a pre-determined schedule, based on the type, size, rating, and overall risk of the loan. During the course third party examines a sample of loans, including new loans, existing relationships over certain dollar amounts and classified assets.

The following table details the amortized cost balances of the Company's loan portfolio presented by risk rating and origination year as of the periods presented. In additio been included as an additional credit quality indicator:

	Term Loan Origination by Year						Revolving Loans	
	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revol Loa Conve to Te Loa
	(Dollars in thousands)							
Commercial Real Estate:								
Pass (Rated 1- 4)	$ 42,764	$ 175,829	$ 228,739	$ 113,631	$ 91,353	$ 320,806	$ 81,483	$ 9
Special Mention (Rated 5)	—	—	—	180	915	3,237	164	
Substandard (Rated 6)	—	—	—	8,013	—	3,348	—	
Total commercial real estate loans	$ 42,764	$ 175,829	$ 228,739	$ 121,824	$ 92,268	$ 327,391	$ 81,647	$ 9
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ 764	$ —	$
Payment Performance:								
Performing	$ 42,764	$ 175,829	$ 228,739	$ 121,824	$ 92,268	$ 326,044	$ 81,647	$ 9
Nonperforming	—	—	—	—	—	1,347	—	
Residential One-to-Four Family:								
Pass	$ 59,257	$ 88,213	$ 94,290	$ 125,917	$ 54,263	$ 174,688	$ 10,401	$
Substandard	—	447	495	445	—	3,899	—	
Total residential one-to-four family	$ 59,257	$ 88,660	$ 94,785	$ 126,362	$ 54,263	$ 178,587	$ 10,401	$
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
Payment Performance:								
Performing	$ 59,257	$ 88,213	$ 94,290	$ 125,540	$ 54,263	$ 175,612	$ 10,401	$
Nonperforming	—	447	495	822	—	2,975	—	
Home Equity:								
Pass	$ 9,937	$ 10,885	$ 6,861	$ 7,108	$ 5,234	$ 7,261	$ 60,115	$ 2
Substandard	—	—	—	—	—	7	90	
Total home equity loans	$ 9,937	$ 10,885	$ 6,861	$ 7,108	$ 5,234	$ 7,268	$ 60,205	$ 2
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$
Payment Performance:								
Performing	$ 9,937	$ 10,885	$ 6,861	$ 7,108	$ 5,234	$ 7,261	$ 60,115	$ 2
Nonperforming	—	—	—	—	—	7	90	

	Term Loans Originated by Year	Revolving Loan

	2023	2022	2021	2020	2019	Prior	Revolving Loans	Revo Lo Conv to T Lo
	(Dollars in thousands)							
Commercial and Industrial:								
Pass (Rated 1- 4)	$ 31,108	$ 35,705	$ 26,553	$ 19,780	$ 19,765	$ 8,825	$ 57,393	$
Special Mention (Rated 5)	—	101	—	—	8	498	707	
Substandard (Rated 6)	—	—	1,408	8,156	—	85	7,286	
Total commercial and industrial loans	$ 31,108	$ 35,806	$ 27,961	$ 27,936	$ 19,773	$ 9,408	$ 65,386	$
Current period gross charge-offs	$ —	$ 147	$ —	$ —	$ —	$ 221	$ —	$
Payment Performance:								
Performing	$ 31,108	$ 35,806	$ 27,961	$ 27,936	$ 19,773	$ 9,401	$ 65,175	$
Nonperforming	—	—	—	—	—	7	211	
Consumer:								
Pass	$ 2,168	$ 1,381	$ 524	$ 241	$ 68	$ 270	$ 812	$
Substandard	—	—	—	—	—	8	—	
Total consumer loans	$ 2,168	$ 1,381	$ 524	$ 241	$ 68	$ 278	$ 812	$
Current period gross charge-offs	$ —	$ —	$ —	$ —	$ —	$ —	$ 3	$
Payment Performance:								
Performing	$ 2,168	$ 1,381	$ 524	$ 241	$ 68	$ 271	$ 811	$
Nonperforming	—	—	—	—	—	7	1	

The following table presents our loans by risk rating for the periods indicated:as of December 31, 2022 Pre-ASC 326 CECL adoption:

	Commercial Real Estate	Residential One-to-Four Family	Home Equity	Commercial and Industrial	Consumer
	(In thousands)				
December 31, 2022					
Pass (Rated 1 – 4)	$ 1,036,337	$ 585,292	$ 105,248	$ 193,415	$ 5,027
Special Mention (Rated 5)	16,035	—	—	5,623	—
Substandard (Rated 6)	16,951	4,211	309	20,810	18
Total	$ 1,069,323	$ 589,503	$ 105,557	$ 219,848	$ 5,045

	Commercial Real Estate	Residential One-to-Four Family	Home Equity	Commercial and Industrial	Consumer	Total
	(In thousands)					
December 31, 2021						
Pass (Rated 1 – 4)	$ 913,063	$ 547,980	$ 99,503	$ 215,605	$ 4,228	$ 1,780,379
Special Mention (Rated 5)	48,765	—	—	2,777	—	51,542
Substandard (Rated 6)	18,141	4,352	256	8,287	22	31,058
Total	$ 979,969	$ 552,332	$ 99,759	$ 226,669	$ 4,250	$ 1,862,979

	Commercial Real Estate	Residential 1-4 Family	Home Equity	Commercial and Industrial	Con
	(In thousands)				
December 31, 2022					
Pass (Rated 1 - 4)	$ 1,036,337	$ 585,292	$ 105,248	$ 193,415	$
Special Mention (Rated 5)	16,035	—	—	5,623	
Substandard (Rated 6)	16,951	4,211	309	20,810	
Total	$ 1,069,323	$ 589,503	$ 105,557	$ 219,848	$

4. **4. PREMISES AND EQUIPMENT**

Premises and equipment are summarized as follows:

	December 31,	2

	2022	2021	
	(In thousands)		
Land	$ 6,239	$ 6,239	$
Buildings	26,738	26,343	
Leasehold improvements	3,472	3,409	
Furniture and equipment	21,880	21,195	
Total	58,329	57,186	
Less: accumulated depreciation and amortization	(33,376)	(31,024)	
Premises and equipment, net	$ 24,953	$ 26,162	$

Depreciation and amortization expense for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 amounted to $2.3 2.2 million, $2.3 millior respectively.

5. **5. GOODWILL AND OTHER INTANGIBLES**

Goodwill is measured as the excess of the cost of a business combination over the sum of the amounts assigned to identifiable intangible assets acquired less liabilities ass amortized but rather assessed for impairment annually or more frequently if circumstances warrant. Management has the option of first assessing qualitative factor circumstances, to determine whether it is more likely than not, meaning a likelihood of more than 50%, the value of a reporting unit is less than its carrying amount. If, after events and circumstances, management determines it is not more likely than not the fair value of a reporting unit is less than its carrying amount, then performing an impairm At December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, the Company's goodwill was related to the acquisition of Chicopee Savings Bank i was no goodwill impairment recorded during For the years year ended December 31, 2022 December 31, 2023, the carrying value of the Company's equity exceeded its mar period in 2023 due to recent events affecting the banking industry and 2021. Annually, or more frequently if events or changes declines in circumstances warrant such evalua and therefore, the Company evaluates completed a fair value analysis to assess potential impairment and any necessary write-down of the carrying value of goodwill. Mana multiples from recent comparable whole bank merger and acquisition transactions to determine the estimated fair value of the Company. Based on the results of this determined that the fair value of the Company exceeded the carrying value of the reporting unit, and as a result, goodwill was not impaired at December 31, 2023. For the ye 2022, management determined that it was not more likely than not the fair value of the reporting unit was less than its goodwill for impairment.
carrying amount. If management had determined otherwise, a fair value analysis would have been completed to determine the impairment and necessary write-down of goodv

Core Deposit Intangibles

In connection with the acquisition of Chicopee, the Bank recorded a core deposit intangible of $4.5 million, which is amortized over twelve years using the straight-line expense was $375,000, $374,000 375,000 and $375,000 374,000 for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectiv 2022 December 31, 2023, future amortization of the core deposit intangible totaled $375,000 for each of the next five four years and $313,000 thereafter.

6. DEPOSITS

6. DEPOSITS

Deposit accounts, by type, are summarized as follows for the periods indicated: indicated:

	At December 31,		At
	2022	2021	202
	(In thousands)		(
Demand and interest-bearing checking:			
Interest-bearing checking accounts	$ 148,670	$ 145,739	$ 1
Demand deposits	645,571	641,284	5
Savings:			
Regular savings accounts	222,436	217,565	1
Money market accounts	801,076	850,330	6
Time deposits	411,690	401,980	6
Total deposits	$ 2,229,443	$ 2,256,898	$ 2,1

There were $1.7 million in brokered deposits reported within time deposits at December 31, 2023. There were no brokered deposits at December 31, 2022 and December 31, Time deposits of $250,000 or more totaled $131.7 198.6 million at December 31, 2022 December 31, 2023. Interest expense on time deposits of $250,000 or more totaled $ $412,000 358,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, respectively.

The scheduled maturities of time deposits for the periods indicated are as follows:

	At December 31,		At December 31,	
	2022	2021	2023	
	(In thousands)		(In thousands)	
2022	$ —	$ 363,290		
2023	288,697	24,500	$ —	$
2024	114,244	7,911	596,292	
2025	4,873	4,892	9,302	
2026	3,780	1,387	3,170	
2027	96	—	798	
2028			1,790	
Total time deposits	$ 411,690	$ 401,980	$ 611,352	$

Interest expense on deposits for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020 2021 is summarized as follows:

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Regular accounts	$ 161	$ 154	$ 136
Money market accounts	3,187	2,412	2,838
Time deposits	1,474	2,543	10,139
Interest-bearing checking accounts	530	399	387
Total	$ 5,352	$ 5,508	$ 13,500

	Years Ended December 31,		
	2023	2022	2021
	(In thousands)		
Regular savings	$ 181	$ 161	$ 154
Money market	9,529	3,187	2,412
Time deposits	15,898	1,474	2,543
Interest-bearing checking	1,041	530	399
Total	$ 26,649	$ 5,352	$ 5,508

Cash paid for interest on deposits totaled $5.3 26.4million, $5.5 5.3 million and $13.6 5.5 million for years ended December 31, 2022 December 31, 2023, 2022 and 2021, and

7. 7. **SHORT-TERM BORROWINGS**

We utilize short-term borrowings and long-term debt as additional sources of funds to finance our lending and investing activities and to provide liquidity for daily opera capacity includes borrowing arrangements at the FHLB, the Federal Reserve Bank ("FRB"), and borrowing arrangements with correspondent banks.

Short-term borrowings can consist of FHLB advances with an original maturity of less than one year, overnight Ideal Way line of credit advances and other borrowing customer swap arrangements. Other borrowings totaled $6.1 million with a weighted average rate of 5.33% at December 31, 2023, compared to $6.4 million with a we 4.33% 4.33% at December 31, 2022. There were no other borrowings outstanding at December 31, 2021. In addition, short-term Short-term borrowings issued by the FHLB v a weighted average rate of 5.56% at December 31, 2023, compared to $35.0 million with a weighted average rate of 4.38% 4.38% at December 31, 2022, compared to none at FHLB advances provide more pricing and option alternatives for particular asset/liability needs. The FHLB provides a central credit facility primarily for member institutions the Company is required to own capital stock of the FHLB, calculated periodically based primarily on its level of borrowings from the FHLB. FHLB borrowings are secur from the Company's investment portfolio not otherwise pledged as well as certain residential real estate and commercial real estate loans. Advances are made under programs with different lending standards, interest rates and range of maturities. This relationship is an integral component of the Company's asset-liability management prog 2022, the Bank had $407.4 million in additional borrowing capacity from the FHLB.

The Company also has an available overnight Ideal Way line of credit with the FHLB of $9.5 million as of December 31, 2022. million. Interest on this line of credit is payal and reset by the FHLB on a daily basis. The outstanding principal is due daily but the portion not repaid will be automatically renewed. As of December 31, 2022 and December 31, 2023, there were no advances outstanding under this line. the Bank had $535.6 million in additional borrowing capacity from the FHLB.

The Company also has an available line of credit of $4.4 48.6 million with the FRB Discount Window at an interest rate determined and reset on a daily basis. Borrowings f Window are secured by certain securities from the Company's investment portfolio not otherwise pledged. As of December 31, 2022 December 31, 2023 and December 3 2022, there were no advances outstanding under this line. either of these lines.

The Company also has pre-established, non-collateralized overnight borrowing arrangements with large national and regional correspondent banks to provide additional ov borrowing capacity for the Company. The Company has a $15.0 million line of credit with a correspondent bank and a $50 10.0 million line of credit with another correspo interest rate determined and reset on a daily basis. As of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022, there were no advances outstanc

F-28

Cash paid for interest on short-term borrowings totaled $1.6 million for the year ended December 31, 2023 and $327,000 for the year ended December 31, 2022.

8. 8. **LONG-TERM DEBT**

FHLB Advances. The following advances are collateralized by a blanket lien on our residential real estate loans and certain eligible commercial real estate loans.

	Amount		Weighted Average Rate		Amount	
	2022	2021	2022	2021	2023	202
	(In thousands)				(In thousands)	
Fixed-rate advances maturing:						
2022	$ —	$ 1,475	— %	0.1 %		
2023	532	532	—	—	$ —	$ 5
2024	646	646	—	—	30,646	6
2025	—	—	—	—	—	-
2026					—	-
Total long-term advances	$ 1,178	$ 2,653	— %	0.1 %	$ 30,646	$ 1,1

Cash paid for interest on long-term FHLB advances totaled $513,000, and $3.6 1.1 million for the years year ended December 31, 2021, and 2020, respectively. December 3 cash paid for interest on long-term FHLB advances for the year ended December 31, 2022.

BTFP Advances. On March 12, 2023, the FRB made available the BTFP, which enhances the ability of banks to borrow greater amounts against certain high-quality, unencu par value. During the year ended December 31, 2023, the Company participated in the BTFP, which enabled the Company to pay off higher rate FHLB advances. With the B the ability to pay off the BTFP advance prior to maturity without incurring a penalty or termination fee. Interest expense on BTFP advances is payable at maturity.

At December 31, 2023, long-term debt included $90.0 million in outstanding advances under the BTFP with a weighted average fixed rate of 4.71%. The $90.0 mill outstanding mature in May of 2024. There were no advances outstanding with the FRB under the BTFP at December 31, 2022. At December 31, 2023, the Company had $2 borrowing capacity under the BTFP. Interest expense accrued on BTFP advances was $2.8 million as of December 31, 2023.

Subordinated Debt.

On April 20, 2021, the Company completed an offering of $20.0 million in aggregate principal amount of its 4.875% fixed-to-floating rate subordinated notes (the "Note
institutional buyers in a private placement transaction. At December 31, 2022 December 31, 2023, $19.7 million $19.7 million aggregate principle amount of the Notes was ou
Unless earlier redeemed, the Notes mature on May 1, 2031. The Notes will bear interest from the initial issue date to, but excluding, May 1, 2026, or the earlier redemption
4.875% per annum, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year, beginning August 1, 2021, and from and including May 1, 2
maturity date or earlier redemption date, equal to the benchmark rate, which is the 90-day average secured overnight financing rate, plus 412 basis points, determined on th
the applicable interest period, payable quarterly in arrears on May 1, August 1, November 1 and February 1 of each year. The Company may also redeem the Notes, in whol
May 1, 2026, and at any time upon the occurrence of certain events, subject in each case to the approval of the Board of Governors of the Federal Reserve System (the "
Notes were designed to qualify as Tier 2 capital under the Federal Reserve's capital adequacy regulations.

The Notes are presented net of issuance costs of $327,000 288,000 as of December 31, 2022 December 31, 2023, which are being amortized into interest expense over
Amortization of issuance costs into interest expense was $40,000 39,000 and $27,000 40,000 for the years ended December 31, 2022 December 31, 2023 and 2021, 2022, resp
interest on the Notes totaled $1.0 million for the years ended December 31, 2023 and 2022, respectively.

9. 9. STOCK PLANS AND EMPLOYEE STOCK OWNERSHIP PLAN

Stock Options. A summary of the status of our stock options at December 31, 2022 is presented below:

	Shares		Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (in years)		Aggregate Intrinsic Value (in thousands)
Outstanding at December 31, 2021	177,881	$	6.57	0.81	$	388
Exercised	(177,881)		6.58	0.33		430
Outstanding at December 31, 2022	—	$	—	—	$	—

Cash received for options exercised during the years ended December 31, 2022, 2021 and 2020 was $1.2 million, $193,000 and $43,000, respectively.

Restricted Stock Awards.

In May 2014, the Company's shareholders approved the 2014 Omnibus Incentive Plan, a stock-based compensation plan (the "2014 RSA Incentive Plan"). Under the 2014 I
to 516,000 shares of the Company's common stock were reserved for grants of stock awards, including stock options and restricted stock, which may be granted to any of
non-employee director of WNEB. Any shares that were not issued because vesting requirements were not met were available for future issuance under the 2014 RSA Incentiv
On an annual basis, the Compensation Committee (the "Committee") approves long-term incentive awards out of the 2014 RSA Incentive Plan, whereby shares will
participants of the Company that are nominated by the Chief Executive Officer and approved by the Committee, with vesting over a three-year term for employees and a one-
Annual employee grants provide for a periodic award that is both performance and time-based and is designed to recognize the executive's responsibilities, reward performa
as a retention tool. The objective of the award is to align compensation for the named executive officers and directors over a multi-year period directly with the interests
motivating and rewarding creation and preservation of long-term financial strength, shareholder value and relative shareholder return.

In February 2020, 120,053 shares were granted. granted under the 2020 Long-Term Incentive Plan (the "2020 Incentive Plan"). Of the 120,053 shares, 69,898 shares were ti
vesting in one year and 50,138 vesting ratably over a three-year period. The remaining 50,155 shares granted are performance-based and are subject to the achievement
incentive Incentive Plan performance metrics, with 50% of the performance-based shares vesting for each performance metric. The primary performance metrics for the 202
are return on equity and earnings per share. Performance-based Performance shares will be earned based upon how the Company performs relative to threshold, target and ma
goals (i.e. Company-specific, not relative to a peer index) on an annual performance period for return on equity metrics and for a three-year cumulative performance period
but will be distributed at the end of the three-year period as earned.

The threshold, target and stretch metrics under the 2020 grants Incentive Plan are as follows:

Performance Period Ending	Return on Equity Metrics Threshold	Target	Stretch	Retu… Thres…
December 31, 2020	5.00 %	5.48 %	6.00 %	5.0…
December 31, 2021	5.62 %	6.24 %	6.86 %	5.6…
December 31, 2022	6.29 %	6.99 %	7.69 %	6.2…

Performance Period Ending		Earnings Per Share Metrics Threshold		Target		Stretch
Three-year Cumulative Diluted Earnings Per Share	$	1.50	$	1.65	$	1.80

Eligible participants will be able to earn between 50% ("threshold" performance), 100% ("target" performance) and 150% ("maximum" stretch" performance). As of Decemb
year performance period for the 2020 Incentive Plan grants ended. The 2020 Incentive Plan included a "catch-up" provision allowing for any unearned performance-based sh
2021 performance periods to be earned at the end of the three-year period based on the final year performance. Of the original 50,155 performance-based shares granted in 20
target, 59,268 performance-based shares were eligible for vesting during the first quarter of 2023 based on achieving stretch.

The fair market value of shares awarded is based on the market price at the grant date, recorded as unearned compensation and amortized over the applicable vesting peri
metrics are monitored on a quarterly basis in order to compare actual results to the performance metric, with any necessary adjustments being recognized through share-based
and unearned compensation.

In February 2021, 19,827 shares were granted to our directors, with a one-year vesting period. At December 31, 2021, there were no remaining shares available to grant under

In May 2021, the Company's shareholders approved the 2021 Omnibus Incentive Plan, a stock-based compensation plan (the "2021 RSA Incentive Plan"). Under the 2021 I
to 700,000 shares of the Company's common stock were reserved for grants of stock awards, including stock options and restricted stock, which may be granted to any of
non-employee director of the Company. Any shares that are not issued because vesting requirements are not met will be available for future issuance under the 2021 RSA Ince
In May 2021, 122,362 shares were granted. granted under the 2021 Long-Term Incentive Plan (the "2021 Incentive Plan"). Of the 122,362 shares, 61,181 shares were time
over a three-year period. The remaining 61,181 shares granted are performance-based and are subject to the achievement of the 2021 long-term incentive Incentive Plan per
50% of the performance-based shares vesting for each performance metric. The primary performance metrics for the 2021 Incentive Plan grants are return on equity a
Performance-based shares will be earned based upon how the Company performs relative to threshold, target and maximum stretch absolute goals (i.e. Company-specific
index) on an annual performance period for return on equity metrics and for a three-year cumulative performance period for earnings per share, but will be distributed at th
period as earned.

The threshold, target and stretch metrics under the 2021 grants Incentive Plan are as follows:

Performance Period Ending	Return on Equity Metrics Threshold	Target	Stretch	Retu Thres
December 31, 2021	5.63 %	6.25 %	7.50 %	5.63
December 31, 2022	5.85 %	6.50 %	7.80 %	5.85
December 31, 2023	6.08 %	6.75 %	8.10 %	6.08

Performance Period Ending	Earnings Per Share Metrics Threshold	Target	Stretch
Three-year Cumulative Diluted Earnings Per Share	$ 1.58	$ 1.97	$ 2.36

As of December 31, 2023, the three-year performance period for the 2021 LTI Plan ended. The 2021 LTI Plan included a "catch-up" provision allowing unearned performa the 2021 and 2022 performance periods to be earned at the end of the three-year period based on the final year performance. Of the 50,205 performance-based shares gra achieving target, 69,376 performance-based shares were eligible for vesting during the first quarter of 2024 based on achieving stretch.

In March 2022, 137,151 shares were granted. granted under the 2022 Long-Term Incentive Plan (the "2022 Incentive Plan"). Of the 137,151 shares, 77,463 shares were ti vesting in one year and 59,688 vesting ratably over a three-year period. The remaining 59,688 shares granted are performance-based and are subject to the achievement incentive Incentive Plan performance metrics, with 50% of the performance-based shares vesting for each performance metric. The primary performance metrics for the 202 are return on equity and earnings per share. Performance-based shares will be earned based upon how the Company performs relative to threshold, target and maximum stre Company-specific, not relative to a peer index) on an annual performance period for return on equity metrics and for a three-year cumulative performance period for earning distributed at the end of the three-year period as earned.

The threshold, target and stretch metrics under the 2022 grants Incentive Plan are as follows:

Performance Period Ending	Return on Equity Metrics Threshold	Target	Stretch	Retu Thres
December 31, 2022	7.79 %	8.20 %	8.61 %	7.79
December 31, 2023	7.93 %	8.35 %	8.77 %	7.93
December 31, 2024	8.03 %	8.45 %	8.87 %	8.03

Performance Period Ending	Earnings Per Share Metrics Threshold	Target	Stretch
Three-year Cumulative Diluted Earnings Per Share	$ 2.35	$ 2.61	$ 2.85

In March 2023, 139,196 shares were granted under the 2023 Long-Term Incentive Plan (the "2023 Incentive Plan"). Of the 139,196 shares, 78,697 shares were time-based, one year and 60,499 vesting ratably over a three-year period. The remaining 60,499 shares granted are performance-based and are subject to the achievement of th performance metrics, with 50% of the performance-based shares vesting for each performance metric. The primary performance metrics for the 2023 Incentive Plan grants a earnings per share. Performance shares will be earned based upon how the Company performs relative to threshold, target and stretch absolute goals (i.e. Company-specifi index) on an annual performance period for return on equity metrics and for a three-year cumulative performance period for earnings per share, but will be distributed at th period as earned.

The threshold, target and stretch metrics under the 2023 Incentive Plan are as follows:

Performance Period Ending	Return on Equity Metrics Threshold	Target	Stretch
December 31, 2023	8.00%	8.45%	8.85%
December 31, 2024	8.75%	9.25%	9.75%
December 31, 2025	9.00%	9.50%	10.00%

Performance Period Ending	Earnings Per Share Metrics Threshold	Target	Stretch
Three-year Cumulative Diluted Earnings Per Share	$ 2.39	$ 2.65	$ 2.89

At December 31, 2022 December 31, 2023, there were 459,508 308,252 remaining shares available to grant under the 2021 RSA Incentive Plan.

F-31

A summary of the status of restricted stock awards at December 31, 2022 December 31, 2023 and 2021 2022 is presented below:

	Shares	Weighted Average Grant Date Fair Value	Sha
Balance at December 31, 2021	213,381	$ 8.91	
Balance at December 31, 2022			
Shares granted	144,440	9.14	
Shares forfeited	(24,440)	8.73	

Shares vested	(127,289)		9.32	(
Balance at December 31, 2022	206,092	$	8.85	
Balance at December 31, 2023				

	Shares		Weighted Ave Fai
Balance at December 31, 2021	213,381	$	
Shares granted	144,440		
Shares forfeited	(24,440)		
Shares vested	(127,289)		
Balance at December 31, 2022	206,092	$	

	Shares		Weighted Average Grant Date Fair Value	Sha
Balance at December 31, 2020	178,766	$	9.63	
Shares granted	154,906		8.44	
Shares forfeited	(24,506)		10.59	
Shares vested	(95,785)		9.05	
Balance at December 31, 2021	213,381	$	8.91	

We recorded total expense for restricted stock awards of $1.4 million, $1.1 million and $1.3 million and $834,000for the years ended December 31, 2022 December 31 2020, 2021, respectively. The aggregate fair value of restricted stock vested during 2022 2023 was $1.2 1.3 million. Tax benefits (shortfall) related to equity incenti $16,000 29,000, $(5,000) 16,000 and $(23,000) (5,000) for the years ended December 31, 2022 December 31, 2023, 2021 2022 and 2020, 2021, respectively. Unrecognized stock awards was $1.2 573,000 million at December 31, 2022 December 31, 2023 with a remaining term of 1.5 1.7 years.

Employee Stock Ownership Plan (“ESOP”). We established an ESOP for the benefit of each employee that has reached the age of 21 and has completed at least 1,000 previous 12-month period. In January 2002, as part of the initial stock conversion, we provided a loan to the ESOP Trust which was used to purchase 8%, or 1,305,359 shares sold in the initial public offering.

In January 2007, as part of the second-step stock conversion, we provided an additional loan to the ESOP Trust which was used to purchase 4.0%, or 736,000 shares, of th common stock sold in the offering. The 2002 and 2007 loans bear an interest rate of 8.0% and provide for annual payments of interest and principal.

At December 31, 2022 December 31, 2023, the remaining principal balances are payable as follows:

Years Ending December 31,		Amount	A
		(In thousands)	
2023	$	447	
(In thousands)			(In tho
2024		447	$
2025		447	
2026		447	
2027		447	
2028			
Thereafter		1,462	
Total	$	3,697	$

We have committed to make contributions to the ESOP sufficient to support the debt service of the loans. The loans are secured by the shares purchased, which are held in allocation among the participants as the loans are paid. Total compensation expense applicable to the ESOP amounted to $683,000 562,000, $682,000 683,000 and $551,00 ended December 31, 2022 December 31, 2023, 2022 and 2021, and 2020, respectively.

Shares held by the ESOP include the following at December 31, 2022 December 31, 2023 and 2021:2022:

	2022	2021	
Allocated	1,139,325	1,127,074	1,
Committed to be allocated	78,526	81,893	
Unallocated	366,487	445,013	
Total	1,584,338	1,653,980	1,

Cash dividends declared and received on allocated shares are allocated to participants and charged to retained earnings. Cash dividends declared and received on unalloc suspense and are applied to repay the outstanding debt of the ESOP. The fair value of unallocated shares was $3.5 2.6 million and $3.9 3.5 million at December 31, 2022 D 2021, 2022, respectively. ESOP shares are considered outstanding for earnings per share calculations when they are committed to be allocated. Unallocated ESOP shares are per share calculations. The cost of unearned shares to be allocated to ESOP participants for future services not yet performed is reflected as a reduction of shareholders' equity

10. **10. RETIREMENT PLANS AND EMPLOYEE BENEFITS**

Pension Plan. We provide a DB Plan for eligible employees. Employees must work a minimum of 1,000 hours per year to be eligible for the DB Plan. Eligible employees be Plan after five years of service. In August 2022, the DB Plan's assets were reallocated into fixed income pooled separate investment accounts offered by Principal Life division of Principal Financial Group, serving as Custodian of the DB Plan (the “Custodian”). The DB Plan is administered by an officer of Westfield Bank (the “DB Pla September 30, 2016, we effected a soft freeze on the DB Plan and therefore no new participants were included in the DB Plan after such effective date.

On July 26, 2022, the Board of Directors approved previously announced the termination of the DB Westfield Bank Defined Benefit Plan which became effective as of (the “ 31, 2022, subject to regulatory approvals. Once the Company has received regulatory approval to terminate the DB Plan, which is expected in the first quarter of 2023, the C additional cash contribution during the second quarter of 2023, if necessary, in order to fully fund the DB Plan on a plan termination basis, followed by the purchase of annu its remaining liabilities under the DB Plan, for those participants who do not opt for a one-time lump sum payment. . At December 31, 2022, the Company reversed $7.3 m losses recorded in accumulated other comprehensive income attributed to both the DB Plan curtailment resulting from the termination of the DB Plan as well as change addition, during the three months ended December 31, 2022, the Company recorded a gain on curtailment of $2.8 million through non-interest income. During the twelve m 31, 2023, the Company made an additional cash contribution of $1.3 million in order to fully fund the DB Plan on a plan termination basis. In addition, for those participant one-time lump sum payment, the Company funded $6.3 million to purchase a group annuity contract to transfer its remaining liabilities under the DB Plan. During the December 31, 2023, the Company recognized the final termination expense of $1.1 million related to the DB Plan termination, which was recorded through non-interest incor

The following table provides information for related to the DB Plan at or for the years ended December 31:December 31, 2023 and 2022:

	Years Ended December 31,		
	2022	2021	2020
	(In thousands)		
Change in benefit obligation:			
Benefit obligation at beginning of year	$ 45,089	$ 47,592	$ 36,158
Service cost	1,108	1,842	1,396
Interest	1,254	1,171	1,162
Actuarial (gain) loss	(15,518)	(3,028)	9,690
Effect of curtailment	(5,059)	—	—
Benefits paid	(2,262)	(2,488)	(814)
Benefit obligation at end of year	24,612	45,089	47,592
Change in plan assets:			
Fair value of plan assets at beginning of year	27,702	26,264	22,787
Actual return on plan assets	(5,906)	1,926	3,191
Employer contribution	3,600	2,000	1,100
Benefits paid	(2,262)	(2,488)	(814)
Fair value of plan assets at end of year	23,134	27,702	26,264
Funded status and accrued benefit at end of year	$ (1,478)	$ (17,387)	$ (21,328)
Accumulated benefit obligation at end of year	$ 24,612	$ 34,137	$ 35,755

	For the Year Ended December 31,	
	2023	2022
	(In thousands)	
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 24,612	$ 45,089
Service cost	—	1,108
Interest	487	1,254
Actuarial gain	(33)	(15,518)
Effect of settlement/curtailment	(24,886)	(5,059)
Benefits paid	(180)	(2,262)
Benefit obligation at end of year	—	24,612
Change in plan assets:		
Fair value of plan assets at beginning of year	23,134	27,702
Actual return on plan assets	671	(5,906)
Employer contribution	1,261	3,600
Benefits paid	(180)	(2,262)
Effect of settlement	(24,886)	—
Fair value of plan assets at end of year	—	23,134
Funded status and accrued benefit at end of year	$ —	$ (1,478)
Accumulated benefit obligation at end of year	$ —	$ 24,612

For the year ended December 31, 2023, the discount rate assumptions reflected the IRS 417 Segment Rates (The 4.48%/5.26%/5.07%) for lump sums and for annuities in t annuity contract. For the year ended December, 31, 2022, the following actuarial assumptions were used in determining the pension benefit obligation:

	December 31,	
	2022	2
Discount rate	5.05 %	
Rate of compensation increase	N/A	

	December 31,
	2022
Discount rate	5.05 %
Rate of compensation increase	N/A

The discount rate used to determine the pension benefit obligation increased from 2.85% at December 31, 2021 to 5.05% at December 31, 2022, resulting in a decrease in benefit obligation for the year ended December 31, 2022. In addition, the DB Plan was terminated effective October 31, 2022, subject to regulatory approvals expected in the The DB Plan termination resulted in a $5.1 million in curtailment of future salary recognition, which also decreased the DB Plan's pension benefit obligation for the year end The assets of the DB Plan were liquidated as of June 2, 2023.

Net pension cost includes the following components for the years ended December 31:December 31, 2023 and 2022:

				For the Years Ended D
	2022	2021	2020	2023

		(In thousands)		(In thousands	
Service cost	$ 1,108	$ 1,842	$ 1,396	$ —	$
Interest cost	1,254	1,171	1,162	487	
Expected return on assets	(1,712)	(1,755)	(1,526)	(333)	
Amortization of actuarial loss	531	910	421	—	
Net periodic pension cost	$ 1,181	$ 2,168	$ 1,453	$ 154	$

The following actuarial assumptions were used in determining the net periodic pension cost for the years ended December 31:December 31, 2023 and 2022:

				Year Ended December 3	
	2022	**2021**	**2020**	**2023**	
Discount rate	2.85 %	2.50 %	3.25 %	5.05	
Expected return on plan assets	6.50	7.00	7.00	3.70	
Rate of compensation increase	4.00	4.00	4.00	N/A	

The following is a summary of the DB Plan's investments for the years ended December 31:as of December 31, 2022:

	2022	**2021**	**Dec**
	(In thousands)		(
Pooled separate investment accounts:			
Fixed income	$ 21,255	$ 12,896	$
Large U.S. equity	—	7,501	
International equity	—	4,251	
Small/mid U.S. equity	—	1,228	
Other	1,879	1,826	
Total	$ 23,134	$ 27,702	$

Pooled separate accounts are valued at the Net Asset Value ("NAV") of units held by the DB Plan at year end. The NAV is used as a practical expedient to estimate fa expedient would not be used if it was determined to be probable that the funds will sell the underlying investments for an amount different from the reported NAV. I (purchases and sales) may occur daily. The preceding method described may produce a fair value calculation that may not be indicative of net realizable value or reflectiv Furthermore, although the DB Plan administrators believes the valuation methods are appropriate and consistent with other market participants, the use of different methodolo determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

F-34

Due to the DB Plan termination and settlement on June 2, 2023, there were no assets remaining in the DB Plan for the year ended December 31, 2023. The following investments for which fair value is measured using NAV per share as a practical expedient for the years year ended December 31, 2022 and 2021. . There are no pertinent red these investments; the redemption notice period is applicable only to the DB Plan.

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**Redempti**
		(In thousands)		
December 31, 2022	$ 23,134	n/a	Daily	
December 31, 2021	$ 27,702	n/a	Daily	

	Fair Value	**Unfunded Commitments**	**Redemption Frequency (if Currently Eligible)**	**R**
		(In thousands)		
December 31, 2022	$ 23,134	n/a	Daily	

The defined benefit plan offers Prior to its termination, the DB Plan offered a mixture of fixed income, equity and real assets as the underlying investment structure for its retir pension plan. In August 2022, the DB Plan's assets were reallocated into short-and-long duration fixed income pooled separate investment accounts offered by the Custodian Plan settlement during the second quarter of 2023, the overall investment objective is was to preserve principal and protect DB Plan assets from market volatility. Prior to th the target allocation mix for the pension plan for 2022 was an equity-based investment deployment of 50% of total portfolio assets based on advice received from an exter confirmation by the Bank's Investment Committee. The remainder of the portfolio was allocated to fixed income at 50% of total assets. Trustees of the DB Plan select inves portfolio and a second investment advisory firm is retained to provide allocation analysis.

We estimate that the benefits to be paid from the pension plan for years ended December 31 are as follows:

Year	**Projected Benefi Particip**
	(In thou
2023	$
2024	
2025	
2026	
2027	
In aggregate for 2028 – 2032	

401(k) Defined Contribution Plan.

The Company has also maintains a 401(k) tax-qualified defined contribution plan through a third party provider (the "401(k) Plan") that provides for deferral of federal and employee benefit plan. The contributions allowed under Section 401(k) plan allows eligible employees to contribute a percentage of their earnings the Internal Revenue Cod (the "Internal Revenue Code"). Participants may make pre-tax salary deferrals to the plan. A portion of plan not to exceed the employee contribution, as determined by annu January 1, 2023, the Compensation Committee of Company converted to a Safe Harbor 401(k) Plan. In addition to salary deferrals, in 2023, the Board of Directors, is match 2022, 2021 and 2020, the Company's percentage Company will match was 50% up to 100% of the first 6 4%% contributed by of the employee. participant's eligible cor maximum employer matching contribution of 4% of a participant's eligible compensation). In addition, on an annual basis, the Company may make a discretionary profit sha participant.

The Company's expense for the 401(k) plan match was $470,000 736,000, $476,000 470,000 and $468,000 476,000 for the years ended December 31, 2022 December 31, 202 2020, respectively. The Company's expense for the 401(k) discretionary profit share contribution was $675,000 for the year ended December 31, 2023. The discretionary pro expected to be made during the first quarter of 2024.

11. 11. DERIVATIVES AND HEDGING ACTIVITIES

Risk Management Objective of Using Derivatives.

The Company is exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of bu risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk, primarily by managing the amount, s our assets and liabilities and the use of derivative financial instruments. Specifically, we entered into derivative financial instruments to manage exposures that arise from result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates. Our derivative financial instruments are used in the amount, timing, and duration of our known or expected cash receipts and our known or expected cash payments principally related to certain variable rate loan a borrowings.

F-35

The following table presents information about interest rate swaps at December 31, 2022 and December 31, 2021:

December 31, 2022	Notional Amount	Weighted Average Maturity	Weighted Average Rate Receive	Pay
	(In thousands)	(In years)		
Non-hedging derivatives:				
Loan-level swaps – dealer	$ 37,767	9.8	4.42 %	3.17 %
Loan-level swaps – borrower	37,767	9.8	3.17 %	4.42 %
Total	$ 75,534			

December 31, 2021	Notional Amount	Weighted Average Maturity	Weighted Average Rate Receive	Pay
	(In thousands)	(In years)		
Non-hedging derivatives:				
Loan-level swaps – dealer	$ 16,023	11.1	1.99 %	3.76 %
Loan-level swaps – borrower	16,023	11.1	3.76 %	1.99 %
Forward starting loan-level swaps - dealer	22,390	10.5		
Forward starting loan-level swaps - borrower	22,390	10.5		
Total	$ 76,826			

At December 31, 2022, the Company had $75.5 million in derivatives designated as non-hedging instruments and no derivatives designated as hedging instruments, compa derivatives designated as non-hedging instruments and no derivatives designated as hedging instruments at December 31, 2021.

Cash Flow Fair Value Hedges of Interest Rate Risk.

The Company's objectives in using interest rate derivatives are Company is exposed to add stability to interest income and expense and to manage its exposure to intere accomplish these objectives, we entered into interest rate swaps as part of our interest rate risk management strategy. These interest rate swaps are designated as cash flow receipt of variable rate amounts from a counterparty in exchange for our making fixed payments.

For derivatives designated as cash flow hedges, the changes in the fair value of certain pools of fixed-rate assets due to changes in benchmark interest rates. The Company u to manage its exposure to changes in fair value on these instruments attributable to changes in the designated benchmark interest rate. The Company's interest rate swaps c hedges involve the payment of fixed-rate amounts to a counterparty in exchange for the Company receiving variable-rate payments over the life of the agreements witho underlying notional amount. For derivatives designated and that qualify as fair value hedges, the gain or loss on the derivative is initially reported in other comprehens earnings), net of tax, and subsequently reclassified to earnings when as well as the offsetting loss or gain on the hedged transaction affects earnings. We are hedging our expos the variability hedged risk are recognized in future cash flows for forecasted transactions over a maximum period interest income**.**

As of six years (excluding forecasted payment of variable interest on existing financial instruments). There December 31, 2023, the following amounts were no cash flow balance sheet as related to cumulative basis adjustment of December 31, 2022 or 2021. fair value hedges:

Item in the Balance Sheet in which the Hedged Item is Included	Carrying Amount of Hedged Assets/(Liabilities) At December 31, 2023	Carrying Amount of Hedged Assets/(Liabilities) At December 31, 2022	Cumulative Amount of Hedging Adjustments In Carrying Amount of Assets/(Liabilit At December 31, 2023
	(In thousands)		
Loans	$ 199,393	$ —	$ (607) $
Total	$ 199,393	$ —	$ (607) $

These amounts include the amortized cost basis of closed portfolios of fixed rate residential loans used to designate hedging relationships in which the hedged item is the sta the closed portfolio anticipated to be outstanding for the designated hedged period. At December 31, 2023, the amortized cost basis of the closed portfolios used in these hed **$461.2 million; the cumulative basis adjustments associated with these hedging relationships was approximately $607,000; and the notional amount of the designat $200 million. The Company had no fair value hedges at December 31, 2022. The notional amounts of these agreements do not represent amounts exchanged by the not a measure of the potential loss exposure. At December 31, 2023, the Company's fair value hedges had a remaining maturity of 0.8 years, and an average fixed ra**

Non-hedging Derivatives.

Derivatives not designated as hedges are not speculative, but rather result from a service the Company provides to certain customers. The Company executes loan-level deri interest-rate swap agreements with commercial banking customers to aid them in managing their interest-rate risk by converting floating-rate loan payments to fixed-ra Company concurrently enters into offsetting swaps with a third-party financial institution, effectively minimizing the Company's net risk exposure resulting from such transa financial institution exchanges the customer's customer's fixed-rate loan payments for floating-rate loan payments. As the interest-rate swap agreements associated with thi hedge accounting requirements, changes in the fair value are recognized directly in earnings.

F-36

Fair Values of Derivative Instruments on the Balance Sheet.

The table below presents the fair value of our derivative financial instruments designated as hedging and non-hedging instruments as well as our classification on the balance 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022.

December 31, 2022	Asset Derivatives	Liability Derivatives
December 31, 2023	**Asset Derivatives**	**Li**

	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Bal
		(In thousands)				(In thousan	
Hedging Derivatives							
Interest rate swaps - fair value hedges						$ 651	
Derivatives not designated as hedging instruments:							
Interest rate swap – with customer counterparties		$ 0		$ 6,343		—	
Interest rate swap – with dealer counterparties		6,343		0		5,239	
Total derivatives not designated as hedging instruments	Other Assets	$ 6,343	Other Liabilities	$ 6,343			
Total derivatives					Other Assets	$ 5,890	Oth

December 31, 2021	Asset Derivatives		Liability Derivatives				
December 31, 2022					Asset Derivatives		Li
	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Bal
		(In thousands)				(In thousan	
Derivatives not designated as hedging instruments:							
Interest rate swap – with customer counterparties		$ 662		$ 1,030		$ —	
Interest rate swap – with dealer counterparties		1,030		662		6,343	
Total derivatives not designated as hedging instruments	Other Assets	$ 1,692	Other Liabilities	$ 1,692	Other Assets	$ 6,343	Oth

Effect of Derivative Instruments in the Consolidated Statements of Net Income and Changes in Shareholders' Equity. Income.

The table below presents the pre-tax effect of the Company's fair value hedge derivative on the statements of net gains (losses) income as of our cash flow hedges for the perio

	Amount of Gain (Loss) Recognized ir	
	Twelve Months Ended Dec	
	2022	2021
		(In thousands)
Interest rate swaps	$ —	$ —

December 31, 2023, December 31, 2022 and December 31, 2021.

	Location and Amount of Gain (Loss) Recognized in Income on Fair Value Hedging Relationships		
	Twelve Months Ended		
	2023	2022	
	Interest Income	Interest Income	Inte
		(In thousands)	
Total amounts of income line items presented in the statements of net income in which the effects of fair value hedges are recorded	$ 1,085	$ —	$
Gain (loss) on fair value hedging relationships			
Interest rate contracts:			
Hedged items	$ (607)	—	
Derivatives designated as hedging instruments	651	—	

Amounts reported

There were no gains or losses recognized in accumulated other comprehensive loss related to these derivatives are reclassified to interest expense as interest payments are n rate sensitive liabilities. income during the years ended December 31, 2023 or 2022.

F-37

The table below presents the amount reclassified from accumulated other comprehensive loss into net income for interest rate swaps and termination fees:

	Amount of Gain Reclassified from (Effective Portion	
	Twelve Months Ended Dec	
	2022	2021
		(In thousands)
Interest rate swaps	$ —	$ —

At December 31, 2022 and 2021, the Company did not have any outstanding cash flow hedges.

Credit-risk-related Contingent Features

By using derivative financial instruments, we expose ourselves to credit risk. Credit risk is the risk of failure by the counterparty to perform under the terms of the derivative value of a derivative contract is positive, the counterparty owes us, which creates credit risk for us. When the fair value of a derivative is negative, we owe the counterparty not possess credit risk. The credit risk in derivative instruments is mitigated by entering into transactions with highly-rated counterparties that we believe to be creditwort amount of exposure to each counterparty.

We have agreements with our derivative counterparties that contain a provision where if we default on any of our indebtedness, including default where repayment of the ind accelerated by the lender, then we could also be declared in default on our derivative obligations. We also have agreements with certain of our derivative counterparties t where if we fail to maintain our status as well capitalized, then the counterparty could terminate the derivative positions and we would be required to settle our obligations Certain of our agreements with our derivative counterparties contain provisions where if a formal administrative action by a federal or state regulatory agency occurs that creditworthiness in an adverse manner, we may be required to fully collateralize our obligations under the derivative instrument.

At December 31, 2022 December 31, 2023, we had minimum collateral posting thresholds with certain of our derivative counterparties. As of December 31, 2022 December required to post collateral under these agreements because we did not have any derivatives in a liability position with those counterparties.

12. 12. LEASES

The Company has lease agreements with lease and non-lease components, which are generally accounted for separately. We have not elected the practical expedient to acc lease components as one lease component. The Company has operating leases for certain of our banking offices and ATMs. Our leases have remaining lease terms of sixteen fifteen years, some of which include options to extend the leases for additional five-year terms up to ten years. Operating lease costs were $1.6 million, $1.5 million, a years ended December 31, 2022 December 31, 2023, 2022 and 2021.

Supplemental cash flow information related to leases was as follows:

	Year Ended December 31,		Yea
	2022	2021	
	(In thousands)		
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flows from operating leases	$ 1,482	$ 1,525	$
ROU assets obtained in exchange for lease obligations:			
Operating leases	1,714	181	

Supplemental balance sheet information related to leases was as follows:

	December 31, 2022	December 31, 2021	December 31, 2023
	(In thousands)		(In tho
Operating lease ROU assets	$ 9,224	$ 8,789	$ 8,201
Operating lease liabilities	$ 9,457	$ 8,964	$ 8,471

The weighted average remaining lease term for our operating leases was 9.8 9.1 years with a weighted average discount rate of 3.22 3.26% at December 31, 2022 Dece undiscounted lease payments for the Company's operating lease liabilities were as follows (in thousands):

Years Ending December 31,		
2023	$ 1,423	
2024	1,364	$
2025	1,280	
2026	1,238	
2027	983	
2028		
Thereafter	4,899	
Total lease payments	11,187	
Less imputed interest	(1,730)	
Total	$ 9,457	$

13. 13. REGULATORY CAPITAL

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirem mandatory and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on our consolidated financial statements. U guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of assets, liabilities, sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about comp and other factors. Prompt corrective action provisions are not applicable to savings and loan holding companies.

Federal banking regulations require the Company and the Bank to maintain minimum amounts and ratios of total, common equity Tier 1, Tier 1 and total capital to risk-wei capital to average assets, as set forth in the table below. Additionally, community banking institutions must maintain a capital conservation buffer of common equity Tier greater than 2.5% of total risk-weighted assets to avoid being subject to limitations on capital distributions and discretionary bonuses.

At December 31, 2022 December 31, 2023, we exceeded each of the applicable regulatory capital requirements including the capital conservation buffer. As of December 3 2023, the most recent notification from the Office of Comptroller of the Currency categorized the Bank as "well-capitalized" under the regulatory framework for prompt c categorized as "well-capitalized," the Bank must maintain minimum total risk-based, Tier 1 risk-based, Common Equity Tier 1 risk-based, and Tier 1 leverage ratios as se table. There are no conditions or events since that notification that management believes would change our category.

Our actual capital ratios of December 31, 2022 December 31, 2023 and December 31, 2021 December 31, 2022 are also presented in the following table.

	Actual		Minimum For Capital Adequacy Purpose		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		Actual		Minimum For Capital Adequacy Purpose	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)						(Dollars in thousands)	
December 31, 2022										
December 31, 2023										
Total Capital (to Risk Weighted Assets):										
Consolidated	$ 278,729	14.20 %	$ 157,042	8.00 %	N/A	N/A	$ 285,760	14.67 %	$ 155,873	8.00 %
Bank	264,795	13.50	156,904	8.00	$ 196,131	10.00 %	271,420	13.94	155,711	8.00
Tier 1 Capital (to Risk Weighted Assets):										
Consolidated	239,125	12.18	117,781	6.00	N/A	N/A	245,363	12.59	116,905	6.00
Bank	244,864	12.48	117,678	6.00	156,904	8.00	250,734	12.88	116,783	6.00
Common Equity Tier 1 Capital (to Risk Weighted Assets):										
Consolidated	239,125	12.18	88,336	4.50	N/A	N/A	245,363	12.59	87,679	4.50
Bank	244,864	12.48	88,259	4.50	127,485	6.50	250,734	12.88	87,587	4.50
Tier 1 Leverage Ratio (to Adjusted Average Assets):										
Consolidated	239,125	9.27	103,229	4.00	N/A	N/A	245,363	9.40	104,400	4.00
Bank	244,864	9.49	103,166	4.00	128,957	5.00	250,734	9.62	104,290	4.00

	Actual		Minimum For Capital Adequacy Purpose		Minimum To Be Well Capitalized Under Prompt Corrective Action Provisions		Actual		Minimum For Capital Adequacy Purpose	
	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)						(Dollars in thousands)	
December 31, 2021										
December 31, 2022										
Total Capital (to Risk Weighted Assets):										
Consolidated	$ 261,093	14.27 %	$ 146,347	8.00 %	N/A	N/A	$ 278,729	14.20 %	$ 157,042	8.00 %
Bank	243,788	13.35	146,135	8.00	$ 182,669	10.00 %	264,795	13.50	156,904	8.00
Tier 1 Capital (to Risk Weighted Assets):										
Consolidated	221,673	12.12	109,761	6.00	N/A	N/A	239,125	12.18	117,781	6.00
Bank	224,001	12.26	109,601	6.00	146,135	8.00	244,864	12.48	117,678	6.00
Common Equity Tier 1 Capital (to Risk Weighted Assets):										
Consolidated	221,673	12.12	82,320	4.50	N/A	N/A	239,125	12.18	88,336	4.50
Bank	224,001	12.26	82,201	4.50	118,735	6.50	244,864	12.48	88,259	4.50
Tier 1 Leverage Ratio (to Adjusted Average Assets):										
Consolidated	221,673	8.75	101,320	4.00	N/A	N/A	239,125	9.27	103,229	4.00
Bank	224,001	8.86	101,101	4.00	126,377	5.00	244,864	9.49	103,166	4.00

The following is a reconciliation of our GAAP capital to regulatory Tier 1, Common Equity Tier 1 and total capital:

	December 31,		
	2022	2021	
	(In thousands)		
Consolidated GAAP capital	$ 228,143	$ 223,688	$
Net unrealized losses on available-for-sale securities, net of tax	23,962	3,525	
Unrealized loss on defined benefit pension plan, net of tax	1,080	8,789	

Goodwill	(12,487)	(12,487)
Intangible assets, net of associated deferred tax liabilities	(1,573)	(1,842)
Unrealized loss on defined benefit pension plan, net of tax		
Tier 1 and Common Equity Tier 1 capital	239,125	221,673
Allowance for loan losses for regulatory capital	19,931	19,787
Allowance for credit losses for regulatory capital		
Subordinated debt	19,673	19,633
Total regulatory capital	$ 278,729	$ 261,093

On October 13, 2022, the Company announced the completion of its previously authorized stock repurchase plan (the “2021 Plan”) pursuant to which the Company was auth to 2.4 million shares, or 10% of its outstanding common stock, as of the date the 2021 Plan was adopted. On July 26, 2022, the Board of Directors authorized a new stoc “2022 Plan”), pursuant to which the Company is authorized to repurchase up to 1.1 million shares, which is approximately 5.0% of the Company’s outstanding common s 2022 Plan was adopted. During the three months ended December 31, 2022 December 31, 2023, the Company repurchased 78,826 244,839 shares of common stock under th the twelve months ended December 31, 2022 December 31, 2023, the Company repurchased 720,975 649,744 shares of common stock under both the 2021 and 2022 Plans. 31, 2022 December 31, 2023, there were 1,056,344 406,600 shares of common stock available for repurchase under the 2022 Plan.

We are subject to dividend restrictions imposed by various regulators, including a limitation on the total of all dividends that the Bank may pay to the Company in any caler that shall not exceed the Bank’s net income for the current year, plus its net income retained for the two previous years, without regulatory approval. At December 31, 2022 D Bank had $33.6 26.2 million in retained earnings available for payment of dividends without prior regulatory approval. In addition, the Bank may not declare or pay dividen repurchase, any of our shares of common stock if the effect thereof would cause shareholders’ equity to be reduced below applicable regulatory capital maintenance r declaration, payment or repurchase would otherwise violate regulatory requirements. The Bank will be prohibited from paying cash dividends to the Company to the extent would reduce the Bank’s capital below required capital levels. Accordingly, $156.9 157.0 million and $146.1 156.9 million of our equity in the net assets of the Bank was rest 2022 December 31, 2023 and 2021, 2022, respectively.

14. 14. INCOME TAXES

Income taxes consist of the following:

	Years Ended December 31, 2022	2021	2020	Years E 2023
	(In thousands)			
Current tax provision:				
Federal	$ 5,251	$ 5,061	$ 3,793	$ 2,990
State	2,403	2,320	1,579	1,335
Total	7,654	7,381	5,372	4,325
Deferred tax provision (benefit):				
Deferred tax provision:				
Federal	712	462	(1,639)	94
State	376	182	(792)	97
Total	1,088	644	(2,431)	191
Total tax provision	$ 8,742	$ 8,025	$ 2,941	$ 4,516

The differences between the statutory federal income tax at a rate of 21% and the effective tax are summarized below:

	Years Ended December 31, 2022	2021	2020	Year 2023
	(In thousands)			
Statutory federal income tax	$ 7,272	$ 6,662	$ 2,973	$ 4,11
Increase (decrease) resulting from:				
State taxes, net of federal tax benefit	2,195	1,977	622	1,24
Tax exempt income	(360)	(307)	(337)	(34
Bank-owned life insurance (BOLI)	(362)	(401)	(380)	(38
BOLI death benefit	—	(117)	—	(16
Option exercise tax (benefit) shortfall	(28)	(15)	1	–
Other, net	25	226	62	4
Effective tax	$ 8,742	$ 8,025	$ 2,941	$ 4,51

Cash paid for income taxes for the years ended December 31, 2022 December 31, 2023, 2022 and 2021 and 2020 was $7.4 4.6 million, $6.9 7.4 million and $5.8 6.9million, re

The tax effects of each item that gives rise to deferred taxes are as follows:

	December 31, 2022	2021

	(In thousands)	
Deferred tax assets:		
Net unrealized loss on available-for-sale securities	$ 8,197	$ 1,160
Allowance for loan losses	5,603	5,562
Lease liability	2,658	2,520
Employee benefit and share-based compensation plans	1,027	2,409
Accrued expenses	807	624
Nonaccrual interest		
FDIC assessment		
Interest payable		
Purchased mortgage servicing rights		
Defined benefit plan	421	3,436
Net unrealized loss on marketable equity securities	287	85
Nonaccrual interest	211	196
Purchased mortgage servicing rights	89	140
Other	165	182
Gross deferred tax assets	19,465	16,314
Deferred tax liabilities:		
Lease right-of-use asset	(2,593)	(2,471)
Purchase accounting adjustments, net		
Deferred loan fees	(708)	(539)
Fixed asset depreciation	(675)	(677)
Purchase accounting adjustments, net	(442)	(523)
Other	(20)	(12)
Gross deferred tax liabilities	(4,438)	(4,222)
Net deferred tax asset	$ 15,027	$ 12,092

The federal income tax reserve for loan losses at the Bank's base year is $9.4 million. If any portion of the reserve is used for purposes other than to absorb loan losses, appr amount actually used, limited to the amount of the reserve, would be subject to taxation in the fiscal year in which used. As the Bank intends to use the reserve solely t deferred tax liability of $2.6 million has not been provided.

We do not have any uncertain tax positions at December 31, 2022 December 31, 2023 or 2021 2022 which require accrual or disclosure. We record interest and penalties expense. No We recorded $6,400 in interest and penalties for the year ended December 31, 2023. There were no interest or penalties were recorded for the years ended De and 2020.2021.

Our income tax returns are subject to review and examination by federal and state tax authorities. We are currently open to audit under the applicable statutes of limitations b Service for the years ended December 31, 2019 December 31, 2020 through 2022. 2023. The years open to examination by state taxing authorities vary by jurisdiction; how 2019 2020 are open.

15. 15. TRANSACTIONS WITH DIRECTORS AND EXECUTIVE OFFICERS

We have had, and expect to have in the future, loans with our directors and executive officers including their affiliates. Such loans, in our opinion, do not include more t collectability or other unfavorable features. Following is a summary of activity for such loans:

	Years Ended December 31,		Years Ende
	2022	2021	2023
	(In thousands)		(In th
Balance at beginning of year	$ 603	$ 695	$
Principal distributions	15	12	
Repayments of principal	(43)	(104)	
Change in related party status	(30)	—	
Balance at end of year	$ 545	$ 603	$

16. 16. COMMITMENTS AND CONTINGENCIES

Loan Commitments.

In the normal course of business, various commitments and contingent liabilities are outstanding, such as standby letters of credit and commitments to extend credit with off- are not reflected in the consolidated financial statements. Financial instruments with off-balance-sheet risk involve elements of credit, interest rate, liquidity and market risk. We do not anticipate any significant losses as a result of these transactions. The following summarizes these financial instruments and other commitments and contingent lia amounts:

	December 31,		
	2022	2021	2
	(In thousands)		

Commitments to extend credit:			
Unused lines of credit	$ 328,850	$ 326,017	$
Loan commitments	84,123	138,765	
Existing construction loan agreements	70,516	48,235	
Standby letters of credit	22,049	30,160	

We use the same credit policies in making commitments and conditional obligations as for on balance sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have or other termination clauses and may require payment of a fee. Since some commitments expire without being drawn upon, the total commitment amounts do not necessaril requirements. We evaluate each customer's creditworthiness on a case-by-case basis. The amount of collateral obtained, if deemed necessary by us upon extension management's credit evaluation of the counterparty. Collateral held varies but may include accounts receivable, inventory, property, plant and equipment, and income- properties.

Standby letters of credit are written conditional commitments that guarantee the performance of a customer to a third party. Those guarantees are primarily issued to sup borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. At December 2023 and 2021, 2022, outstanding standby letter of credit commitments totaled $22.0 $22.4 million and $30.2 22.0 million, respectively, with standby letters of credit issue behalf totaling $16.4 15.3 million and $23.4 16.4 million, respectively.

At December 31, 2022 December 31, 2023, outstanding commitments to extend credit totaled $505.5 444.5 million, with $107.1 52.8 million in fixed rate commitments wit from 1.99% to 18.00% and $398.4 391.7 million in variable rate commitments. At December 31, 2021 December 31, 2022, outstanding commitments to extend credit totale with $101.5 107.1 million in fixed rate commitments with interest rates ranging from 1.99 1.99%% to 18.00 18.00%% and $441.7 398.4 million in variable rate commitments.

We also have risk participation agreements ("RPAs") with another financial institution. The RPAs are a guarantee to share credit risk associated with an interest rate swap o the event of counterparty default. As such, we accept a portion of the credit risk in order to participate in the loans and we receive a one-time fee. The interest rate swap is c by real estate or business assets) by us and the third party, which limits the credit risk associated with the RPAs. Per the terms of the RPAs, we must pledge collateral equal interest rate swap. We monitor overall collateral as part of our off-balance sheet liability analysis, and at December 31, 2022 December 31, 2023, believe sufficient collater potential swap losses.

In the ordinary course of business, we are party to various legal proceedings, none of which, in our opinion, will have a material effect on our consolidated financial position o

Vendor Contract.

The Company entered into a long-term contractual obligation with a vendor for use of its core provider and ancillary services beginning in 2016. Total remaining contractual o with this vendor as of December 31, 2022 December 31, 2023 were estimated to be $10.7 11.6 million, with $4.9 5.4 million expected to be paid within one year and the rem to be paid within the next three years.

Investment Commitments.

The Bank is a limited partner in a Small Business Investment Company ("SBIC") and committed to contribute capital of $3 7.5.0 million to the partnership. At December 2023, the SBIC currently has a book value of $2.7 3.7 million and is included in other assets. The unfunded commitment to the partnership was $300,000 3.8 mi 2022 December 31, 2023.

Employment and change of control agreements.

We have entered into employment and change of control agreements with certain senior officers. The initial term of the employment agreements is for three years subje extensions as approved by the Board of Directors at the end of each applicable fiscal year. Each employment agreement provides for minimum annual salaries, discretionary fringe benefits as well as severance benefits upon certain terminations of employment that are not for cause. The change of control agreements expire one year following a r and only provide for severance benefits upon certain terminations of employment that are not for cause and that are related to a change of control of the Company or the Bank

17. 17. FAIR VALUE OF ASSETS AND LIABLITIES

Determination of Fair Value.

We use fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. The fair value of a financial instr would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determin market prices. However, in many instances, there are no quoted market prices for our various financial instruments. In cases where quoted market prices are not available, f estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimate Accordingly, the fair value estimates may not be realized in an immediate settlement of the instrument.

Methods and assumptions for valuing our financial instruments are set forth below. Estimated fair values are calculated based on the value without regard to any premium or d from concentrations of ownership of a financial instrument, possible tax ramifications or estimated transaction cost.

Securities. The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market. All other securities are measured at fair value in on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and securities include government-sponsored enterprise obligations, state and municipal obligations, corporate bonds, residential mortgage-backed securities guaranteed and government or an agency thereof. Fair value measurements are obtained from a third-party pricing service and are not adjusted by management.

Interest rate swaps. The valuation of our interest rate swaps is obtained from a third-party pricing service and is determined using a discounted cash flow analysis on the each derivative. The pricing analysis is based on observable inputs for the contractual terms of the derivatives, including the period to maturity and interest rate curves. We ha majority of the inputs used to value our interest rate derivatives fall within Level 2 of the fair value hierarchy.

Assets and Liabilities Measured at Fair Value on a Recurring Basis.

Assets and liabilities measured at fair value on a recurring basis are summarized below:

	December 31, 2023			
	Level 1	Level 2	Level 3	Total
Assets:	(In thousands)			
Available-for-sale securities	$ —	$ 137,115	$ —	$ 137,115
Marketable equity securities	196	—	—	196
Interest rate swaps	—	5,890	—	5,890
Total assets	$ 196	$ 143,005	$ —	$ 143,201
Liabilities:				
Interest rate swaps	$ —	$ 5,239	$ —	$ 5,239

	December 31, 2022

	Level 1	Level 2	Level 3	Total
Assets:		(In thousands)		
Available-for-sale securities	$ —	$ 146,997	$ —	$ 146,997
Marketable equity securities	6,237	—	—	6,237
Interest rate swaps	—	6,343	—	6,343
Total assets	$ 6,237	$ 153,340	$ —	$ 159,577
Liabilities:				
Interest rate swaps	$ —	$ 6,343	$ —	$ 6,343

	December 31, 2021			
	Level 1	Level 2	Level 3	Total
Assets:		(In thousands)		
Available-for-sale securities	$ —	$ 194,352	$ —	$ 194,352
Marketable equity securities	11,896	—	—	11,896
Interest rate swaps	—	1,692	—	1,692
Total assets	$ 11,896	$ 196,044	$ —	$ 207,940
Liabilities:				
Interest rate swaps	$ —	$ 1,692	$ —	$ 1,692

There were no transfers to or from Level 1 and 2 for assets measured at fair value on a recurring basis during the years ended December 31, 2022 December 31, 2023 and 202

Assets Measured at Fair Value on a Non-recurring Basis.

We may also be required, from time to time, to measure certain other financial assets at fair value on a nonrecurring basis in accordance with generally accepted accou adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following table summarizes the fair determine the carrying values of the related assets as of December 31, 2022.December 31, 2023 and 2022.

	At December 31, 2022		
	Level 1	Level 2	Level 3
		(In thousands)	
Impaired Loans	$ —	$ —	$ 877

	At December 31, 2023			Year Ended December 31, 2023
	Level 1	Level 2	Level 3	Total Losses
		(In thousands)		(In thousands)
Individually evaluated loans	$ —	$ —	$ 1,100	$ 2,178

	At December 31, 2022			Year Ended December 31, 2022
	Level 1	Level 2	Level 3	Total Losses
		(In thousands)		(In thousands)
Impaired loans	$ —	$ —	$ 877	$ 472

The amount of impaired loans represents the carrying value, net of the related write-down or valuation allowance of impaired loans for which adjustments are based on the the underlying collateral. The fair value of impaired loans with specific allocations of the allowance for loan losses is generally based on real estate appraisals performed by i certified appraisers. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustm in the appraisal process by the appraisers to adjust for differences between the comparable sales and income data available. Management will discount appraisals as deemed date of the appraisal and new information deemed relevant to the valuation. Such adjustments are typically significant and result in a Level 3 classification of the inputs for The resulting losses were recognized in earnings through the provision for loan credit losses. There were no liabilities measured at fair value on a non-recurring basis at Decer

Summary of Fair Values of Financial Instruments.

The estimated fair values of our financial instruments are as follows:

	December 31, 2023				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Tot
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 28,840	$ 28,840	$ —	$ —	$
Securities held-to-maturity	223,370	9,450	178,242	—	
Securities available-for-sale	137,115	—	137,115	—	
Marketable equity securities	196	196	—	—	
Federal Home Loan Bank of Boston and other restricted stock	3,707	—	—	3,707	

	Carrying Value	Level 1	Level 2	Level 3	Tot
Loans - net	2,007,050	—	—	1,841,913	1
Accrued interest receivable	8,528	—	—	8,528	
Mortgage servicing rights	422	—	724	—	
Derivative asset	5,890	—	5,890	—	
Liabilities:					
Deposits	2,143,744	—	—	2,140,930	2
Short-term borrowings	16,100	—	16,100	—	
Long-term debt	120,646	—	120,460	—	
Subordinated debt	19,712	—	17,938	—	
Accrued interest payable	3,310	—	—	3,310	
Derivative liabilities	5,239	—	5,239	—	

	December 31, 2022				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Tot
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 30,342	$ 30,342	$ —	$ —	$
Securities held-to-maturity	230,168	9,162	181,788	—	
Securities available-for-sale	146,997	—	146,997	—	
Marketable equity securities	6,237	6,237	—	—	
Federal Home Loan Bank of Boston and other restricted stock	3,352	—	—	3,352	
Loans - net	1,971,469	—	—	1,856,087	1
Accrued interest receivable	8,140	—	—	8,140	
Mortgage servicing rights	550	—	794	—	
Derivative asset	6,343	—	6,343	—	
Liabilities:					
Deposits	2,229,443	—	—	2,220,405	2
Short-term borrowings	41,350	—	41,350	—	
Long-term debt	1,178	—	1,094	—	
Subordinated debt	19,673	—	18,132	—	
Accrued interest payable	186	—	—	186	
Derivative liabilities	6,343	—	6,343	—	

	December 31, 2021				
	Carrying Value	Fair Value			
		Level 1	Level 2	Level 3	Tot
			(In thousands)		
Assets:					
Cash and cash equivalents	$ 103,456	$ 103,456	$ —	$ —	$
Securities held-to-maturity	222,272	9,973	209,775	—	
Securities available-for-sale	194,352	—	194,352	—	
Marketable equity securities	11,896	11,896	—	—	
Federal Home Loan Bank of Boston and other restricted stock	2,594	—	—	2,594	
Loans - net	1,844,929	—	—	1,838,045	1
Accrued interest receivable	7,775	—	—	7,775	
Mortgage servicing rights	693	—	739	—	
Derivative asset	1,692	—	1,692	—	
Liabilities:					
Deposits	2,256,898	—	—	2,256,834	2
Long-term debt	2,653	—	2,620	—	
Subordinated debt	19,633		20,479	—	
Accrued interest payable	191	—	—	191	
Derivative liabilities	1,692	—	1,692	—	

Limitations. Fair value estimates are made at a specific point in time, based on relevant market information and information about the financial instrument. These estim premium or discount that could result from offering for sale at one time our entire holdings of a particular financial instrument. Where quoted market prices are not available, based on judgments regarding future expected loss experience, current economic conditions, risk characteristics of various financial instruments, and other factors. These esti nature and involve uncertainties and matters of significant judgment. Changes in assumptions could significantly affect the estimates.

18. **18.** **SEGMENT**

The Company, through its bank subsidiary, provides a broad range of financial services to individuals and companies primarily in western Massachusetts and northern Conn include commercial lending, residential lending and consumer lending, checking, savings and time deposits, cash management, and wealth management. Su Company's Company's revenues, profits, and assets are derived by the Bank from banking products and services. The Company did not have any reportable segments for the 31, 2022 December 31, 2023, 2021 2022 or 2020.2021.

19. 19. **CONDENSED PARENT COMPANY FINANCIAL STATEMENTS**

The condensed balance sheets of the parent company are as follows:

	December 31,		
	2022	2021	2
	(In thousands)		
ASSETS:			
Cash equivalents	$ 763	$ 4,083	$
Investment in subsidiaries	233,882	226,015	
ESOP loan receivable	3,697	4,356	
Other assets	13,784	13,819	
TOTAL ASSETS	$ 252,126	$ 248,273	$
LIABILITIES:			
ESOP loan payable	$ 3,697	$ 4,356	$
Other liabilities	20,286	20,229	
EQUITY	228,143	223,688	
TOTAL LIABILITIES AND EQUITY	$ 252,126	$ 248,273	$

The condensed statements of net income for the parent company are as follows:

	Years Ended December 31,			Years E
	2022	2021	2020	2023
	(In thousands)			(I
INCOME:				
Dividends from subsidiaries	$ 8,152	$ 13,024	$ 15,812	$ 12,119
ESOP loan interest income	349	402	457	296
Other income	2	1	1	36
Total income	8,503	13,427	16,270	12,451
OPERATING EXPENSE:				
Salaries and employee benefits	2,011	2,153	1,420	1,761
ESOP interest	349	402	457	296
Other expenses	1,283	998	406	1,310
Total operating expense	3,643	3,553	2,283	3,367
Income before equity in undistributed income of subsidiaries and income taxes	4,860	9,874	13,987	9,084
Equity in undistributed income (loss) of subsidiaries	20,595	13,009	(3,123)	
Equity in undistributed income of subsidiaries				5,591
Net income before taxes	25,455	22,883	10,864	14,675
Income tax benefit	(432)	(816)	(351)	(393)
Net income	$ 25,887	$ 23,699	$ 11,215	$ 15,068

The condensed statements of cash flows of the parent company are as follows:

	Years Ended December 31,			Years En
	2022	2021	2020	2023
	(In thousands)			(In
OPERATING ACTIVITIES:				
Net income	$ 25,887	$ 23,699	$ 11,215	$ 15,068
Equity in undistributed (income) loss of subsidiaries	(20,595)	(13,009)	3,123	
Equity in undistributed income of subsidiaries				(5,591)
Net amortization of premiums on subordinated debt	40	27	—	39
Change in other liabilities	(642)	(353)	(672)	(881)
Change in other assets	694	(142)	335	651
Other, net	1,757	1,989	1,385	1,979
Net cash provided by operating activities	7,141	12,211	15,386	11,265
INVESTING ACTIVITIES:				
Purchase of securities	(107)	(105)	(122)	(103)
Sales of securities	107	105	122	103
Net cash provided by investing activities	—	—	—	—

FINANCING ACTIVITIES:				
Cash dividends paid	(5,281)	(4,677)	(5,037)	(6,066)
Common stock repurchased	(6,351)	(23,281)	(10,519)	(5,022)
Proceeds from issuance of subordinated debt	—	20,000	—	—
Payment of subordinated debt issue costs	—	(394)	—	—
Issuance of common stock in connection with stock option exercises	1,171	193	43	—
Net cash used in financing activities	(10,461)	(8,159)	(15,513)	(11,088)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,320)	4,052	(127)	
NET CHANGE IN CASH AND CASH EQUIVALENTS				177
CASH AND CASH EQUIVALENTS				
Beginning of year	4,083	31	158	763
End of year	$ 763	$ 4,083	$ 31	$ 940
Supplemental cash flow information:				
Net change in due to broker for common stock repurchased	$ —	$ (160)	$ 160	$ —

20. **20. SUMMARY OF QUARTERLY FINANCIAL INFORMATION (UNAUDITED)**

The following tables present a summary of our quarterly financial information for the periods indicated. The year-to-date totals may differ slightly due to rounding. All unau statements furnished shall reflect all adjustments which are, in the opinion of management, necessary to a fair statement of the results for interim periods presented and are of nature, unless otherwise noted.

	2022				202	
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	First Quarter	Second Quarter
	(Dollars in thousands, except per share amounts)				(Dollars in thousands	amour
Interest and dividend income	$ 19,943	$ 20,646	$ 21,754	$ 23,585	$ 23,638	$ 24,809
Interest expense	1,245	1,254	1,466	2,731	5,134	7,963
Net interest and dividend income	18,698	19,392	20,288	20,854	18,504	16,846
(Credit) provision for loan losses	(425)	300	675	150		
(Reversal of) provision for credit losses					(388)	420
Loss on available-for-sale securities, net	(4)	—	—	—		
Unrealized (losses) gains on marketable equity securities, net	(276)	(225)	(235)	19		
Loss on disposal of premises and equipment					—	—
Unrealized losses on marketable equity securities, net					—	—
Gain on non-marketable equity investments	—	141	211	70	352	—
Gain on defined benefit plan curtailment (1)	—	—	—	2,807		
Gain on sale of mortgages	2	—	—	—		
Loss on defined benefit plan termination[(1)]					—	(1,143)
Gain on bank-owned life insurance death benefit[(2)]					—	—
Other non-interest income	2,626	2,825	2,614	2,757	2,627	2,735
Non-interest income	2,348	2,741	2,590	5,653	2,979	1,592
Non-interest expense	14,456	14,433	14,343	14,003	14,896	14,551
Income before income taxes	7,015	7,400	7,860	12,354	6,975	3,467
Income tax provision	1,696	1,865	1,861	3,320	1,671	704
Net income	$ 5,319	$ 5,535	$ 5,999	$ 9,034	$ 5,304	$ 2,763
Basic earnings per share	$ 0.24	$ 0.25	$ 0.28	$ 0.42	$ 0.24	$ 0.13
Diluted earnings per share	$ 0.24	$ 0.25	$ 0.28	$ 0.42	$ 0.24	$ 0.13

(1) The decrease in non-interest income for the three months ended June 30, 2023 was due to a one-time, non-recurring final termination expense of $1.1 milli
termination of the Company's defined benefit pension plan.

(2) The increase in non-interest income for the three months ended September 30, 2023 was due to a non-taxable gain on bank-owned life insurance.

	2022			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars in thousands, except per share amounts)			
Interest and dividend income	$ 19,943	$ 20,646	$ 21,754	$ 23,585
Interest expense	1,245	1,254	1,466	2,731
Net interest and dividend income	18,698	19,392	20,288	20,854
(Credit) provision for loan losses	(425)	300	675	150
Loss on available-for-sale securities, net	(4)	—	—	—
Unrealized (losses) gains on marketable equity securities, net	(276)	(225)	(235)	19
Gain on non-marketable equity investments	—	141	211	70
Gain on defined benefit plan curtailment[1]	—	—	—	2,807
Gain on sale of mortgages	2	—	—	—
Other non-interest income	2,626	2,825	2,614	2,757
Non-interest income	2,348	2,741	2,590	5,653
Non-interest expense	14,456	14,433	14,343	14,003
Income before income taxes	7,015	7,400	7,860	12,354
Income tax provision	1,696	1,865	1,861	3,320
Net income	$ 5,319	$ 5,535	$ 5,999	$ 9,034
Basic earnings per share	$ 0.24	$ 0.25	$ 0.28	$ 0.42
Diluted earnings per share	$ 0.24	$ 0.25	$ 0.28	$ 0.42

(1) The increase in non-interest income for the three months ended December 31, 2022 was due to a $2.8 million gain on defined benefit plan curtailment resulting from
Company's pension plan, which became effective October 31, 2022, subject to regulatory approvals.

F-50

	2021			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(Dollars in thousands, except per share amounts)			
Interest and dividend income	$ 20,033	$ 19,652	$ 20,238	$ 19,926
Interest expense	2,007	1,848	1,473	1,344
Net interest and dividend income	18,026	17,804	18,765	18,582
Provision (credit) for loan losses	75	(1,200)	(100)	300
(Loss) gain on available-for-sale securities, net	(62)	(12)	2	—
Unrealized (losses) gains on marketable equity securities, net	(89)	6	11	(96)
Loss on interest rate swap termination	—	(402)	—	—
Gain on non-marketable equity investments	546	—	—	352
BOLI death benefit	—	—	—	555
Gain on sale of mortgages	227	242	665	289
Other non-interest income	2,382	2,575	2,617	2,756
Non-interest income	3,004	2,409	3,295	3,856
Non-interest expense	13,327	13,674	14,018	13,923
Income before income taxes	7,628	7,739	8,142	8,215
Income tax provision	1,837	2,087	2,106	1,995
Net income	$ 5,791	$ 5,652	$ 6,036	$ 6,220
Basic earnings per share	$ 0.24	$ 0.24	$ 0.27	$ 0.28
Diluted earnings per share	$ 0.24	$ 0.24	$ 0.27	$ 0.28

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("the Agreement") is made and entered into as of January 1, 2021 February 22, 2024 (the "Effective Date") by and betw **ENGLAND BANCORP, INC.,** a business corporation organized and existing under the laws of the Commonwealth of Massachusetts and having an office at 141 Massachusetts 01085 (the "Company") and **FILIPE B. GONCALVES JOHN E. BONINI** (the "Executive").

WITNESSETH: W I T N E S S E T H :

WHEREAS, the Executive currently serves as Senior Vice President, Commercial Loan Officer II and Team Leader General Counsel of the Company, the holding Bank (the "Bank");

WHEREAS, the Company desires to assure for itself the continued availability of the Executive's Executive's services as provided in this Agreement and the abil perform such services with a minimum of personal distraction in the event of a pending or threatened Change of Control (as hereinafter defined); and

WHEREAS, the Executive is willing to continue to serve the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions hereinafter set forth, the Company and the Executive hereby agree

Section 1. *Employment.*

Section 1. *Employment.*

The Company agrees to continue to employ the Executive, and the Executive hereby agrees to such continued employment, during the period and upon the terms and this Agreement.

Section 2. *Employment Period: Remaining Unexpired Employment Period.*

Section 2. *Employment Period: Remaining Unexpired Employment Period.*

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section Section 2 ("Emp Employment Period shall be for an initial term of three (3) years beginning on the Effective Date and ending on the third anniversary date of this Agreement, plus such ex provided pursuant to section Section 2(b).

(b) The Board of Directors of the Company (the "Board") shall conduct an annual review of the Executive's Executive's performance on or about each anniversar (each, an "Anniversary Date") and may, on the basis of such review and by written notice to the Executive, offer to extend the Employment Period for an additional one (event, the Employment Period shall be deemed extended in the absence of objection from the Executive by written notice to the Company given within ten (10) business days Company's Company's offer of extension. Except as otherwise expressly provided in this Agreement, any reference in this Agreement to the term "Remaining Unexpired Em any date shall mean the period beginning on such date and ending on the day of the third (3rd) anniversary of the last Anniversary Date as of which the Employment Period to this section Section 2(b).

(c) Nothing in this Agreement shall be deemed to prohibit the Company at any time from terminating the Executive's Executive's employment during the Empl without notice for any reason; *provided, however,* that the relative rights and obligations of the Company and the Executive in the event of any such termination shall be Agreement.

Section 3. *Duties.*

Section 3. *Duties.*

The Executive shall serve as Senior Vice President, Commercial Loan Officer II and Team Leader General Counsel of the Company, having such power, authority performing such duties as are prescribed by or under the By-Laws of the Company and as are customarily associated with such position. Subject to Section 7 of this Agreem devote his full business time and attention (other than during weekends, holidays, approved vacation periods, and periods of illness or approved leaves of absence) to the bus Company and shall use his best efforts to advance the interests of the Company.

Section 4. *Cash Compensation.*

Section 4. *Cash Compensation.*

In consideration for the services to be rendered by the Executive hereunder, the Company shall continue to pay to him a salary at an annual rate of $225,000 $ approximately equal installments in accordance with the Company's Company's customary payroll practices for senior officers. The Board of Directors of the Com Executive's Executive's annual rate of salary at such times during the Employment Period as it deems appropriate, but not less frequently than once every twelve (12) n discretion, approve an increase therein. In addition to salary, the Executive may receive other cash compensation from the Company for services hereunder at such times, i such terms and conditions as the Board may determine from time to time.

Section 5. *Employee Benefit Plans and Programs.*

Section 5. *Employee Benefit Plans and Programs.*

During the Employment Period, the Executive shall be treated as an employee of the Company and shall be entitled to participate in and receive benefits under any a qualified retirement, pension, savings, profit-sharing or stock bonus plans, any and all group life, health (including hospitalization, medical and major medical), dental, a disability insurance plans, and any other employee benefit and compensation plans (including, but not limited to, any incentive compensation plans or programs, stock option plans and restricted stock plans) as may from time to time be maintained by, or cover employees of, the Company in accordance with the terms and conditions of such empl programs and compensation plans and programs and consistent with the Company's Company's customary practices.

Section 6. *Indemnification and Insurance.*

Section 6. *Indemnification and Insurance.*

(a) During the Employment Period and for a period of six (6) years thereafter, the Company shall cause the Executive to be covered by and named as an insur contract of insurance obtained by it to insure its directors and officers against personal liability for acts or omissions in connection with service as an officer or director of the other capacities at the request of the Company. The coverage provided to the Executive pursuant to this section Section 6 shall be of the same scope and on the same term coverage (if any) provided to other officers or directors of the Company.

(b) To the maximum extent permitted under applicable law, during the Employment Period and for a period of six (6) years thereafter, the Company shall in against and hold him harmless from any costs, damages, losses and exposures arising out of a bona fide action, suit or proceeding in which he may be involved by reaso director or officer of the Company to the fullest extent and on the most favorable terms and conditions that similar indemnification is offered to any director or officer c subsidiary or affiliate thereof.

(c) The Executive, the Company and the Bank agree that the termination benefits described in this Section 6 are intended to be exempt from Section 409A of the (“Section 409A”) pursuant to Treasury Regulation Section 1.409A-1(b)(10) as certain indemnification and liability insurance plans.

Section 7. *Outside Activities*.

Section 7. *Outside Activities*.

The Executive may serve as a member of the boards of directors of such business, community and charitable organizations as he may disclose to and as may be a (which approval shall not be unreasonably withheld); *provided, however,* that such service shall not materially interfere with the performance of his duties under this Agreeme also engage in personal business and investment activities which do not materially interfere with the performance of his duties hereunder; *provided, however,* that such activ under any code of conduct or investment or securities trading policy established by the Company and generally applicable to all similarly situated executives. The Executiv officer or director of the Bank on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to mater Executive’s Executive's performance of his duties hereunder or otherwise result in a material breach of this Agreement. If the Executive is discharged or suspended, or is su prohibition or restriction with respect to participation in the affairs of the Bank, he shall continue to perform services for the Company in accordance with this Agreement b indirectly provide services to or participate in the affairs of the Bank in a manner inconsistent with the terms of such discharge or suspension or any applicable regulatory orde

Section 8. *Working Facilities and Expenses.*

Section 8. *Working Facilities and Expenses.*

The Executive’s Executive's principal place of employment shall be at the Company’s Company's executive offices at the address first above written or at such Company and the executive may mutually agree upon. The Company shall provide the Executive at his principal place of employment with a private office, secretarial serv services and facilities suitable to his position with the Company and necessary or appropriate in connection with the performance of his assigned duties under this Agreeme provide to the Executive an allowance of $1,000 per month for an automobile appropriate to his position, to be used in the performance of his duties hereunder, including com personal residence. The Company shall reimburse the Executive for his ordinary and necessary business expenses, including, without limitation, all expenses associated with aforementioned his automobile, fees for memberships in such clubs and organizations as the Executive and the Company shall mutually agree are necessary and appropriate and his travel and entertainment expenses incurred in connection with the performance of his duties under this Agreement, in each case upon presentation to the Company of such expenses in such form as the Company may reasonably require. Expense reimbursements shall occur at the time provided in any relevant reimbursement policy or proc and in any event not later than the last day of the calendar year immediately following the calendar year in which the reimbursable expense is incurred. incurred, and no expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

Section 9 *Termination of Employment with Severance Benefits.*

Section 9 *Termination of Employment with Severance Benefits.*

(a) The Executive shall be entitled to the severance benefits described in section Section 9(b) in the event that:

(i) his employment with the Company terminates during the Employment Period as a result of the Executive’s Executive's voluntary resigna days following:

(A) the failure of the Board to appoint or re-appoint or elect or re-elect the Executive to the position with the Company stated in s Agreement;

(B) if the Executive is a member of the Board, the failure of the shareholders of the Company to elect or re-elect the Executive to the the Board (or the nominating committee thereof) to nominate the Executive for such election or re-election;

(C) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Company of its m by amendment of the Company’s Company's Certificate of Incorporation, the Company’s Company's By-Laws, action of the Board or the shareholders or otherwise, to vest in the Executive the functions, duties, or responsibilities prescribed in section Section 3 of this Agreement, un (30)-day period, the Company cures such failure;

(D) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Company of its term, condition or covenant contained in this Agreement (including, without limitation any reduction of the Executive’s Executive's rate of base sa to time and any change in the terms and conditions of any compensation or benefit program in which the Executive participates which, either i with other changes, has a material adverse effect on the aggregate value of his total compensation package), unless, during such thirty (30)-day cures such failure;

(E) a change in the Executive’s Executive's principal place of employment to a place that is not the principal executive office of the B the Bank’s Bank's principal executive office to a location that is both more than twenty-five (25) miles away from the Executive’s Executive's p more than twenty-five (25) miles away from the location of the Bank’s Bank's principal executive office on the date of this Agreement; or

(F) any material breach by the Company of any material term, condition or covenant contained in this Agreement; *provided, however,* t have given notice of such materials adverse effect to the Company, and the Company has not fully cured such failure within thirty (30) days after given; or

(ii) the Executive’s employment with the Company is terminated by the Company for any reason other than for “cause” as provided in section S

(b) Upon the occurrence of any of the events described in section Section 9(a) of this Agreement, the Company shall pay and provide to the Executive (or, in thereafter and prior to payment, to his estate):

(i) his earned but unpaid salary (including, without limitation, all items which constitute wages under applicable law and the payment of provided for in this section Section 9(b)) as of the date of the termination of his employment with the Company and the Bank, such payment to be made manner prescribed by law applicable to the payment of wages but in no event later than thirty (30) days after termination of employment as defined in Treas 1.409A-1(h)(1)(ii);

(ii) the benefits, if any, to which he is entitled as a former employee under the employee benefit plans and programs and compensation plans an for the benefit of the Company’s Company's and the Bank’s Bank's officers and employees;

(iii) continued group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance b the same terms and conditions (including any required premium-sharing arrangements, co-payments and deductibles) in effect for them imm Executive’s Executive's termination for the Remaining Unexpired Employment Period for the Executive and his dependents. The coverage provided under t (iii) may, at the election of the Company, be secondary to the coverage provided pursuant to section Section 9(b)(ii) and to any employer-paid coverage pro employer or through Medicare, with the result that benefits under the other coverages will offset the coverage required by this section Section 9(b)(i Company and the Bank agree that the termination benefits described in this Section 9(b)(iii) are intended to be exempt from Section 409A pursuant to Treas 1.409A-1(b) (1) as non-taxable benefits;

(iv) a lump sum payment in an amount equal to the estimated present value of the salary that the Executive would have earned if he had con Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) yea prior to the date of termination (the “Salary Severance Payment”). The Salary Severance Payment shall be computed using the following formula:

where “SSP” is the amount of the Salary Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “BS” is the salary achieved by the Executive during the period of three (3) years ending immediately prior to the date of termination; “PR” is the number of payroll peri year under the Company’s Company's normal payroll practices; “I” equals the applicable federal short term rate established under section Section 1274 o Code of 1986 (the “Code”) for the month in which the Executive’s Executive's termination of employment occurs (the “Short Term AFR”) and “n” equ Remaining Unexpired Employment Period at the Executive’s Executive's termination of employment (expressed in years and fractions of years) multip payroll periods that occur during a year under the Company’s Company's and the Bank’s Bank's normal payroll practices. The Salary Severance Payment sh (5) business days after the Executive's termination of employment and shall be in lieu of any claim to a continuation of base salary whic otherwise have and in lieu of cash severance benefits under any severance benefits program which may be in effect for officers or employees of the Bank or

(v) a lump sum payment in an amount equal to the estimated present value of the annual bonuses that the Executive would have earned if he for the Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of immediately prior to the date of termination (the “Bonus Severance Payment”). The Bonus Severance Payment shall be computed using the following formu

BSP = SSP x (ABP / ASP)

where “BSP” is the amount of the Bonus Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “SSP” is th Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “BP” “ABP” is the aggregate of the annual bonuses pai or not paid) for the most recent period of three (3) calendar years to end on or before the Executive’s Executive's termination of employment; and “SP” base salary actually paid to the Executive during such period of three (3) calendar years (excluding any year for which no bonus was declared or paid). Payment shall be made within five (5) business days after the Executive’s Executive's termination of employment and shall be in lieu of any clain participation in annual bonus plans of the Bank or the Company which the Executive might otherwise have;

(vi) a lump sum payment in an amount equal to the estimated present value of the long-term incentive bonuses that the Executive would continued working for the Company and the Bank during the Remaining Unexpired Employment Period (the “Incentive Severance Payment”). The Incenti shall be computed using the following formula:

ISP = (SSP / RUP) x (ALTIP / ALTSP) x Y

where “ISP” is the amount of the Incentive Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “SSP” is th Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “ALTIP” is the aggregate of the most recently paid or d paid) long-term incentive compensation payments (but not more than three (3) such payments) for performance periods that end on or before the termination of employment; “ALTSP” is the aggregate base salary actually paid to the Executive during the performance periods covered by the payment and excluding base salary paid for any period for which no long-term incentive compensation payment was declared or paid; “RUP” is the Remaining U Period, expressed in years and fractions of years; and “Y” is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Emplo number of years and fraction of years that have elapsed since the end of the last performance period for which a long-term incentive payment has been de event that the Executive’s Executive's employment terminates prior to the payment date under any long-term incentive compensation plan, then for purp Incentive Severance Payment, the “ALTSP” shall be deemed to be the average of the target and maximum award level under such plan and the “ALTSP” sh Executive’s Executive's annual base salary as in effect on the Executive’s Executive's termination of employment. The Incentive Severance Payment shall b business days after the Executive's termination of employment and shall be in lieu of any claim to a continuation of participation in cas compensation plans of the Bank or the Company which the Executive might otherwise have;

(vii) a lump sum payment in an amount equal to the excess (if any) of (A) the present value of the aggregate benefits to which he would be entitled qualified and non-tax-qualified defined benefit plans maintained by, or covering employees of, the Company or the Bank (the “Pension Plans”) if he had co Company and the. Bank during the Remaining Unexpired Employment Period; over (B) the present value of the benefits to which the Executive and his sp beneficiaries are actually entitled under such plans (the “Pension Severance Payment”). The Pension Severance Payment shall be computed according to the

PSP=PPB - APB

where “PSP” is the amount of the Pension Severance Payment (before deductions for applicable federal, state and local withholding taxes); “APB” is th present value of the actual vested pension benefits payable under the Pension Plans in the form of a straight life annuity beginning at the earliest date perm Plans, computed on the basis of the Executive’s life expectancy at the earliest date on which payments under the Pension Plans could begin, determined by of section 1.72-9 of the Income Tax Regulations (the “Assumed Life Expectancy”), and on the basis of an interest rate assumption equal to the average bo United States Treasury Securities with a Constant Maturity of thirty (30) Years for the month prior to the month in which the Executive’s termination of e “30-Year Treasury Rate”); and “PPB” is the lump sum present value of the pension benefits (whether or not vested) that would be payable under the Pension straight life annuity beginning at the earliest date permitted under the Pension Plans, computed on the basis that the Executive’s actual age at termination attained age as of his last birthday that would occur during the Remaining Unexpired Employment Period, that his service for benefit accrual purposes und equal to the aggregate of his actual service plus the Remaining Unexpired Employment Period, that his average compensation figure used in determining equal to the highest annual rate of salary achieved by the Executive during the period of three (3) years ending immediately prior to the date of terminatio life expectancy at the earliest date on which payments under the Pension Plans could begin is the Assumed Life Expectancy and that the interest rate assum the 30-Year Treasury Rate. The Pension Severance Payment shall be made within five (5) business days after the Executive’s termination of employment any claim to any actual increase in his accrued benefit in the Pension Plans in respect of the Remaining Unexpired Employment Period; *provided, howe* Severance Payment represents the benefits under a non-tax-qualified benefit plan, the payment shall be paid in the same time and form as provided und qualified benefit plan;

(viii) (vii) a lump sum payment in an amount equal to the present value of the additional employer contributions that would have been c account(s) under any and all tax-qualified and non-tax-qualified defined contribution plans maintained by, or covering employees of, the Bank and the Con DC Plans”), plus the fair market value of the additional shares of employer securities or other property that would have been allocated to his account a contributions or dividends under any tax-qualified leveraged employee stock ownership plan and any related non-tax-qualified supplemental plan main employees of, the Bank and the Company (the “ESOP Plans”) if he had continued in employment during the Remaining Unexpired Employment Contribution Severance Payment”). The Defined Contribution Severance Payment shall be computed according to the following formula:

DCSP = [SSP x (EC / BS)] + [(STK + PROP) x Y]

where: “DCSP” is the amount of the Defined Contribution Severance Payment (before deductions for applicable federal, state and local withholding taxes of the Salary Severance Payment (before deductions for applicable federal, state and local withholding taxes); “EC” is the amount of employer contributio the Executive’s Executive's accounts under the Non-ESOP Plans for the last plan year to end before his termination of employment; “BS” is the compensation taken into account in computing EC; “Y” is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Emplo number of years and fractions of years that have elapsed between the end of plan year for which EC was computed and the date of the Executive’s Exe employment; “STK” is the fair market value (determined on the basis of the midpoint of the highest and lowest reported sales price for a share of stock o the thirty (30)-day period ending on the day of the Executive’s Executive's termination of employment (the “Fair Market Value of a Share”)) of the emplo allocated to the Executive’s Executive's accounts under the ESOP Plans in respect of employer contributions and dividends applied to loan amortization pay year to end before his termination of employment; and “PROP” is the fair market value (determined as of the day before the Executive’s Executive's term using the same valuation methodology used to value the assets of the ESOP Plans) of the property other than employer securities actually allocated to the accounts under the ESOP Plans in respect of employer contributions and dividends applied to loan amortization payments for the last plan year to end be employment. The Defined Contribution Severance Payment shall be made within five (5) business days after the Executive’s Executive's termination of em in lieu of any claim to any actual increase in his accrued benefit in the Non-ESOP DC Plans or the ESOP DC Plans in respect of the Remaining Unexpired E *however,* that if the Defined Contribution Severance Payment represents the benefits under a non-tax-qualified defined contribution plan, the payment sh time and form as provided under the related non-tax-qualified defined contribution plan;

(ix)

(viii) at the election of the Company made within thirty (30) days following the Executive’s Executive's termination of employment, upon the appreciation rights issued to the Executive under any stock option and appreciation rights plan or program maintained by, or covering employees of, the C lump sum payment in an amount equal to the product of:

(A) the excess of (I) the Fair Market Value of a Share, over (II) the exercise price per share for such option or appreciation right, as sp relevant plan or program; multiplied by

(B) the number of shares with respect to which options or appreciation rights are being surrendered.

For the purpose of computing this payment, the Executive shall be deemed fully vested in all options and appreciation rights under any stock option or app program maintained by, or covering employees of, the Company or the Bank, even if he is not vested under such plan or program; and

(x) (ix) at the election of the Company made within thirty (30) days following the Executive’s Executive's termination of employment, upo shares awarded to the Executive under any restricted stock plan maintained by, or covering employees of, the Company or the Bank, the Company sh payment in an amount equal to the product of:

(A) the Fair Market Value of a Share granted under such plan; multiplied by

(B) the number of shares which are being surrendered.

For purposes of computing this payment, the Executive shall be deemed fully vested in all shares awarded under any restricted stock plan maintained by, of, the Company or the Bank, even if he is not vested under such plan.

The Company and the Executive hereby stipulate that the damages which may be incurred by the Executive following any such termination of employment are no measurement as of the date first above written and that the payments and benefits contemplated by this section Section 9(b) constitute reasonable damages under the circu payable without any requirement of proof of actual damage and without regard to the Executive’s Executive's efforts, if any, to mitigate damages. The Company and the E that the Company may condition the payments and benefits (if any) due under sections Sections 9(b)(iii), (iv), (v), (vi), (vii), (viii), and (ix) and (x) on the receipt of the E resignation from any and all positions which he holds as an officer, director or committee member with respect to the Company, the Bank or any subsidiary or affiliate of eit that such resignation is requested in writing not later than five (5) business days after termination of employment.

(c) The Executive, the Company and the Bank acknowledge that each of the payments and benefits promised to the Executive under this Agreement must e requirements of Section 409A and the regulations thereunder or qualify for an exception from compliance. To that end, the Executive, the Company and the Bank agre benefits described in Section 9(b) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) as short-term deferrals.

Section 10. *Death and Disability Benefits.*

Section 10. *Death and Disability Benefits.*

(a) In the event the Executive’s Executive's employment with the Company terminates during the Employment Period because of the Executive’s Executive's de shall pay to the Executive’s Executive's estate the benefits listed in sections Sections 9(b)(i) and 9(b)(ii) of this Agreement.

(b) The Company may terminate the Executive’s Executive's employment upon a determination, by vote of a majority of the members of the Boards of Directors in reliance on the written advice of a medical professional acceptable to them, that the Executive is suffering from a physical or mental impairment which, at the date of prevented the Executive from performing his assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the period of one (1) year endi determination or is likely to result in death or prevent the Executive from performing his assigned duties on a substantially full-time basis for a period of at least ninety (90) of one (1) year beginning with the date of the determination. In such event:

(i) The Company shall pay and deliver to the Executive (or in the event of his death before payment, to his estate and surviving dependents and benefici benefits described in sections Sections 9(b)(i) and 9(b)(ii).

(ii) In addition to the benefits described in sections Sections 9(b)(i) and 9(b)(ii), the Company shall continue to pay the Executive his base salary, at the him immediately prior to the termination of his employment, during a period ending on the earliest of: (A) the expiration of ninety (90) days after the date employment; (B) the date on which long-term disability insurance benefits are first payable to him under any long-term disability insurance plan covering employ

Company (the "LTD Eligibility Date"); (C) the date of his death; and (D) the expiration of the Remaining Unexpired Employment Period (the "Initial Continuation the Initial Continuation Period is neither the LTD Eligibility Date nor the date of his death, the Company shall continue to pay the Executive his base salary, at an an percent (60%) of the annual rate in effect for him immediately prior to the termination of his employment, during an additional period ending on the earliest of the L date of his death and the expiration of the Remaining Unexpired Employment Period.

A termination of employment due to disability under this section Section 10 shall be effected by notice of termination given to the Executive by the Company and shall take e effective date of termination specified in such notice or the date on which the notice of termination is deemed given to the Executive. To that end, the Executive, the Compa that the disability benefits described in this Section 10 are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-3(i) as permissible payn

Section 11. *__Termination without Additional Company Liability.__*

Section 11. *__Termination without Additional Company Liability.__*

In the event that the Executive's Executive's employment with the Company shall terminate during the Employment Period on account of:

(a) the discharge of the Executive for "cause," which, for purposes of this Agreement, shall mean a discharge of the Executive due to the Executive's Executive's (ii) incompetence, (iii) willful misconduct, (iii) breach of fiduciary duties involving personal profit, (iv) intentional failure to perform stated duties, (v) willful violation of any (other than traffic violations or similar offenses) or final cease-and-desist order or (vi) material breach of any provision of this Agreement; *provided, however,* that, if the Ex of the acts described in section Section 11 (a)(vi) above, the Company shall provide the Executive with written notice of its intent to discharge the Executive for cause, and th forty-five (45) days from the date on which the Executive receives such notice to cure any such acts; *and provided, further,* that on and after the date that a Chang determination under this section Section 11 shall require the affirmative vote of at least three-fourths of the members of the Board acting in good faith and such vote shall n expiration of a sixty (60)-day period following the date on which the Board shall, by written notice to the Executive, furnish to him a statement of its grounds for pr determination, during which period the Executive shall be afforded a reasonable opportunity to make oral and written presentations to the members of the Board, and to be r counsel at such presentations, to refute the grounds for the proposed determination; or

(b) the Executive's Executive's voluntary resignation from employment with the Company (including retirement) for reasons other than those specified in se Section 12; then the Company shall have no further obligations under this Agreement, other than the payment to the Executive of his earned but unpaid salary as of the date o employment and the provision of such other benefits, if any, to which he is entitled as a former employee under the Company's Company's employee benefit plans and progr plans and programs. For purposes of this section Section 11, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omit Executive in bad faith or without reasonable belief that the Executive's Executive's action or omission was in the best interests of the Company. Any act, or failure to act, base pursuant to a resolution duly adopted by the Board or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be in good faith and in the best interests of the Company. The cessation of employment of the Executive shall not be deemed to be for "cause" within the meaning of section S until there shall have been delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of three-fourths of the members of the Board at a meeting held for such purpose (after reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), fi faith opinion of the Board, the Executive is guilty of the conduct described in section Section 11(a) above, and specifying the particulars thereof in detail.

Section 12. *__Termination Upon or Following a Change of Control.__*

Section 12. *__Termination Upon or Following a Change of Control.__*

(a) A Change of Control of the Company ("Change of Control") shall be deemed to have occurred upon the happening of any of the following events:

(i) the consummation of a reorganization, merger or consolidation of the Company, respectively, with one (1) or more other persons, other than which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the m promulgated under the Securities Exchange Act of 1934, as amended "Exchange Act") in substantially the same relative proportions by persons w to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstan interests in the Company; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, imn transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled t election of directors of the Company;

(ii) the acquisition of all or substantially all of the assets of the Company or beneficial ownership (within the meaning of Rule 13d-3 promulgat Act) of 25% or more of the outstanding securities of the Company entitled to vote generally in the election of directors by any person or by any persor approval by the stockholders of the Company of any transaction which would result in such an acquisition;

(iii) a complete liquidation or dissolution of the Company;

(iv) the occurrence of any event if, immediately following such event, at least 50% of the members of the Board of the Company do not belong groups

(A) individuals who were members of the Board of the Company on the date of this Agreement; or

(B) individuals who first became members of the Board of the Company after the date of this Agreement either:

(I) upon election to serve as a member of the Board of the Company by affirmative vote of three-quarters of the members nominating committee thereof, in office at the time of such first election; or

(II) upon election by the stockholders of the Company to serve as a member of the Board of the Company, but only if nor affirmative vote of three-quarters of the members of the Board of the Company, or of a nominating committee thereof; in office at nomination;

provided, however, that such individual's individual's election or nomination did not result from an actual or threatened election contest or oth solicitation of proxies or consents other than by or on behalf of the Board of the Company; or

(v) any event which would be described in section Section 12(a)(i), (ii), (iii) or (iv) if the term "Bank" were substituted for the term "Company"

In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary o
Company, the Bank, or a subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this section Section 12(a), the term "
meaning assigned to it under sections Sections 13(d)(3) or 14(d)(2) of the Exchange Act.

(b) For purposes of this Agreement, a "Pending Change of Control" shall mean: (i) the signing of a definitive agreement for a transaction which, if consumm
Change of Control; (ii) the commencement of a tender offer which, if successful, would result in a Change of Control; or (iii) the circulation of a proxy statement seeking p
management in an election contest which, if successful, would result in a Change of Control.

(c) Notwithstanding anything in this Agreement to the contrary, if the Executive's Executive's employment with the Bank and the Company terminates due to de
one (1) year after the occurrence of a Pending Change of Control and if a Change of Control occurs within two (2) years after such termination of employment, he (or in the
estate) shall be entitled to receive the benefits described in section Section 9(b) that would have been payable if a Change of Control had occurred on the date of his terminati
he had resigned pursuant to section Section 9(a)(i) immediately thereafter; *provided*, that payment shall be deferred without interest until, and shall be payable immed
occurrence of a Change of Control.

(d) Notwithstanding anything in this Agreement to the contrary: (i) in the event of the Executive's Executive's resignation within sixty (60) days after the occu
Control, he shall be entitled to receive the benefits described in section Section 9(b) that would be payable if his resignation were pursuant to section Section 9(a)(i), witho
circumstances of his resignation; and (ii) for a period of one (1) year after the occurrence of a Change of Control, no discharge of the Executive shall be deemed a discharge
votes contemplated by section Section 11(a) of this Agreement are supported by at least two-thirds of the members of the Board of Directors of the Company at the time the
also members of the Board of Directors of the Company immediately prior to the Change of Control.

(e) Notwithstanding anything in this Agreement to the contrary, for purposes of computing the benefits described in section Section 9(b) due upon a terminati
occurs, or is deemed to have occurred, after a Change of Control, the Remaining Unexpired Employment Period shall be deemed to be three (3) full years.

Section 13. *Confidentiality.*

Section 13. *Confidentiality.*

Unless he obtains the prior written consent of the Company, the Executive shall keep confidential and shall refrain from using for the benefit of himself, or any pers
the Company or any entity which is a subsidiary of the Company or of which the Company is a subsidiary, any material document or information obtained from the Compan
subsidiaries, in the course of his employment with any of them concerning their properties, operations or business (unless such document or information is readily ascert
published information or trade sources or has otherwise been made available to the public through no fault of his own) until the same ceases to be material (or becom
available); *provided, however,* that nothing in this section Section 13 shall prevent the Executive, with or without the Company's Company's consent, from participating in o
or information in connection with any judicial or administrative investigation, inquiry or proceeding to the extent that such participation or disclosure is required under appli
law (18 U.S.C. section 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade
(A) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a
law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual
retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the
individual: (1) files any document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order. For the avoidance of
Agreement is intended to, nor shall be construed to, conflict with 18 U.S.C. section 1833(b).

Section 14. *Solicitation.*

Section 14. *Solicitation.*

The Executive hereby covenants and agrees that, for a period of one (1) year following his termination of employment with the Company, he shall not, without the
Company, either directly or indirectly:

(a) solicit, offer employment to, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of
employee of the Company, the Bank or any of their respective subsidiaries or affiliates to terminate his or her employment and accept employment or become affiliated with,
compensation in any capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other ins
business of accepting deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(b) provide any information, advice or recommendation with respect to any such officer or employee of any savings bank, savings and loan company, bank, b
savings and loan holding company, or other institution engaged in the business of accepting deposits, making loans or doing business within Hampden county or any oth
Company or the Bank maintains an office; that is intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any offi
Company, the Bank, or any of their respective subsidiaries or affiliates to terminate his employment and accept employment or become affiliated with, or provide services fo
capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other institution engaged in the
deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(c) solicit, provide any information, advice or recommendation or take any other action intended, or that a reasonable person acting in like circumstances wo
effect of causing any customer of the Company, the Bank or any of their respective subsidiaries to terminate an existing business or commercial relationship with any of the
that this section Section 14 shall not apply if the Executive is entitled to the benefits under section Section 12.

Section 15. *No Effect on Employee Benefit Plans or Programs.*

Section 15. *No Effect on Employee Benefit Plans or Programs.*

The termination of the Executive's Executive's employment during the term of this Agreement or thereafter, whether by the Company or by the Executive, shall have
and obligations of the parties hereto under the Company's Company's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or stock bonus plans, group
hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plan
be maintained by, or cover employees of, the Company from time to time; *provided, however,* that nothing in this Agreement shall be deemed to duplicate any compensatio
under any agreement, plan or program covering the Executive to which the Company is a party and any duplicative amount payable under any such agreement, plan or prog
an offset to reduce the amounts otherwise payable hereunder.

Section 16. *Other Termination.*

Section 16. *Other Termination.*

Upon the expiration of this Agreement, other than on account of the Executive's Executive's refusing to accept an extension offered by the Company or the Executi
of a notice of non-extension, unless the Company shall offer to the Executive continued service either: (i) in the same position in effect immediately prior to the expiration o
cash compensation and pension and welfare benefits no less favorable than those in effect immediately prior to the expiration of this Agreement; or (ii) in another pos
Executive and upon mutually and reasonably agreeable terms, and termination of employment, the Executive shall be entitled to receive for a period of twelve (12) months aft
Agreement (in this event, the "Severance Period") and continuation of base salary at the rate then in effect plus medical, dental, life-insurance and disability covera

Executive’s Executive's continued participation is permissible or otherwise practicable under the general terms and provisions of such plans. To the extent that continued permissible nor practicable, the Company shall take such actions as may be necessary to provide the Executive with substantially comparable benefits (without additional outside the scope of such plans. If the Executive engages in regular employment after his termination of employment (whether as an executive or as a self-employed person), benefits received by the Executive during the Severance Period in consideration of such employment which are similar in nature to the employee welfare benefits provided relieve the Company of their obligations under this section Section 16 to provide comparable benefits to the extent of the benefits so received. This section Section 16 shall prior to the expiration of this Agreement, the Executive’s Executive's employment has terminated in a termination to which section Section 9, 10, 11 or 12 applies or if, afte Agreement, the Executive’s Executive's employment is terminated with Cause.

The Executive, the Company and the Bank agree that the termination benefits other than the salary continuation payments described in this Section 16 are inten Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(1) as non-taxable benefits.

Section 17. *Successors and Assigns.*

Section 17. *Successors and Assigns.*

This Agreement will inure to the benefit of and be binding upon the Executive, his legal representatives and testate or intestate distributees, and the Compan successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantiall business of the Company may be sold or otherwise transferred. Failure of the Company to obtain from any successor its express written assumption of the Company’s hereunder at least sixty (60) days in advance of the scheduled effective date of any such succession shall be deemed a material breach of this Agreement.

Section 18. *Notices.*

Section 18. *Notices.*

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, re addressed to such party at the address listed below or at such other address as one (1) such party may by written notice specify to the other party:

If to the Executive:

Filipe B. Goncalves John E. Bonini
To the most recent address on file with the Company
23 Waterford Drive
Westfield, MA 01085

If to the Company:

Western New England Bancorp, Inc.
141 Elm Street
Westfield, MA 01085
Attention: Chairman of the Board of Directors

with a copy to:

Wiggin and Dana LLP
800 17th Street, N.W.,
600 Massachusetts Avenue NW, Suite 520 375
Washington, DC 20006 20001
Attention: Christian H. Chandler

Section 19. *Indemnification for Attorneys’ Fees.*

Section 19. *Indemnification for Attorneys' Fees.*

(a) The Company shall indemnify, hold harmless and defend the Executive against reasonable costs, including legal fees and expenses, incurred by hin arising out of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreemer Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Company’s Company's or the Bank’s Bank's obligatic conclusive evidence of the Executive’s Executive's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amour such settlement agreement, unless such settlement agreement expressly provides otherwise. Any such indemnification payments will occur promptly following a r any event not later than the last day of the calendar year following the calendar year in which the indemnified expense is incurred or in which the Executive’s Execut is finally determined.

(b) The Company’s Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall set-off, counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executi other employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and suc reduced whether or not the Executive obtains other employment.

Section 20. *Severability*.

Section 20. *Severability*.

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 21. *Waiver*.

Section 21. *Waiver*.

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A v of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any rig at any one (1) or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 22.

Counterparts.

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agre

Section 23. *Governing Law.*

Section 23. *Governing Law.*

Except to the extent preempted by federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonw applicable to contracts entered into and to be performed entirely within the Commonwealth of Massachusetts.

Section 24. *Headings and Construction.*

Section 24. *Headings and Construction.*

The headings of sections Sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any referen shall refer to a section of this Agreement, unless otherwise stated.

Section 25. *Entire Agreement: Modifications.*

Section 25. *Entire Agreement: Modifications.*

This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreeme representations relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto. Notwith sentence, this Agreement shall be construed and administered in such manner as shall be necessary to effect compliance with Section 409A and shall be subject to amendmer manner as the Company and the Bank may deem necessary or appropriate to effect such compliance; provided that any such amendment shall preserve for the Executive afforded pursuant to this Agreement.

Section 26. *Non-duplication.*

Section 26. *Non-duplication.*

The Company hereby agrees to guarantee the payment by the Bank of any benefits and compensation to which the Executive is, or may be, entitled under the term employment agreement of even date herewith between the Bank and the Executive. In the event that the Executive shall perform services for the Bank or any other direct o affiliate of the Company or the Bank, any compensation or benefits provided to the Executive by such other employer shall be applied to offset the obligations of the Comp intended that this Agreement set forth the aggregate compensation and benefits payable to the Executive for all services to the Company, the Bank and all of their respe subsidiaries and affiliates.

Section 27. *Dispute Resolution.*

Section 27. *Dispute Resolution.*

(a) The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under sections Sections 13 or 14 hereof, the Company adequate remedy at law, and accordingly will be entitled, in addition to monetary damages, to specific performance and other appropriate injunctive and equitable relief.

(b) Excluding only requests for equitable relief by the Company or Bank under section 28(a) Section 27(a) of this Agreement, in the event that there is any claim c or relating to this Agreement, or the breach thereof, and the parties hereto shall not have resolved such claim or dispute within sixty (60) days after written notice from on setting forth the nature of such claim or dispute, then such claim or dispute shall be settled exclusively by binding arbitration in Boston, Massachusetts in accordance Arbitration Rules of the American Arbitration Association by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrato such Rules. Notwithstanding the foregoing, if either the Company and Bank or the Executive shall request, such arbitration shall be conducted by a panel of three (3) arbitrat the Company and Bank, one (1) selected by the Executive and the third selected by agreement of the first two (2), or, in the absence of such agreement, in accordance with upon the award rendered by such arbitrator(s) shall be entered in any court having jurisdiction thereof upon the application of either party.

Section 28. *Survival.*

Section 28. *Survival.*

Any provision of this Agreement which, by its terms, contemplates performance after the expiration of the Employment Period or other termination of this Agreem survive the expiration of this Agreement.

Section 29. *Required Regulatory Provisions.*

Section 29. *Required Regulatory Provisions.*

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Company:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Executive under section 9(amounts described in section 9(b)(i) and (ii)) exceed the three (3) times the Executive's average annual compensation for the last five (5) consecutive calendar years to end of employment with the Company (or for his entire period of employment with the Company if less than five (5) calendar years). The compensation payable to the Execu further reduced (but not below zero) if such reduction would avoid the assessment of excise taxes on excess parachute payments (within the meaning of section 280G of the C

(b) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Company, whether pursuant to this Agreement or otherw conditioned upon their compliance with section Section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §1828 (k), and any regulations promulgated thereu

(c) (b) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in th of the Company pursuant to a notice served under section Section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(3) or 1818(g)(1), the Company's Company's Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Company, i pay to the Executive all or part of the compensation withheld while the Company's Company's obligations hereunder were suspended and (ii) reinstate, in whole or in part, which were suspended.

(d) (c) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating i Company's Company's affairs by an order issued under section Section 8(e)(4) or 8(g)(I) of the FDI Act, 12 U.S.C. §1818(e)(4) or (g)(I), all obligations of the Company und terminate as of the effective date of the order, but vested rights of the Company and the Executive shall not be affected.

(e) (d) Notwithstanding anything herein contained to the contrary, if the Company is in default (within the meaning of section Section 3(x)(1) of the FDI Act, 12 obligations of the Company under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Company and the Executive shall not be aff

(f) (e) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent tha Agreement is necessary for the continued operation of the Bank: (i) by the Director of the OCC or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at th into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section Section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by t or his designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as thoug amendment of this Agreement.

Section 30. *Payments to Key Employees.*

Section 30. *Payments to Key Employees.*

Notwithstanding anything in this Agreement to the contrary, to the extent required under Section 409A, no payment to be made to a key employee (within the mea shall be made sooner than six (6) months after such termination of employment; provided, however, that to the extent such six (6)-month delay is imposed by Section 409A of Control as defined in Section 12(a), the payment shall be paid into a rabbi trust for the benefit of the Executive as if the six (6)-month delay was not imposed with su distributed to the Executive as soon as permissible under Section 409A.

Section 31. *Involuntary Termination Payments to Employees (Safe Harbor).*

Section 31. *Involuntary Termination Payments to Employees (Safe Harbor).*

In the event a payment is made to an employee upon an involuntary termination of employment, as deemed pursuant to this Agreement, such payment will not be s provided that such payment does not exceed two (2) times the lesser of (i) the sum of the Executive's Executive's annualized compensation based on the taxable year immedia in which termination of employment occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code fo Executive terminates service (the "Safe Harbor Amount"). However, if such payment exceeds the Safe Harbor Amount, only the amount in excess of the Safe Harbor Am Section 409A. In addition, if such Executive is considered a key employee, such payment in excess of the Safe Harbor Amount will have its timing delayed and will be subje wait-period imposed by Section 409A as provided in Section 30 of this Agreement. The Executive, the Company and the Bank agree that the termination benefits describe intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) as the safe harbor for separation pay due to involuntary separation fron

[*Signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and the Executive has hereunto set his hand, all as of the day and year first abo

EXECUTIVE

/s/ Filipe B. Goncalves John E. Bonini

Filipe B. Goncalves John E. Bonini

ATTEST:

By: /s/ Kara L. Wood Theresa C. Szlosek

By: /s/ James C. Hagan

Name: James C. Hagan

Title: President and Chief Executive Offic

[Seal]

Western New England Bancorp, Inc. 10-K

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** (" ("the Agreement" Agreement") is made and entered into as of January 1, 2021 February 22, 2024 (the "Effective Date" "E between **WESTFIELD BANK**, a federally-chartered savings bank having an office at 141 Elm Street, Westfield, Massachusetts 01085 (the "Bank" "Bank") and **FILIPE B.** **E. BONINI** (the "Executive" "Executive").

WITNESSETH: W I T N E S S E T H :

WHEREAS, the Executive currently serves as Senior Vice President, Commercial Loan Officer II and Team Leader General Counsel of the Bank, a subsidiary of Bancorp, Inc. (the "Company" "Company");

WHEREAS, the Bank desires to assure for itself the continued availability of the Executive's Executive's services as provided in this Agreement and the ability of th such services with a minimum of personal distraction in the event of a pending or threatened Change of Control (as hereinafter defined); and

WHEREAS, the Executive is willing to continue to serve the Bank on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions hereinafter set forth, the Bank and the Executive hereby agree as fo

Section 1. *Employment.*

Section 1. *Employment.*

The Bank agrees to continue to employ the Executive, and the Executive hereby agrees to such continued employment, during the period and upon the terms and co Agreement.

Section 2. *Employment Period: Remaining Unexpired Employment Period.*
Section 2. *Employment Period: Remaining Unexpired Employment Period.*

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 2 (“ ("Employmen Employment Period shall be for an initial term of three (3) years beginning on the Effective Date and ending on the third anniversary date of this Agreement, plus such ex provided pursuant to section 2(b).

(b) The Board of Directors of the Bank (the “Board” "Board") shall conduct an annual review of the Executive’s Executive's performance on or about e Effective Date (each, an “Anniversary Date” "Anniversary Date") and may, on the basis of such review and by written notice to the Executive, offer to extend the Emp additional one (1)-year period. In such event, the Employment Period shall be deemed extended in the absence of objection from the Executive by written notice to the Ban business days after his receipt of the Bank’s Bank's offer of extension. Except as otherwise expressly provided in this Agreement, any reference in this A “Remaining "Remaining Unexpired Employment Period” Period" as of any date shall mean the period beginning on such date and ending on the day of the third (3rd) Anniversary Date as of which the Employment Period was extended pursuant to this Section 2(b).

(c) Nothing in this Agreement shall be deemed to prohibit the Bank at any time from terminating the Executive’s Executive's employment during the Empl without notice for any reason; *provided, however,* that the relative rights and obligations of the Bank and the Executive in the event of any such termination shall be Agreement.

Section 3. *Duties.*

Section 3. *Duties.*

The Executive shall serve as Senior Vice President, Commercial Loan Officer II and Team Leader General Counsel of the Bank, having such power, authority performing such duties as are prescribed by or under the By-Laws of the Bank and as are customarily associated with such position. Subject to section 7 of this Agreeme devote his full business time and attention (other than during weekends, holidays, approved vacation periods, and periods of illness or approved leaves of absence) to the bus Bank and shall use his best efforts to advance the interests of the Bank.

Section 4. *Cash Compensation.*
Section 4. *Cash Compensation.*

In consideration for the services to be rendered by the Executive hereunder, the Bank shall continue to pay to him a salary at an annual rate of $225,000 $ approximately equal installments in accordance with the Bank’s Bank's customary payroll practices for senior officers. The Board shall review the Executive’s Executive's such times during the Employment Period as it deems appropriate, but not less frequently than once every twelve (12) months, and may, in its discretion, approve an increas salary, the Executive may receive other cash compensation from the Bank for services hereunder at such times, in such amounts and on such terms and conditions as the Boa time to time.

Section 5. *Employee Benefit Plans and Programs.*
Section 5. *Employee Benefit Plans and Programs.*

During the Employment Period, the Executive shall be treated as an employee of the Bank and shall be entitled to participate in and receive benefits under any a qualified retirement, pension, savings, profit-sharing or stock bonus plans, any and all group life, health (including hospitalization, medical and major medical), dental, disability insurance plans, and any other employee benefit and compensation plans (including, but not limited to, any incentive compensation plans or programs, stock option plans and restricted stock plans) as may from time to time be maintained by, or cover employees of, the Bank in accordance with the terms and conditions of such empl programs and compensation plans and programs and consistent with the Bank’s Bank's customary practices.

Section 6. *Indemnification and Insurance.*
Section 6. *Indemnification and Insurance.*

(a) During the Employment Period and for a period of six (6) years thereafter, the Bank shall cause the Executive to be covered by and named as an insur contract of insurance obtained by it to insure its directors and officers against personal liability for acts or omissions in connection with service as an officer or director of other capacities at the request of the Bank. The coverage provided to the Executive pursuant to this section 6 shall be of the same scope and on the same terms and conditi any) provided to other officers or directors of the Bank.

(b) To the maximum extent permitted under applicable law, during the Employment Period and for a period of six (6) years thereafter, the Bank shall indemnif and hold him harmless from any costs, damages, losses and exposures arising out of a bona fide action, suit or proceeding in which he may be involved by reason of his ha officer of the Bank to the fullest extent and on the most favorable terms and conditions that similar indemnification is offered to any director or officer of the Bank or an thereof.

(c) The Executive, the Company and the Bank agree that the termination benefits described in this Section 6 are intended to be exempt from Section 409A Code (“ ("Section 409A” 409A") pursuant to Treasury Regulation Section 1.409A-1(b)(10) as certain indemnification and liability insurance plans.

Section 7. *Outside Activities.*
Section 7. *Outside Activities.*

The Executive may serve as a member of the boards of directors of such business, community and charitable organizations as he may disclose to and as may be (which approval shall not be unreasonably withheld); *provided, however,* that such service shall not materially interfere with the performance of his duties under this Agreem also engage in personal business and investment activities which do not materially interfere with the performance of his duties hereunder; *provided, however,* that such activ under any code of conduct or investment or securities trading policy established by the Bank and generally applicable to all similarly situated Executives. The Executive may or director of the Company on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to materi Executive’s Executive's performance of his duties hereunder or otherwise result in a material breach of this Agreement. If the Executive is discharged or suspended, or is su prohibition or restriction with respect to participation in the affairs of the Bank, he shall not directly or indirectly provide services to or participate in the affairs of the Bank i with the terms of such discharge or suspension or any applicable regulatory order.

Section 8. *Working Facilities and Expenses.*

Section 8. *Working Facilities and Expenses.*

The Executive’s Executive's principal place of employment shall be at the Bank’s Bank's executive offices at the address first above written or at such other locati executive may mutually agree upon. The Bank shall provide the Executive at his principal place of employment with a private office, secretarial services and other suppor suitable to his position with the Bank and necessary or appropriate in connection with the performance of his assigned duties under this Agreement. The Bank shall provi allowance of $1,000 per month for an automobile appropriate to his position, to be used in the performance of his duties hereunder, including commuting to and from his p Bank shall reimburse the Executive for his ordinary and necessary business expenses, including, without limitation, all expenses associated with his business use of automobile, fees for memberships in such clubs and organizations as the Executive and the Bank shall mutually agree are necessary and appropriate for business purpo entertainment expenses incurred in connection with the performance of his duties under this Agreement, in each case upon presentation to the Bank of an itemized account of form as the Bank may reasonably require. Expense reimbursements shall occur at the time provided in any relevant reimbursement policy or procedure of the Bank and in a the last day of the calendar year immediately following the calendar year in which the reimbursable expense is incurred. incurred, and no such reimbursement of expenses elig in any taxable year shall in any way affect the expenses eligible for reimbursement in any other taxable year.

Section 9. *Termination of Employment with Severance Benefits.*

Section 9. *Termination of Employment with Severance Benefits.*

(a) The Executive shall be entitled to the severance benefits described in section 9(b) in the event that:

(i) his employment with the Bank terminates during the Employment Period as a result of the Executive’s Executive's voluntary resignation w following:

(A) the failure of the Board to appoint or re-appoint or elect or re-elect the Executive to the position with the Bank stated in section 3 of this A

(B) if the Executive is a member of the Board, the failure of the shareholders of the Bank to elect or re-elect the Executive to the Board or t (or the nominating committee thereof) to nominate the Executive for such election or re-election;

(C) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Bank of its mater amendment of the Bank’s Bank's Restated Organization Certificate, the Bank’s Bank's By-Laws, action of the Board or the Bank’s Bank's shareholders or o Executive the functions, duties, or responsibilities prescribed in section 3 of this Agreement, unless, during such thirty (30)-day period, the Bank cures such

(D) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Bank of its materi condition or covenant contained in this Agreement (including, without limitation any reduction of the Executive’s Executive's rate of base salary in effect any change in the terms and conditions of any compensation or benefit program in which the Executive participates which, either individually or together w material adverse effect on the aggregate value of his total compensation package), unless, during such thirty (30)-day period, the Bank cures such failure;

(E) a change in the Executive’s Executive's principal place of employment to a place that is not the principal executive office of the Bank Bank’s Bank's principal executive office to a location that is both more than twenty-five (25) miles away from the Executive’s Executive's principal re twenty-five (25) miles away from the location of the Bank’s Bank's principal executive office on the date of this Agreement; or

(F) any material breach by the Bank of any material term, condition or covenant contained in this Agreement; *provided, however,* that th given notice of such materials adverse effect to the Bank, and the Bank has not fully cured such failure within thirty (30) days after such notice is deemed gi

(ii) the Executive’s Executive's employment with the Bank is terminated by the Bank for any reason other than for “cause” "cause" as provided in secti

(b) Upon the occurrence of any of the events described in section 9(a) of this Agreement, the Bank shall pay and provide to the Executive (or, in the event of l prior to payment, to his estate):

(i) his earned but unpaid salary (including, without limitation, all items which constitute wages under applicable law and the payment of which is for in this section 9(b)) as of the date of the termination of his employment with the Company and the Bank, such payment to be made at the time and in the ma applicable to the payment of wages but in no event later than thirty (30) days after termination of employment as defined in Treasury Regulation Section 1.409A-l(h)

(ii) the benefits, if any, to which he is entitled as a former employee under the employee benefit plans and programs and compensation plans and pr the benefit of the Company’s Company's and the Bank’s Bank's officers and employees;

(iii) continued group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance benefits or terms and conditions (including any required premium-sharing arrangements, co-payments and deductibles) in effect for them immediately prior to the Executive’s for the Remaining Unexpired Employment Period for the Executive and his dependents. The coverage provided under this section 9(b)(iii) may, at the electio secondary to the coverage provided pursuant to section 9(b)(ii) and to any employer-paid coverage provided by a subsequent employer or through Medicare, with under the other coverages will offset the coverage required by this section 9(b)(iii). The Executive, the Company and the Bank agree that the termination benefits de 9(b)(iii) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-l(b) (1) as non-taxable benefits;

(iv) a lump sum payment in an amount equal to the estimated present value of the salary that the Executive would have earned if he had continued wo and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) years ending immedia termination (the “Salary "Salary Severance Payment” Payment"). The Salary Severance Payment shall be computed using the following formula:

$$SSP = \Sigma_{1}^{n} \left[\frac{(BS/PR)}{[1 + (I\ 1\ PR)]^{n}} \right]$$

where “SSP” "SSP" is the amount of the Salary Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “BS” "BS" is the salary achieved by the Executive during the period of three (3) years ending immediately prior to the date of termination; “PR” "PR" is the number of payroll peri year under the Company’s Company's normal payroll practices; “I” "I" equals the applicable federal short term rate established under section 1274 of the Internal Reve “Code” "Code") for the month in which the Executive’s Executive's termination of employment occurs (the “Short "Short Term AFR” AFR") and “n” "n" equa Remaining Unexpired Employment Period at the Executive’s Executive's termination of employment (expressed in years and fractions of years) multiplied by the num

that occur during a year under the Company’’s and the Bank’s Bank's normal payroll practices. The Salary Severance Payment shall be made within five (5) b
Executive’s Executive's termination of employment and shall be in lieu of any claim to a continuation of base salary which the Executive might otherwise have and ir
benefits under any severance benefits program which may be in effect for officers or employees of the Bank or the Company;

(v) a lump sum payment in an amount equal to the estimated present value of the annual bonuses that the Executive would have earned if he had cor
Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) years endir
the date of termination (the “Bonus "Bonus Severance Payment” Payment"). The Bonus Severance Payment shall be computed using the following formula:

BSP= SSP x (ABP/ASP)

where “BSP” "BSP" is the amount of the Bonus Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “SSP” "SSP" is th
Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “BP” "ABP" is the aggregate of the annual bonuses paid or de
paid) for the most recent period of three (3) calendar years to end on or before the Executive’s Executive's termination of employment; and “SP” "ASP" is the aggreg
paid to the Executive during such period of three (3) calendar years (excluding any year for which no bonus was declared or paid). The Bonus Severance Payment sh
(5) business days after the Executive’s Executive's termination of employment and shall be in lieu of any claim to a continuation of participation in annual bonus p
Company which the Executive might otherwise have;

(vi) a lump sum payment in an amount equal to the estimated present value of the long-term incentive bonuses that the Executive would have earr
working for the Company and the Bank during the Remaining Unexpired Employment Period (the “Incentive "Incentive Severance Payment” Payment"). The Incent
shall be computed using the following formula:

ISP = (SSP / RUP) x (ALTIP / ALTSP) x Y

where “ISP” "ISP" is the amount of the Incentive Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “SSP” "SSF
Salary Severance Payment (before the deduction of applicable federal, state and local withholding taxes); “ALTIP” "ALTIP" is the aggregate of the most recently pa
or not paid) long-term incentive compensation payments (but not more than three (3) such payments) for performance periods that end on or before the Executive’s I
of employment; “ALTSP” "ALTSP" is the aggregate base salary actually paid to the Executive during the performance periods covered by the payments included in
excluding base salary paid for any period for which no long-term incentive compensation payment was declared or paid; “RUP” "RUP" is the Remaining Unexpire
expressed in years and fractions of years; and “Y” "Y" is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Peri
years and fraction of years that have elapsed since the end of the last performance period for which a long-term incentive payment has been declared and paid
Executive’s Executive's employment terminates prior to the payment date under any long-term incentive compensation plan, then for purposes of computing th
Payment, the “ALTSP” "ALTSP" shall be deemed to be the average of the target and maximum award level under such plan and the “ALTSP” "ALTSP" shal
Executive’s Executive's annual base salary as in effect on the Executive’s Executive's termination of employment. The Incentive Severance Payment shall be made v
days after the Executive’s Executive's termination of employment and shall be in lieu of any claim to a continuation of participation in cash long-term incentive cor
Bank or the Company which the Executive might otherwise have; and

(vii) a lump sum payment in an amount equal to the excess (if any) of: (A) the present value of the aggregate benefits to which he would be entitled
qualified and non-tax-qualified defined benefit plans maintained by, or covering employees of, the Company or the Bank (the “Pension Plans”) if he had cont
Company and the Bank during the Remaining Unexpired Employment Period; over (B) the present value of the benefits to which the Executive and his spo
beneficiaries are actually entitled under such plans (the “Pension Severance Payment”). The Pension Severance Payment shall be computed according to the followir

PSP=PPB-APB

where “PSP” is the amount of the Pension Severance Payment (before deductions for applicable federal, state and local withholding taxes); “APB” is the aggregate l
of the actual vested pension benefits payable under the Pension Plans in the form of a straight life annuity beginning at the earliest date permitted under the Pension
basis of the Executive’s life expectancy at the earliest date on which payments under the Pension Plans could begin, determined by reference to Table VI of sectior
Tax Regulations (the “Assumed Life Expectancy”), and on the basis of an interest rate assumption equal to the average bond-equivalent yield on United States Tre
Constant Maturity of thirty (30) Years for the month prior to the month in which the Executive’s termination of employment occurs (the “30-Year Treasury Rate”);
sum present value of the pension benefits (whether or not vested) that would be payable under the Pension Plans in the form of a straight life annuity beginn
permitted under the Pension Plans, computed on the basis that the Executive’s actual age at termination of employment is his attained age as of his last birthday that
Remaining Unexpired Employment Period, that his service for benefit accrual purposes under the Pension Plans is equal to the aggregate of his actual servic
Unexpired Employment Period, that his average compensation figure used in determining his accrued benefit is equal to the highest annual rate of salary achieved b
the period of three (3) years ending immediately prior to the date of termination, that the Executive’s life expectancy at the earliest date on which payments under t
begin is the Assumed Life Expectancy and that the interest rate assumption used is equal to the 30-Year Treasury Rate. The Pension Severance Payment shall b
business days after the Executive’s termination of employment and shall be in lieu of any claim to any actual increase in his accrued benefit in the Pension l
Remaining Unexpired Employment Period; *provided, however,* that if the Pension Severance Payment represents the benefits under a non-tax-qualified benefit plar
paid in the same time and form as provided under the related non-tax-qualified benefit plan; and

(viii) a lump sum payment in an amount equal to the present value of the additional employer contributions that would have been credited directly to hi
and all tax-qualified and non-tax-qualified defined contribution plans maintained by, or covering employees of, the Bank and the Company (the “Non-l
Plans” Plans"), plus the fair market value of the additional shares of employer securities or other property that would have been allocated to his account as
contributions or dividends under any tax-qualified leveraged employee stock ownership plan and any related non-tax-qualified supplemental plan maintained by, or c
the Bank and the Company (the “ESOP Plans” "ESOP Plans") if he had continued in employment during the Remaining Unexpired Employment Period (
Contribution Severance Payment” Payment"). The Defined Contribution Severance Payment shall be computed according to the following formula:

DCSP = [SSP x (EC / BS)] + [(STK + PROP) x Y]

where: “DCSP” "DCSP" is the amount of the Defined Contribution Severance Payment (before deductions for applicable federal, state and local withholding taxe
amount of the Salary Severance Payment (before deductions for applicable federal, state and local withholding taxes); “EC” "EC" is the amount of employer contrib
to the Executive’s Executive's accounts under the Non-ESOP Plans for the last plan year to end before his termination of employment; “BS” "BS" is the l
compensation taken into account in computing EC; “Y” "Y" is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Pe
years and fractions of years that have elapsed between the end of the plan year for which EC was computed and the date of the Executive’s Executive's termir
“STK” "STK" is the fair market value (determined on the basis of the mid-point of the highest and lowest reported sales price for a share of stock of the same class
day period ending on the day of the Executive’s Executive's termination of employment (the “Fair "Fair Market Value of a Share” Share")) of the employer securiti
the Executive’s Executive's accounts under the ESOP Plans in respect of employer contributions and dividends applied to loan amortization payments for the last plar
termination of employment; and “PROP” "PROP" is the fair market value (determined as of the day before the Executive’s Executive's termination of employment us
methodology used to value the assets of the ESOP Plans) of the property other than employer securities actually allocated to the Executive’s Executive's accounts ur
respect of employer contributions and dividends applied to loan amortization payments for the last plan year to end before his termination of employment. The
Severance Payment shall be made within five (5) business days after the Executive’s Executive's termination of employment and shall be in lieu of any claim to an
accrued benefit in the Non-ESOP DC Plans or the ESOP DC Plans in respect of the Remaining Unexpired Employment; *provided, however,* that if the Defined C
Payment represents the benefits under a non-tax-qualified defined contribution plan, the payment shall be paid in the same time and form as provided under the re
defined contribution plan.

The Bank and the Executive hereby stipulate that the damages which may be incurred by the Executive following any such termination of employment are not capable of ac of the date first above written and that the payments and benefits contemplated by this section 9(b) constitute reasonable damages under the circumstances and shall b requirement of proof of actual damage and without regard to the Executive's Executive's efforts, if any, to mitigate damages. The Bank and the Executive further agree that tl the payments and benefits (if any) due under sections 9(b)(iii), (iv), (v), (vi), and (vii) and (viii) on the receipt of the Executive's Executive's resignation from any and all po as an officer, director or committee member with respect to the Company, the Bank or any subsidiary or affiliate of either of them; provided that such resignation is reques than five (5) business days after termination of employment.

(c) The Executive, the Company and the Bank acknowledge that each of the payments and benefits promised to the Executive under this Agreement must requirements of Section 409A and the regulations thereunder or qualify for an exception from compliance. To that end, the Executive, the Company and the Bank agree that t described in Section 9(b) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) as short-term deferrals.

Section 10. *Death and Disability Benefits.*

Section 10. *Death and Disability Benefits.*

(a) In the event the Executive's Executive's employment with the Bank terminates during the Employment Period because of the Executive's Executive's dea pay to the Executive's Executive's estate the benefits listed in sections 9(b)(i) and 9(b)(ii) of this Agreement.

(b) The Bank may terminate the Executive's Executive's employment upon a determination, by vote of a majority of the members of the Boards Board of acting in reliance on the written advice of a medical professional acceptable to them, that the Executive is suffering from a physical or mental impairment which, at the dat has prevented the Executive from performing his assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the period of one (1) year e the determination or is likely to result in death or prevent the Executive from performing his assigned duties on a substantially full-time basis for a period of at least ninet period of one (1) year beginning with the date of the determination. In such event:

(i) The Bank shall pay and deliver to the Executive (or in the event of his death before payment, to his estate and surviving dependents and beneficia benefits described in sections 9(b)(i) and 9(b)(ii).

(ii) In addition to the benefits described in sections 9(b)(i) and 9(b)(ii), the Bank shall continue to pay the Executive his base salary, at the annua immediately prior to the termination of his employment, during a period ending on the earliest of: (A) the expiration of ninety (90) days after the date of terminati (B) the date on which long-term disability insurance benefits are first payable to him under any long-term disability insurance plan covering employees of the Ban "LTD "LTD Eligibility Date" Date"); (C) the date of his death; and (D) the expiration of the Remaining Unexpired Employment Period (the "Initial "Initial Continuat the end of the Initial Continuation Period is neither the LTD Eligibility Date nor the date of his death, the Bank shall continue to pay the Executive his base salary, at sixty percent (60%) of the annual rate in effect for him immediately prior to the termination of his employment, during an additional period ending on the earliest Date, the date of his death and the expiration of the Remaining Unexpired Employment Period.

A termination of employment due to disability under this section 10 shall be effected by notice of termination given to the Executive by the Bank and shall take effect on th date of termination specified in such notice or the date on which the notice of termination is deemed given to the Executive. To that end, the Executive, the Company and t disability benefits described in this Section 10 are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-3(i) as permissible payments.

Section 11. *Termination without Additional Company Liability.*

Section 11. *Termination without Additional Company Liability.*

In the event that the Executive's Executive's employment with the Bank shall terminate during the Employment Period on account of:

(a) the discharge of the Executive for "cause," "cause," which, for purposes of this Agreement, shall mean a discharge of the Executive due to the Executive's dishonesty, (ii) incompetence, (iii) willful misconduct, (iii) breach of fiduciary duties involving personal profit, (iv) intentional failure to perform stated duties, (v) willful vi or regulation (other than traffic violations or similar offenses) or final cease-and-desist order or (vi) material breach of any provision of this Agreement; *provided, howeve* engages in any of the acts described in section 11 (a)(vi) above, the Bank shall provide the Executive with written notice of its intent to discharge the Executive for cause, a have thirty (30) days from the date on which the Executive receives such notice to cure any such acts; *and provided, further,* that on and after the date that a Chang determination under this section 11 shall require the affirmative vote of at least three-fourths of the members of the Board acting in good faith and such vote shall not be made of a sixty (60)-day period following the date on which the Board shall, by written notice to the Executive, furnish to him a statement of its grounds for proposing to make such which period the Executive shall be afforded a reasonable opportunity to make oral and written presentations to the members of the Board, and to be represented by his presentations, to refute the grounds for the proposed determination; or

(b) the Executive's Executive's voluntary resignation from employment with the Bank (including retirement) for reasons other than those specified in sectio then the Bank shall have no further obligations under this Agreement, other than the payment to the Executive of his earned but unpaid salary as of the date of the terminat and the provision of such other benefits, if any, to which he is entitled as a former employee under the Bank's Bank's employee benefit plans and programs and compensatio For purposes of this section 11, no act or failure to act, on the part of the Executive, shall be considered "willful" "willful" unless it is done, or omitted to be done, by the Ex without reasonable belief that the Executive's Executive's action or omission was in the best interests of the Bank. Any act, or failure to act, based upon authority given pursu adopted by the Board or based upon the written advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in goo interests of the Bank. The cessation of employment of the Executive shall not be deemed to be for "cause" "cause" within the meaning of section 11(a) unless and until delivered to the Executive a copy of a resolution duly adopted by the affirmative vote of three-fourths of the members of the Board at a meeting of the Board called and held reasonable notice is provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith the Executive is guilty of the conduct described in section 11(a) above, and specifying the particulars thereof in detail.

Section 12. *Termination Upon or Following a Change of Control.*

Section 12. *Termination Upon or Following a Change of Control.*

(a) A Change of Control of the Company (" ("Change of Control" Control") shall be deemed to have occurred upon the happening of any of the following event

(i) the consummation of a reorganization, merger or consolidation of the Company, respectively, with one (1) or more other persons, other than a which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the m promulgated under the Securities Exchange Act of 1934, as amended "Exchange Act" "Exchange Act") in substantially the same relative proportions by per prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstanding equ in the Company; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction are ben the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such t owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled to vote generally in the elect Company;

(ii) the acquisition of all or substantially all of the assets of the Company or beneficial ownership (within the meaning of Rule 13d-3 promulgated u of 25% or more of the outstanding securities of the Company entitled to vote generally in the election of directors by any person or by any persons acting in con stockholders of the Company of any transaction which would result in such an acquisition;

(iii) a complete liquidation or dissolution of the Company;

(iv) the occurrence of any event if, immediately following such event, at least 50% of the members of the Board of the Company do not belong t groups:

(A) individuals who were members of the Board of the Company on the date of this Agreement; or

(B) individuals who first became members of the Board of the Company after the date of this Agreement either:

(I) upon election to serve as a member of the Board of the Company by affirmative vote of three-quarters of the members nominating committee thereof, in office at the time of such first election; or

(II) upon election by the stockholders of the Company to serve as a member of the Board of the Company, but only if non affirmative vote of three-quarters of the members of the Board of the Company, or of a nominating committee thereof, in office at the time of *provided, however,* that such individual's individual's election or nomination did not result from an actual or threatened election contest or oth solicitation of proxies or consents other than by or on behalf of the Board of the Company; or

(v) any event which would be described in section 12(a)(i), (ii), (iii) or (iv) if the term "Bank" "Bank" were substituted for the term "Company" "Comp

In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary o Company, the Bank, or a subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this section 12(a), the term "person" meaning assigned to it under sections 13(d)(3) or 14(d)(2) of the Exchange Act.

(b) For purposes of this Agreement, a "Pending "Pending Change of Control" Control" shall mean: (i) the signing of a definitive agreement for a transaction w would result in a Change of Control; (ii) the commencement of a tender offer which, if successful, would result in a Change of Control; or (iii) the circulation of a proxy sta in opposition to management in an election contest which, if successful, would result in a Change of Control.

(c) Notwithstanding anything in this Agreement to the contrary, if the Executive's Executive's employment with the Bank and the Company terminates du within one (1) year after the occurrence of a Pending Change of Control and if a Change of Control occurs within two (2) years after such termination of employment, he death, his estate) shall be entitled to receive the benefits described in section 9(b) that would have been payable if a Change of Control had occurred on the date of his term and he had resigned pursuant to section 9(a)(i) immediately thereafter; *provided*, that payment shall be deferred without interest until, and shall be payable immediately upon of a Change of Control.

(d) Notwithstanding anything in this Agreement to the contrary: (i) in the event of the Executive's Executive's resignation within sixty (60) days after the occ Control, he shall be entitled to receive the benefits described in section 9(b) that would be payable if his resignation were pursuant to section 9(a)(i), without regard to the a his resignation; and (ii) for a period of one (1) year after the occurrence of a Change of Control, no discharge of the Executive shall be deemed a discharge with Cause unless by section 11(a) of this Agreement are supported by at least two-thirds of the members of the Board of Directors of the Company at the time the vote is taken who were also of Directors of the Company immediately prior to the Change of Control.

(e) Notwithstanding anything in this Agreement to the contrary, for purposes of computing the benefits described in section 9(b) due upon a termination of emp is deemed to have occurred, after a Change of Control, the Remaining Unexpired Employment Period shall be deemed to be three (3) full years.

Section 13. *Confidentiality.*

Section 13. *Confidentiality.*

Unless he obtains the prior written consent of the Bank, the Executive shall keep confidential and shall refrain from using for the benefit of himself, or any person Company or any entity which is a subsidiary of the Company or of which the Company is a subsidiary, any material document or information obtained from the Compan subsidiaries, in the course of his employment with any of them concerning their properties, operations or business (unless such document or information is readily ascer published information or trade sources or has otherwise been made available to the public through no fault of his own) until the same ceases to be material (or becom available); *provided, however,* that nothing in this section 13 shall prevent the Executive, with or without the Bank's Bank's consent, from participating in or disclosing docu connection with any judicial or administrative investigation, inquiry or proceeding to the extent that such participation or disclosure is required under applicable law. U.S. section 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (i) is to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violatio in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for ret for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the i document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreer shall be construed to, conflict with 18 U.S.C. section 1833(b).

Section 14. *Solicitation.*

Section 14. *Solicitation.*

The Executive hereby covenants and agrees that, for a period of one (1) year following his termination of employment with the Bank, he shall not, without the writte either directly or indirectly:

(a) solicit, offer employment to, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect o employee of the Company, the Bank or any of their respective subsidiaries or affiliates to terminate his or her employment and accept employment or become affiliated with, compensation in any capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other ins business of accepting deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(b) provide any information, advice or recommendation with respect to any such officer or employee of any savings bank, savings and loan company, bank, savings and loan holding company, or other institution engaged in the business of accepting deposits, making loans or doing business within Hampden county or any oth

Company or the Bank maintains an office; that is intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any offi Company, the Bank, or any of their respective subsidiaries or affiliates to terminate his employment and accept employment or become affiliated with, or provide services fo capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other institution engaged in the deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(c) solicit, provide any information, advice or recommendation or take any other action intended, or that a reasonable person acting in like circumstances wo effect of causing any customer of the Company, the Bank or any of their respective subsidiaries to terminate an existing business or commercial relationship with any of the that this section 14 shall not apply if the Executive is entitled to benefits under section 12.

Section 15. *<u>No Effect on Employee Benefit Plans or Programs.</u>*

Section 15. *<u>No Effect on Employee Benefit Plans or Programs.</u>*

The termination of the Executive’s Executive's employment during the term of this Agreement or thereafter, whether by the Bank or by the Executive, shall have no obligations of the parties hereto under the Bank’s Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or stock bonus plans, group hospitalization, medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plan be maintained by, or cover employees of, the Bank from time to time; *provided, however,* that nothing in this Agreement shall be deemed to duplicate any compensation or b any agreement, plan or program covering the Executive to which the Bank is a party and any duplicative amount payable under any such agreement, plan or program shall be reduce the amounts otherwise payable hereunder.

Section 16. *<u>Successors and Assigns.</u>*

Section 16. *<u>Successors and Assigns.</u>*

This Agreement will inure to the benefit of and be binding upon the Executive, his legal representatives and testate or intestate distributees, and the Bank, and thei and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the ass Bank may be sold or otherwise transferred. Failure of the Bank to obtain from any successor its express written assumption of the Bank’s Bank's obligations hereunder at advance of the scheduled effective date of any such succession shall be deemed a material breach of this Agreement.

Section 17. *<u>Notices.</u>*

Section 17. *<u>Notices.</u>*

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, re addressed to such party at the address listed below or at such other address as one (1) such party may by written notice specify to the other party:

If to the Executive:

Filipe B. Goncalves John E. Bonini
To the most recent address on file with the Company 23 Waterford Drive
Westfield, MA 01085

If to the Bank:

Westfield Bank
141 Elm Street
Westfield, MA 01085
Attention: <u>Chairman of the Board of Directors</u>

with a copy to:

Wiggin and Dana LLP
800 17th Street, N.W., 600 Massachusetts Avenue NW, Suite 520 375
Washington, DC 20006 20001
Attention: <u>Christian H. Chandler</u>

Section 18. *<u>Indemnification for Attorneys' Fees.</u>*

Section 18. *<u>Indemnification for Attorneys’ Fees.</u>*

(a) The Bank shall indemnify, hold harmless and defend the Executive against reasonable costs, including legal fees and expenses, incurred by him in connec of any action, suit or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, t have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding. The det Executive shall have substantially prevailed on the merits and is therefore entitled to such indemnification, shall be made by the court or arbitrator, as applicable. In the pursuant to a settlement agreement, any indemnification payment under this section 18 shall be made only after a determination by the members of the Board (other than other member of the Board to which the Executive is related by blood or marriage) that the Executive has acted in good faith and that such indemnification payment is in t Bank. For purposes of this Agreement, any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such expressly provides otherwise. Any such indemnification payments will occur promptly following a request therefor, and in any event not later than the last day of the caler calendar year in which the indemnified expense is incurred or in which the Executive’s Executive's legal right thereto is finally determined.

Section 19. *<u>Severability.</u>*

Section 19. *<u>Severability.</u>*

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 20. *<u>Waiver.</u>*

Section 20. *<u>Waiver.</u>*

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A v of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any rig at any one (1) or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 21. *Counterparts.*

Section 21. *Counterparts.*

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agre

Section 22. *Governing Law.*

Except to the extent preempted by federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonw applicable to contracts entered into and to be performed entirely within the Commonwealth of Massachusetts.

Section 23. *Headings and Construction.*

The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a sec to a section of this Agreement, unless otherwise stated.

Section 24. *Entire Agreement; Modifications.*

This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understand relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto. Notwithstanding the p Agreement shall be construed and administered in such manner as shall be necessary to effect compliance with Section 409A and shall be subject to amendment in the future Company and the Bank may deem necessary or appropriate to effect such compliance; provided that any such amendment shall preserve for the Executive the benefit original this Agreement.

Section 25. *Non-duplication.*

In the event that the Executive shall perform services for the Company or any other direct or indirect subsidiary or affiliate of the Company or the Bank, any co provided to the Executive by such other employer shall be applied to offset the obligations of the Bank hereunder.

Section 26. *Dispute Resolution.*

(a) The Executive acknowledges and agrees that upon any breach by the Executive of his obligations under sections 13 or 14 hereof, the Company and Bank remedy at law, and accordingly will be entitled, in addition to monetary damages, to specific performance and other appropriate injunctive and equitable relief.

(b) Excluding only requests for equitable relief by the Company or Bank under section 26(a) of this Agreement, in the event that there is any claim or d relating to this Agreement, or the breach thereof, and the parties hereto shall not have resolved such claim or dispute within sixty (60) days after written notice from one (1) p forth the nature of such claim or dispute, then such claim or dispute shall be settled exclusively by binding arbitration in Boston, Massachusetts in accordance with the E Rules of the American Arbitration Association by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected ac Notwithstanding the foregoing, if either the Company and Bank or the Executive shall request, such arbitration shall be conducted by a panel of three (3) arbitrators, o Company and Bank, one (1) selected by the Executive and the third selected by agreement of the first two (2), or, in the absence of such agreement, in accordance with such the award rendered by such arbitrator(s) shall be entered in any court having jurisdiction thereof upon the application of either parry.

Section 27. *Survival.*

Any provision of this Agreement which, by its terms, contemplates performance after the expiration of the Employment Period or other termination of this Agreem survive the expiration of this Agreement.

Section 28. *Required Regulatory Provisions.*

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank:

(a) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Bank, whether pursuant to this Agreement or otherv conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §1828(k), and any regulations promulgated thereunder.

(b) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in th of the Bank pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(3) or 1818(g)(1), the Bank's obligations under this Agreement sl the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, in its discretion, may (i) pay to the Exec compensation withheld while the Bank's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(c) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of t order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effe but vested rights of the Bank and the Executive shall not be affected.

(d) Notwithstanding anything herein contained to the contrary, if the Bank is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. § 181 of the Bank under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Bank and the Executive shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent tha Agreement is necessary for the continued operation of the Bank: (i) by the Director of the OCC or his designee or the Federal Deposit Insurance Corporation ("FDIC"), at th into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Dire designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined by su unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as thoug amendment of this Agreement.

Section 29. *Payments to Key Employees.*

Notwithstanding anything in this Agreement to the contrary, to the extent required under Section 409A, no payment to be made to a key employee (within the mea shall be made sooner than six (6) months after such termination of employment; provided, however, that to the extent such six (6)-month delay is imposed by Section 409A of Control as defined in Section 12(a), the payment shall be paid into a rabbi trust for the benefit of the Executive as if the six (6)-month delay was not imposed with su distributed to the Executive as soon as permissible under Section 409A.

Section 30. *Involuntary Termination Payments to Employees (Safe Harbor).*

In the event a payment is made to an employee upon an involuntary termination of employment, as deemed pursuant to this Agreement, such payment will not be s provided that such payment does not exceed two (2) times the lesser of (i) the sum of the Executive's annualized compensation based on the taxable year immediately prece termination of employment occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year terminates service (the "Safe Harbor Amount"). However, if such payment exceeds the Safe Harbor Amount, only the amount in excess of the Safe Harbor Amount will be su In addition, if such Executive is considered a key employee, such payment in excess of the Safe Harbor Amount will have its timing delayed and will be subject to the six imposed by Section 409A as provided in Section 29 of this Agreement. The Executive, the Company and the Bank agree that the termination benefits described in this Sectio exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) as the safe harbor for separation pay due to involuntary separation from service.

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed and the Executive has hereunto set his hand, all as of the day and year first above writte

Section 22.

EXECUTIVE

/s/ John E. Bonini

John E. Bonini

ATTEST:

By: /s/ Theresa C. Szlosek

WESTFIELD BANK

By: /s/ James C. Hagan

Governing Law.Name: James C. Hagan

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("the Agreement") is made and entered into as of February 22, 2024 (the "Effective Date") by and between **WESTER BANCORP, INC.,** a business corporation organized and existing under the laws of the Commonwealth of Massachusetts and having an office at 141 Elm Street, Westfield (the "Company") and **CHRISTINE PHILLIPS** (the "Executive").

W I T N E S S E T H :

WHEREAS, the Executive currently serves as Senior Vice President, Human Resources of the Company, the holding company for Westfield Bank (the "Bank");

WHEREAS, the Company desires to assure for itself the continued availability of the Executive's services as provided in this Agreement and the ability of the Exe services with a minimum of personal distraction in the event of a pending or threatened Change of Control (as hereinafter defined); and

WHEREAS, the Executive is willing to continue to serve the Company on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions hereinafter set forth, the Company and the Executive hereby agree

Section 1. *Employment.*

The Company agrees to continue to employ the Executive, and the Executive hereby agrees to such continued employment, during the period and upon the terms and this Agreement.

Section 2. *Employment Period: Remaining Unexpired Employment Period.*

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this Section 2 ("Emp Employment Period shall be for an initial term of three (3) years beginning on the Effective Date and ending on the third anniversary date of this Agreement, plus such ex provided pursuant to Section 2(b).

(b) The Board of Directors of the Company (the "Board") shall conduct an annual review of the Executive's performance on or about each anniversary of the E "Anniversary Date") and may, on the basis of such review and by written notice to the Executive, offer to extend the Employment Period for an additional one (1)-year per Employment Period shall be deemed extended in the absence of objection from the Executive by written notice to the Company given within ten (10) business days a Company's offer of extension. Except as otherwise expressly provided in this Agreement, any reference in this Agreement to the term "Remaining Unexpired Employment shall mean the period beginning on such date and ending on the day of the third (3rd) anniversary of the last Anniversary Date as of which the Employment Period was ex Section 2(b).

(c) Nothing in this Agreement shall be deemed to prohibit the Company at any time from terminating the Executive's employment during the Employment Period for any reason; *provided, however,* that the relative rights and obligations of the Company and the Executive in the event of any such termination shall be determined under th

Section 3. *Duties.*

The Executive shall serve as Senior Vice President, Human Resources of the Company, having such power, authority and responsibility and performing such duties under the By-Laws of the Company and as are customarily associated with such position. Subject to Section 7 of this Agreement, the Executive shall devote her full busi (other than during weekends, holidays, approved vacation periods, and periods of illness or approved leaves of absence) to the business and affairs of the Company and shal advance the interests of the Company.

Section 4. *Cash Compensation.*

In consideration for the services to be rendered by the Executive hereunder, the Company shall continue to pay to her a salary at an annual rate of $243,092.20 pa equal installments in accordance with the Company's customary payroll practices for senior officers. The Board of Directors of the Company shall review the Executive's such times during the Employment Period as it deems appropriate, but not less frequently than once every twelve (12) months, and may, in its discretion, approve an increase salary, the Executive may receive other cash compensation from the Company for services hereunder at such times, in such amounts and on such terms and conditions as the from time to time.

Section 5. *Employee Benefit Plans and Programs.*

During the Employment Period, the Executive shall be treated as an employee of the Company and shall be entitled to participate in and receive benefits under any a qualified retirement, pension, savings, profit-sharing or stock bonus plans, any and all group life, health (including hospitalization, medical and major medical), dental, disability insurance plans, and any other employee benefit and compensation plans (including, but not limited to, any incentive compensation plans or programs, stock option plans and restricted stock plans) as may from time to time be maintained by, or cover employees of, the Company in accordance with the terms and conditions of such empl programs and compensation plans and programs and consistent with the Company's customary practices.

Section 6. *Indemnification and Insurance.*

(a) During the Employment Period and for a period of six (6) years thereafter, the Company shall cause the Executive to be covered by and named as an insur contract of insurance obtained by it to insure its directors and officers against personal liability for acts or omissions in connection with service as an officer or director of the other capacities at the request of the Company. The coverage provided to the Executive pursuant to this Section 6 shall be of the same scope and on the same terms and con (if any) provided to other officers or directors of the Company.

(b) To the maximum extent permitted under applicable law, during the Employment Period and for a period of six (6) years thereafter, the Company shall in against and hold her harmless from any costs, damages, losses and exposures arising out of a bona fide action, suit or proceeding in which she may be involved by reaso director or officer of the Company to the fullest extent and on the most favorable terms and conditions that similar indemnification is offered to any director or officer c subsidiary or affiliate thereof.

(c) The Executive, the Company and the Bank agree that the termination benefits described in this Section 6 are intended to be exempt from Section 409A of the ("Section 409A") pursuant to Treasury Regulation Section 1.409A-1(b)(10) as certain indemnification and liability insurance plans.

Section 7. *Outside Activities.*

The Executive may serve as a member of the boards of directors of such business, community and charitable organizations as she may disclose to and as may be (which approval shall not be unreasonably withheld); *provided, however,* that such service shall not materially interfere with the performance of her duties under this Agreeme also engage in personal business and investment activities which do not materially interfere with the performance of her duties hereunder; *provided, however,* that such activ under any code of conduct or investment or securities trading policy established by the Company and generally applicable to all similarly situated executives. The Executiv officer or director of the Bank on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to mater Executive's performance of her duties hereunder or otherwise result in a material breach of this Agreement. If the Executive is discharged or suspended, or is subject to any re restriction with respect to participation in the affairs of the Bank, she shall continue to perform services for the Company in accordance with this Agreement but shall no provide services to or participate in the affairs of the Bank in a manner inconsistent with the terms of such discharge or suspension or any applicable regulatory order.

Section 8. *Working Facilities and Expenses.*

The Executive's principal place of employment shall be at the Company's executive offices at the address first above written or at such other location as the Com may mutually agree upon. The Company shall provide the Executive at her principal place of employment with a private office, secretarial services and other support service to her position with the Company and necessary or appropriate in connection with the performance of her assigned duties under this Agreement. The Company shall reimburs ordinary and necessary business expenses, including, without limitation, all expenses associated with her business use of her automobile, fees for memberships in such club the Executive and the Company shall mutually agree are necessary and appropriate for business purposes, and her travel and entertainment expenses incurred in connection v her duties under this Agreement, in each case upon presentation to the Company of an itemized account of such expenses in such form as the Company may reason reimbursements shall occur at the time provided in any relevant reimbursement policy or procedure of the Company and in any event not later than the last day of the cale

following the calendar year in which the reimbursable expense is incurred, and no such reimbursement of expenses eligible for reimbursement in any taxable year shall
expenses eligible for reimbursement in any other taxable year.

Section 9 *Termination of Employment with Severance Benefits.*

(a) The Executive shall be entitled to the severance benefits described in Section 9(b) in the event that:

(i) her employment with the Company terminates during the Employment Period as a result of the Executive's voluntary resignation within nine

(A) the failure of the Board to appoint or re-appoint or elect or re-elect the Executive to the position with the Company stated in Sectio

(B) if the Executive is a member of the Board, the failure of the shareholders of the Company to elect or re-elect the Executive to the the Board (or the nominating committee thereof) to nominate the Executive for such election or re-election;

(C) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Company of its m by amendment of the Company's Certificate of Incorporation, the Company's By-Laws, action of the Board or the Company's shareholders or o Executive the functions, duties, or responsibilities prescribed in Section 3 of this Agreement, unless, during such thirty (30)-day period, the Compa

(D) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Company of its term, condition or covenant contained in this Agreement (including, without limitation any reduction of the Executive's rate of base salary in effec any change in the terms and conditions of any compensation or benefit program in which the Executive participates which, either individually changes, has a material adverse effect on the aggregate value of her total compensation package), unless, during such thirty (30)-day period, th failure;

(E) a change in the Executive's principal place of employment to a place that is not the principal executive office of the Bank, or a r principal executive office to a location that is both more than twenty-five (25) miles away from the Executive's principal residence and more than away from the location of the Bank's principal executive office on the date of this Agreement; or

(F) any material breach by the Company of any material term, condition or covenant contained in this Agreement; *provided, however,* t have given notice of such materials adverse effect to the Company, and the Company has not fully cured such failure within thirty (30) days after given; or

(ii) the Executive's employment with the Company is terminated by the Company for any reason other than for "cause" as provided in Section 1

(b) Upon the occurrence of any of the events described in Section 9(a) of this Agreement, the Company shall pay and provide to the Executive (or, in the event and prior to payment, to her estate):

(i) her earned but unpaid salary (including, without limitation, all items which constitute wages under applicable law and the payment of provided for in this Section 9(b)) as of the date of the termination of her employment with the Company and the Bank, such payment to be made at the t prescribed by law applicable to the payment of wages but in no event later than thirty (30) days after termination of employment as defined in Treasu 1.409A-1(h)(1)(ii);

(ii) the benefits, if any, to which she is entitled as a former employee under the employee benefit plans and programs and compensatio maintained for the benefit of the Company's and the Bank's officers and employees;

(iii) continued group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance b the same terms and conditions (including any required premium-sharing arrangements, co-payments and deductibles) in effect for them immediately p termination for the Remaining Unexpired Employment Period for the Executive and her dependents. The coverage provided under this Section 9(b)(iii) ma Company, be secondary to the coverage provided pursuant to Section 9(b)(ii) and to any employer-paid coverage provided by a subsequent employer or t the result that benefits under the other coverages will offset the coverage required by this Section 9(b)(iii). The Executive, the Company and the Bank ag benefits described in this Section 9(b)(iii) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b) (1) as non-tax

(iv) a lump sum payment in an amount equal to the estimated present value of the salary that the Executive would have earned if she had con Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) yea prior to the date of termination (the "Salary Severance Payment"). The Salary Severance Payment shall be computed using the following formula:

where "SSP" is the amount of the Salary Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "BS" is the salary achieved by the Executive during the period of three (3) years ending immediately prior to the date of termination; "PR" is the number of payroll peri year under the Company's normal payroll practices; "I" equals the applicable federal short term rate established under Section 1274 of the Internal Reve "Code") for the month in which the Executive's termination of employment occurs (the "Short Term AFR") and "n" equals the product of the Remaining U Period at the Executive's termination of employment (expressed in years and fractions of years) multiplied by the number of payroll periods that occur Company's and the Bank's normal payroll practices. The Salary Severance Payment shall be made within five (5) business days after the Executive's term and shall be in lieu of any claim to a continuation of base salary which the Executive might otherwise have and in lieu of cash severance benefits under program which may be in effect for officers or employees of the Bank or the Company;

(v) a lump sum payment in an amount equal to the estimated present value of the annual bonuses that the Executive would have earned if she for the Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of immediately prior to the date of termination (the "Bonus Severance Payment"). The Bonus Severance Payment shall be computed using the following form

$$BSP = SSP \times (ABP / ASP)$$

where "BSP" is the amount of the Bonus Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "SSP" is th Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "ABP" is the aggregate of the annual bonuses paid or de paid) for the most recent period of three (3) calendar years to end on or before the Executive's termination of employment; and "ASP" is the aggregate base the Executive during such period of three (3) calendar years (excluding any year for which no bonus was declared or paid). The Bonus Severance Paymen five (5) business days after the Executive's termination of employment and shall be in lieu of any claim to a continuation of participation in annual bonus p Company which the Executive might otherwise have;

(vi) a lump sum payment in an amount equal to the estimated present value of the long-term incentive bonuses that the Executive would continued working for the Company and the Bank during the Remaining Unexpired Employment Period (the "Incentive Severance Payment"). The Incenti shall be computed using the following formula:

$$ISP = (SSP / RUP) \times (ALTIP / ALTSP) \times Y$$

where "ISP" is the amount of the Incentive Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "SSP" is th Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "ALTIP" is the aggregate of the most recently paid or de paid) long-term incentive compensation payments (but not more than three (3) such payments) for performance periods that end on or before the Exe employment; "ALTSP" is the aggregate base salary actually paid to the Executive during the performance periods covered by the payments included in " base salary paid for any period for which no long-term incentive compensation payment was declared or paid; "RUP" is the Remaining Unexpired Employ in years and fractions of years; and "Y" is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Period plus th fraction of years that have elapsed since the end of the last performance period for which a long-term incentive payment has been declared and paid Executive's employment terminates prior to the payment date under any long-term incentive compensation plan, then for purposes of computing the Incenti the "ALTSP" shall be deemed to be the average of the target and maximum award level under such plan and the "ALTSP" shall be deemed to be the Executi as in effect on the Executive's termination of employment. The Incentive Severance Payment shall be made within five (5) business days after the Exe employment and shall be in lieu of any claim to a continuation of participation in cash long-term incentive compensation plans of the Bank or the Compar might otherwise have;

(vii) a lump sum payment in an amount equal to the present value of the additional employer contributions that would have been credited di under any and all tax-qualified and non-tax-qualified defined contribution plans maintained by, or covering employees of, the Bank and the Company Plans"), plus the fair market value of the additional shares of employer securities or other property that would have been allocated to her account a contributions or dividends under any tax-qualified leveraged employee stock ownership plan and any related non-tax-qualified supplemental plan mair employees of, the Bank and the Company (the "ESOP Plans") if she had continued in employment during the Remaining Unexpired Employment Contribution Severance Payment"). The Defined Contribution Severance Payment shall be computed according to the following formula:

DCSP = [SSP x (EC / BS)] + [(STK + PROP) x Y]

where: "DCSP" is the amount of the Defined Contribution Severance Payment (before deductions for applicable federal, state and local withholding taxes); the Salary Severance Payment (before deductions for applicable federal, state and local withholding taxes); "EC" is the amount of employer contributions Executive's accounts under the Non-ESOP Plans for the last plan year to end before her termination of employment; "BS" is the Executive's compensatio computing EC; "Y" is the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Period and the number of years that have elapsed between the end of plan year for which EC was computed and the date of the Executive's termination of employment; "STK" is the fair ma on the basis of the midpoint of the highest and lowest reported sales price for a share of stock of the same class during the thirty (30)-day period en Executive's termination of employment (the "Fair Market Value of a Share")) of the employer securities actually allocated to the Executive's accounts un respect of employer contributions and dividends applied to loan amortization payments for the last plan year to end before her termination of employment; market value (determined as of the day before the Executive's termination of employment using the same valuation methodology used to value the assets of property other than employer securities actually allocated to the Executive's accounts under the ESOP Plans in respect of employer contributions and div amortization payments for the last plan year to end before her termination of employment. The Defined Contribution Severance Payment shall be made v days after the Executive's termination of employment and shall be in lieu of any claim to any actual increase in her accrued benefit in the Non-ESOP DC Plans in respect of the Remaining Unexpired Employment; *provided, however,* that if the Defined Contribution Severance Payment represents the ber qualified defined contribution plan, the payment shall be paid in the same time and form as provided under the related non-tax-qualified defined contributior

(viii) at the election of the Company made within thirty (30) days following the Executive's termination of employment, upon the surrender of rights issued to the Executive under any stock option and appreciation rights plan or program maintained by, or covering employees of, the Company or payment in an amount equal to the product of:

(A) the excess of (I) the Fair Market Value of a Share, over (II) the exercise price per share for such option or appreciation right, as sp relevant plan or program; multiplied by

(B) the number of shares with respect to which options or appreciation rights are being surrendered.

For the purpose of computing this payment, the Executive shall be deemed fully vested in all options and appreciation rights under any stock option or app program maintained by, or covering employees of, the Company or the Bank, even if she is not vested under such plan or program; and

(ix) at the election of the Company made within thirty (30) days following the Executive's termination of employment, upon the surrender of the Executive under any restricted stock plan maintained by, or covering employees of, the Company or the Bank, the Company shall make a lump sum equal to the product of:

(A) the Fair Market Value of a Share granted under such plan; multiplied by

(B) the number of shares which are being surrendered.

For purposes of computing this payment, the Executive shall be deemed fully vested in all shares awarded under any restricted stock plan maintained by, of, the Company or the Bank, even if she is not vested under such plan.

The Company and the Executive hereby stipulate that the damages which may be incurred by the Executive following any such termination of employment are no measurement as of the date first above written and that the payments and benefits contemplated by this Section 9(b) constitute reasonable damages under the circumstance without any requirement of proof of actual damage and without regard to the Executive's efforts, if any, to mitigate damages. The Company and the Executive further agree t condition the payments and benefits (if any) due under Sections 9(b)(iii), (iv), (v), (vi), (vii), (viii) and (ix) on the receipt of the Executive's resignation from any and all pos as an officer, director or committee member with respect to the Company, the Bank or any subsidiary or affiliate of either of them; provided that such resignation is request than five (5) business days after termination of employment.

(c) The Executive, the Company and the Bank acknowledge that each of the payments and benefits promised to the Executive under this Agreement must e requirements of Section 409A and the regulations thereunder or qualify for an exception from compliance. To that end, the Executive, the Company and the Bank agre benefits described in Section 9(b) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) as short-term deferrals.

Section 10. *Death and Disability Benefits.*

(a) In the event the Executive's employment with the Company terminates during the Employment Period because of the Executive's death, then the Cor Executive's estate the benefits listed in Sections 9(b)(i) and 9(b)(ii) of this Agreement.

(b) The Company may terminate the Executive's employment upon a determination, by vote of a majority of the members of the Boards of Directors of the Com on the written advice of a medical professional acceptable to them, that the Executive is suffering from a physical or mental impairment which, at the date of the determina Executive from performing her assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the period of one (1) year ending with the da or is likely to result in death or prevent the Executive from performing her assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the beginning with the date of the determination. In such event:

(i) The Company shall pay and deliver to the Executive (or in the event of her death before payment, to her estate and surviving dependents and benefici benefits described in Sections 9(b)(i) and 9(b)(ii).

(ii) In addition to the benefits described in Sections 9(b)(i) and 9(b)(ii), the Company shall continue to pay the Executive her base salary, at the annu immediately prior to the termination of her employment, during a period ending on the earliest of: (A) the expiration of ninety (90) days after the date of terminati (B) the date on which long-term disability insurance benefits are first payable to her under any long-term disability insurance plan covering employees of the Ban "LTD Eligibility Date"); (C) the date of her death; and (D) the expiration of the Remaining Unexpired Employment Period (the "Initial Continuation Period"). I Continuation Period is neither the LTD Eligibility Date nor the date of her death, the Company shall continue to pay the Executive her base salary, at an annual rate (60%) of the annual rate in effect for her immediately prior to the termination of her employment, during an additional period ending on the earliest of the LTD Elig her death and the expiration of the Remaining Unexpired Employment Period.

A termination of employment due to disability under this Section 10 shall be effected by notice of termination given to the Executive by the Company and shall take ef effective date of termination specified in such notice or the date on which the notice of termination is deemed given to the Executive. To that end, the Executive, the Compa that the disability benefits described in this Section 10 are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-3(i) as permissible payn

Section 11. *Termination without Additional Company Liability.*

In the event that the Executive's employment with the Company shall terminate during the Employment Period on account of:

(a) the discharge of the Executive for "cause," which, for purposes of this Agreement, shall mean a discharge of the Executive due to the Executive's (i) p incompetence, (iii) willful misconduct, (iii) breach of fiduciary duties involving personal profit, (iv) intentional failure to perform stated duties, (v) willful violation of any (other than traffic violations or similar offenses) or final cease-and-desist order or (vi) material breach of any provision of this Agreement; *provided, however,* that, if the Ex of the acts described in Section 11 (a)(vi) above, the Company shall provide the Executive with written notice of its intent to discharge the Executive for cause, and the Exe five (45) days from the date on which the Executive receives such notice to cure any such acts; *and provided, further,* that on and after the date that a Change of Control o under this Section 11 shall require the affirmative vote of at least three-fourths of the members of the Board acting in good faith and such vote shall not be made prior to th (60)-day period following the date on which the Board shall, by written notice to the Executive, furnish to her a statement of its grounds for proposing to make such deter period the Executive shall be afforded a reasonable opportunity to make oral and written presentations to the members of the Board, and to be represented by her legal counse to refute the grounds for the proposed determination; or

(b) the Executive's voluntary resignation from employment with the Company (including retirement) for reasons other than those specified in Section 9(a)(i) Company shall have no further obligations under this Agreement, other than the payment to the Executive of her earned but unpaid salary as of the date of the termination the provision of such other benefits, if any, to which she is entitled as a former employee under the Company's employee benefit plans and programs and compensation pl purposes of this Section 11, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive reasonable belief that the Executive's action or omission was in the best interests of the Company. Any act, or failure to act, based upon authority given pursuant to a resoluti Board or based upon the written advice of counsel for the Company shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in Company. The cessation of employment of the Executive shall not be deemed to be for "cause" within the meaning of Section 11(a) unless and until there shall have been del a copy of a resolution duly adopted by the affirmative vote of three-fourths of the members of the Board at a meeting of the Board called and held for such purpose (aft provided to the Executive and the Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, of the conduct described in Section 11(a) above, and specifying the particulars thereof in detail.

Section 12. *Termination Upon or Following a Change of Control.*

(a) A Change of Control of the Company ("Change of Control") shall be deemed to have occurred upon the happening of any of the following events:

(i) the consummation of a reorganization, merger or consolidation of the Company, respectively, with one (1) or more other persons, other than which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the r promulgated under the Securities Exchange Act of 1934, as amended "Exchange Act") in substantially the same relative proportions by persons w to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstan interests in the Company; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, imm transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled t election of directors of the Company;

(ii) the acquisition of all or substantially all of the assets of the Company or beneficial ownership (within the meaning of Rule 13d-3 promulgat Act) of 25% or more of the outstanding securities of the Company entitled to vote generally in the election of directors by any person or by any persor approval by the stockholders of the Company of any transaction which would result in such an acquisition;

(iii) a complete liquidation or dissolution of the Company;

(iv) the occurrence of any event if, immediately following such event, at least 50% of the members of the Board of the Company do not belong groups

(A) individuals who were members of the Board of the Company on the date of this Agreement; or

(B) individuals who first became members of the Board of the Company after the date of this Agreement either:

(I) upon election to serve as a member of the Board of the Company by affirmative vote of three-quarters of the members nominating committee thereof, in office at the time of such first election; or

(II) upon election by the stockholders of the Company to serve as a member of the Board of the Company, but only if nor affirmative vote of three-quarters of the members of the Board of the Company, or of a nominating committee thereof; in office at nomination;

provided, however, that such individual's election or nomination did not result from an actual or threatened election contest or other actual or th proxies or consents other than by or on behalf of the Board of the Company; or

(v) any event which would be described in Section 12(a)(i), (ii), (iii) or (iv) if the term "Bank" were substituted for the term "Company" therein.

In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary o Company, the Bank, or a subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this Section 12(a), the term "person" assigned to it under Sections 13(d)(3) or 14(d)(2) of the Exchange Act.

(b) For purposes of this Agreement, a "Pending Change of Control" shall mean: (i) the signing of a definitive agreement for a transaction which, if consumm Change of Control; (ii) the commencement of a tender offer which, if successful, would result in a Change of Control; or (iii) the circulation of a proxy statement seeking p management in an election contest which, if successful, would result in a Change of Control.

(c) Notwithstanding anything in this Agreement to the contrary, if the Executive's employment with the Bank and the Company terminates due to death or disabi after the occurrence of a Pending Change of Control and if a Change of Control occurs within two (2) years after such termination of employment, she (or in the event of her be entitled to receive the benefits described in Section 9(b) that would have been payable if a Change of Control had occurred on the date of her termination of employmen pursuant to Section 9(a)(i) immediately thereafter; *provided,* that payment shall be deferred without interest until, and shall be payable immediately upon, the actual occu Control.

(d) Notwithstanding anything in this Agreement to the contrary: (i) in the event of the Executive's resignation within sixty (60) days after the occurrence of a shall be entitled to receive the benefits described in Section 9(b) that would be payable if her resignation were pursuant to Section 9(a)(i), without regard to the actua resignation; and (ii) for a period of one (1) year after the occurrence of a Change of Control, no discharge of the Executive shall be deemed a discharge with Cause unless the Section 11(a) of this Agreement are supported by at least two-thirds of the members of the Board of Directors of the Company at the time the vote is taken who were also m Directors of the Company immediately prior to the Change of Control.

(e) Notwithstanding anything in this Agreement to the contrary, for purposes of computing the benefits described in Section 9(b) due upon a termination of emp is deemed to have occurred, after a Change of Control, the Remaining Unexpired Employment Period shall be deemed to be three (3) full years.

Section 13. *Confidentiality.*

Unless she obtains the prior written consent of the Company, the Executive shall keep confidential and shall refrain from using for the benefit of himself, or any per the Company or any entity which is a subsidiary of the Company or of which the Company is a subsidiary, any material document or information obtained from the Compar subsidiaries, in the course of her employment with any of them concerning their properties, operations or business (unless such document or information is readily ascert published information or trade sources or has otherwise been made available to the public through no fault of her own) until the same ceases to be material (or becon available); *provided, however,* that nothing in this Section 13 shall prevent the Executive, with or without the Company's consent, from participating in or disclosing docun connection with any judicial or administrative investigation, inquiry or proceeding to the extent that such participation or disclosure is required under applicable law. U.S. section 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (i) is r to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for reta for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the i document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreer shall be construed to, conflict with 18 U.S.C. section 1833(b).

Section 14. *Solicitation.*

The Executive hereby covenants and agrees that, for a period of one (1) year following her termination of employment with the Company, she shall not, without the Company, either directly or indirectly:

(a) solicit, offer employment to, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of employee of the Company, the Bank or any of their respective subsidiaries or affiliates to terminate her or her employment and accept employment or become affiliated with, compensation in any capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other ins business of accepting deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(b) provide any information, advice or recommendation with respect to any such officer or employee of any savings bank, savings and loan company, bank, b savings and loan holding company, or other institution engaged in the business of accepting deposits, making loans or doing business within Hampden county or any oth Company or the Bank maintains an office; that is intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any offi Company, the Bank, or any of their respective subsidiaries or affiliates to terminate her employment and accept employment or become affiliated with, or provide services fo capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other institution engaged in the deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(c) solicit, provide any information, advice or recommendation or take any other action intended, or that a reasonable person acting in like circumstances wo effect of causing any customer of the Company, the Bank or any of their respective subsidiaries to terminate an existing business or commercial relationship with any of th that this Section 14 shall not apply if the Executive is entitled to the benefits under Section 12.

Section 15. *No Effect on Employee Benefit Plans or Programs.*

The termination of the Executive's employment during the term of this Agreement or thereafter, whether by the Company or by the Executive, shall have no e obligations of the parties hereto under the Company's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or stock bonus plans, group life, health (inc medical and major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs by, or cover employees of, the Company from time to time; *provided, however,* that nothing in this Agreement shall be deemed to duplicate any compensation or benef agreement, plan or program covering the Executive to which the Company is a party and any duplicative amount payable under any such agreement, plan or program shall be reduce the amounts otherwise payable hereunder.

Section 16. *Other Termination.*

Upon the expiration of this Agreement, other than on account of the Executive's refusing to accept an extension offered by the Company or the Executive's givi extension, unless the Company shall offer to the Executive continued service either: (i) in the same position in effect immediately prior to the expiration of this Agreement w and pension and welfare benefits no less favorable than those in effect immediately prior to the expiration of this Agreement; or (ii) in another position acceptable to th mutually and reasonably agreeable terms, and termination of employment, the Executive shall be entitled to receive for a period of twelve (12) months after the expiration of event, the "Severance Period") and continuation of base salary at the rate then in effect plus medical, dental, life-insurance and disability coverage; provided, that the participation is permissible or otherwise practicable under the general terms and provisions of such plans. To the extent that continued participation is neither permissib Company shall take such actions as may be necessary to provide the Executive with substantially comparable benefits (without additional cost to the Executive) outside the the Executive engages in regular employment after her termination of employment (whether as an executive or as a self-employed person), any employee welfare benefits rec during the Severance Period in consideration of such employment which are similar in nature to the employee welfare benefits provided by the Company will relieve obligations under this Section 16 to provide comparable benefits to the extent of the benefits so received. This Section 16 shall have no application if, prior to the expiration Executive's employment has terminated in a termination to which Section 9, 10, 11 or 12 applies or if, after the expiration of this Agreement, the Executive's employment is te

The Executive, the Company and the Bank agree that the termination benefits other than the salary continuation payments described in this Section 16 are intend Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(1) as non-taxable benefits.

Section 17. *Successors and Assigns.*

This Agreement will inure to the benefit of and be binding upon the Executive, her legal representatives and testate or intestate distributees, and the Compan successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantiall business of the Company may be sold or otherwise transferred. Failure of the Company to obtain from any successor its express written assumption of the Company's obliga sixty (60) days in advance of the scheduled effective date of any such succession shall be deemed a material breach of this Agreement.

Section 18. *Notices.*

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, re addressed to such party at the address listed below or at such other address as one (1) such party may by written notice specify to the other party:

If to the Executive:

Christine Phillips
32 Boynton Street
South Hadley, MA 01075

If to the Company:

Western New England Bancorp, Inc.
141 Elm Street
Westfield, MA 01085
Attention: Chairman of the Board of Directors

with a copy to:
Wiggin and Dana LLP
600 Massachusetts Avenue NW, Suite 375
Washington, DC 20001
Attention: Christian H. Chandler

Section 19. *Indemnification for Attorneys' Fees.*

(a) The Company shall indemnify, hold harmless and defend the Executive against reasonable costs, including legal fees and expenses, incurred by he arising out of any action, suit or proceeding in which she may be involved, as a result of her efforts, in good faith, to defend or enforce the terms of this Agreemen Agreement, any settlement agreement which provides for payment of any amounts in settlement of the Company's or the Bank's obligations hereunder shall be con Executive's entitlement to indemnification hereunder, and any such indemnification payments shall be in addition to amounts payable pursuant to such settlement a settlement agreement expressly provides otherwise. Any such indemnification payments will occur promptly following a request therefor, and in any event not later calendar year following the calendar year in which the indemnified expense is incurred or in which the Executive's legal right thereto is finally determined.

(b) The Company's obligation to make the payments provided for in this Agreement and otherwise to perform its obligations hereunder shall not be a counterclaim, recoupment, defense or other claim, right or action which the Company may have against the Executive or others. In no event shall the Executive be employment or take any other action by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement and such amoun whether or not the Executive obtains other employment.

Section 20. *Severability.*

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 21. *Waiver.*

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A v of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any rig at any one (1) or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 22. *Counterparts.*

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agre

Section 23. *Governing Law.*

Except to the extent preempted by federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonw applicable to contracts entered into and to be performed entirely within the Commonwealth of Massachusetts.

Section 23. *Headings and Construction.*

Section 24. *Headings and Construction.*

The headings of sections Sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any referen shall refer to a section of this Agreement, unless otherwise stated.

Section 24. *Entire Agreement; Modifications.*

Section 25. *Entire Agreement: Modifications.*

This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreeme representations relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto. Notwith sentence, this Agreement shall be construed and administered in such manner as shall be necessary to effect compliance with Section 409A and shall be subject to amendmen manner as the Company and the Bank may deem necessary or appropriate to effect such compliance; provided that any such amendment shall preserve for the Executive afforded pursuant to this Agreement.

Section 25. *Non-duplication.*

Section 26. *Non-duplication.*

The Company hereby agrees to guarantee the payment by the Bank of any benefits and compensation to which the Executive is, or may be, entitled under the term employment agreement of even date herewith between the Bank and the Executive. In the event that the Executive shall perform services for the Company Bank or any subsidiary or affiliate of the Company or the Bank, any compensation or benefits provided to the Executive by such other employer shall be applied to offset the obliga hereunder, it being intended that this Agreement set forth the aggregate compensation and benefits payable to the Executive for all services to the Company, the Bank her respective direct or indirect subsidiaries and affiliates.

Section 26. *Dispute Resolution.*

Section 27. *Dispute Resolution.*

(a) The Executive acknowledges and agrees that upon any breach by the Executive of his her obligations under sections Sections 13 or 14 hereof, the Company adequate remedy at law, and accordingly will be entitled, in addition to monetary damages, to specific performance and other appropriate injunctive and equitable relief.

(b) Excluding only requests for equitable relief by the Company or Bank under section Section 27(a) of this Agreement, in the event that there is any claim or d relating to this Agreement, or the breach thereof, and the parties hereto shall not have resolved such claim or dispute within sixty (60) days after written notice from one (1) p forth the nature of such claim or dispute, then such claim or dispute shall be settled exclusively by binding arbitration in Boston, Massachusetts in accordance with the E Rules of the American Arbitration Association by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected ac Notwithstanding the foregoing, if either the Company and Bank or the Executive shall request, such arbitration shall be conducted by a panel of three (3) arbitrators, o Company and Bank, one (1) selected by the Executive and the third selected by agreement of the first two (2), or, in the absence of such agreement, in accordance with such the award rendered by such arbitrator(s) shall be entered in any court having jurisdiction thereof upon the application of either parry. party.

Section 27. *Survival.*

Section 28. *Survival.*

Any provision of this Agreement which, by its terms, contemplates performance after the expiration of the Employment Period or other termination of this Agreem survive the expiration of this Agreement.

Section 28. *Required Regulatory Provisions.*

Section 29. *Required Regulatory Provisions.*

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank: Company:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Executive under section of amounts described in section 9(b)(i) and (ii)) exceed the three (3) times the Executive's average annual compensation for the last five (5) consecutive calendar yea termination of employment with the Bank (or for his entire period of employment with the Bank if less than five (5) calendar years). The compensation payable to the Execu further reduced (but not below zero) if such reduction would avoid the assessment of excise taxes on excess parachute payments (within the meaning of section 280G of the C

(b) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Bank, Company, whether pursuant to this Agreement or o and conditioned upon their compliance with section Section 18(k) of the Federal Deposit Insurance Act ("("FDI Act" Act"), 12 U.S.C. §1828(k) §1828 (k), and any re thereunder.

(c) (b) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in th of the Bank Company pursuant to a notice served under section Section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(3) or 1818(g)(1), the Bank's Company's Agreement shall be suspended as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, Con may (i) pay to the Executive all or part of the compensation withheld while the Bank's Company's obligations hereunder were suspended and (ii) reinstate, in whole or in part which were suspended.

(d) (c) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of affairs by an order issued under section Section 8(e)(4) or 8(g)(1) (I) of the FDI Act, 12 U.S.C. §1818(e)(4) or (g)(1) (I), all obligations of the Bank Company under this Agree of the effective date of the order, but vested rights of the Bank Company and the Executive shall not be affected.

(e) (d) Notwithstanding anything herein contained to the contrary, if the Bank Company is in default (within the meaning of section Section 3(x)(1) of the 1813(x) §1813(x)(1), all obligations of the Bank Company under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Bank Comp shall not be affected.

(f) (e) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent tha Agreement is necessary for the continued operation of the Bank: (i) by the Director of the OCC or his her designee or the Federal Deposit Insurance Corporation ("FDIC" (" FDIC enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section Section 13(c) of the FDI Act, 12 U.S.C. Section 1823 of the OCC or his her designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank Director to be in an unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as thoug amendment of this Agreement.

Section 29. *Payments to Key Employees.*

Section 30. *Payments to Key Employees.*

Notwithstanding anything in this Agreement to the contrary, to the extent required under Section 409A, no payment to be made to a key employee (within the mea shall be made sooner than six (6) months after such termination of employment; provided, however, that to the extent such six (6)-month delay is imposed by Section 409A of Control as defined in Section 12(a), the payment shall be paid into a rabbi trust for the benefit of the Executive as if the six (6)-month delay was not imposed with su distributed to the Executive as soon as permissible under Section 409A.

Section 30. *Involuntary Termination Payments to Employees (Safe Harbor).*

Section 31. *Involuntary Termination Payments to Employees (Safe Harbor).*

In the event a payment is made to an employee upon an involuntary termination of employment, as deemed pursuant to this Agreement, such payment will not be s provided that such payment does not exceed two (2) times the lesser of (i) the sum of the Executive's Executive's annualized compensation based on the taxable year immedia in which termination of employment occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code fo Executive terminates service (the "Safe Harbor Amount"). However, if such payment exceeds the Safe Harbor Amount, only the amount in excess of the Safe Harbor Am Section 409A. In addition, if such Executive is considered a key employee, such payment in excess of the Safe Harbor Amount will have its timing delayed and will be subje wait-period imposed by Section 409A as provided in Section 30 of this Agreement. The Executive, the Company and the Bank agree that the termination benefits describe intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) as the safe harbor for separation pay due to involuntary separation from

[*Signature page follows*]

IN WITNESS WHEREOF, the Company has caused this Agreement to be executed and the Executive has hereunto set her hand, all as of the day and year first abo

EXECUTIVE

/s/ Christine Phillips

Christine Phillips

ATTEST: WESTERN NEW ENGLAND BANCORP, I

By: /s/ Theresa C. Szlosek By: /s/ James C. Hagan

Name: James C. Hagan
Title: President and Chief Executive Officer

[Seal]

Western New England Bancorp, Inc. 10-K

EMPLOYMENT AGREEMENT

This **EMPLOYMENT AGREEMENT** ("the Agreement") is made and entered into as of February 22, 2024 (the "Effective Date") by and between **WESTFIEL** chartered savings bank having an office at 141 Elm Street, Westfield, Massachusetts 01085 (the "Bank") and **CHRISTINE PHILLIPS** (the "Executive").

W I T N E S S E T H :

WHEREAS, the Executive currently serves as Senior Vice President, Human Resources of the Bank, a subsidiary of Western New England Bancorp, Inc. (the "Com

WHEREAS, the Bank desires to assure for itself the continued availability of the Executive's services as provided in this Agreement and the ability of the Exe services with a minimum of personal distraction in the event of a pending or threatened Change of Control (as hereinafter defined); and

WHEREAS, the Executive is willing to continue to serve the Bank on the terms and conditions hereinafter set forth;

NOW, THEREFORE, in consideration of the premises and the mutual covenants and conditions hereinafter set forth, the Bank and the Executive hereby agree as fo

Section 1. *Employment.*

The Bank agrees to continue to employ the Executive, and the Executive hereby agrees to such continued employment, during the period and upon the terms and con Agreement.

Section 2. *Employment Period: Remaining Unexpired Employment Period.*

(a) The terms and conditions of this Agreement shall be and remain in effect during the period of employment established under this section 2 ("Emp Employment Period shall be for an initial term of three (3) years beginning on the Effective Date and ending on the third anniversary date of this Agreement, plus such ex provided pursuant to section 2(b).

(b) The Board of Directors of the Bank (the "Board") shall conduct an annual review of the Executive's performance on or about each anniversary of the E "Anniversary Date") and may, on the basis of such review and by written notice to the Executive, offer to extend the Employment Period for an additional one (1)-year per Employment Period shall be deemed extended in the absence of objection from the Executive by written notice to the Bank given within ten (10) business days after her rec of extension. Except as otherwise expressly provided in this Agreement, any reference in this Agreement to the term "Remaining Unexpired Employment Period" as of a period beginning on such date and ending on the day of the third (3rd) anniversary of the last Anniversary Date as of which the Employment Period was extended pursuant to

(c) Nothing in this Agreement shall be deemed to prohibit the Bank at any time from terminating the Executive's employment during the Employment Period for any reason; *provided, however,* that the relative rights and obligations of the Bank and the Executive in the event of any such termination shall be determined under this Ag

---

Section 3. *Duties.*

The Executive shall serve as Senior Vice President, Human Resources of the Bank, having such power, authority and responsibility and performing such duties a under the By-Laws of the Bank and as are customarily associated with such position. Subject to section 7 of this Agreement, the Executive shall devote her full business ti than during weekends, holidays, approved vacation periods, and periods of illness or approved leaves of absence) to the business and affairs of the Bank and shall use her bes interests of the Bank.

Section 4. *Cash Compensation.*

In consideration for the services to be rendered by the Executive hereunder, the Bank shall continue to pay to her a salary at an annual rate of $243,092.20 payable installments in accordance with the Bank's customary payroll practices for senior officers. The Board shall review the Executive's annual rate of salary at such times during t as it deems appropriate, but not less frequently than once every twelve (12) months, and may, in its discretion, approve an increase therein. In addition to salary, the Execu cash compensation from the Bank for services hereunder at such times, in such amounts and on such terms and conditions as the Board may determine from time to time.

Section 5. *Employee Benefit Plans and Programs.*

During the Employment Period, the Executive shall be treated as an employee of the Bank and shall be entitled to participate in and receive benefits under any a qualified retirement, pension, savings, profit-sharing or stock bonus plans, any and all group life, health (including hospitalization, medical and major medical), dental, a disability insurance plans, and any other employee benefit and compensation plans (including, but not limited to, any incentive compensation plans or programs, stock option plans and restricted stock plans) as may from time to time be maintained by, or cover employees of, the Bank in accordance with the terms and conditions of such empl programs and compensation plans and programs and consistent with the Bank's customary practices.

Section 6. *Indemnification and Insurance.*

(a) During the Employment Period and for a period of six (6) years thereafter, the Bank shall cause the Executive to be covered by and named as an insur contract of insurance obtained by it to insure its directors and officers against personal liability for acts or omissions in connection with service as an officer or director of other capacities at the request of the Bank. The coverage provided to the Executive pursuant to this section 6 shall be of the same scope and on the same terms and conditi any) provided to other officers or directors of the Bank.

(b) To the maximum extent permitted under applicable law, during the Employment Period and for a period of six (6) years thereafter, the Bank shall indemnif and hold her harmless from any costs, damages, losses and exposures arising out of a bona fide action, suit or proceeding in which she may be involved by reason of her ha officer of the Bank to the fullest extent and on the most favorable terms and conditions that similar indemnification is offered to any director or officer of the Bank or any thereof.

(c) The Executive, the Company and the Bank agree that the termination benefits described in this Section 6 are intended to be exempt from Section 409A c Code (“Section 409A”) pursuant to Treasury Regulation Section 1.409A-1(b)(10) as certain indemnification and liability insurance plans.

Section 7. *Outside Activities.*

The Executive may serve as a member of the boards of directors of such business, community and charitable organizations as she may disclose to and as may be (which approval shall not be unreasonably withheld); *provided, however,* that such service shall not materially interfere with the performance of her duties under this Agreeme also engage in personal business and investment activities which do not materially interfere with the performance of her duties hereunder; *provided, however,* that such activ under any code of conduct or investment or securities trading policy established by the Bank and generally applicable to all similarly situated Executives. The Executive may or director of the Company on such terms and conditions as the Company and the Bank may mutually agree upon, and such service shall not be deemed to materially interfe performance of her duties hereunder or otherwise result in a material breach of this Agreement. If the Executive is discharged or suspended, or is subject to any regulatory pr with respect to participation in the affairs of the Bank, she shall not directly or indirectly provide services to or participate in the affairs of the Bank in a manner inconsistent discharge or suspension or any applicable regulatory order.

Section 8. *Working Facilities and Expenses.*

The Executive's principal place of employment shall be at the Bank's executive offices at the address first above written or at such other location as the Bank mutually agree upon. The Bank shall provide the Executive at her principal place of employment with a private office, secretarial services and other support services and f position with the Bank and necessary or appropriate in connection with the performance of her assigned duties under this Agreement. The Bank shall reimburse the Executi necessary business expenses, including, without limitation, all expenses associated with her business use of her automobile, fees for memberships in such clubs and organiz and the Bank shall mutually agree are necessary and appropriate for business purposes, and her travel and entertainment expenses incurred in connection with the performa this Agreement, in each case upon presentation to the Bank of an itemized account of such expenses in such form as the Bank may reasonably require. Expense reimburser time provided in any relevant reimbursement policy or procedure of the Bank and in any event not later than the last day of the calendar year immediately following the cale reimbursable expense is incurred, and no such reimbursement of expenses eligible for reimbursement in any taxable year shall in any way affect the expenses eligible for other taxable year.

Section 9. *Termination of Employment with Severance Benefits.*

(a) The Executive shall be entitled to the severance benefits described in section 9(b) in the event that:

(i) her employment with the Bank terminates during the Employment Period as a result of the Executive's voluntary resignation within ninety (90) day

(A) the failure of the Board to appoint or re-appoint or elect or re-elect the Executive to the position with the Bank stated in section 3 of this A

(B) if the Executive is a member of the Board, the failure of the shareholders of the Bank to elect or re-elect the Executive to the Board or t (or the nominating committee thereof) to nominate the Executive for such election or re-election;

(C) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Bank of its mater amendment of the Bank's Restated Organization Certificate, the Bank's By-Laws, action of the Board or the Bank's shareholders or otherwise, to ves functions, duties, or responsibilities prescribed in section 3 of this Agreement, unless, during such thirty (30)-day period, the Bank cures such failure;

(D) the expiration of a thirty (30)-day period following the date on which the Executive gives written notice to the Bank of its materi condition or covenant contained in this Agreement (including, without limitation any reduction of the Executive's rate of base salary in effect from time to t the terms and conditions of any compensation or benefit program in which the Executive participates which, either individually or together with other c adverse effect on the aggregate value of her total compensation package), unless, during such thirty (30)-day period, the Bank cures such failure;

(E) a change in the Executive's principal place of employment to a place that is not the principal executive office of the Bank, or a relocation executive office to a location that is both more than twenty-five (25) miles away from the Executive's principal residence and more than twenty-five (25 location of the Bank's principal executive office on the date of this Agreement; or

(F) any material breach by the Bank of any material term, condition or covenant contained in this Agreement; *provided, however,* that th given notice of such materials adverse effect to the Bank, and the Bank has not fully cured such failure within thirty (30) days after such notice is deemed gi

(ii) the Executive's employment with the Bank is terminated by the Bank for any reason other than for “cause” as provided in section 11(a).

(b) Upon the occurrence of any of the events described in section 9(a) of this Agreement, the Bank shall pay and provide to the Executive (or, in the event of h prior to payment, to her estate):

(i) her earned but unpaid salary (including, without limitation, all items which constitute wages under applicable law and the payment of which is for in this section 9(b)) as of the date of the termination of her employment with the Company and the Bank, such payment to be made at the time and in the ma applicable to the payment of wages but in no event later than thirty (30) days after termination of employment as defined in Treasury Regulation Section 1.409A-l(h)

(ii) the benefits, if any, to which she is entitled as a former employee under the employee benefit plans and programs and compensation plans and pr the benefit of the Company's and the Bank's officers and employees;

(iii) continued group life, health (including hospitalization, medical and major medical), dental, accident and long-term disability insurance benefits or terms and conditions (including any required premium-sharing arrangements, co-payments and deductibles) in effect for them immediately prior to the Executiv Remaining Unexpired Employment Period for the Executive and her dependents. The coverage provided under this section 9(b)(iii) may, at the election of the Cor the coverage provided pursuant to section 9(b)(ii) and to any employer-paid coverage provided by a subsequent employer or through Medicare, with the result that b coverages will offset the coverage required by this section 9(b)(iii). The Executive, the Company and the Bank agree that the termination benefits described in th intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-l(b) (1) as non-taxable benefits;

(iv) a lump sum payment in an amount equal to the estimated present value of the salary that the Executive would have earned if she had continued wo and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) years ending immedia termination (the "Salary Severance Payment"). The Salary Severance Payment shall be computed using the following formula:

where "SSP" is the amount of the Salary Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "BS" is the highes achieved by the Executive during the period of three (3) years ending immediately prior to the date of termination; "PR" is the number of payroll periods that occur Company's normal payroll practices; "I" equals the applicable federal short term rate established under section 1274 of the Internal Revenue Code of 1986 (the "C which the Executive's termination of employment occurs (the "Short Term AFR") and "n" equals the product of the Remaining Unexpired Employment Pe termination of employment (expressed in years and fractions of years) multiplied by the number of payroll periods that occur during a year under the Company's payroll practices. The Salary Severance Payment shall be made within five (5) business days after the Executive's termination of employment and shall be in continuation of base salary which the Executive might otherwise have and in lieu of cash severance benefits under any severance benefits program which may be employees of the Bank or the Company;

(v) a lump sum payment in an amount equal to the estimated present value of the annual bonuses that the Executive would have earned if she had co Company and the Bank during the Remaining Unexpired Employment Period at the highest annual rate of salary achieved during the period of three (3) years endi the date of termination (the "Bonus Severance Payment"). The Bonus Severance Payment shall be computed using the following formula:

$$BSP= SSP \times (ABP/ASP)$$

where "BSP" is the amount of the Bonus Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "SSP" is the amount o Payment (before the deduction of applicable federal, state and local withholding taxes); "ABP" is the aggregate of the annual bonuses paid or declared (whether o recent period of three (3) calendar years to end on or before the Executive's termination of employment; and "ASP" is the aggregate base salary actually paid to the period of three (3) calendar years (excluding any year for which no bonus was declared or paid). The Bonus Severance Payment shall be made within five (5) Executive's termination of employment and shall be in lieu of any claim to a continuation of participation in annual bonus plans of the Bank or the Company whi otherwise have;

(vi) a lump sum payment in an amount equal to the estimated present value of the long-term incentive bonuses that the Executive would have earn working for the Company and the Bank during the Remaining Unexpired Employment Period (the "Incentive Severance Payment"). The Incentive Severance Payn using the following formula:

$$ISP = (SSP / RUP) \times (ALTIP / ALTSP) \times Y$$

where "ISP" is the amount of the Incentive Severance Payment (before the deduction of applicable federal, state and local withholding taxes); "SSP" is the amount o Payment (before the deduction of applicable federal, state and local withholding taxes); "ALTIP" is the aggregate of the most recently paid or declared (whether incentive compensation payments (but not more than three (3) such payments) for performance periods that end on or before the Executive's termination of emplo aggregate base salary actually paid to the Executive during the performance periods covered by the payments included in "ALTIP" and excluding base salary paid f no long-term incentive compensation payment was declared or paid; "RUP" is the Remaining Unexpired Employment Period, expressed in years and fractions o aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Period plus the number of years and fraction of years that have elaps last performance period for which a long-term incentive payment has been declared and paid. In the event that the Executive's employment terminates prior to the p long-term incentive compensation plan, then for purposes of computing the Incentive Severance Payment, the "ALTSP" shall be deemed to be the average of th award level under such plan and the "ALTSP" shall be deemed to be the Executive's annual base salary as in effect on the Executive's termination of employment. T Payment shall be made within five (5) business days after the Executive's termination of employment and shall be in lieu of any claim to a continuation of particip incentive compensation plans of the Bank or the Company which the Executive might otherwise have; and

(vii) a lump sum payment in an amount equal to the present value of the additional employer contributions that would have been credited directly to he and all tax-qualified and non-tax-qualified defined contribution plans maintained by, or covering employees of, the Bank and the Company (the "Non-ESOP D market value of the additional shares of employer securities or other property that would have been allocated to her account as a result of employer contributions tax-qualified leveraged employee stock ownership plan and any related non-tax-qualified supplemental plan maintained by, or covering employees of, the Bank "ESOP Plans") if she had continued in employment during the Remaining Unexpired Employment Period (the "Defined Contribution Severance Payment"). The Severance Payment shall be computed according to the following formula:

$$DCSP = [SSP \times (EC / BS)] + [(STK + PROP) \times Y]$$

where: "DCSP" is the amount of the Defined Contribution Severance Payment (before deductions for applicable federal, state and local withholding taxes); "SSP Salary Severance Payment (before deductions for applicable federal, state and local withholding taxes); "EC" is the amount of employer contributions actually cred accounts under the Non-ESOP Plans for the last plan year to end before her termination of employment; "BS" is the Executive's compensation taken into account in the aggregate (expressed in years and fractions of years) of the Remaining Unexpired Employment Period and the number of years and fractions of years that have e of plan year for which EC was computed and the date of the Executive's termination of employment; "STK" is the fair market value (determined on the basis of the r and lowest reported sales price for a share of stock of the same class during the thirty (30)-day period ending on the day of the Executive's termination of employ Value of a Share")) of the employer securities actually allocated to the Executive's accounts under the ESOP Plans in respect of employer contributions and div amortization payments for the last plan year to end before her termination of employment; and "PROP" is the fair market value (determined as of the day before the l of employment using the same valuation methodology used to value the assets of the ESOP Plans) of the property other than employer securities actually alloc accounts under the ESOP Plans in respect of employer contributions and dividends applied to loan amortization payments for the last plan year to end bef employment. The Defined Contribution Severance Payment shall be made within five (5) business days after the Executive's termination of employment and shall be any actual increase in her accrued benefit in the Non-ESOP DC Plans or the ESOP DC Plans in respect of the Remaining Unexpired Employment; *provided, howe* Contribution Severance Payment represents the benefits under a non-tax-qualified defined contribution plan, the payment shall be paid in the same time and form related non-tax-qualified defined contribution plan.

The Bank and the Executive hereby stipulate that the damages which may be incurred by the Executive following any such termination of employment are not capable of ac of the date first above written and that the payments and benefits contemplated by this section 9(b) constitute reasonable damages under the circumstances and shall b requirement of proof of actual damage and without regard to the Executive's efforts, if any, to mitigate damages. The Bank and the Executive further agree that the B payments and benefits (if any) due under sections 9(b)(iii), (iv), (v), (vi) and (vii) on the receipt of the Executive's resignation from any and all positions which she holds a committee member with respect to the Company, the Bank or any subsidiary or affiliate of either of them; provided that such resignation is requested in writing not later than after termination of employment.

(c) The Executive, the Company and the Bank acknowledge that each of the payments and benefits promised to the Executive under this Agreement must requirements of Section 409A and the regulations thereunder or qualify for an exception from compliance. To that end, the Executive, the Company and the Bank agree that t described in Section 9(b) are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(4) as short-term deferrals.

Section 10. *<u>Death and Disability Benefits.</u>*

(a) In the event the Executive's employment with the Bank terminates during the Employment Period because of the Executive's death, then the Bank shall estate the benefits listed in sections 9(b)(i) and 9(b)(ii) of this Agreement.

(b) The Bank may terminate the Executive's employment upon a determination, by vote of a majority of the members of the Board of Directors of the Bank, a written advice of a medical professional acceptable to them, that the Executive is suffering from a physical or mental impairment which, at the date of the determinat Executive from performing her assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the period of one (1) year ending with the da or is likely to result in death or prevent the Executive from performing her assigned duties on a substantially full-time basis for a period of at least ninety (90) days during the beginning with the date of the determination. In such event:

(i) The Bank shall pay and deliver to the Executive (or in the event of her death before payment, to her estate and surviving dependents and benefici
benefits described in sections 9(b)(i) and 9(b)(ii).

(ii) In addition to the benefits described in sections 9(b)(i) and 9(b)(ii), the Bank shall continue to pay the Executive her base salary, at the annu immediately prior to the termination of her employment, during a period ending on the earliest of: (A) the expiration of ninety (90) days after the date of terminati (B) the date on which long-term disability insurance benefits are first payable to her under any long-term disability insurance plan covering employees of the Ban "LTD Eligibility Date"); (C) the date of her death; and (D) the expiration of the Remaining Unexpired Employment Period (the "Initial Continuation Period"). I Continuation Period is neither the LTD Eligibility Date nor the date of her death, the Bank shall continue to pay the Executive her base salary, at an annual rate equal of the annual rate in effect for her immediately prior to the termination of her employment, during an additional period ending on the earliest of the LTD Eligibilit death and the expiration of the Remaining Unexpired Employment Period.

A termination of employment due to disability under this section 10 shall be effected by notice of termination given to the Executive by the Bank and shall take effect on t date of termination specified in such notice or the date on which the notice of termination is deemed given to the Executive. To that end, the Executive, the Company and t disability benefits described in this Section 10 are intended to be exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-3(i) as permissible payments.

Section 11. *Termination without Additional Company Liability.*

In the event that the Executive's employment with the Bank shall terminate during the Employment Period on account of:

(a) the discharge of the Executive for "cause," which, for purposes of this Agreement, shall mean a discharge of the Executive due to the Executive's (i) p incompetence, (iii) willful misconduct, (iii) breach of fiduciary duties involving personal profit, (iv) intentional failure to perform stated duties, (v) willful violation of any (other than traffic violations or similar offenses) or final cease-and-desist order or (vi) material breach of any provision of this Agreement; *provided*, *however*, that, if the Ex of the acts described in section 11 (a)(vi) above, the Bank shall provide the Executive with written notice of its intent to discharge the Executive for cause, and the Executiv days from the date on which the Executive receives such notice to cure any such acts; *and provided, further,* that on and after the date that a Change of Control occurs, a d section 11 shall require the affirmative vote of at least three-fourths of the members of the Board acting in good faith and such vote shall not be made prior to the expirat period following the date on which the Board shall, by written notice to the Executive, furnish to her a statement of its grounds for proposing to make such determination, d Executive shall be afforded a reasonable opportunity to make oral and written presentations to the members of the Board, and to be represented by her legal counsel at such the grounds for the proposed determination; or

(b) the Executive's voluntary resignation from employment with the Bank (including retirement) for reasons other than those specified in section 9(a)(i) or Se shall have no further obligations under this Agreement, other than the payment to the Executive of her earned but unpaid salary as of the date of the termination of he provision of such other benefits, if any, to which she is entitled as a former employee under the Bank's employee benefit plans and programs and compensation plans and pro this section 11, no act or failure to act, on the part of the Executive, shall be considered "willful" unless it is done, or omitted to be done, by the Executive in bad faith or wi that the Executive's action or omission was in the best interests of the Bank. Any act, or failure to act, based upon authority given pursuant to a resolution duly adopted by th the written advice of counsel for the Bank shall be conclusively presumed to be done, or omitted to be done, by the Executive in good faith and in the best interests of the employment of the Executive shall not be deemed to be for "cause" within the meaning of section 11(a) unless and until there shall have been delivered to the Executive a co adopted by the affirmative vote of three-fourths of the members of the Board at a meeting of the Board called and held for such purpose (after reasonable notice is provided t Executive is given an opportunity, together with counsel, to be heard before the Board), finding that, in the good faith opinion of the Board, the Executive is guilty of th section 11(a) above, and specifying the particulars thereof in detail.

Section 12. *Termination Upon or Following a Change of Control.*

(a) A Change of Control of the Company ("Change of Control") shall be deemed to have occurred upon the happening of any of the following events:

(i) the consummation of a reorganization, merger or consolidation of the Company, respectively, with one (1) or more other persons, other than a which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the m promulgated under the Securities Exchange Act of 1934, as amended "Exchange Act") in substantially the same relative proportions by persons who, imi transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the outstanding equity own Company; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction are benefic meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who, immediately prior to such t owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securities entitled to vote generally in the elect Company;

(ii) the acquisition of all or substantially all of the assets of the Company or beneficial ownership (within the meaning of Rule 13d-3 promulgated ur of 25% or more of the outstanding securities of the Company entitled to vote generally in the election of directors by any person or by any persons acting in conc stockholders of the Company of any transaction which would result in such an acquisition;

(iii) a complete liquidation or dissolution of the Company;

(iv) the occurrence of any event if, immediately following such event, at least 50% of the members of the Board of the Company do not belong t groups:

(A) individuals who were members of the Board of the Company on the date of this Agreement; or

(B) individuals who first became members of the Board of the Company after the date of this Agreement either:

(I) upon election to serve as a member of the Board of the Company by affirmative vote of three-quarters of the members nominating committee thereof, in office at the time of such first election; or

(II) upon election by the stockholders of the Company to serve as a member of the Board of the Company, but only if nominated for vote of three-quarters of the members of the Board of the Company, or of a nominating committee thereof, in office at the time of such first *however,* that such individual's election or nomination did not result from an actual or threatened election contest or other actual or threatened sc consents other than by or on behalf of the Board of the Company; or

(v) any event which would be described in section 12(a)(i), (ii), (iii) or (iv) if the term "Bank" were substituted for the term "Company" therein.

In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary o Company, the Bank, or a subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this section 12(a), the term "person" s assigned to it under sections 13(d)(3) or 14(d)(2) of the Exchange Act.

(b) For purposes of this Agreement, a "Pending Change of Control" shall mean: (i) the signing of a definitive agreement for a transaction which, if consumn Change of Control; (ii) the commencement of a tender offer which, if successful, would result in a Change of Control; or (iii) the circulation of a proxy statement seeking p management in an election contest which, if successful, would result in a Change of Control.

(c) Notwithstanding anything in this Agreement to the contrary, if the Executive's employment with the Bank and the Company terminates due to death or d year after the occurrence of a Pending Change of Control and if a Change of Control occurs within two (2) years after such termination of employment, she (or in the event c shall be entitled to receive the benefits described in section 9(b) that would have been payable if a Change of Control had occurred on the date of her termination of em resigned pursuant to section 9(a)(i) immediately thereafter; *provided*, that payment shall be deferred without interest until, and shall be payable immediately upon, the actual c of Control.

(d) Notwithstanding anything in this Agreement to the contrary: (i) in the event of the Executive's resignation within sixty (60) days after the occurrence of a shall be entitled to receive the benefits described in section 9(b) that would be payable if her resignation were pursuant to section 9(a)(i), without regard to the actua resignation; and (ii) for a period of one (1) year after the occurrence of a Change of Control, no discharge of the Executive shall be deemed a discharge with Cause unless the section 11(a) of this Agreement are supported by at least two-thirds of the members of the Board of Directors of the Company at the time the vote is taken who were also m Directors of the Company immediately prior to the Change of Control.

(e) Notwithstanding anything in this Agreement to the contrary, for purposes of computing the benefits described in section 9(b) due upon a termination of e or is deemed to have occurred, after a Change of Control, the Remaining Unexpired Employment Period shall be deemed to be three (3) full years.

Section 13. *Confidentiality.*

Unless she obtains the prior written consent of the Bank, the Executive shall keep confidential and shall refrain from using for the benefit of herself, or any person Company or any entity which is a subsidiary of the Company or of which the Company is a subsidiary, any material document or information obtained from the Company subsidiaries, in the course of her employment with any of them concerning their properties, operations or business (unless such document or information is readily ascert published information or trade sources or has otherwise been made available to the public through no fault of her own) until the same ceases to be material (or becon available); *provided, however,* that nothing in this section 13 shall prevent the Executive, with or without the Bank's consent, from participating in or disclosing docum connection with any judicial or administrative investigation, inquiry or proceeding to the extent that such participation or disclosure is required under applicable law. U.S. section 1833(b)) states that an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that: (i) is to a Federal, State, or local government official, either directly or indirectly, or to an attorney, and (B) solely for the purpose of reporting or investigating a suspected violation in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. That law further states that an individual who files a lawsuit for reta for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the i document containing the trade secret under seal; and (2) does not disclose the trade secret, except pursuant to court order. For the avoidance of doubt, nothing in this Agreem shall be construed to, conflict with 18 U.S.C. section 1833(b).

Section 14. *Solicitation.*

The Executive hereby covenants and agrees that, for a period of one (1) year following her termination of employment with the Bank, she shall not, without the Bank, either directly or indirectly:

(a) solicit, offer employment to, or take any other action intended, or that a reasonable person acting in like circumstances would expect, to have the effect of employee of the Company, the Bank or any of their respective subsidiaries or affiliates to terminate her or her employment and accept employment or become affiliated with, compensation in any capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other ins business of accepting deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(b) provide any information, advice or recommendation with respect to any such officer or employee of any savings bank, savings and loan company, bank, l savings and loan holding company, or other institution engaged in the business of accepting deposits, making loans or doing business within Hampden county or any oth Company or the Bank maintains an office; that is intended, or that a reasonable person acting in like circumstances would expect, to have the effect of causing any offi Company, the Bank, or any of their respective subsidiaries or affiliates to terminate her employment and accept employment or become affiliated with, or provide services fo capacity whatsoever to, any savings bank, savings and loan association, bank, bank holding company, savings and loan holding company, or other institution engaged in the deposits, making loans or doing business within Hampden county or any other county in which the Company or the Bank maintains an office;

(c) solicit, provide any information, advice or recommendation or take any other action intended, or that a reasonable person acting in like circumstances wo effect of causing any customer of the Company, the Bank or any of their respective subsidiaries to terminate an existing business or commercial relationship with any of th that this section 14 shall not apply if the Executive is entitled to benefits under section 12.

Section 15. *No Effect on Employee Benefit Plans or Programs.*

The termination of the Executive's employment during the term of this Agreement or thereafter, whether by the Bank or by the Executive, shall have no effect on the of the parties hereto under the Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or stock bonus plans, group life, health (including hospi major medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs, as may be r employees of, the Bank from time to time; *provided, however,* that nothing in this Agreement shall be deemed to duplicate any compensation or benefits provided under a program covering the Executive to which the Bank is a party and any duplicative amount payable under any such agreement, plan or program shall be applied as an offset otherwise payable hereunder.

Section 16. *Successors and Assigns.*

This Agreement will inure to the benefit of and be binding upon the Executive, her legal representatives and testate or intestate distributees, and the Bank, and thei and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substantially all of the ass Bank may be sold or otherwise transferred. Failure of the Bank to obtain from any successor its express written assumption of the Bank's obligations hereunder at least sixty (the scheduled effective date of any such succession shall be deemed a material breach of this Agreement.

Section 17. *Notices.*

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection or waiver, shall be deemed to have been given at such time as it is delivered personally, or five (5) days after mailing if mailed, postage prepaid, by registered or certified mail, re addressed to such party at the address listed below or at such other address as one (1) such party may by written notice specify to the other party:

If to the Executive:

Christine Phillips
32 Boynton Street
South Hadley, MA 01075

If to the Bank:

Westfield Bank
141 Elm Street
Westfield, MA 01085
Attention: Chairman of the Board of Directors

with a copy to:

Wiggin and Dana LLP
600 Massachusetts Avenue NW, Suite 375
Washington, DC 20001
Attention: Christian H. Chandler

Section 18. *Indemnification for Attorneys' Fees.*

(a) The Bank shall indemnify, hold harmless and defend the Executive against reasonable costs, including legal fees and expenses, incurred by her in connectio any action, suit or proceeding in which she may be involved, as a result of her efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, t have substantially prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding. The det Executive shall have substantially prevailed on the merits and is therefore entitled to such indemnification, shall be made by the court or arbitrator, as applicable. In the pursuant to a settlement agreement, any indemnification payment under this section 18 shall be made only after a determination by the members of the Board (other than other member of the Board to which the Executive is related by blood or marriage) that the Executive has acted in good faith and that such indemnification payment is in t Bank. For purposes of this Agreement, any such indemnification payments shall be in addition to amounts payable pursuant to such settlement agreement, unless such expressly provides otherwise. Any such indemnification payments will occur promptly following a request therefor, and in any event not later than the last day of the caler calendar year in which the indemnified expense is incurred or in which the Executive's legal right thereto is finally determined.

Section 19. *Severability.*

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 20. *Waiver.*

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or condition. A v of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishment of any rig at any one (1) or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 21. *Counterparts.*

This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same Agre

Section 22. *Governing Law.*

Except to the extent preempted by federal law, this Agreement shall be governed by and construed and enforced in accordance with the laws of the Commonw applicable to contracts entered into and to be performed entirely within the Commonwealth of Massachusetts.

Section 23. *Headings and Construction.*

The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any reference to a sec to a section of this Agreement, unless otherwise stated.

Section 24. *Entire Agreement; Modifications.*

This instrument contains the entire agreement of the parties relating to the subject matter hereof, and supersedes in its entirety any and all prior agreements, understand relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto. Notwithstanding the p Agreement shall be construed and administered in such manner as shall be necessary to effect compliance with Section 409A and shall be subject to amendment in the future Company and the Bank may deem necessary or appropriate to effect such compliance; provided that any such amendment shall preserve for the Executive the benefit original this Agreement.

Section 25. *Non-duplication.*

In the event that the Executive shall perform services for the Company or any other direct or indirect subsidiary or affiliate of the Company or the Bank, any co provided to the Executive by such other employer shall be applied to offset the obligations of the Bank hereunder.

Section 26. *Dispute Resolution.*

(a) The Executive acknowledges and agrees that upon any breach by the Executive of her obligations under sections 13 or 14 hereof, the Company and Bank remedy at law, and accordingly will be entitled, in addition to monetary damages, to specific performance and other appropriate injunctive and equitable relief.

(b) Excluding only requests for equitable relief by the Company or Bank under section 26(a) of this Agreement, in the event that there is any claim or di relating to this Agreement, or the breach thereof, and the parties hereto shall not have resolved such claim or dispute within sixty (60) days after written notice from one (1) p forth the nature of such claim or dispute, then such claim or dispute shall be settled exclusively by binding arbitration in Boston, Massachusetts in accordance with the E Rules of the American Arbitration Association by an arbitrator mutually agreed upon by the parties hereto or, in the absence of such agreement, by an arbitrator selected ac Notwithstanding the foregoing, if either the Company and Bank or the Executive shall request, such arbitration shall be conducted by a panel of three (3) arbitrators, o Company and Bank, one (1) selected by the Executive and the third selected by agreement of the first two (2), or, in the absence of such agreement, in accordance with such the award rendered by such arbitrator(s) shall be entered in any court having jurisdiction thereof upon the application of either parry.

Section 27. *Survival.*

Any provision of this Agreement which, by its terms, contemplates performance after the expiration of the Employment Period or other termination of this Agreem survive the expiration of this Agreement.

Section 28. *Required Regulatory Provisions.*

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank:

(a) Notwithstanding anything herein contained to the contrary, any payments to the Executive by the Bank, whether pursuant to this Agreement or otherv conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act (“FDI Act”), 12 U.S.C. §1828(k), and any regulations promulgated thereunder.

(b) Notwithstanding anything herein contained to the contrary, if the Executive is suspended from office and/or temporarily prohibited from participating in th of the Bank pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(3) or 1818(g)(1), the Bank's obligations under this Agreement sl the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, in its discretion, may (i) pay to the Exec compensation withheld while the Bank's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(c) Notwithstanding anything herein contained to the contrary, if the Executive is removed and/or permanently prohibited from participating in the conduct of t order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(4) or (g)(1), all obligations of the Bank under this Agreement shall terminate as of the effe but vested rights of the Bank and the Executive shall not be affected.

(d) Notwithstanding anything herein contained to the contrary, if the Bank is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U.S.C. § 181 of the Bank under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Bank and the Executive shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the extent tha Agreement is necessary for the continued operation of the Bank: (i) by the Director of the OCC or her designee or the Federal Deposit Insurance Corporation (“FDIC”), at th into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. Section 1823(c); (ii) by the Dire designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined by su unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperative as thoug amendment of this Agreement.

Section 29. *Payments to Key Employees.*

Notwithstanding anything in this Agreement to the contrary, to the extent required under Section 409A, no payment to be made to a key employee (within the mea shall be made sooner than six (6) months after such termination of employment; provided, however, that to the extent such six (6)-month delay is imposed by Section 409A of Control as defined in Section 12(a), the payment shall be paid into a rabbi trust for the benefit of the Executive as if the six (6)-month delay was not imposed with su distributed to the Executive as soon as permissible under Section 409A.

Section 30. *Involuntary Termination Payments to Employees (Safe Harbor).*

In the event a payment is made to an employee upon an involuntary termination of employment, as deemed pursuant to this Agreement, such payment will not be s provided that such payment does not exceed two (2) times the lesser of (i) the sum of the Executive's annualized compensation based on the taxable year immediately prece termination of employment occurs or (ii) the maximum amount that may be taken into account under a qualified plan pursuant to Section 401(a)(17) of the Code for the year terminates service (the “Safe Harbor Amount”). However, if such payment exceeds the Safe Harbor Amount, only the amount in excess of the Safe Harbor Amount will be su In addition, if such Executive is considered a key employee, such payment in excess of the Safe Harbor Amount will have its timing delayed and will be subject to the six imposed by Section 409A as provided in Section 29 of this Agreement. The Executive, the Company and the Bank agree that the termination benefits described in this Sectio exempt from Section 409A pursuant to Treasury Regulation Section 1.409A-1(b)(9)(iii) as the safe harbor for separation pay due to involuntary separation from service.

IN WITNESS WHEREOF, the Bank has caused this Agreement to be executed and the Executive has hereunto set his her hand, all as of the day and year first above wr

EXECUTIVE

/s/ Filipe B. Goncalves Christine Phillips

Filipe B. Goncalves

Christine Phillips

ATTEST: WESTFIELD BANK

By: /s/ Kara L. Wood

By: /s/ James Theresa C. Hagan

Name: James C. Hagan

Title: President and Chief Executive Off

[Seal]

ONE-YEAR CHANGE OF CONTROL AGREEMENT

This **CHANGE OF CONTROL AGREEMENT** (the "Agreement") is made and entered into as of January 1, 2022 by and among **WESTFIELD BANK** savings bank having an office at 141 Elm Street, Westfield, Massachusetts 01085 (the "Bank"), **WESTERN NEW ENGLAND BANCORP, INC.**, a business corporation under the laws of the Commonwealth of Massachusetts and having an office at 141 Elm Street, Westfield, Massachusetts 01085 (the "Company") and Daniel A. Marini (the "

INTRODUCTORY STATEMENT

The Board of Directors of the Bank has concluded that it is in the best interests of the Bank, the Company and their prospective shareholders to establish for the Officer which minimizes the personal distractions that might result from possible business combinations in which the Company or the Bank might be involved. To decided to provide the Officer with assurance that his compensation will be continued for a minimum period of one (1) year following termination of employment (the "As employment terminates under specified circumstances related to a business combination. The Board of Directors of the Bank has decided to formalize this assurance by enter Control Agreement with the Officer. The Board of Directors of the Company has authorized the Company to guarantee the Bank's obligations under this Agreement.

The terms and conditions which the Bank, the Company and the Officer have agreed to are as follows.

AGREEMENT

Section 1. ***<u>Effective Date; Term; Change of Control and Pending Change of Control Defined.</u>***

(a) This Agreement shall take effect as of the date written above (the "Effective Date") and shall be in effect during the period (the "Term") beginnin and ending on the first anniversary of the date on which the Bank notifies the Officer of its intent to discontinue the Agreement (the "Initial Expiration Date") or, if later, the latest Change of Control or Pending Change of Control, as defined below, that occurs after the Effective Date and before the Initial Expiration Date.

(b) For all purposes of this Agreement, a "Change of Control" shall be deemed to have occurred upon the happening of any of the following events:

(i) the consummation of a reorganization, merger or consolidation of the Company with one or more other persons, other than a transact which:

(A) at least 51% of the equity ownership interests of the entity resulting from such transaction are beneficially owned (within the me 13d-3 promulgated under the Securities Exchange Act of 1934, as amended ("Exchange Act")) in substantially the same relative proportions by immediately prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at leas outstanding equity ownership interests in the Company; and

(B) at least 51% of the securities entitled to vote generally in the election of directors of the entity resulting from such transaction ar owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) in substantially the same relative proportions by persons who prior to such transaction, beneficially owned (within the meaning of Rule 13d-3 promulgated under the Exchange Act) at least 51% of the securi vote generally in the election of directors of the Company;

(ii) the acquisition of all or substantially all of the assets of the Company or beneficial ownership (within the meaning of Rule 13d-3 prom the Exchange Act) of 25% or more of the outstanding securities of the Company entitled to vote generally in the election of directors by any person or b acting in concert;

(iii) a complete liquidation or dissolution of the Company:

(iv) the occurrence of any event if, immediately following such event, at least 50% of the members of the Board of Directors of the Co belong to any of the following groups:

(A) individuals who were members of the Board of Directors of the Company on the date of this Agreement; or

(B) individuals who first became members of the Board of Directors of the Company after the date of this Agreement either:

(1) upon election to serve as a member of the Board of Directors of the Company by affirmative vote of three-quarters of th such board, or of a nominating committee thereof, in office at the time of such first election; or

(2) upon election by the shareholders of the Board of Directors of the Company to serve as a member of such boar nominated for election by affirmative vote of three-quarters of the members of the Board of Directors of the Company, or of a nominati thereof, in office at the time of such fast nomination;

provided, however, that such individual's election or nomination did not result from an actual or threatened election contest (within the meaning o of Regulation 14A promulgated under the Exchange Act) or other actual or threatened solicitation of proxies or consents (within the meaning of R Regulation 14A promulgated under the Exchange Act) other than by or on behalf of the Board of Directors of the Company; or

(v) any event which would be described in section 1(b)(i), (ii), (iii) or (iv) if the term "Bank" were substituted for the term "Company" therei

In no event, however, shall a Change of Control be deemed to have occurred as a result of any acquisition of securities or assets of the Company, the Bank, or a subsidiary o Company, the Bank, or any subsidiary of either of them, or by any employee benefit plan maintained by any of them. For purposes of this section 1(b), the term "person" s assigned to it under sections 13(d)(3) or 14(d)(2) of the Exchange Act.

(c) For purposes of this Agreement, a "Pending Change of Control" shall mean: (i) the signing of a definitive agreement for a transaction which, i result in a Change of Control; (ii) the commencement of a tender offer which, if successful, would result in a Change of Control; or (iii) the circulation of a proxy statem opposition to management in an election contest which, if successful, would result in a Change of Control; provided, however, that the Change of Control contemplated does,

Section 2. ***<u>Discharge Prior to a Pending Change of Control.</u>***

The Bank may discharge the Officer at any time prior to the occurrence of a Pending Change of Control for any reason or for no reason. In such event:

(a) The Bank shall pay to the Officer (or, in the event of his death, his estate) his earned but unpaid compensation (including, without limitation, sal which constitute wages under applicable law) as of the date of his termination of employment. This payment shall be made at the time and in the manner prescribed by payment of wages but in no event later than 30 days after the date of the Officer's termination of employment.

(b) The Bank shall provide the benefits, if any, due to the Officer (or, in the event of his death, his estate, surviving dependents or his designated b employee benefit plans and programs and compensation plans and programs maintained for the benefit of the officers and employees of the Bank. The time and manne delivery of these benefits and the recipients of such benefits shall be determined according to the terms and conditions of the applicable plans and programs.

The payments and benefits described in sections 2(a) and (b) shall be referred to in this Agreement as the "Standard Termination Entitlements."

Section 3. ***<u>Termination of Employment Due to Death.</u>***

The Officer's employment with the Bank shall terminate, automatically and without any further action on the part of any party to this Agreement, on th death. In such event, the Bank shall pay and deliver to his estate and surviving dependents and beneficiaries, as applicable, the Standard Termination Entitlements.

Section 4. ***<u>Termination Due to Disability after Change of Control or Pending Change of Control.</u>***

The Bank may terminate the Officer's employment during the Term and after the occurrence of a Change of Control or a Pending Change of Control upo majority vote of the members of the Board of Directors of the Bank, acting in reliance on the written advice of a medical professional acceptable to it, that the Officer is su or mental impairment which, at the date of the determination, has prevented the Officer from performing his assigned duties on a substantially full-time basis for a period days during the period of one (1) year ending with the date of the determination or is likely to result in death or prevent the Officer from performing his assigned duties on a basis for a period of at least ninety (90) days during the period of one (1) year beginning with the date of the determination. In such event:

(a) The Bank shall pay and deliver to the Officer (or in the event of his death before payment, to his estate and surviving dependents and beneficia Standard Termination Entitlements.

(b) In addition to the Standard Termination Entitlements, the Bank shall continue to pay the Officer his base salary, at the annual rate in effect for hi the termination of his employment, during a period ending on the earliest of: (i) the expiration of ninety (90) days after the date of termination of his employment; (ii) the da disability insurance benefits are first payable to him under any long-term disability insurance plan covering employees of the Bank (the "LTD Eligibility Date"); (iii) the dat the expiration of the Assurance Period (the "Initial Continuation Period"). If the end of the Initial Continuation Period is neither the LTD Eligibility Date nor the date of hi continue to pay the Officer his base salary, at an annual rate equal to sixty percent (60%) of the annual rate in effect for him immediately prior to the termination of his e additional period ending on the earliest of the LTD Eligibility Date, the date of his death and the expiration of the Assurance Period.

A termination of employment due to disability under this section 4 shall be effected by a notice of termination given to the Officer by the Bank and shall take effect on the la of termination specified in such notice or the date on which the notice of termination is deemed given to the Officer.

Section 5. ***Discharge with Cause after Change of Control or Pending Change of Control.***

(a) The Bank may terminate the Officer's employment with "Cause" during the Term and after the occurrence of a Change of Control or Pending Ch termination shall be deemed to have occurred with "Cause" only if: the Board of Directors of the Bank and the Board of Directors of the Company, by separate majori membership, determine that the Officer should be discharged because of personal dishonesty, incompetence, willful misconduct, breach of fiduciary duty involving pers failure to perform stated duties, willful violation of any law, rule or regulation (other than traffic violations or similar offenses) or final cease and desist order, or any Agreement.

(b) If the Officer is discharged with Cause during the Term and after a Change of Control or Pending Change of Control, the Bank shall pay and pr event of his death, to his estate, his surviving beneficiaries and his dependents) the Standard Termination Entitlements only.

Section 6. ***Discharge without Cause.***

The Bank may discharge the Officer without Cause at any time after the occurrence of a Change of Control or Pending Change of Control, and in such even

(a) The Bank shall pay and deliver to the Officer (or in the event of his death before payment, to his estate and surviving dependents and benefici Standard Termination Entitlements.

(b) In addition to the Standard Termination Entitlements:

(i) During the Assurance Period, the Bank shall provide for the Officer and his dependents continued group life, health (including hospitaliz and major medical), dental, accident and long-term disability insurance benefits on substantially the same terms and conditions (including any required pre arrangements, co-payments and deductibles) in effect for them immediately prior to the Officer's resignation. The coverage provided under this section 6(b) election of the Bank, be secondary to the coverage provided as part of the Standard Termination Entitlements and to any employer-paid coverage subsequent employer or through Medicare, with the result that benefits under the other coverages will offset the coverage required by this section 6(b)(i).

(ii) The Bank shall make a lump sum payment to the Officer (or, in the event of his death before payment, to his estate), in an amoun estimated present value of the salary that Officer would have earned if he had continued working for the Bank during the Assurance Period at the highest salary achieved during that portion of the employment period which is prior to Officer's termination of employment with the Bank, where such present determined using a discount rate equal to the applicable short-term federal rate prescribed under section 1274(d) of the Internal Revenue Code of 19 compounded using the compounding period corresponding to the Bank's regular payroll periods for its officers. Such lump sum shall be paid in lieu of all o of salary provided for under this Agreement in respect of the period following any such termination.

(iii) The Bank shall make a lump sum payment to the Officer (or, in the event of his death before payment, to his estate), in an amoun payments that would have been made to Officer under any cash bonus or long-term or short-term cash incentive compensation plan maintained by, or coveri of, the Bank if he had continued working for the Bank during the Assurance Period and had earned the maximum bonus or incentive award in each cale ends during the Assurance Period, such payment to be equal to the product of:

(A) the maximum percentage rate at which an award was ever available to Officer under such incentive compensation plan; multiplie

(B) the salary that would have been paid to Officer during each such calendar year at the highest annual rate of salary achieved durin of the employment period which is prior to Officer's termination of employment with the Bank.

Such payment shall be made (without discounting for early payment) within thirty (30) days following the Officer's termination of employment.

The payments and benefits described in section 6(b) are referred to in this Agreement as the "Additional Change of Control Entitlements".

Section 7. ***Resignation.***

(a) The Officer may resign from his employment with the Bank at any time. A resignation under this section 7 shall be effected by notice of resignati to the Bank and shall take effect on the later of the effective date of termination specified in such notice or the date on which the notice of termination is deemed given to the resignation of any of the positions within the Bank or the Company to which he has been assigned shall be deemed a resignation from all such positions.

(b) The Officer's resignation shall be deemed to be for "Good Reason" if the effective date of resignation occurs during the Term, but on or after Change of Control, and is on account of:

(i) the failure of the Bank (whether by act or omission of the Board of Directors, or otherwise) to appoint or re-appoint or elect or reelect the position with Bank that he held immediately prior to the Change of Control (the "Assigned Office") or to a more senior office;

(ii) a material failure by the Bank, whether by amendment of the certificate of incorporation or organization, by-laws, action of the Board o the Bank or otherwise, to vest in the Officer the functions, duties, or responsibilities customarily associated with the Assigned Office; provided that the Offi given notice of such failure to the Bank, and the Bank has not fully cured such failure within thirty (30) days after such notice is deemed given;

(iii) any reduction of the Officer's rate of base salary in effect from time to time, whether or not material, or any failure (other than due administrative error that is cured promptly upon notice) to pay any portion of the Officer's compensation as and when due;

(iv) any change in the terms and conditions of any compensation or benefit program in which the Officer participates which, either individua with other changes, has a material adverse effect on the aggregate value of his total compensation package; provided that the Officer shall have given material adverse effect to the Bank, and the Bank has not fully cured such material adverse effect within thirty (30) days after such notice is deemed given;

(v) any material breach by the Bank of any material term, condition or covenant contained in this Agreement; provided that the Officer sh notice of such material adverse effect to the Bank, and the Bank has not fully cured such material adverse effect within thirty (30) days after such notice is d or

(vi) a change in the Officer's principal place of employment to a place that is not the principal executive office of the Bank, or a relocation principal executive office to a location that is both more than twenty-five (25) miles away from the Officer's principal residence and more than twenty-f away from the location of the Bank's principal executive office on the day before the occurrence of the Change of Control.

In all other cases, a resignation by the Officer shall be deemed to be without Good Reason. In the event of resignation, the Officer shall state in his notice of resignation w resignation to be a resignation with Good Reason, and if he does, he shall state in such notice the grounds which constitute Good Reason.

(c) In the event of the Officer's resignation for any reason, the Bank shall pay and deliver the Standard Termination Entitlements. In the event of th with Good Reason, the Bank shall also pay and deliver the Additional Termination Entitlements.

Section 8. ***Terms and Conditions of the Additional Termination Entitlements.***

The Bank and the Officer hereby stipulate that the damages which may be incurred by the Officer following any termination of employment are n measurement as of the date first above written and that the Additional Termination Entitlements constitute reasonable damages under the circumstances and shall b requirement of proof of actual damage and without regard to the Officer's efforts, if any, to mitigate damages. The Bank and the Officer further agree that the Bank may con delivery of the Additional Termination Entitlements on the receipt of: (a) the Officer's resignation from any and all positions which he holds as an officer, director or co respect to the Bank or the Company or any subsidiary or affiliate of either of them; and (b) a release of the Bank and its officers, directors, shareholders, subsidiaries and substance satisfactory to the Bank, of any liability to the Officer, whether for compensation or damages, in connection with his employment with the Bank and the terminatio except for the Standard Termination Entitlements and the Additional Termination Entitlements.

Section 9. ***No Effect on Employee Benefit Plans or Programs.***

The termination of the Officer's employment during the Assurance Period or thereafter, whether by the Bank or by the Officer, shall have no effect on the ri the parties hereto under the Bank's qualified or non-qualified retirement, pension, savings, thrift, profit-sharing or stock bonus plans, group life, health (including hospitalizat

medical), dental, accident and long term disability insurance plans or such other employee benefit plans or programs, or compensation plans or programs, as may be m
employees of, the Bank from time to time; provided, however, that nothing in this Agreement shall be deemed to duplicate any compensation or benefits provided under a
program covering the Officer to which the Bank or Company is a party and any duplicative amount payable under any such agreement, plan or program shall be applied as
amounts otherwise payable hereunder.

Section 10. ***Successors and Assigns.***

This Agreement will inure to the benefit of and be binding upon the Officer, his legal representatives and testate or intestate distributees, and the Company
respective successors and assigns, including any successor by merger or consolidation or a statutory receiver or any other person or firm or corporation to which all or substa
and business of the Company or the Bank may be sold or otherwise transferred. Failure of the Bank to obtain from any successor its express written assumption of the
obligations hereunder at least 60 days in advance of the scheduled effective date of any such succession shall, if such succession constitutes a Change of Control, constitut
Officer's resignation on or at any time during the Term following the occurrence of such succession.

Section 11. ***Notices.***

Any communication required or permitted to be given under this Agreement, including any notice, direction, designation, consent, instruction, objection
writing and shall be deemed to have been given at such time as it is delivered personally, or five days after mailing if mailed, postage prepaid, by registered or certifi
requested, addressed to such party at the address listed below or at such other address as one such party may by written notice specify to the other party:

If to the Officer:

Daniel A. Marini
To the most recent address on file with the Company

If to the Company or the Bank:

Western New England Bancorp, Inc.
141 Elm Street
Westfield, MA 01085
Attention: Chairman, Compensation Committee of the Board of Directors

Section 12. ***Indemnification for Attorneys' Fees.***

The Bank shall indemnify, hold harmless and defend the Officer against reasonable costs, including legal fees, incurred by him in connection with or arising
or proceeding in which he may be involved, as a result of his efforts, in good faith, to defend or enforce the terms of this Agreement; provided, however, that the Officer s
prevailed on the merits pursuant to a judgment, decree or order of a court of competent jurisdiction or of an arbitrator in an arbitration proceeding. The determination whethe
substantially prevailed on the merits and is therefore entitled to such indemnification, shall be made by the court or arbitrator, as applicable. In the event of a settlement p
agreement, any indemnification payment under this section 12 shall be made only after a determination by the members of the Board (other than the Officer and any other m
which the Officer is related by blood or marriage) that the Officer has acted in good faith and that such indemnification payment is in the best interests of the Bank.

Section 13. ***Severability.***

A determination that any provision of this Agreement is invalid or unenforceable shall not affect the validity or enforceability of any other provision hereof.

Section 14. ***Waiver*****.**

Failure to insist upon strict compliance with any of the terms, covenants or conditions hereof shall not be deemed a waiver of such term, covenant, or cond
provision of this Agreement must be made in writing, designated as a waiver, and signed by the party against whom its enforcement is sought. Any waiver or relinquishmen
hereunder at any one or more times shall not be deemed a waiver or relinquishment of such right or power at any other time or times.

Section 15. ***Counterparts.***

This Agreement may be executed in two or more counterparts, each of which shall be deemed an original, and all of which shall constitute one and the same

Section 16. ***Governing Law.***

This Agreement shall be governed by and construed and enforced in accordance with the federal laws of the United States and, to the extent that federal
accordance with the laws of the Commonwealth of Massachusetts applicable to contracts entered into and to be performed entirely within the Commonwealth of Massachuset

Section 17. ***Headings and Construction.***

The headings of sections in this Agreement are for convenience of reference only and are not intended to qualify the meaning of any section. Any referen
shall refer to a section of this Agreement, unless otherwise stated.

Section 18. ***Entire Agreement; Modifications.***

This instrument contains the entire agreement of the parties relating to the subject matter hereof and supersedes in its entirety any and all prior agreeme
representations relating to the subject matter hereof. No modifications of this Agreement shall be valid unless made in writing and signed by the parties hereto.

Section 19. ***Required Regulatory Provisions.***

The following provisions are included for the purposes of complying with various laws, rules and regulations applicable to the Bank:

(a) Notwithstanding anything herein contained to the contrary, in no event shall the aggregate amount of compensation payable to the Officer hereun
the Officer's average annual compensation (within the meaning of the regulatory guidelines of the Office of the Comptroller of the Currency ("OCC") or any successor th
consecutive calendar years to end prior to her termination of employment with the Bank (or for her entire period of employment with the Bank if less than five calendar yea
payable to the Officer hereunder shall be further reduced (but not below zero) if such reduction would avoid the assessment of excise taxes on excess parachute payments
section 280G of the Code).

(b) Notwithstanding anything herein contained to the contrary, any payments to the Officer by the Bank, whether pursuant to this Agreement or other
conditioned upon their compliance with section 18(k) of the Federal Deposit Insurance Act ("FDI Act"), 12 U.S.C. §1828(k), and any regulation promulgated thereunder.

(c) Notwithstanding anything herein contained to the contrary, if the Officer is suspended from office and/or temporarily prohibited from participatin
affairs of the Bank pursuant to a notice served under section 8(e)(3) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(4) or 1818(g)(1), the Bank's obligations under this Agreem
as of the date of service of such notice, unless stayed by appropriate proceedings. If the charges in such notice are dismissed, the Bank, in its discretion, may (i) pay to the O
compensation withheld while the Bank's obligations hereunder were suspended and (ii) reinstate, in whole or in part, any of the obligations which were suspended.

(d) Notwithstanding anything herein contained to the contrary, if the Officer is removed and/or permanently prohibited from participating in the condu
by an order issued under section 8(e)(4) or 8(g)(1) of the FDI Act, 12 U.S.C. §1818(e)(4) or (g)(1), all prospective obligations of the Bank under this Agreement shall termi
date of the order, but vested rights and obligations of the Bank and the Officer shall not be affected.

(e) Notwithstanding anything herein contained to the contrary, if the Bank is in default (within the meaning of section 3(x)(1) of the FDI Act, 12 U
obligations under this Agreement shall terminate as of the date of default, but vested rights and obligations of the Bank and the Officer shall not be affected.

(f) Notwithstanding anything herein contained to the contrary, all prospective obligations of the Bank hereunder shall be terminated, except to the ex
of this Agreement is necessary for the continued operation of the Bank: (i) by the Director of the OCC or his designee or the Federal Deposit Insurance Corporation ("FDIC"
enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in section 13(c) of the FDI Act, 12 U.S.C. §1823(c); (ii) by the Dire
designee at the time such Director or designee approves a supervisory merger to resolve problems related to the operation of the Bank or when the Bank is determined by su
unsafe or unsound condition. The vested rights and obligations of the parties shall not be affected.

(g) Notwithstanding anything herein contained to the contrary, the Board may terminate the Officer's employment at any time, but any termination by
termination for "cause" (as such term is defined in section 5 hereof), shall not prejudice the Officer's right to compensation or other benefits under the Agreement. The Office
receive compensation or other benefits for any period after a termination for "cause" (as such term is defined in section 5 hereof).

If and to the extent that any of the foregoing provisions shall cease to be required or by applicable law, rule or regulation, the same shall become inoperativ by formal amendment of this Agreement.

Section 20. ***Guaranty.***

The Company hereby irrevocably and unconditionally guarantees to the Officer the payment of all amount, and the performance of all other obligations, accordance with the terms of this Agreement as and when due without any requirement of presentment, demand of payment, protest of notice of dishonor or nonpayment.

Section 21. ***Compliance with Code Section 409A.***

(a) It is the intention of the Bank and the Officer that the payments, benefits and rights to which the Officer could be entitled pursuant to this Agreem Section 409A, the Treasury regulations and other guidance promulgated or issued thereunder (collectively, "Section 409A") to the extent that the requirements of Sectio thereto, and after application of all available exemptions, including but not limited to the "short-term deferral rule" and "involuntary separation pay plan exception" and Agreement shall be construed in a manner consistent with that intention. If any provision of this Agreement (or of any award of compensation, including equity compensa cause the Officer to incur any additional tax or interest under Section 409A, the Bank shall, upon the specific request of the Officer, use its reasonable business efforts to in provision to comply with Section 409A; provided that, to the maximum extent practicable, the original intent and economic benefit to the Officer and the Bank of the applic maintained, but the Bank shall have no obligation to make any changes that could create any additional economic cost or loss of benefit to the Bank. Any provision require Section 409A that is omitted from this Agreement shall be incorporated herein by reference and shall apply retroactively, if necessary, and be deemed a part of this Agreemen though expressly set forth herein.

(b) For purposes of applying the provisions of Section 409A to this Agreement, each separately identified amount to which the Officer is entitled und be treated as a separate payment within the meaning of Section 409A. In addition, to the extent permissible under Section 409A, any series of installment payments under t treated as a right to a series of separate payments.

(c) Neither the Bank nor the Officer, individually or in combination, may accelerate any payment or benefit that is subject to Section 409A, exc Section 409A and the provisions of this Agreement, and no amount that is subject to Section 409A shall be paid prior to the earliest date on which it may be paid without vio the consideration period (or revocation period, if applicable) for any general release and waiver extends across two (2) calendar years, the payments to the Officer shall applicable, in the second of the calendar years.

(d) If and to the extent required to comply with Section 409A, a termination of employment shall not be deemed to have occurred for purposes of thi for the payment of any amounts or benefits upon or following a termination of employment unless such termination is also a "Separation from Service" within the meaning of purposes of any provision of this Agreement, references to "termination, " "termination of employment", or like terms shall mean "Separation from Service. "

(e) If the Officer is deemed on the date of termination of his employment to be a "specified employee," within the meaning of that term under Code and using the identification methodology selected by the Bank from time to time, or if none, the default methodology under Section 409A, then with regard to any payment benefit subject to this Agreement and to the extent required to be delayed in compliance with Code Section 409A(a)(2)(B), and any other payment or the provision of a required to be delayed in compliance with Code Section 409A(a)(2)(B), such payment or benefit shall not be made or provided prior to the earlier of (i) the expiration o measured from the date of the Officer's Separation from Service or (ii) the date of the Officer's death. Any payments delayed pursuant to this paragraph (whether they wou payable in a single sum or in installments in the absence of such delay) shall be paid or reimbursed to the Officer in a lump sum, and any remaining payments and benefits due shall be paid or provided in accordance with the normal payment dates specified for them herein. The determination of whether the Officer is a "specified employee" shall b good faith applying Section 409A.

IN WITNESS WHEREOF, the Bank and the Company have caused this Agreement to be executed and the Officer has hereunto set his hand, all as of the day and y

/s/ Daniel A.Marini
Name: Daniel A. Marini

WESTFIELD BANK

Attest:
By: /s/ Kevin O'Connor Szlosek

By: /s/ James C. Hagan
Name: James C. Hagan
Name: Title: Chief Executive Officer

[Seal]

WESTERN NEW ENGLAND BANCORP, INC.

Attest:
By: /s/ Kevin O'Connor

By: /s/ James C. Hagan
Title: Name: James C. Hagan
Title: President and Chief Executive C

SUBSIDIARIES OF THE REGISTRANT

Western New England Bancorp, Inc. Subsidiaries:

Name	Jurisdiction of Incorporation
Westfield Bank	United States (federally chartered savings bank)
WFD Securities, Inc.	Massachusetts

Westfield Bank Subsidiaries:

Name	Jurisdiction of Incorporation
Elm Street Securities Corporation	Massachusetts
WB Real Estate Holdings, LLC	Massachusetts
CSB Colts, Inc.	Massachusetts

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement (Nos. 333-73132 333-256292, 333-197928 and 333-214261) 333-256292) on Form S-8 of our re 2023 March 8, 2024, relating to our audits of the consolidated financial statements and effectiveness of internal control over financial reporting of Western New Engl subsidiaries, which reports appear in this Annual Report on Form 10-K of Western New England Bancorp, Inc. for the year ended December 31, 2022 December 31, 2023.

/s/ Wolf & Company, P.C.

Boston, Massachusetts
March 10, 2023 8, 2024

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, James C. Hagan, certify that:

1. I have reviewed this annual report on Form 10-K of Western New England Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financia operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Ac 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in whi prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to pr assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acc principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of tl and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quart fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to a registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over finar

Date: March 10, 2023 8, 2024

(Principal Executive Officer)

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER
PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Guida R. Sajdak, certify that:

1. I have reviewed this annual report on Form 10-K of Western New England Bancorp, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financia operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Ac 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in whi prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to pr assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally acc principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of tl and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quart England Bancorp's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registra over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to a registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over finar

Date: March 10, 2023 8, 2024

Western New England Bancorp, Inc. 10-K

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned, James C. Hagan, is the Chief Executive Officer and President of Western New England Bancorp, Inc. ("Western New England Bancorp").

This statement is being furnished in connection with the filing by Western New England Bancorp of Western New England Bancorp's Annual Report on Form 10- December 31, 2022 December 31, 2023 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Western New England E and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the S Commission, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for pur Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Western New England Bancorp, Inc. and will be retained by Western New and furnished to the Securities and Exchange Commission or its staff upon request.

March 8, 2024 /s/ James C. Hagan

Dated James C. Hagan

Chief Executive Officer and President

(Principal Executive Officer)

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned, Guida R. Sajdak, Chief Financial Officer and Executive Vice President of Western New England Bancorp, Inc. ("Western New England Bancorp")

This statement is being furnished in connection with the filing by Western New England Bancorp, Inc. of Western New England Bancorp, Inc.'s Annual Report period ended December 31, 2023 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Western New England E and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the S Commission, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for pur Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Western New England Bancorp, Inc. and will be retained by Western New and furnished to the Securities and Exchange Commission or its staff upon request.

March 10, 2023 /s/ James C

Dated James C.

Chief Executive Off

(Principal Execu

STATEMENT FURNISHED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002, 18 U.S.C. SECTION 1350

The undersigned, Guida R. Sajdak, Chief Financial Officer and Executive Vice President of Western New England Bancorp, Inc. ("Western New England Bancorp")

This statement is being furnished in connection with the filing by Western New England Bancorp, Inc. of Western New England Bancorp, Inc.'s Annual Report period ended December 31, 2022 (the "Report").

By execution of this statement, I certify that:

A) the Report fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, and

B) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Western New England E and for the periods covered by the Report.

This statement is authorized to be attached as an exhibit to the Report so that this statement will accompany the Report at such time as the Report is filed with the S Commission, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350. It is not intended that this statement be deemed to be filed for pur Exchange Act of 1934, as amended.

A signed original of this written statement required by Section 906 has been provided to Western New England Bancorp, Inc. and will be retained by Western New and furnished to the Securities and Exchange Commission or its staff upon request.

March 10, 2023 /s/ Guida R. Sajdak

Dated Guida R. Sajdak

Chief Financial Officer and Executive Vice President (Principal Fina Officer)

INCENTIVE COMPENSATION RECOVERY POLICY

Western New England Bancorp, Inc.

Incentive Compensation Recovery Policy

Adopted by the Board of Directors of Western New England Bancorp, Inc. (the "Company" or "WNEB") on November 20, 2023.

The Board of Directors of the Company (the "Board") is adopting this Incentive Compensation Recovery Policy (this "Policy") to provide for the recovery of certain Incentiv event of an Accounting Restatement (as defined herein). Unless otherwise defined herein, capitalized terms shall have to meanings assigned to them in the Definitions section

1. Statement of Policy

In the event that the Company is required to prepare an Accounting Restatement, except as otherwise set forth in this Policy, the Company shall recover, reasonably promptl Compensation received by any Covered Executive during the Recoupment Period.

This Policy applies to all Incentive Compensation received during the Recoupment Period by a person (a) after beginning service as a Covered Executive, (b) who served as any time during the performance period for that Incentive Compensation and (c) while the Company has a class of securities listed on the Nasdaq Stock Market LLC ("Nasda securities exchange or association. This Policy may therefore apply to a Covered Executive even after that person is no longer a Company employee or a Covered Executive a Incentive Compensation is deemed "received" for purposes of this Policy in the fiscal period during which the financial reporting measure specified in the Incentive C attained, even if the payment or issuance of such Incentive Compensation occurs after the end of that period. For example, if the performance target for an award is based on for the year ended December 31, 2023, the award will be deemed to have been received in 2023 even if paid in 2024.

Exceptions

The Company is not required to recover Excess Incentive Compensation pursuant to this Policy to the extent the Committee (as defined below) makes a determination t impracticable for one of the following reasons (and the applicable procedural requirements are met):

(a) after making a reasonable and documented attempt to recover the Excess Incentive Compensation, which documentation will be provided to Nasdaq to the extent requ determines that the direct expenses that would be paid to a third party to assist in enforcing this Policy would exceed the amount to be recovered; (

(b) the Committee determines that recovery would likely cause an otherwise tax-qualified retirement plan, under which benefits are broadly available to employees of th
meet the requirements of 26 U.S.C. 401(a)(13) or 26 U.S.C. 411(a) and regulations thereunder.

2. Definitions

"*Accounting Restatement*" means an accounting restatement due to the material noncompliance of the Company with any financial reporting requirement under the securit required accounting restatement to correct an error in previously issued financial statements that is material to the previously issued financial statements, or that wou misstatement if the error were corrected in the current period or left uncorrected in the current period. For the avoidance of doubt, a restatement resulting solely from the retro a change in generally accepted accounting principles is not an Accounting Restatement.

"*Covered Executive*" means the Company's Chief Executive Officer, President, Chief Financial Officer, principal accounting officer (or if there is no such accounting offi vice-president of the Company in charge of a principal business unit, division, or function, any other officer who performs a policy-making function for the Company, performs similar policy-making functions for the Company.

"*Excess Incentive Compensation*" means the amount of Incentive Compensation received during the Recoupment Period by any Covered Executive that exceeds th Compensation that otherwise would have been received by such Covered Executive if the determination of the Incentive Compensation to be received had been determ amounts in the Accounting Restatement and without regard to any taxes paid.

"*Incentive Compensation*" means any compensation (including cash and equity compensation) that is granted, earned, or vested based wholly or in part upon the attainment measure. For purposes of this definition, a "*financial reporting measure*" is (i) any measure that is determined and presented in accordance with the accounting principles Company's financial statements and any measure derived wholly or in part from such measures, or (ii) the Company's stock price and/or total shareholder return. A financial not be presented within the financial statements or included in a filing with the commission.

"*Recoupment Period*" means the three completed fiscal years preceding the Trigger Date, and any transition period (that results from a change in the Company's fiscal year) o within or immediately following those three completed fiscal years, provided that any transition period of nine months or more shall count as a full fiscal year.

"*Trigger Date*" means the earlier to occur of: (a) the date the Board of Directors of the Company (the "Board of Directors"), the Audit Committee (or such other Com Directors as may be authorized to make such a conclusion), or the officer or officers of the Company authorized to take such action if action by the Board of Directors is not reasonably should have concluded, that the Company is required to prepare an Accounting Restatement; or (b) the date a court, regulator, or other legally authorized body prepare an Accounting Restatement; in the case of both (a) and (b) regardless of if or when restated financial statements are filed.

3. Administration

This Policy shall be administered by the Compensation Committee of the Board (the "Committee"). This Policy is intended to comply with Nasdaq Listing Rule 5608, Sectio Exchange Act of 1934, as amended (the "Act"), and Rule 10D-1(b)(1) as promulgated under the Act, and shall be interpreted in a manner consistent with those requiremen full authority to interpret and administer this Policy. The Committee's determinations under this Policy shall be final and binding on all persons, need not be uniform with res covered by the Policy, and shall be given the maximum deference permitted by law.

The Committee has the authority to determine the appropriate means of recovering Excess Incentive Compensation based on the particular facts and circumstances, which c limited to, seeking direct reimbursement, forfeiture of awards, offsets against other payments, and forfeiture of deferred compensation (subject to compliance with Sectio Revenue Code).

Subject to any limitations under applicable law, the Committee may authorize any officer or employee of the Company to take actions necessary or appropriate to carry out th this Policy, provided that no such authorization shall relate to any recovery under this Policy that involves such officer or employee.

If the Committee cannot determine the amount of excess Incentive Compensation received by a Covered Executive directly from the information in the Accounting Restatem of Incentive Compensation tied to stock price or total stockholder return, then it shall make its determination based on its reasonable estimate of the effect of the Accounting maintain documentation of such determination, including for purposes of providing such documentation to Nasdaq.

Except where an action is required by Nasdaq Listing Rule 5608, Section 10D of the Act or Rule 10D-1(b)(1) promulgated under the Act to be determined in a differen Directors may act to have the independent directors of the Board administer this Policy in place of the Committee.

4. No Indemnification or Advancement of Legal Fees

Notwithstanding the terms of any indemnification agreement, insurance policy, contractual arrangement, the governing documents of the Company or other document or arra shall not indemnify any Covered Executive against, provide advancement of expenses for or pay the premiums for any insurance policy to cover, any amounts recovered u expenses that a Covered Executive incurs in opposing Company efforts to recoup amounts pursuant to the Policy.

5. Non-Exclusive Remedy; Successors

Recovery of Incentive Compensation pursuant to this Policy shall not in any way limit or affect the rights of the Company to pursue disciplinary, legal, or other action or pur available to it. This Policy shall be in addition to, and is not intended to limit, any rights of the Company to recover Incentive Compensation from Covered Executives u available to the Company and applicable laws and regulations, including but not limited to the Sarbanes-Oxley Act of 2002, as amended, or pursuant to the terms of any employment agreement, equity award agreement or individual grant agreement, or similar agreement with a Covered Executive.

This Policy shall be binding and enforceable against all Covered Executives and their successors, beneficiaries, heirs, executors, administrators, or other legal representatives.

6. Amendment

This Policy may be amended from time to time by the Committee, subject to the approval of the Board.

7. Governing Law

To the extent not preempted by U.S. federal law, this Policy will be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, without of conflict of laws.

8. Effective Date

This Policy shall apply to any Incentive Compensation received on or after November 30, 2023.

9. Exhibit Filing Requirement

A copy of this Policy and any amendments thereto shall be posted on the Company's website and filed as an exhibit to the Company's annual report on Form 10-K.

WESTERN NEW ENGLAND BANCORP, INC.

INCENTIVE COMPENSATION RECOVERY POLICY

FORM OF ACKNOWLEDGMENT

By my signature below, I hereby acknowledge that I have read and understand the WNEB Incentive Compensation Recovery Policy (the "Policy") adopted by Bancorp, Inc. (the "Company"), consent and agree to abide by its provisions and further agree that:

1. Defined terms used but not defined in this acknowledgment shall have the meanings set forth in the Policy.
2. The Policy shall apply to any Incentive Compensation as set forth in the Policy by the Compensation Committee and all such Incentive Compensati recovery under the Policy;
3. Any applicable award agreement or other document setting forth the terms and conditions of any Incentive Compensation granted to me by the Con shall be deemed to include the restrictions imposed by the Policy and shall incorporate it by reference and in the event of any inconsistency between Policy and the applicable award agreement or other document setting forth the terms and conditions of any Incentive Compensation granted to me, t shall govern unless the terms of such other agreement or other document would result in a greater recovery by the Company;
4. In the event it is determined by the Company that any amounts granted, awarded, earned or paid to me must be forfeited or reimbursed to the Comp take any action necessary to effectuate such forfeiture and/or reimbursement;

5. I acknowledge that, notwithstanding any indemnification agreement or other arrangement between the Company and me, the Company shall not in
provide advancement of expenses for or pay the premiums for any insurance policy to cover, losses incurred under the Policy; ar

6. The Policy may be amended from time to time in accordance with its terms.

7. This acknowledgement and the Policy shall survive and continue in full force and in accordance with its terms, notwithstanding any termination of r
the Company and its affiliates.

Signature: ____

Print Name: ____

Date: ____