

STATE OF THE INDUSTRY: MASSACHUSETTS Q4 2024

Performance
Measurement



Strategic
Management



Profit & Process
Improvement



Management
Advisory



Financial
Advisory



DISCLOSURE STATEMENT

FORWARD LOOKING STATEMENTS

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Source: The Kafafian Group, Inc.

MASSACHUSETTS BANKERS ASSOCIATION QUARTERLY UPDATE

SUMMARY OF KEY THEMES

1

At the November 7th FOMC meeting the Fed lowered interest rates by 25bps, and made an additional 25bps rate cut at the December 18th meeting. Anticipated rate cuts were larger than expected in 2024. The CME Fed watch tool projects there is a 97.5% probability that rates will remain the same after the March 19, 2025 meeting. Despite rates decreasing by 100bps in 2024, the 5-year treasury rate remains elevated at 4.34% (as of 2/21/2025).

2

Net interest margins (NIM) improved in Q4, as the median NIM for all U.S. banks increased 6bps to 3.44% in Q4 2024 from 3.38% in Q3 2024. Additionally, credit quality conditions improved in Q4 2024, as all three indices of the Credit Conditions Index increased by over 20 points.

3

The American Banker 2024 Consumer Banking Methods Survey highlights the growing dominance of digital banking, especially among younger consumers, while physical branches remain relevant for complex transactions. Security concerns continue to impact digital adoption, but banks are enhancing security measures to build trust.

4

The Bank Director 2025 Bank M&A Survey highlights competition, economic uncertainty, and high interest rates as key obstacles to organic growth, with regulatory burdens and weak loan demand also posing challenges. While many banks plan to maintain or increase dividends and buybacks, interest in mergers of equals is rising, and a majority of executives oppose credit unions acquiring banks.

5

President Donald Trump is advancing financial regulatory reforms through key appointments to agencies overseeing banking and cryptocurrency. These nominations reflect a broader effort to roll back prior policies and align with industry priorities.

Source: The Kafafian Group, Inc.

ECONOMIC SNAPSHOT

EMPLOYMENT & HOUSING

EMPLOYMENT	Measure	Dec-24	Nov-24	Oct-24	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
		12/28/2024	11/30/2024	10/26/2024		
1 Unemployment Rate (National Seasonally Adj)	%	4.1	4.2	4.1	-0.1	0.30
2 Unemployment Rate in Massachusetts (Not Seasonally Adj)	%	4.2	3.9	3.7	0.3	1.0
3 All Employees, Total Nonfarm	000's	158,926	158,619	158,358	0.19%	1,996
4 Labor Force Participation Rate	%	62.5	62.5	62.5	0.00	-
5 Initial Claims (Weekly)		211,000	225,000	218,000	-6.22%	6.57%

HOUSING	Measure	Dec-24	Nov-24	Oct-24	Change from Prior Month (%) or actual change	Change from Prior Year (%) or actual change
		4Q2024	3Q2024	2Q2024		
6 S&P/Case-Shiller U.S. National Home Price Index		NA	326.0	324.6	0.44%	3.58%
7 S&P/Case-Shiller MA-Boston Home Price Index		NA	341.5	338.3	0.94%	4.88%
8 Housing Affordability Index		100.7	99.4	102.4	1.31%	0.20%
9 New Privately-Owned Housing Units Started: Single-Family Units	000's	1,084	1,021	943	6.17%	0.56%
10 New Privately-Owned Housing Units Started: Single-Family Units in the Northeast Census Region	000's	62.0	58.0	64.0	6.90%	5.08%
11 30-Year Fixed Rate Mortgage Average in the United States	%	6.85	6.81	6.72	0.59%	3.63%
12 Delinquency Rate on Single-Family Residential Mortgages	%	1.77	1.74	1.73	1.72%	4.12%

Source: The Kafarian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 12/31/2024

ECONOMIC SNAPSHOT

MARKET/RATES, CONSUMER, & PRODUCTION/PRICES

MARKET/RATES (End of Period)	Measure				Change from	Change from
		Dec-24	Nov-24	Oct-24	Prior Month (%) or actual change	Prior Year (%) or actual change
1 S&P 500		5,881.6	6,032.4	5,813.7	-2.50%	22.96%
2 Market Yield on U.S. Treasury Securities at 10-Year Constant Maturity, Quoted on an Investment Basis	%	4.55	4.18	4.29	9%	0.67
3 Bank Prime Loan Rate	%	7.50	7.75	8.00	(0.03)	(1.00)
4 Federal Funds Effective Rate	%	4.33	4.58	4.83	(0.05)	(1.00)

CONSUMER	Measure				Change from	Change from
		Dec-24	Nov-24	Oct-24	Prior Month (%) or actual change	Prior Year (%) or actual change
5 Personal Consumption Expenditures: Chain-type Price Index		124.8	124.4	124.2	0.29%	2.29%
6 Retail Sales: Excluding Motor Vehicle and Parts	\$mil	553,100	553,778	550,709	-0.12%	2.97%
7 University of Michigan: Consumer Sentiment		74.00	71.80	70.50	3.06%	6.17%
8 Personal Saving Rate	%	3.8	4.10	4.30	-7.32%	-13.64%

PRODUCTION/PRICES	Measure				Change from	Change from
		Dec-24	Nov-24	Oct-24	Prior Month (%) or actual change	Prior Year (%) or actual change
9 Consumer Price Index		317.60	316.45	315.56	0.36%	2.87%
10 ISM Manufacturing: PMI		49.20	48.40	46.50	0.02	2.10
11 ISM Services: PMI		54.00	52.10	56.00	0.04	3.50
		4Q2024	3Q2024	2Q2024		
12 Gross Domestic Product (Change from Prior, annualized rate)	%	0.56	0.76	0.74	(0.20)	(0.23)

Source: The Kafafian Group, Inc. analysis of data provided by the Federal Reserve Bank of St. Louis, data where available as of 12/31/2024

STATE ECONOMIC TRENDS

NEW ENGLAND REGIONAL ECONOMIC TRENDS

The below highlights unemployment rate and salary trends in New England from July 2024 through December 2024. Massachusetts had the highest increase in 12-month percentage change in Unemployment Rate in the New England region during the six-month period.

Unemployment Rate %						
State	Jul2024	Aug2024	Sep2024	Oct2024	Nov2024	Dec2024
1 Massachusetts	4.60	4.50	3.60	3.70	3.90	4.20
2 Connecticut	3.50	3.40	2.50	2.50	2.70	2.70
3 Rhode Island	5.20	5.40	3.90	4.10	4.50	4.20
4 New Hampshire	2.90	3.00	2.00	2.20	2.70	2.70
5 Vermont	2.10	2.40	2.20	1.90	2.50	2.50
6 Maine	2.70	2.60	2.60	2.90	3.60	3.60
Nonfarm Wage and Salary Employment 12 Month % Change						
State	Jul2024	Aug2024	Sep2024	Oct2024	Nov2024	Dec2024
7 Massachusetts	1.10	1.00	0.90	0.80	0.70	0.70
8 Connecticut	0.90	0.80	0.60	0.50	0.70	1.20
9 Rhode Island	0.90	1.00	1.30	1.90	1.50	1.00
10 New Hampshire	1.50	1.90	2.00	1.60	2.10	2.00
11 Vermont	2.20	2.00	1.90	2.10	1.70	1.60
12 Maine	0.80	0.70	0.90	1.10	0.50	0.30
Finance Activities Wage and Salary Employment 12 Month % Change						
State	Jul2024	Aug2024	Sep2024	Oct2024	Nov2024	Dec2024
13 Massachusetts	0.70	0.50	(0.40)	-	-	0.10
14 Connecticut	0.80	0.40	0.70	0.70	1.90	2.50
15 Rhode Island	(0.60)	1.10	0.60	1.10	0.80	0.60
16 New Hampshire	(0.90)	(0.60)	(0.60)	0.30	(0.30)	0.30
17 Vermont	2.50	3.30	2.50	2.50	2.50	0.80
18 Maine	(1.90)	(0.80)	0.40	0.40	(0.80)	(1.90)

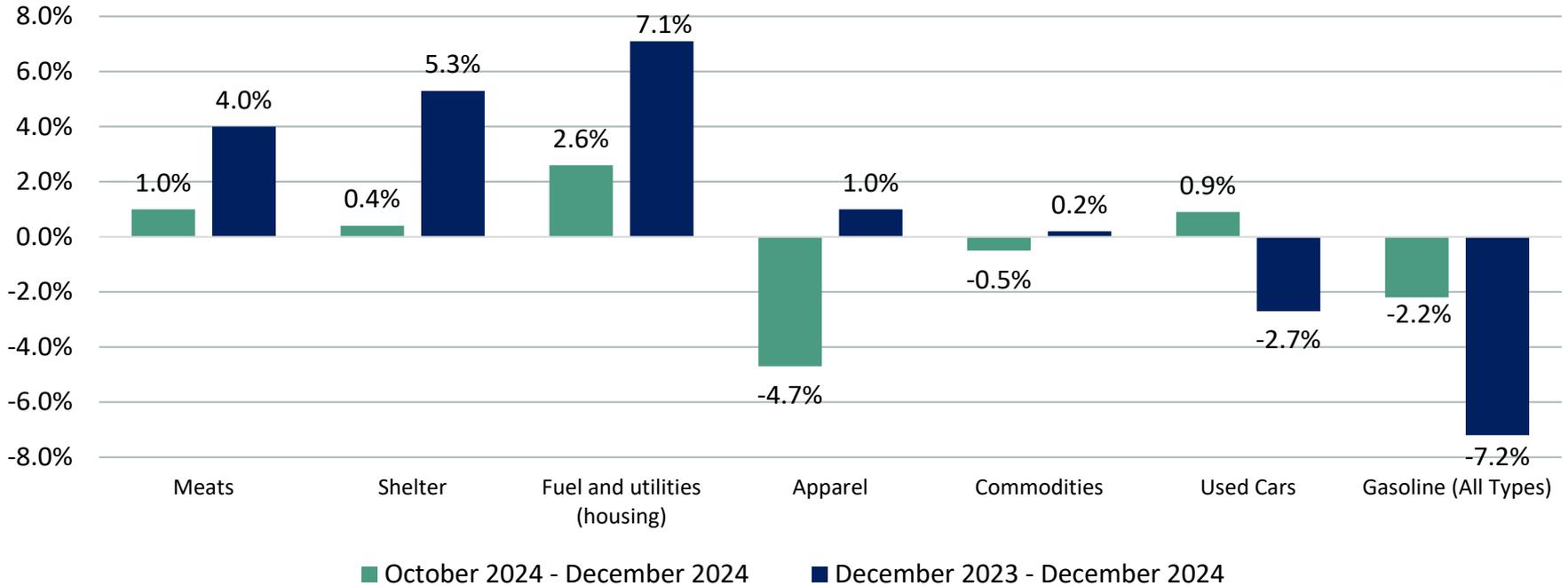
Source: Bureau of Labor Statistics

INFLATION

TRENDS IN INFLATION IN THE BOSTON-CAMBRIDGE-NEWTON METROPOLITAN STATISTICAL AREA

The graphic below shows year-over-year cost increases in everyday necessities between October 2024 and December 2024 as well as December 2023 and December 2024. Inflation has subsided in most categories. The cost of apparel in the Boston-Cambridge-Newton Metropolitan area is down 4.7% from October 2024 and the price of gasoline has decreased significantly by 7.2% from December 2023 to December 2024.

Select Consumer Price Index Metrics:
Boston-Cambridge-Newton



Source: Bureau of Labor Statistics, eia.gov

INTEREST RATE ENVIRONMENT

CHICAGO MERCANTILE EXCHANGE INC. (CME GROUP) FEDWATCH TOOL

As of February 21, 2024, there was a 24.73% probability of rates being 425-450bps for the March 2025 meeting, by quarter end Q1 2024 that probability increased to 29.45%. As of September 30, 2024, the target fed funds rate shifted to 350-375bps with a probability of 43.52% for the March 19, 2025 meeting. As of December 31, 2024, the target fed funds rate shifted to 400-425bps with a probability of 48.38% for the March 19, 2025 meeting. Interest rates decreased by 50bps in Q42024. The probabilities for the March 2025 meeting indicate the probability of a target fed funds rate of 425-450bps is 97.00%, indicating that there will likely be an immediate rate cut.

MEETING PROBABILITIES(%)								
MEETING DATE	275-300	300-325	325-350	350-375	375-400	400-425	425-450	450-475
3/19/2025	0.0	0.0	0.0	0.0	0.0	2.5	97.5	0.0
5/7/2025	0.0	0.0	0.0	0.0	0.6	24.5	74.9	0.0
6/18/2025	0.0	0.0	0.0	0.2	10.7	45.7	43.4	0.0
7/30/2025	0.0	0.0	0.1	2.6	18.6	45.2	33.5	0.0
9/17/2025	0.0	0.0	0.9	8.2	27.9	41.1	21.9	0.0
10/29/2025	0.0	0.2	2.3	12.0	30.4	37.4	17.7	0.0
12/10/2025	0.1	0.7	4.7	16.4	32.1	32.6	13.4	0.0
1/28/2026	0.1	1.0	5.6	17.7	32.2	31.1	12.3	0.0
3/18/2026	0.2	1.5	6.9	19.2	32.0	29.1	11.0	0.0

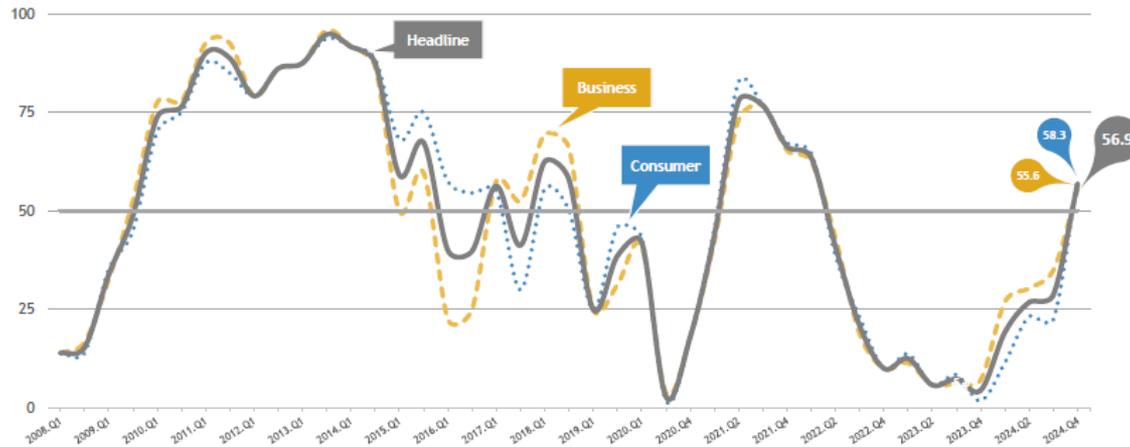
Source: CME Group. Data as of 2/20/2025

CREDIT CONDITIONS

POTENTIAL FOR CONTINUOUS IMPROVEMENT OF CREDIT MARKET CONDITIONS IN 2025?

- In the fourth quarter of 2024, the headline credit index increased 28.2 points to 56.9, the fourth consecutive quarterly increase resulting in its highest reading in two years. The consumer credit index increased 35.8 points to 58.3 in Q4. Many bank economists are optimistic that credit conditions will improve over the next six months. The business credit index increased 20.6 points to 55.6 in Q4, reaching its highest level in two years. There were significant improvements in credit conditions in 2024, resulting in the three credit indices moving above the 50 line.
- Credit quality improved for a fourth consecutive quarter in Q4 2024. This has led bank economists to express optimism about the outlook of the economy in 2025. The Fed cut interest rates by 100bps in 2024 and indicated another potential rate cut in 2025. With a strong labor market, positive spending growth, and improving inflation data, bank economists believe the U.S. economy is headed toward a soft landing. Although consumer spending remained positive in 2024, there are signs that both consumer spending and business credit demand are due for a slight pullback over the next six months. Despite a potential pullback, bank economists remain optimistic that the Headline, Consumer, and Business credit indices will continue to improve in 2025.

CREDIT CONDITIONS INDEX: HISTORICAL SERIES*

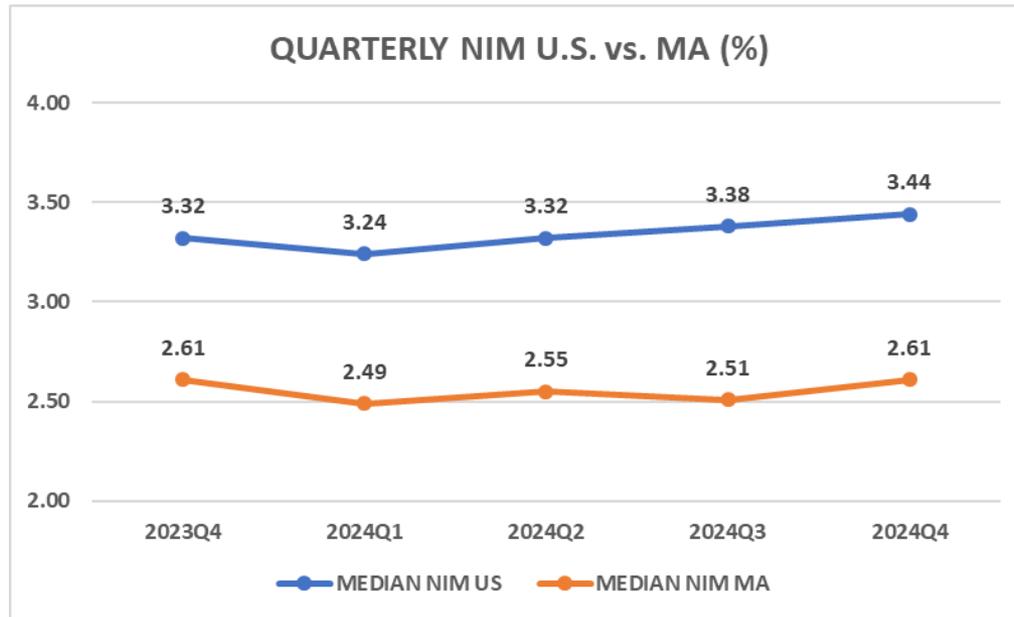


Source: ABA Credit Conditions Index 12/31/2024

NET INTEREST MARGIN ENVIRONMENT

U.S. VS MASSACHUSETTS

Decreased borrowing costs due to interest rate cuts have resulted in an increased net interest margin (NIM) for banks across the nation, the graph below illustrates the median NIM by quarter from Q4 2023 to Q4 2024 in both the U.S. and the Commonwealth of Massachusetts. The U.S. NIM annual growth rate is 3.61% for the U.S. and 0.00% for the Commonwealth. The growth rate from Q3 2024 to Q4 2024 is 1.78% in the U.S. and 3.98% for Massachusetts. Net interest margins showed significant improvement in Q4 2024 for banks across the nation.

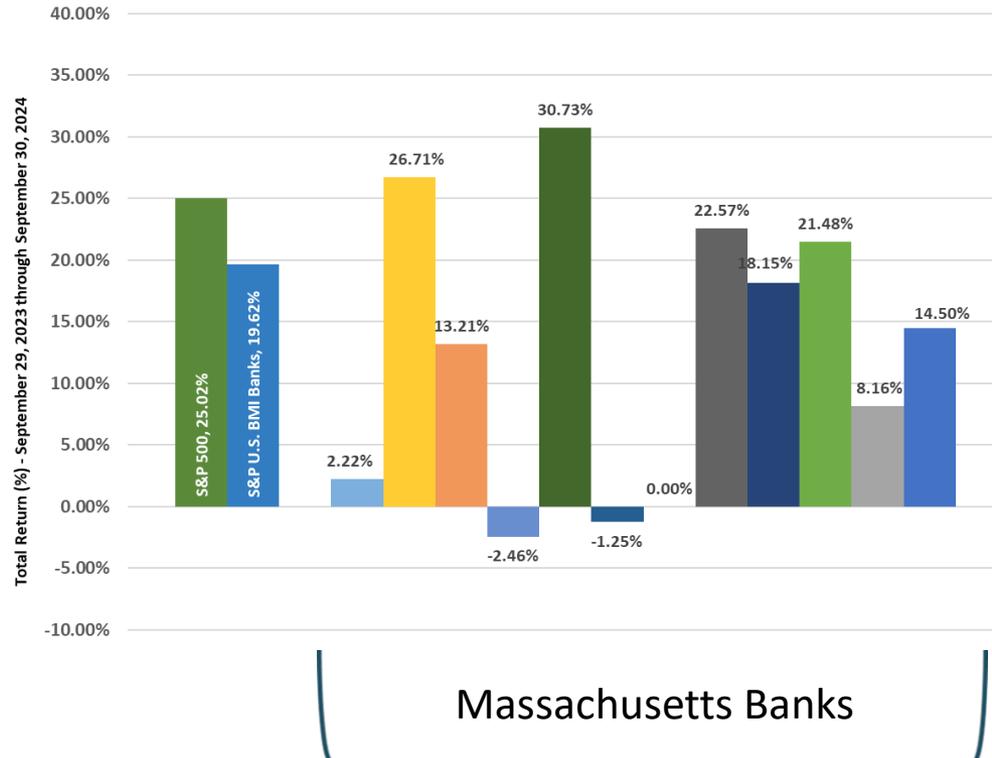


Source: S&P Capital IQ Pro

TOTAL RETURN

TOTAL RETURN: DECEMBER 29, 2023 THROUGH DECEMBER 31, 2024

The median total return for publicly traded Massachusetts headquartered banks was 13.21%, while the S&P U.S. BMI Banks Index was 19.62% and the S&P 500 was 25.02%.

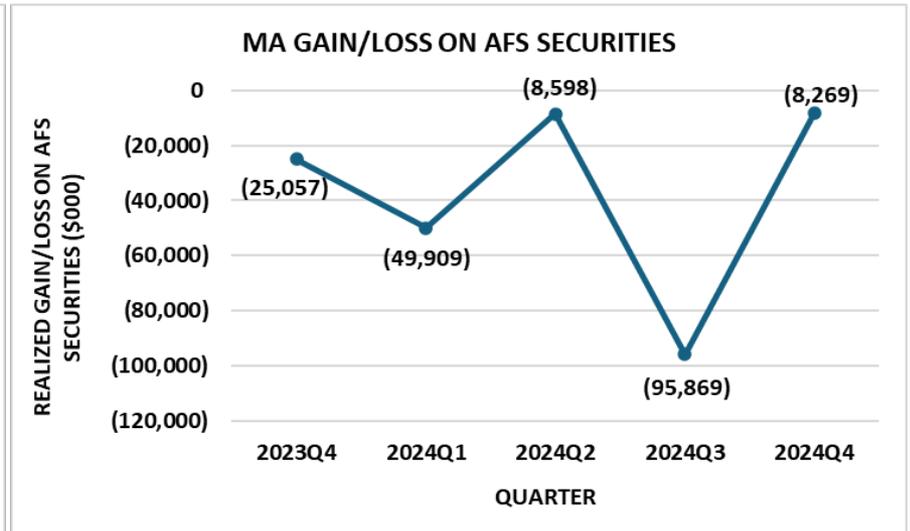
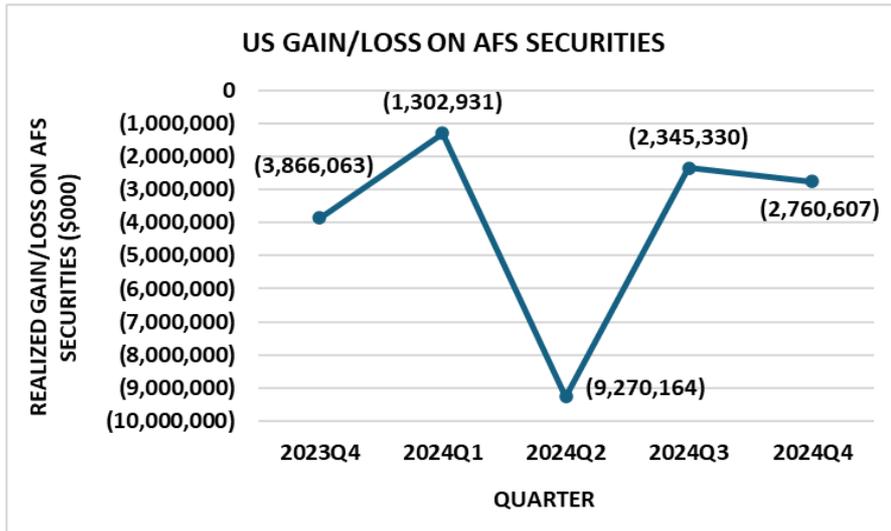


Source: The Kafafian Group, Inc. and S&P Capital IQ Pro data as of 2/20/2025

CREATING LIQUIDITY ON BALANCE SHEETS

IMPACT OF REALIZING GAINS/LOSSES ON THE SALE OF AFS SECURITIES

The charts below show the trend in realized gains/losses on available-for-sale (AFS) securities for both U.S. and Massachusetts banks from Q4 2023 to Q4 2024. Bond values react inversely to the movement of interest rates, the rapid increase of rates from March 2022 to July 2023 has resulted in the decrease of securities portfolios for most banks across the nation. The 4th quarter of 2024 shows a 28.59% decrease in realized losses on AFS securities for banks in the U.S. because banks have been selling low-yielding bonds to replace them with higher-yielding bonds. Banks have taken a temporary hit from the sale; however, banks are restructuring their portfolio with higher-yielding securities to build future earnings. Massachusetts saw a major decrease in realized losses on AFS securities from Q3 2024 to Q4 2024, this is largely due to one bank realizing \$94 million in losses on AFS securities. From Q4 2023 to Q4 2024, Massachusetts banks decreased their realized loss on AFS securities by about \$16.8 million and U.S. banks' realized loss on AFS securities decreased by about \$1.1 billion.

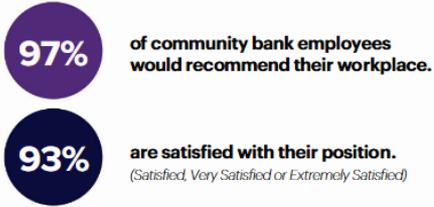


Source: S&P Capital IQ Pro, American Banker

2024 BEST COMMUNITY BANKS TO WORK FOR

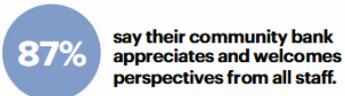
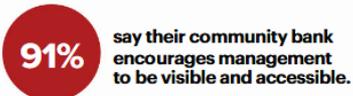
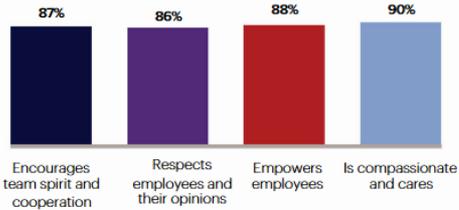
WHAT FACTORS CONTRIBUTE TO EMPLOYEE SATISFACTION AT COMMUNITY BANKS?

In the December 2024 issue of Independent Banker, Avannis presents the findings of a survey conducted with 3,904 community bank employees, ranging from executives and directors to managers and entry-level staff, exploring the key factors that contribute to their job satisfaction at their banks.



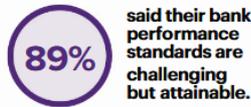
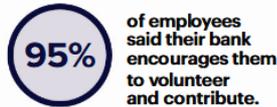
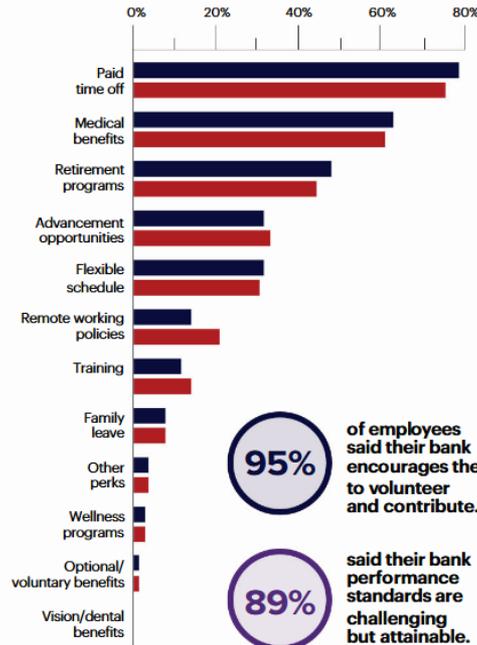
Looking to leadership

How does management affect employment conditions?
The leadership of our bank:



Most important employee benefits 2024 vs. 2023

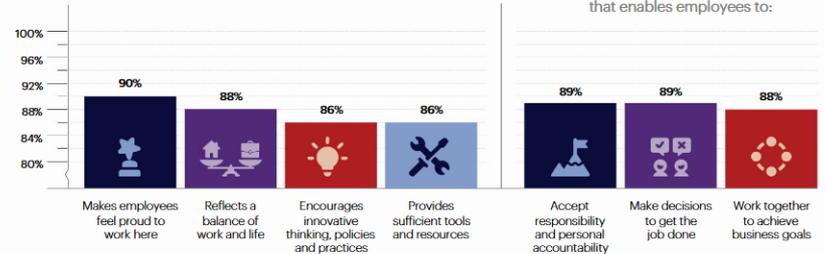
Top benefits included paid time off, medical benefits and retirement programs.



An environment where employees thrive

Our bank's working environment:

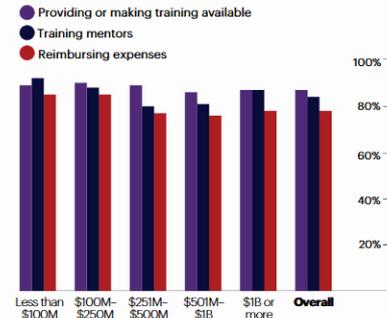
Our bank fosters an environment that enables employees to:



Smaller banks, bigger educational opportunities

Training and education by asset size

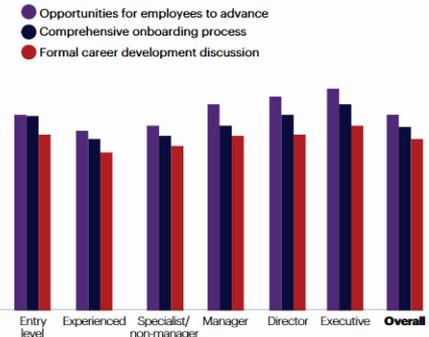
When it comes to training and education, our bank encourages:



Climbing the ladder

Can employees at all levels grow professionally at their bank?

When it comes to hiring and retention, our bank offers:



Source: Best Community Banks to Work For survey of 3,904 community bank employees by Avannis for Independent Banker, December 2024

2024 CONSUMER BANKING METHODS SURVEY

AMERICAN BANKERS ASSOCIATION PUBLICATION

The 2024 Consumer Banking Methods Survey by the American Bankers Association (ABA) offers valuable insights into the evolving preferences of consumers in how they manage their finances and highlights the growing shift toward digital banking.

Digital Banking Growth:

- The survey reveals that digital banking is increasingly the primary method for managing finances. Mobile banking is particularly popular, with a notable increase in usage, especially among younger consumers. Approximately 66% of Americans use some form of mobile banking, reflecting a broader shift towards online services.

Preferred Banking Channels:

- Mobile banking continues to grow, with 55% of consumers indicating they use it regularly for various financial tasks such as deposits, transfers, and bill payments.
- While digital channels are dominant, physical bank branches remain relevant for certain needs. Around 33% of consumers still prefer in-person banking for complex transactions or when requiring personalized assistance.

Generational Differences:

- Younger consumers (Millennials and Gen Z) are leading the digital charge. A significant percentage of this group uses mobile apps and online services more frequently than older generations.
- Older generations (Baby Boomers and Gen X) show a continued preference for in-person banking for services that require direct interaction, such as opening accounts or discussing loans.

Security and Convenience:

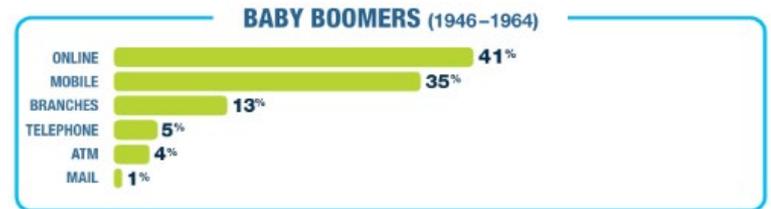
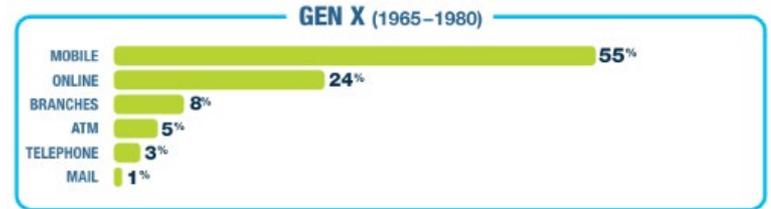
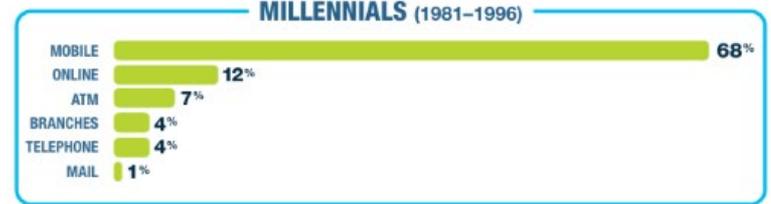
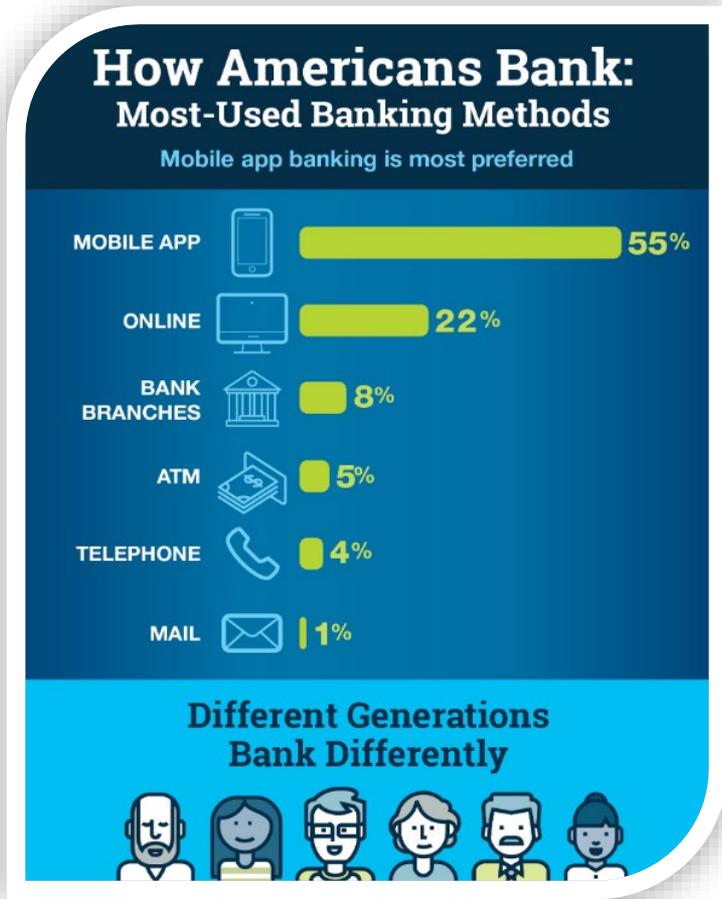
- Consumers cite security concerns as a primary reason for hesitancy in fully embracing digital-only banking methods. However, banks are responding with improved security features such as multi-factor authentication and biometric logins to build trust.



Source: American Bankers Association 11/22/2024

2024 PREFERRED BANKING METHODS

AMERICAN BANKERS ASSOCIATION PUBLICATION



Source: Morning Consult & American Bankers Association, conducted an online survey from October 7-10, 2024. The margin of error is plus or minus 2 percentage points, from a weighted sample of 4,508 adults.

BANK M&A SURVEY

COULD BANKING INDUSTRY GROWTH PROSPECTS REBOUND IN 2025?

Bank Director's 2025 Bank M&A Survey, sponsored by Crowe LLP, surveyed 180 independent directors, CEOs, chief financial officers and other senior executives of U.S. banks below \$100 billion in assets to examine organic growth strategies, M&A and profitability challenges.

KEY FINDINGS

Barriers To Deal Making

- More than three-quarters of respondents say potential targets' pricing expectations are a key hurdle to making an acquisition, followed by demands on bank capital (52%), culture or personnel integration (52%) and a lack of suitable targets (50%).

Pricing Divide

- 40% of potential buyers would pay up to 1.5 times tangible book value for an institution that meets their criteria, while another 34% would pay up to 1.2 times book value. A majority of potential sellers want a minimum value of 1.5 times book value, or more, if they were to sell.

Obstacles To Organic Growth

- Respondents cite competition by other financial institutions (48%), economic uncertainty (44%) and the high interest rate environment (36%) as the top obstacles to organic growth. They also report growing concern about the regulatory compliance burden (34%) as well as sluggish or limited loan demand (31%) as impediments.



Capital Plans

- Most respondents representing publicly traded banks expect to continue paying dividends or buying back stock at historical levels (46%) or increase dividend payments or buybacks (44%). That could indicate that bankers see dividend payments or buybacks as a show of strength to shareholders.

Appetite For MOEs

- Nearly half of bank leaders (48%) indicate their management team would consider a merger of equals or similar strategic combination, compared with 41% a year ago. Respondents representing banks between \$250 million and \$5 billion of assets are much likelier to consider a merger of equals.

Credit Union Deals

- A majority (76%) of bank executives and directors believe credit unions should be banned from buying banks. Respondents representing banks under \$10 billion of assets are more likely to express this view.

Source: Bank Director 2025 Bank M&A Survey, 11/18/2024

WITH DEBT CHEAPER, EXPECT BANK M&A TO REBOUND

CONSOLIDATION ALREADY HEATING UP AFTER FED CUT

M&A activity has declined recently, but interest rate cuts and pent-up demand could lead to a surge in 2025.

- In 2023, U.S. banks announced 96 acquisitions with a total deal value of \$4.2 billion according to S&P Global Market Intelligence. This is about half of the 202 deals made in 2021.
- In late 2024, the bank M&A market in Massachusetts became more active. Notable tie-ups include: Eastern Bank and Cambridge Trust. Abington Bank and North Shore Bank.
- When looking at Massachusetts credit unions, the trend holds up, as well: There have been 38 approved mergers in the state since 2018, according to credit union regulator NCUA. 2022 marked a five-year high with 10 mergers.

Recent Massachusetts M&A Activity:

- Pittsfield Cooperative Bank applied to acquire Springfield-based Arrha Credit Union.
- Digital Federal Credit Union plans to merge with First Tech Federal Credit Union.
- Rollstone Bank & Trust announced a merger of its holding company with River Run Bancorp, the mutual holding company for Newburyport Bank and Pentucket Bank.



Source: Banker & Tradesman 10/13/2024

WASHINGTON, D.C. REGULATORY NEWS AND HIGHLIGHTS

THE FINANCIAL REGULATORY SYSTEM

There have been almost daily changes on the federal regulatory and legislative fronts. Below are high-level highlights of D.C. happenings relating to the banking industry at the time of this publication.

➤ Federal Rulemaking on Hold

- On January 20, President Trump issued an [Executive Order](#) directing agencies and departments to halt any proposed rulemaking “until a department or agency head appointed or designated by the President...reviews and approves the rule.” The order also demands federal agencies to “immediately withdraw any rules that have been sent to the OFR but not published in the *Federal Register*.”

➤ Federal Reserve Updates

- In February, Federal Reserve Chair, Jerome Powell, presented the Federal Reserve’s [Semiannual Monetary Policy Report](#) before the U.S. Senate Banking Committee. Chair Powell also [took questions](#) related to the CFPB, tariffs, interest rates, and more.

➤ Beneficial Ownership Information (BOI) Reporting Requirements Back in Effect

- Following a decision by the U.S. District Court for the Eastern District of Texas, the BOI reporting requirements are back in effect. The reporting deadline for most reporting companies is now **March 21, 2025**. [Click here to learn more.](#)

➤ Federal Banking Agencies & Department Personnel Updates

- **U.S. Treasury:** Treasury Secretary [Scott Bessent](#) was sworn in on January 28, 2025.
- **CFPB:** President Trump nominated former-FDIC Director, [Jonathan McKernan](#), to be CFPB Director. The Senate Banking Committee held a confirmation hearing for McKernan on Thursday, February 27, 2025.
- **FDIC:** Travis Hill assumed the role of Acting Chairman on January 20, 2025. Hill was sworn in as Vice Chairman of the FDIC in January 2023.
- **FHFA:** President Trump nominated William Pulte to be FHFA Director. The Senate Banking Committee held a confirmation hearing for Pulte on Thursday, February 27, 2025.
- **Federal Reserve:** In January, Vice Chairman of Supervision, Michael Barr, announced his intention to resign from the Board of Governors. In January, the Association joined 49 state bankers and the Puerto Rico Bankers Association in a letter to the Treasury Secretary, Scott Bessent, urging him and the Trump Administration to appoint Federal Reserve Board Governor, Michelle Bowman, as Vice Chairman for Supervision. To read the joint letter, [click here](#).
- **OCC:** President Trump nominated [Jonathan Gould](#) to be Comptroller of the Currency. Gould is a former senior deputy comptroller and chief counsel at the OCC, top staffer on Senate Banking Committee, and [former chief legal officer](#) for [Bitfury](#), a full-service blockchain technology company.

Source: Massachusetts Bankers Association 2/24/2025

WE'RE MOVING!

NEW HEADQUARTERS FOR THE MASSACHUSETTS BANKERS ASSOCIATION

We are excited to share some important news about our Association headquarters! As announced during our Annual Convention last May, our lease at our current Boston location was set to expire in July 2024.

- After an extensive search with the guidance of commercial real estate advisory firm Cresa and a complete buildout by JDL, we are thrilled to announce that we will officially relocate to 200 State Street-right across from the Aquarium and Long Wharf in the Financial District-the week of March 3rd!
- Advocacy remains at the heart of our mission, and maintaining a strong presence in Boston is essential as we continue to represent our members on Beacon Hill. With this in mind, we carefully evaluated multiple locations to ensure accessibility, functionality, and convenience for our valued members.
- Our new space offers easy access to Rt. 93, on-site parking, and a thoughtfully designed, modern layout. While we have downsized from 8,300 to 6,500 square feet, our new office is designed to be more efficient, welcoming, and better suited to our needs.
- We look forward to celebrating this exciting milestone with you at our open house on May 14th, 2025 where we will welcome our members and industry partners to our new headquarters.
- We are deeply grateful for the continued support of our leadership and Board of Directors as we embark on this new chapter.



Source: Massachusetts Bankers Association

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

FOURTH QUARTER OF 2024 RESULTS (AGGREGATE)

102 MA Institutions*
4,699 Total U.S. Institutions**

0.80% of the U.S. Banking Industry's Total Assets

1.30% of the U.S. Banking Industry's Total Loans

Net Interest Margin

MA: 2.72% up from 2.66% in Q3
U.S.: 3.20% up from 3.16% in Q3

Returns

MA: ROAA of 0.76% up from 0.72% in Q3, ROAE of 6.63% up from 6.37% in Q3
U.S.: ROAA of 1.10% up from 1.09% in Q3, ROAE of 11.01% up from 10.88% in Q3

Capital Levels

MA: Leverage Ratio of 11.09% down from 11.14% in Q3
U.S.: Leverage Ratio of 9.35% down from 9.41% in Q3

Credit Quality

MA: Net charge-offs to average loans of 0.14% up from 0.10% in Q3
U.S.: Net charge-offs to average loans of 0.70% up from 0.67% in Q3

Q4 2024 Percent of Unprofitable Institutions

MA: 16.67%
U.S.: 8.94%

*Massachusetts FDIC call report filers; removed State Street Bank and Trust Company

**All FDIC call report filers

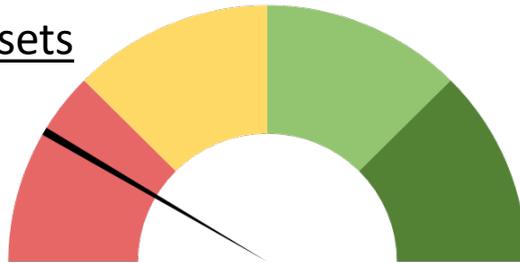
Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes active commercial banks, savings banks and savings & loan associations

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT PROFITABILITY RATIOS (MEDIAN)

*Return On Avg. Assets

MA Median: 0.36%
U.S. Median: 0.92%

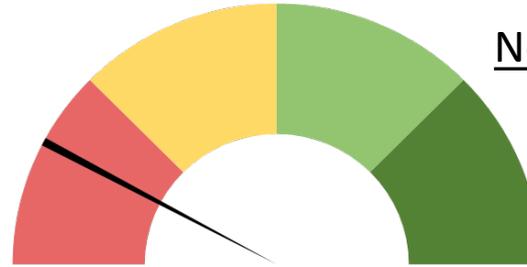


MA's **Median** ROAA ranks among the **17th** percentile Nationwide

**ROAA utilizes S&P Capital IQ Pro's adjustment for institutions that operate as Sub Chapter S Corporations.*

Net Interest Margin

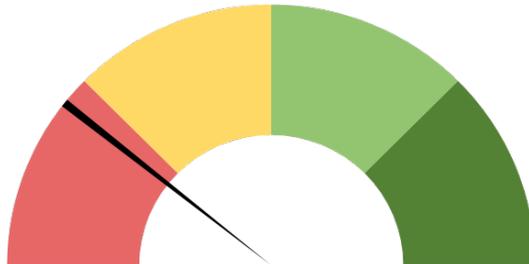
MA Median: 2.61%
U.S. Median: 3.44%



MA's **Median** Net Interest Margin ranks among the **15th** percentile Nationwide

Efficiency Ratio

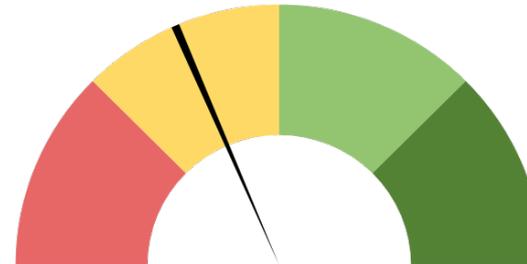
MA Median: 81.48%
U.S. Median: 66.70%



MA's **Median** Efficiency Ratio ranks among the **21st** percentile Nationwide

Cost of Funds

MA Median: 2.38%
U.S. Median: 2.11%



MA's **Median** Cost of Funds ranks among the **37th** percentile Nationwide

Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes active commercial banks, savings banks and savings & loan associations

THE U.S. BANKING INDUSTRY VS MASSACHUSETTS BANKS

RECENT PERFORMANCE: SELECT BALANCE SHEET RATIOS (MEDIAN)

NPA/Assets

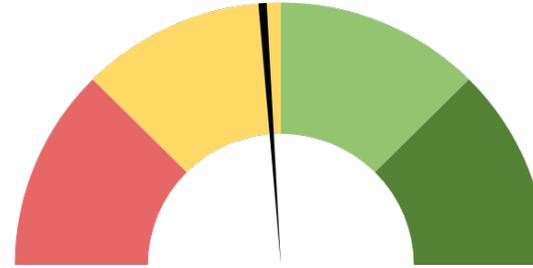
MA Median: 0.25%
U.S. Median: 0.28%



MA's **Median** NPA/Assets ranks among the **54th** percentile Nationwide

Tier 1 Leverage

MA Median: 10.54%
U.S. Median: 10.66%



MA's **Median** Tier 1 Leverage Ratio ranks among the **47th** percentile Nationwide

*CRE/Loans

MA Median: 30.17%
U.S. Median: 23.95%

**non-owner occupied*



MA's **Median** Total CRE/Loans ratio ranks among the **62nd** percentile Nationwide

Loans/Deposits

MA Median: 95.15%
U.S. Median: 80.13%



MA's **Median** Loan/ Deposit ratio ranks among the **81st** percentile Nationwide

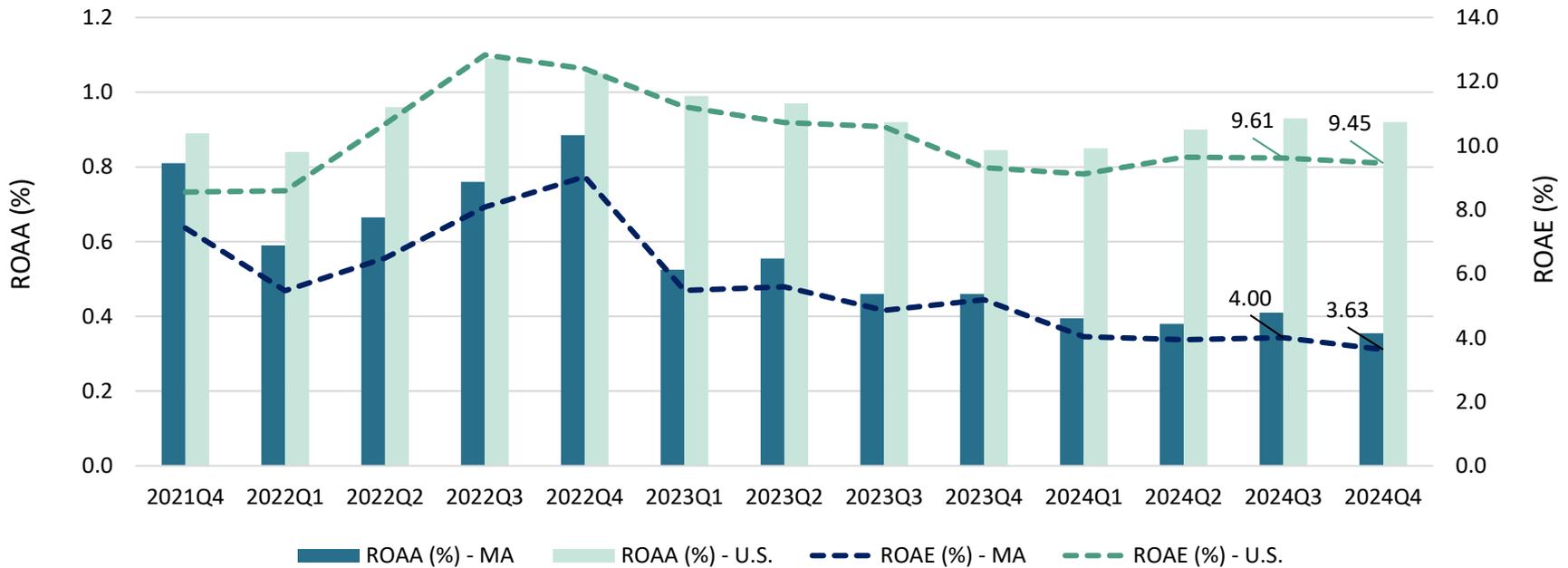
Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes active commercial banks, savings banks and savings & loan associations

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (MEDIAN)

ROAA and ROAE both decreased for Massachusetts banks and U.S. banks in Q4 2024 compared to Q3 2024.

Profitability Highlights (Median %)

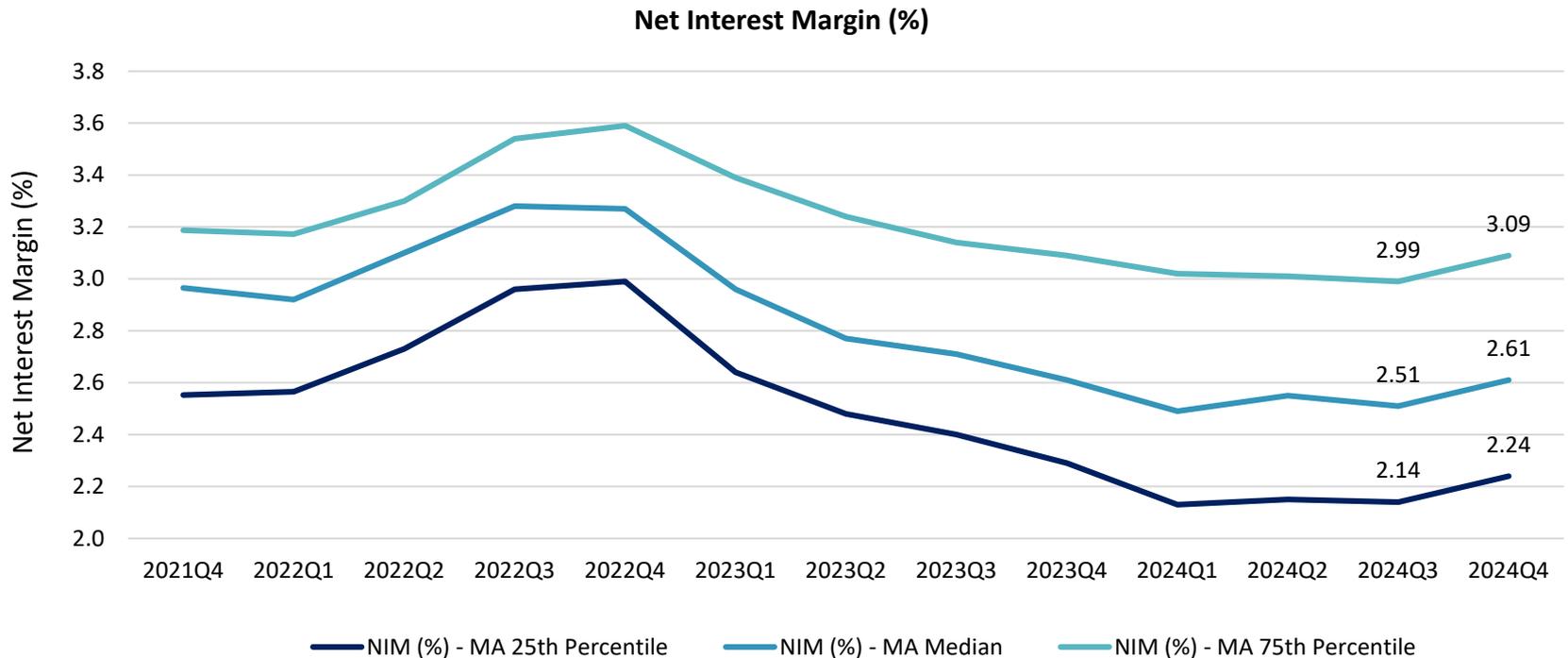


Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes active commercial banks, savings banks and savings & loan associations

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

The net interest margin (NIM) 25th percentile, median, and 75th percentile for Massachusetts banks increased in Q4 2024 compared to Q3 2024.



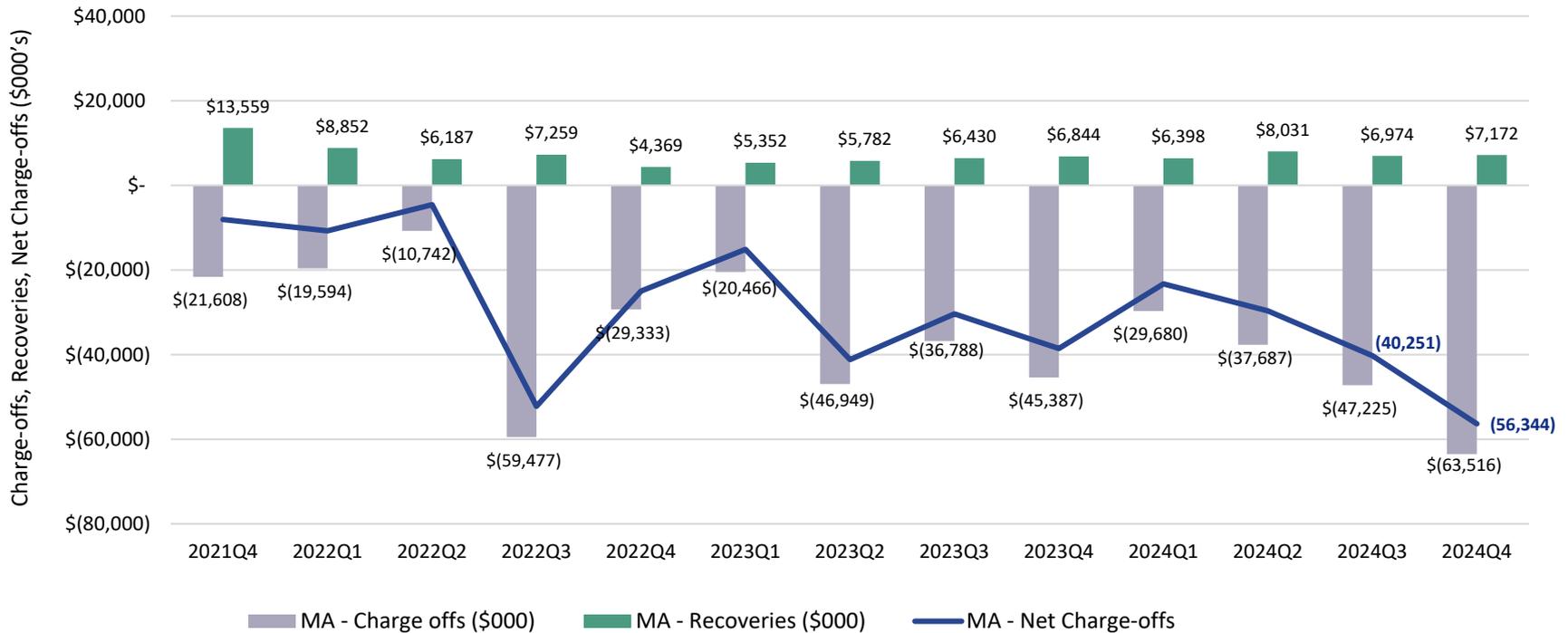
Source: The Kafarian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes active commercial banks, savings banks and savings & loan associations

MASSACHUSETTS BANKS PERFORMANCE

RECENT TRENDS (CONTINUED)

Net-charge offs in Q4 2024 increased for all active Massachusetts banks.

Massachusetts Aggregate Charge-offs and Recoveries



Source: The Kafafian Group, Inc. and S&P Capital IQ Pro. Data for the quarter ended 12/31/2024 and includes all active commercial banks, savings banks and savings & loan associations in Massachusetts

BEACON HILL UPDATE

2025-2026 LEGISLATIVE PROGRAM

The 194th General Court of the Commonwealth of Massachusetts – the 2025-2026 Legislative Session – commenced on January 1, 2025. To date, more than 7,125 bills have been filed in the House and the Senate. The Association is currently monitoring 410 active dockets – a number that is expected to grow as more legislative language becomes available. As part of our Legislative Program this Session, the Association had 13 bills introduced on behalf of the industry. You can read summaries on and sponsors for each bill on our Advocacy webpage here: [2025-2026 Legislative Program](#).

Governor Healey Files \$62 Billion Budget Proposal, Includes Tax Change Impacting Banking Industry

- In January, Governor Healey submitted a [\\$62 billion budget proposal](#). Specific to the banking industry, there are several sections that effectively repeal the tax treatment for “security corporations.” The language and reference to the repeal can be found in Sections 34, 37, 39 and 40 in the [Outside Sections](#).
- According to feedback received from our Members, there would be a disproportionate impact on the levels of charitable giving and community support provided from community banks each year should this proposal take effect. The Association remains in contact with the Legislature opposing this tax change.



Track Industry-Related Legislation

- MBA’s [real-time bill tracker](#) will remain the best way to monitor all bills that remain active for the remainder of the 2025-2026 legislative session.

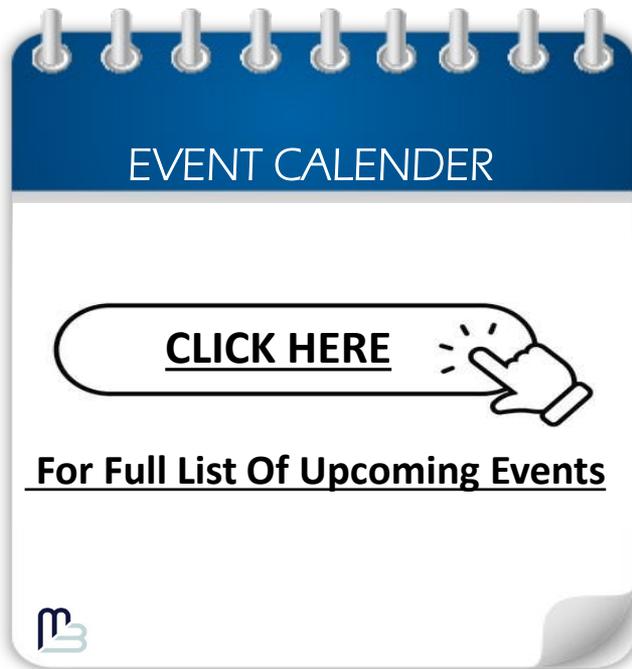
2023 – 2024 Legislative Session Recap

- The 2023 – 2024 Legislative Session was busy, to say the least. The Association is proud of our collective accomplishments and extends our gratitude to you for your help along the way. For a quick recap of the 2023 – 2024 Legislative Session through the eyes of the industry, [click here](#).

Source: Massachusetts Bankers Association

MASSACHUSETTS BANKERS ASSOCIATION

UPCOMING EVENTS



4 Mar 2025	19th Annual Retail Banking Leadership Series 4-day program focusing on essential success elements for managing and leading branch sales and service teams. Participants will receive a certificate of completion.
11 Mar 2025	Bank Breach Essentials Webinar While your cybersecurity team is working to patch up a breach, executives need to stay informed. As a board member or a c-level individual, what do you need to pay attention to during this time? What can you do to help prepare before a breach?
26 Mar 2025	Strengthening Leadership Communication Program - A 6-Part Virtual Workshop Series MassBankers and iVoice Communication present the 4th annual, 6-week Strengthening Leadership Communication Series.
31 Mar 2025	2025 HMDA Workshop 2-day hybrid workshop reviewing current HMDA coverage, collection, and submission requirements. Covers regulation through current year.
2 Apr 2025	New Compliance Officer Workshop If you are new to the Compliance Officer role and are struggling to develop your program, redesign your program or just trying keep up, this workshop is for you!
14 Apr 2025	2024/2025 School of Commercial Lending Mass Bankers presents the 2024 School for Commercial Lending. Over the course of five days, students will study risk appetite, risk tolerance, risk culture and loan portfolio evaluation from the critical perspective of the modern commercial lender.
30 Apr 2025	Annual Convention 2025

Source: Massachusetts Bankers Association

OTHER INDUSTRY RESOURCES

INSIGHT AND ANALYSIS FROM INDUSTRY EXPERTS

Our podcasts and insights focus on different topics throughout our five service lines of business. Below are our most recent Insights. Click any of the topics to be taken to the podcast or Perspective article!



TKG Monthly Podcast

[Big Picture: The Future of Community Financial Institutions](#)

[Potential Changes in Bank Regulation Under the Trump Administration](#)

[Stratum, New Technology That Will Revolutionize Banking!](#)

[Use Cases of Generative AI – What are the Risks?](#)



TKG Quarterly Perspectives

[Stop It! Channeling Bob Newhart for Your New Year's Resolutions](#)

[Key Trends Shaping Community Banks: Insights from the Fall Banking Conference Season](#)

[Unlocking Data Analytics: The Critical Role of a Profitability Measurement System for 2024 and Beyond](#)

[Failure is OK](#)

THE KAFAFIAN GROUP, INC.

FIRM OVERVIEW – LINES OF BUSINESS



Performance Measurement

- Outsourced profitability reporting
- Funds transfer pricing (FTP)
- Activity-based cost (ABC) assignments
- Capital assignment and risk-adjusted return on capital (RAROC)
- Profitability system audits and implementations
- Peer group reporting



Strategic Management

- Strategic planning
- Board and management retreat facilitation
- Capital planning
- Stress testing
- Profit planning
- Business planning
- Customer and data analytics
- Feasibility studies



Profit and Process Improvement

- Profit improvement studies (whole institution or divisions or units)
- Process improvement studies (whole institution or divisions or units)



Management Advisory

- Board and management studies
- Regulatory distress assistance
- Regulatory applications
- Board and management training
- Model validation and documentation
- Risk management



Financial Advisory

- Whole institution M&A
- Fee-based lines of businesses
- Branch purchase or sale
- Fairness opinions
- Valuation reports
- Strategic alternatives (TKG's 360 View) and value gap planning
- Capital management strategies
- Expert witness
- Forensic accounting

Source: www.kafiangroup.com