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, 2020

or

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

Commission File Number 001-38955

HarborOne Bancorp, Inc.

(Exact name of registrant as specified in its charter)

Massachusetts **(State or other jurisdiction of incorporation or organization)**	**81-1607465** **(I.R.S. Employer Identification No.)**
770 Oak Street, Brockton, Massachusetts **(Address of principal executive offices)**	**02301** **(Zip Code)**

(508) 895-1000
(Registrant's telephone number, including area code)

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

Title of Each Class	Trading Symbol(s)	Name of Each Exchange on Which Registered
Common Stock, $0.01 par value	**HONE**	**The NASDAQ Stock Market, LLC**

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 (§232.405 of this chapter) 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:

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. ☐

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the Registrant as of its last completed second fiscal quarter was $433,685,000.

As of March 2, 2021, there were 56,622,138 shares of the Registrant's common stock, par value $0.01 per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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Forward-Looking Statements

Certain statements contained in this Annual Report on Form 10-K that are not historical facts may be considered forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and are intended to be covered by the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. These statements, which are based on certain current assumptions and describe our future plans, strategies and expectations, can generally be identified by the use of the words "may," "will," "should," "could," "would," "plan," "potential," "estimate," "project," "believe," "intend," "anticipate," "expect," "target" and similar expressions. These statements include, among others, statements regarding the impact of the COVID-19 pandemic; our strategy, goals and expectations; evaluations of future interest rate trends and liquidity; expectations as to growth in assets, deposits and results of operations, future operations, market position and financial position; and prospects, plans and objectives of management. You should not place undue reliance on our forward-looking statements. You should exercise caution in interpreting and relying on forward-looking statements because they are subject to significant risks, uncertainties and other factors which are, in some cases, beyond our control.

Forward-looking statements are based on the current assumptions and beliefs of management and are only expectations of future results. The Company's actual results could differ materially from those projected in the forward-looking statements as a result of, among others, factors referenced under the section captioned "Risk Factors" at Part I, Item 1A of this Form 10-K; the negative impacts and disruptions of the COVID-19 pandemic and measures taken to contain its spread on our employees, customers, business operations, credit quality, financial position, liquidity and results of operations; the length and extent of the economic contraction as a result of the COVID-19 pandemic; continued deterioration in employment levels and other general business and economic conditions on a national basis and in the local markets in which the Company operates; changes in customer behavior; the possibility that future credit losses, loan defaults and charge-off rates are higher than expected due to changes in economic assumptions or adverse economic developments; turbulence in the capital and debt markets; changes in interest rates; decreases in the value of securities and other assets; decreases in deposit levels necessitating increased borrowing to fund loans and investments; competitive pressures from other financial institutions; operational risks including, but not limited to, cybersecurity incidents, fraud, natural disasters and future pandemics; changes in regulation; reputational risks relating to the Company's participation in the Paycheck Protection Program and other pandemic-related legislative and regulatory initiatives and programs; changes in accounting standards and practices; the risk that goodwill and intangibles recorded in our financial statements will become impaired; risks related to the implementation of acquisitions, dispositions, and restructurings, including the risk that acquisitions may not produce results at levels or within time frames originally anticipated; the risk that we may not be successful in the implementation of our business strategy; changes in assumptions used in making such forward-looking statements; and changes in assumptions used in making such forward-looking statements. Forward-looking statements speak only as of the date on which they are made. The Company does not undertake any obligation to update any forward-looking statement to reflect circumstances or events that occur after the date the forward-looking statements are made.

PART I

ITEM 1. BUSINESS

HarborOne Bancorp, Inc.

HarborOne Bancorp, Inc. (hereafter referred to as "we," "our," "us," "HarborOne Bancorp" or the "Company") became the holding company of HarborOne Bank ("HarborOne Bank" or the "Bank") upon the closing of the second-step mutual-to-stock conversion (the "Conversion") by HarborOne Mutual Bancshares, a mutual holding company (the "MHC"). The Company is the successor to HarborOne Bank's previous holding company, HarborOne Bancorp, Inc. ("Old HarborOne"). The Conversion was completed August 14, 2019 and on that date, the MHC merged into Old HarborOne (and ceased to exist), and Old HarborOne merged into the Company. The Company raised gross proceeds of $310.4 million by selling a total of 31,036,812 shares of common stock at $10.00 per share in the second-step offering (the "Offering"). The Company utilized $24.8 million of the proceeds from the Offering to fund a new loan to its Employee Stock Ownership Plan ("ESOP") for the acquisition of an additional 2,482,945 shares at $10.00 per share, representing 8% of the shares issued in the Offering and incurred expenses in connection with the Offering totaling $6.3 million, resulting in net cash proceeds to the Company of $304.1 million. The Company invested $151.3 million of the net proceeds it received into the Bank's operations and has retained the remaining amount for general corporate purposes. Concurrent with the completion of the Offering, each share of Old HarborOne common stock owned by public shareholders (shareholders other than the MHC) was exchanged for 1.795431 shares of Company common stock. A total of 27,456,115 shares of Company common stock were issued in the exchange. At December 31, 2020, the Company had total assets of $4.48 billion, deposits of $3.51 billion and stockholders' equity of $696.3 million on a consolidated basis.

The Consolidated Financial Statements included herein include the accounts of the Company, Legion Parkway Company LLC, a security corporation and subsidiary of the Company formed on July 13, 2016, the Bank, and the Bank's wholly-owned subsidiaries, including HarborOne Mortgage, LLC ("HarborOne Mortgage"). HarborOne Mortgage, formerly Merrimack Mortgage Company, LLC, was acquired by the Bank on July 1, 2015. The Company also established a charitable foundation in 2016, The HarborOne Foundation.

On October 5, 2018, the Company completed its acquisition of Coastway Bancorp, Inc., the parent company of Coastway Community Bank, ("Coastway"), adding nine full service branches in Rhode Island. The acquisition included $703.9 million in loans and $476.5 million in deposits, at fair value, and total cash consideration was $119.4 million. Coastway's charitable foundation was also acquired and was renamed The HarborOne Foundation of Rhode Island.

HarborOne Bancorp, Inc.'s corporate offices are located at 770 Oak Street, Brockton, Massachusetts 02301, and the telephone number is (508) 895-1000.

HarborOne Bank

HarborOne Bank is a state-chartered savings bank, originally established in 1917 as a state-chartered credit union, converted to a state-chartered co-operative bank on July 1, 2013 and a state-chartered savings bank on March 17, 2020. The Bank provides a variety of financial services to individuals and businesses online and through its 26 full-service branches located in Massachusetts and Rhode Island, and a commercial lending office in each of Boston, Massachusetts and Providence, Rhode Island. We provide a range of educational services through "HarborOne U," with classes on small business, financial literacy and personal enrichment at classroom sites adjacent to our Brockton and Mansfield locations.

HarborOne Mortgage

HarborOne Mortgage, LLC, a wholly-owned subsidiary of the Bank, is a residential mortgage company headquartered in New Hampshire that maintains 39 offices in Massachusetts, Rhode Island, New Hampshire, Maine, New Jersey and Florida, and originates loans in four additional states.

Employees and Human Capital Resources

As of December 31, 2020, the Company had 633 full time equivalent employees. None of the Company's employees are represented by a labor union, and management considers its relationship with employees to be good. We believe our ability to attract and retain employees is a key to the Bank's success. Accordingly, we strive to offer competitive salaries and employee benefits to all employees and monitor salaries in our market areas.

We encourage and support the growth and development of our employees. Continual learning and career development is advanced through ongoing performance and development conversations with employees, internally developed training programs, customized corporate training engagements and educational reimbursement programs.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic presented a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of our management and staff, we were able to transition, over a short period of time, to effectively work from remote locations and ensure a safely-distanced working environment for employees performing customer facing activities at branches and operations centers. All employees are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance and sponsoring various wellness programs.

Available Information

Under Section 13(a) or 15(d) of the Exchange Act of 1934, as amended (the "Exchange Act"), HarborOne Bancorp, Inc. is required to file reports, proxy and information statements and other information with the Securities and Exchange Commission ("SEC"). The Company electronically files its annual report on Form 10-K, proxy, quarterly reports on Form 10-Q, and current reports on Form 8-K and other reports as required with the SEC. The SEC website www.sec.gov provides access to all forms which have been filed electronically. Additionally, the Company's SEC filings and additional shareholder information are available free of charge on the Company's website, www.harborone.com (within the Investor Relations section). Information on our website is not and should not be considered part of this annual report.

The Company's common stock is traded on the NASDAQ stock market under the symbol "HONE."

Market Area

HarborOne Bank. HarborOne Bank provides financial services to individuals, families, small and mid-size businesses and municipalities throughout Eastern Massachusetts and Rhode Island. While our primary deposit-gathering area is concentrated within our branch office communities and surrounding cities and towns, our lending area encompasses the broader market of New England.

Due to our proximity to Boston and Providence, our primary market area benefits from the presence of numerous institutions of higher learning, medical care and research centers and the corporate headquarters of several investment and financial services companies. The greater Boston metropolitan area also has many life science and high technology companies employing personnel with specialized skills, which impacts the demand for residential homes, residential construction, office buildings, shopping centers, and other commercial properties in our market area. Communities within our market area include many older residential commuter towns, which function partially as business and service centers.

HarborOne Mortgage. HarborOne Mortgage maintains 39 offices in Massachusetts, Rhode Island, New Hampshire, Maine, New Jersey, and Florida and originates loans in four additional states.

Competition

HarborOne Bank. HarborOne Bank faces significant competition for deposits and loans. Our most direct competition for deposits has historically come from banking institutions operating in our primary market area and from other financial service companies such as securities brokerage firms, credit unions, insurance companies, and other non-bank financial services and financial technology companies. We also face competition for investors' funds from money market funds and mutual funds. Many of the banks that operate in our primary market area are owned by large national and regional holding companies, are larger than we are, and therefore may have greater resources or offer a broader range of products and services.

Our competition for loans comes from financial institutions, including credit unions, in our primary market area and from other financial service providers, such as mortgage companies, and mortgage brokers. Competition for loans also comes from non-depository financial service companies entering the mortgage market, such as insurance companies, securities companies and specialty finance companies.

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 barriers to entry, allowed banks and other financial services companies 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. Increased competition for deposits and the origination of loans could limit our growth in the future.

HarborOne Mortgage. HarborOne Mortgage faces competition for originating loans both directly within the markets in which it operates and from entities that provide services throughout the United States through internet channels. HarborOne Mortgage's competition comes principally from other mortgage banking firms, as well as from commercial banks, savings institutions, credit unions and non-bank financial services and financial technology companies.

Lending Activities

The scope of the discussion included under "Lending Activities" is limited to lending operations related to loans originated for investment. A discussion of the lending activities related to loans originated for sale is included under "*Mortgage Banking Activity*."

Commercial Real Estate Loans. Our commercial real estate loans are generally secured by properties used for business purposes such as office buildings, retail development, manufacturing facilities, warehouse distribution, hospitality and apartment buildings. We currently focus our commercial real estate efforts on small- and mid-size owner occupants and investors in our market area seeking loans between $350,000 and $30.0 million. At December 31, 2020, commercial real estate loans were $1.55 billion, or 44.4% of total loans, and consisted of $657.8 million of fixed-rate loans and $893.5 million of adjustable-rate loans.

We originate fixed- and adjustable-rate commercial real estate loans typically with terms of five to ten years, though loans may be for terms of up to 20 years. Interest rates and payments on our adjustable-rate loans typically adjust in accordance with a designated index. Most of our adjustable-rate commercial real estate loans adjust every 30 days to a specified percentage above LIBOR, or five

years to a specified percentage above the corresponding FHLB Classic Advance borrowing rate and amortize over a 25 to 30-year term. We also offer interest rate swaps to accommodate customer needs. Loan amounts generally do not exceed 80.0% of the property's appraised value at the time the loan is originated.

We consider a number of factors when underwriting commercial real estate loans that include projected net cash flow to the loan's debt service requirement, the age and condition of the collateral, the profitability and the value of the underlying property, the financial resources and income level of the sponsor and their experience in owning or managing similar properties, and the borrower's credit history. When circumstances warrant, personal guarantees are obtained from the principals of the borrower on commercial real estate. To monitor cash flows on income properties, we require borrowers and loan guarantors, where applicable, to provide annual financial statements on commercial real estate loans. We also generally require an independent appraisal or valuation, an environmental survey and a property condition report for commercial real estate loans.

In addition to originating these loans, we participate in commercial real estate loans with other financial institutions located primarily in Massachusetts and Rhode island and sell participation interests in commercial real estate loans to local financial institutions, primarily the portion of loans that exceed our borrowing limits or are in an amount that is considered prudent to manage our credit risk. See below "*Loan Underwriting Risks – Loan Participations.*"

At December 31, 2020, the average current loan balance of our outstanding commercial real estate loans was $3.4 million, and our four largest credits ranged from $16.9 million to $30.0 million. These loans were performing in accordance with their original terms at December 31, 2020. Our largest commercial real estate relationship totaled $65.0 million and consists of loans to finance apartments, warehouses and logistical space.

Commercial and Industrial Loans. We originate commercial and industrial loans and lines of credit to a variety of professionals, sole proprietorships and small- to medium-sized privately-held businesses, primarily in Massachusetts and Rhode Island, with sales typically up to $100.0 million and borrowing needs up to $25.0 million, for working capital and other business purposes. In connection with the Coastway acquisition, we acquired a small business lending team that generate small business loans, including loans originated through the U.S. Small Business Administration ("SBA"), which provide a partial government guarantee. Small business loans, including real estate loans, generally consist of loans to businesses with commercial credit needs of less than or equal to $1.0 million and revenues of less than $5.0 million.

At December 31, 2020, commercial and industrial loans were $464.4 million, or 13.3% of total loans. Commercial and industrial loans included $134.2 million in small business loans, of which $33.0 million had a partial SBA guarantee and $126.5 million of loans provided through the SBA's Paycheck Protection Program ("PPP") with deferred fees to be recognized over the life of the loan or at forgiveness of $2.7 million. At December 31, 2020, commercial loans consisted of $268.2 million of fixed-rate loans and $196.2 million of adjustable-rate loans.

Commercial and industrial loans are originated with either variable or fixed rates of interest. Variable rates are based on a margin over the LIBOR index or tied to the Prime rate as published in *The Wall Street Journal*, plus a margin. Fixed-rate business loans are generally indexed to a corresponding FHLB rate, plus a margin. Commercial and industrial loans typically have shorter maturity terms and higher interest spreads than real estate loans, but generally involve more credit risk because of the type and nature of the collateral. We generally require that our commercial customers maintain a deposit relationship with the Bank.

When making commercial and industrial loans, we consider the financial statements and the experience of the borrower, our lending history with the borrower, the debt service capabilities of the borrower, the projected cash flows of the business, the value of the collateral, primarily accounts receivable, inventory and equipment and recourse from principal owners. Commercial and industrial loan amounts are determined based on the capacity for debt service and an evaluation of the age, condition and collectability of the collateral but generally, advance rates for certain asset classes would not exceed 80.0%.

In addition to originating these loans, we participate in commercial and industrial loans with other financial institutions located primarily in Massachusetts and Rhode island and sell participation interests in commercial and industrial loans to local financial institutions, primarily the portion of loans that exceed our borrowing limits or are in an amount that is considered prudent to manage our credit risk. See below "*Loan Underwriting Risks – Loan Participations.*"

At December 31, 2020, the average outstanding balance of our commercial loans was $229,000, excluding PPP loans, and our four largest commercial loan exposures ranged from $7.5 million to $20.9 million. These loans are secured by business assets of the borrower and include loans in the alternative energy, healthcare and manufacturing industries. The loans were performing according to their original terms at December 31, 2020.

Commercial Construction Loans. We originate commercial construction loans for commercial development projects, including industrial buildings, retail and office buildings and speculative residential real estate. At December 31, 2020, construction loan balances were $99.3 million, or 2.8% of total loans. At December 31, 2020, our commercial construction loan portfolio consisted of $6.1 million in loan balances that were secured by speculative residential real estate loan projects, $78.7 million in loans that were secured by commercial real estate speculative projects and $15.1 million secured by owner-occupied commercial real estate projects. At December 31, 2020, unadvanced funds on commercial construction loans were $111.3 million.

Our commercial construction loans generally call for the payment of interest only with interest rates tied to LIBOR or Prime rate as published in *The Wall Street Journal*, plus a margin. Our construction loans for commercial real estate projects can be originated with principal balances of up to $30.0 million, but generally their principal balances are lower; the average originated principal balance at December 31, 2020 was $4.7 million. Advances on commercial construction loans are made in accordance with a schedule reflecting the cost of construction and repayment is generally expected from permanent financing upon completion of construction.

At December 31, 2020, the average balance of our outstanding commercial construction loans was $3.3 million and our largest outstanding commercial construction loan was $20.0 million. This is a solar project secured by a priority lien on equipment, assignment of power purchase agreements, tax credits and a first leasehold mortgage. This loan was performing according to its original repayment terms at December 31, 2020.

One- to Four-Family Residential Real Estate Loans. We provide residential real estate loans through HarborOne Mortgage for home purchase or refinancing of existing homes, most of which serve as the primary residence of the owner. At December 31, 2020, residential mortgage loans were $928.9 million, or 26.6% of total loans, and consisted of $846.3 million and $82.6 million of fixed-rate and adjustable-rate loans, respectively. We offer fixed-rate and adjustable-rate residential mortgage loans with terms up to 30 years.

Our one- to four-family residential mortgage originations are generally underwritten to conform to Federal National Mortgage Association, or "Fannie Mae," and Federal National Home Loan Mortgage Corporation, or "Freddie Mac," underwriting guidelines. Our adjustable-rate mortgage loans generally adjust annually or after an initial fixed period that ranges from three to seven years and are adjusted to a rate equal to a specified percentage above the LIBOR or U.S. Treasury index. Depending on the loan type, the maximum amount by which the interest rate may be increased or decreased is generally 2.0% per adjustment period, with the lifetime interest rate caps ranging from 5.0% to 6.0% over the initial interest rate of the loan.

Borrower demand for adjustable-rate compared to fixed-rate loans is a function of the level of interest rates, the expectations of changes in the level of interest rates, and the difference between the interest rates and loan fees offered for fixed-rate mortgage loans as compared to the interest rates and loan fees for adjustable-rate loans. The relative amount of fixed-rate and adjustable-rate mortgage loans that can be originated at any time is largely determined by the demand for each in a competitive environment. The loan fees, interest rates and other provisions of mortgage loans are determined by us on the basis of our own pricing criteria and competitive market conditions.

While residential mortgage loans are normally originated with up to 30-year terms, such loans typically remain outstanding for substantially shorter periods because borrowers often prepay their loans in full either upon sale of the property pledged as security or upon refinancing the original loan. Therefore, average loan maturity is a function of, among other factors, the level of purchase and sale activity in the real estate market, prevailing interest rates and the interest rates payable on outstanding loans.

We originate one- to four-family residential mortgage loans with loan-to-value ratios up to 80.0% and we generally require private mortgage insurance for residential loans secured by a first mortgage with a loan-to-value ratio over 80.0%. We generally require all properties securing mortgage loans to be appraised by a licensed real estate appraiser. We generally require title insurance on all first mortgage loans. Exceptions to these lending policies are based on an evaluation of credit risk related to the borrower and the size of the loan. Borrowers must obtain hazard insurance, and flood insurance is required for loans on properties located in a flood zone.

In an effort to provide financing for first-time buyers, we offer adjustable- and fixed-rate loans to qualified individuals and originate the loans using modified underwriting guidelines, reduced interest rates and loan conditions and reduced closing costs. We also participate in publicly sponsored loan programs which provide competitive terms for low- and moderate-income home buyers.

The majority of the conforming fixed-rate one- to four-family residential mortgage loans we originate are sold to the secondary market to private investors, Freddie Mac and Fannie Mae. Generally, we sell loans to Freddie Mac and Fannie Mae with servicing retained. Our current practice is to hold in our portfolio jumbo loans, nonconforming loans, and adjustable-rate loans. Our decision to sell loans is based on prevailing market interest rate conditions and interest rate risk management.

We generally do not (i) originate "interest only" mortgage loans on one- to four-family residential properties, (ii) offer loans that provide for negative amortization of principal such as "option ARM" loans where the borrower can pay less than the interest owed on their loan, (iii) offer "subprime" loans (loans that are made with low down payments to borrowers with weakened credit histories typically characterized by payment delinquencies, previous charge-offs, judgments, bankruptcies or borrowers with questionable repayment capacity) or (iv) offer "Alt-A" loans (loans to borrowers having less than full documentation).

Second Mortgages and Equity Lines of Credit. We offer second mortgages and equity lines of credit, which are secured by owner-occupied residences. At December 31, 2020, second mortgages and equity lines of credit were $145.7 million, or 4.2% of total loans. Second mortgages are made at fixed interest rates and terms of up to fifteen years. Equity lines of credit have adjustable rates of interest that are indexed to the Prime rate as published in *The Wall Street Journal* plus or minus a margin, and generally are subject to an interest rate floor, with 10-year draws and repayment terms of between five and 15 years. We offer second mortgages and equity lines of credit with cumulative loan-to-value ratios generally up to 80.0%, when taking into account both the balance of the home equity loan and first mortgage loan. We hold a first mortgage position on the homes that secure equity lines of credit in approximately one-third of the portfolio.

The procedures for underwriting home equity lines of credit include an assessment of the applicant's payment history on other debts and ability to meet existing obligations and payments on the proposed loan. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral to the proposed loan amount. The procedures for underwriting residential mortgage loans apply equally to second mortgages and equity lines of credit.

Residential Construction Loans. We originate residential real estate construction loans through HarborOne Mortgage to professional developers, contractors and builders, and to a lesser extent, individuals, to finance the construction of residential dwellings. At December 31, 2020, the balance of residential construction loans was $31.2 million and unadvanced funds were $16.4 million.

Our residential real estate construction loans generally are fixed-rate loans that provide for the payment of interest only during the construction phase, which is usually 12 to 36 months. At the end of the construction phase, the loan may be paid in full or converted to a permanent mortgage loan. Before making a commitment to fund a construction loan, we generally require an appraisal of the property by an independent licensed appraiser. Our loan policy dictates a minimum equity contribution by the borrower of 20.0% and a loan-to-value ratio not greater than 80.0% of the appraised market value estimated upon completion of the project. All borrowers are underwritten and evaluated for creditworthiness based on past experience, debt service ability, net worth analysis including available liquidity, and other credit factors. Advances are only made following an inspection of the property confirming completion of the required progress on the project and an update to the title completed by a Bank-approved attorney.

Auto and Other Consumer Loans. While we stopped originating indirect auto loans in 2018, we continued in 2019 to fund indirect auto lease loans for the leasing of new or used automobiles through our relationship with Credit Union Leasing of America, or "CULA." In the fourth quarter of 2019, we terminated our origination agreement with CULA and continue to allow the portfolio to pay down with CULA providing the off-lease servicing. At December 31, 2020, auto loans were $265.3 million, or 7.6% of total loans and 96.9% of consumer loans. Other consumer loans, consisting primarily of unsecured lines of credit and personal loans, were $8.6 million, or 0.3% of total loans. Auto loans consisted of $240.1 million of auto lease loans, $15.6 million of indirect auto loans and $9.6 million in direct auto loans.

The procedures for underwriting consumer loans include an assessment of the applicant's payment history on other debts and ability to meet existing obligations and payments on the proposed loan. Although the applicant's creditworthiness is a primary consideration, the underwriting process also includes a comparison of the value of the collateral, if any, to the proposed loan amount.

Loan Originations, Purchases and Sales. Loan originations come from a number of sources. The primary source of loan originations are our loan originators, and to a lesser extent, advertising and referrals from customers. We purchase participation interests in commercial real estate loans and commercial business loans. In addition, we sell participation interests in commercial real estate loans to local financial institutions, primarily the portion of loans that exceed our borrowing limits or are in an amount that is considered prudent to manage our credit risk.

Our current practice is generally (i) to sell to the secondary market newly originated 15-year or longer term conforming fixed-rate residential mortgage loans and (ii) to hold in our portfolio nonconforming loans, shorter-term fixed-rate loans, jumbo loans and adjustable-rate residential mortgage loans. Our decisions regarding loan sales are based on prevailing market interest rate conditions and interest rate risk management. Loans are sold to third parties with servicing either retained or released.

For the years ended December 31, 2020 and 2019, we originated loans of $3.83 billion and $2.05 billion of loans, respectively. During the same periods, we sold $2.57 billion and $1.12 billion of loans, respectively.

Mortgage Banking Activity. We originate residential mortgage loans through HarborOne Mortgage. For the year ended December 31, 2020, HarborOne Mortgage closed $2.81 billion in mortgage loans. HarborOne Mortgage sells loans on both a servicing-released and a servicing-retained basis. Loans sold with servicing retained are generally serviced by a third party and certain loans are serviced by the Bank. HarborOne Bank purchases residential mortgage loans for its portfolio from HarborOne Mortgage. These purchases generally consist of jumbo mortgages, adjustable-rate mortgages and nonconforming mortgages. The Bank's decision to purchase loans from HarborOne Mortgage is based on prevailing market interest rate conditions, interest rate risk management and balance sheet management.

Our overall margin can be affected by the mix of both loan type (conventional loans versus governmental loans) and loan purpose (purchase versus refinance). Conventional loans include loans that conform to Fannie Mae and Freddie Mac standards, whereas governmental loans are those loans guaranteed or insured by the federal government, such as a Federal Housing Authority or a U.S. Department of Veterans Affairs loan.

Loan Underwriting Risks

Commercial Real Estate Loans. Loans secured by commercial real estate generally have larger balances and involve a greater degree of risk than residential mortgage loans. Of primary concern in commercial real estate lending is the borrower's creditworthiness and the feasibility and cash flow potential of the project. In addition, our commercial borrowers may have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential mortgage loan. Payments on loans secured by income properties often depend on successful operation and management of the properties. As a result, repayment of such loans may be subject to adverse conditions in the real estate market or the economy to a greater extent than residential real estate loans. If we are forced to foreclose on a commercial real estate property due to default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs.

Commercial Loans. Commercial loans also involve a greater degree of risk than residential mortgage loans. Unlike residential mortgage loans, which generally are made on the basis of the borrower's ability to make repayment from his or her employment or other income, and which are secured by real property whose value tends to be more easily ascertainable, commercial loans are typically made on the basis of the borrower's ability to make repayment from the cash flows of the borrower's business, although small business loans originated through the SBA program include a partial guarantee. As a result, the availability of funds for the repayment of commercial loans may depend substantially on the success of the business itself. Further, any collateral securing such loans may depreciate over time, may be difficult to appraise and may fluctuate in value.

Commercial Construction Loans. Construction financing is considered to involve a higher degree of risk of loss than long-term financing on improved, occupied real estate. Risk of loss on a construction loan depends largely upon the accuracy of the initial estimate of the property's value at completion of construction or development and the estimated cost (including interest) of construction. During the construction phase, a number of factors could result in delays and cost overruns. If the estimate of construction costs proves to be inaccurate, we may be required to advance funds beyond the amount originally committed to permit completion of the development. If the estimate of value proves to be inaccurate, we may be confronted, at or before the maturity of the loan, with a project having a value which is insufficient to assure full repayment. As a result of the foregoing, construction lending often involves the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project rather than the ability of the borrower or guarantor to repay principal and interest. If we are forced to foreclose on a project before or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs.

Residential Real Estate Loans. Due to historically low interest rate levels, borrowers generally have preferred fixed-rate loans in recent years. While we anticipate that our adjustable-rate loans will better offset the adverse effects on our net interest income of an increase in interest rates as compared to fixed-rate loans, the increased mortgage payments required of adjustable-rate loans in a rising interest rate environment could cause an increase in delinquencies and defaults. If we are forced to foreclose on a residential property due to default, the marketability of the underlying property also may be adversely affected in a high interest rate environment, and we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan as well as related foreclosure and holding costs. In addition, although adjustable-rate loans help make our asset base more responsive to changes in interest rates, the extent of this interest sensitivity is limited by the annual and lifetime interest rate adjustment limits.

Consumer Loans. Consumer loans entail greater risk than do residential mortgage loans, particularly in the case of consumer loans that are unsecured or secured by assets that depreciate rapidly. In such cases, repossessed collateral for a defaulted consumer loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency often does not warrant further substantial collection efforts against the borrower. In addition, consumer loan collections depend on the borrower's continuing financial stability, and therefore are more likely to be adversely affected by job loss, divorce, illness or personal bankruptcy. Furthermore, the application of various federal and state laws, including federal and state bankruptcy and insolvency laws, may limit the amount that can be recovered on such loans.

Loan Participations. We cultivate relationships with other financial institutions to mitigate the risk of our lending activities by participating either as the lead bank or as a participant in various loan transactions. We purchase participation interests in larger balance loans from other financial institutions generally in our market area. Such participations are evaluated with the same level of due diligence and care as loans we originate. The participations are underwritten, reviewed for compliance, and approved in accordance with our underwriting policies and criteria. We actively monitor the performance of such loans and periodically receive updated financial statements of the borrower from the lead lender in accordance with loan reporting requirements and covenant testing. These loans are reviewed annually in accordance with our loan policy and graded based on credit risk. Loan grades assigned are also tested by the Company's external loan review firm in accordance with the Company's loan review policy.

We sell loan participations in the ordinary course of business when a loan originated by us exceeds our legal lending limit or we otherwise deem it prudent to share the risk with another lending institution. We were the lead bank in commercial real estate loans of $476.1 million, commercial construction loans of $63.0 million and commercial and industrial loans of $96.2 million with participation balances sold that totaled $207.3 million, $26.2 million and $50.7 million, respectively, at December 31, 2020. As compared to December 31, 2019, this represents an increase of $32.8 million in commercial real estate participations sold, a $9.5 million decrease in commercial construction participations sold, and an increase of $35.1 million in commercial and industrial participations sold. We are also a participant in loans where we are not the lead bank. We participated in commercial real estate loans with outstanding balances of $247.1 million, commercial construction loans with outstanding balances of $28.8 million and commercial and industrial loans with outstanding balances of $28.1 million at December 31, 2020.

Loan Approval Procedures and Authority. Our lending activities follow written, nondiscriminatory underwriting standards and loan origination procedures established by our board of directors and management. Our board of directors has granted loan approval authority to certain executive officers. Commercial loans in excess of any officer's individual authority must be approved by the Commercial Loan Committee comprised of several executive officers and reviews all commercial and industrial loan requests greater than $3.0 million and commercial real estate loan requests greater than $7.5 million.

Loans-to-One Borrower Limit. The maximum amount that the Bank may lend to one borrower and the borrower's related entities is generally limited, by statute, to 20.0% of the Bank's capital, which is defined under Massachusetts law as the sum of the Bank's capital stock, surplus account and undivided profits. At December 31, 2020, the Bank's regulatory limit on loans-to-one borrower was $110.0 million. At that date, our largest lending relationship totaled $65.0 million and was comprised of three loans to finance apartments and warehouse and logistical space. These loans were performing in accordance with their original repayment terms at December 31, 2020. Our internal loans-to-one borrower limit is $68.5 million.

Investment Activities

General. The goals of our investment policy are to provide and maintain liquidity to meet deposit withdrawal and loan funding needs, to help mitigate interest rate and market risk, to diversify our assets, and to generate a reasonable rate of return on funds within the context of our interest rate and credit risk objectives. Our board of directors reviews and approves our investment policy annually. Authority to make investments under the approved investment policy guidelines is delegated to our president or our chief financial officer. All investment transactions are reviewed at the next regularly scheduled meeting of the board of directors. We classify the majority of our securities as available-for-sale.

We have legal authority to invest in various types of securities, including U.S. Treasury obligations, securities of various government-sponsored enterprises and municipal governments, deposits at the Federal Home Loan Bank ("FHLB"), certificates of deposit of federally insured institutions and investment grade corporate bonds. We also are required to maintain an investment in FHLB stock. While we have the authority under applicable law to invest in marketable equity securities and derivative securities, we had no investments in such securities at December 31, 2020.

Investment Securities. At December 31, 2020, our securities portfolio totaled $276.5 million and consisted of the following:

U.S. Government and Government-Sponsored Enterprise Obligations. At December 31, 2020, we had U.S. government and government-sponsored enterprise securities totaling $5.1 million, which constituted 1.8% of our securities portfolio. While these securities generally provide lower yields than other investments in our securities investment portfolio, we maintain these investments, to the extent we deem appropriate, for liquidity purposes, as collateral for borrowings and for prepayment protection.

U.S. Government and Government-Sponsored Mortgage-Backed and Collateralized Mortgage Obligations, or "CMOs." At December 31, 2020, we had mortgage-backed securities and CMOs totaling $254.3 million, which constituted 92.0 % of our securities portfolio. Mortgage-backed securities and CMOs are securities issued in the secondary market that are collateralized by pools of residential mortgages. Certain types of mortgage-backed securities are commonly referred to as "pass-through" certificates because the principal and interest of the underlying loans is "passed through" to investors, net of certain costs, including servicing and guarantee fees. Mortgage-backed securities typically are collateralized by pools of one- to four-family or multi-family mortgages. The issuers of such securities pool and resell the participation interests in the form of securities to investors such as the Bank. The interest rate of the security is lower than the interest rates of the underlying loans to allow for payment of servicing and guaranty fees. All of our mortgage-backed securities are either backed by the Government National Mortgage Association, or "Ginnie Mae," a U.S. government agency, or government-sponsored enterprises, such as Fannie Mae and Freddie Mac.

Residential mortgage-backed securities issued by U.S. government agencies and government-sponsored enterprises are more liquid than individual mortgage loans because there is an active trading market for such securities. In addition, residential mortgage-backed securities may be used to collateralize our borrowings. Investments in residential mortgage-backed securities involve a risk that actual payments will be greater or less than the prepayment rate estimated at the time of purchase, which may require adjustments to the amortization of any premium or accretion of any discount relating to such interests, thereby affecting the net yield on our securities. Current prepayment speeds determine whether prepayment estimates require modification that could cause amortization or accretion adjustments.

SBA Asset-Backed Securities. At December 31, 2020, we had investments in participation certificates issued and guaranteed by the SBA totaling $17.1 million.

In addition to our securities portfolio, we also have investments in FHLB stock and bank-owned life insurance.

FHLB Stock. In connection with our borrowing activities, we held common stock of the FHLB totaling $8.7 million at December 31, 2020. The FHLB common stock is carried at cost and classified as a restricted equity security. We may be required to purchase additional FHLB stock if we increase borrowings in the future.

Bank-Owned Life Insurance. We invest in bank-owned life insurance to provide us with a funding source for our benefit plan obligations. Bank-owned life insurance also generally provides us noninterest income that is non-taxable. At December 31, 2020, our balance in bank-owned life insurance totaled $87.9 million and was issued by seven highly rated insurance companies.

Sources of Funds

General. Deposits, borrowings and loan repayments are the major sources of our funds for lending and other investment purposes. Scheduled loan repayments are a relatively stable source of funds, while deposit inflows and outflows and loan prepayments are significantly influenced by general interest rates and money market conditions.

Deposit Accounts. At December 31, 2020, total deposits were $3.51 billion. Deposits are attracted from within our market area by sales efforts of our branch network, municipal department and commercial loan officers, advertising and through our website. We offer a broad selection of deposit instruments, including noninterest-bearing demand deposits (such as checking accounts), interest-bearing demand accounts (such as NOW and money market accounts), savings accounts and term certificates of deposit. We also offer a variety of deposit accounts designed for businesses and municipalities operating in our market area. Our business banking deposit products include a commercial checking account, sweep accounts, money market accounts and checking accounts specifically designed for small businesses. We also offer remote deposit capture products for business customers to meet their online banking needs. Additionally, the Bank has a municipal banking department that provides core depository services to local municipalities. At December 31, 2020, municipal deposits totaled $321.9 million and consisted of relationships with over 40 cities and towns. The Bank also participates in a reciprocal deposit program that provides access to FDIC insured deposit products in aggregate amounts exceeding the current insurance limits for depositors. At December 31, 2020, total reciprocal deposits were $104.9 million and included $4.9 million of municipal deposits.

The Bank utilizes a deposit listing service which targets institutional funds throughout the country. We generally prohibit the withdrawal of our listing service deposits prior to maturity. Also, when rates and terms are favorable, the Bank supplements the customer deposit base with brokered deposits. At December 31, 2020, we had $100.0 million of brokered deposits and $11.4 million of institutional deposits which represented 0.3% of total deposits at December 31, 2020 with such funds having a weighted average remaining term to maturity of 1.3 months.

Deposit account terms vary according to the minimum balance required, the time periods the funds must remain on deposit and the interest rate, among other factors. In determining the terms of our deposit accounts, we consider the rates offered by our competition, our liquidity needs, profitability to us, and customer preferences and concerns. We generally review our deposit mix and pricing on a weekly basis. Our deposit pricing strategy has generally been to offer competitive rates and to periodically offer special rates in order to attract deposits of a specific type or term.

Borrowings. At December 31, 2020, total borrowings were $183.1 million. Borrowings consist of short-term and long-term obligations from the FHLB and subordinated debentures issued in 2018. The Bank is a member of the FHLB Boston which provides access to wholesale funding to supplement our supply of investable funds. The FHLB functions as a central reserve bank providing credit for its member financial institutions. As a member, we are required to own capital stock in the FHLB and are authorized to apply for advances on the security of such stock and portions of our loan portfolio identified under a blanket lien, provided certain standards related to creditworthiness have been met. Advances are made under several different programs, each having its own interest rate and range of maturities. Depending on the program, limitations on the amount of advances are based either on a fixed percentage of an institution's net worth or on the FHLB's assessment of the institution's creditworthiness. At December 31, 2020, based on available collateral and our ownership of FHLB stock, we had access to additional FHLB advances of up to $741.7 million. All of our borrowings from the FHLB are secured by a blanket lien on residential real estate and certain other loans.

In August 2018, we issued $35.0 million in fixed-to-floating rate subordinated notes. The notes bear interest at an annual fixed rate of 5.625% until September 1, 2023, at which time the interest resets quarterly to an interest rate per annum equal to the three-month LIBOR plus 278 basis points. The notes are carried on the Consolidated Balance Sheets net of issuance costs of $967,000, which are being amortized over the period to maturity date.

The Company also has an available line of credit with the Federal Reserve Bank of Boston secured by 61.0% of the carrying value of loans with an amortized balance amounting to $107.1 million, of which no amount was outstanding at December 31, 2020.

Supervision and Regulation

General

The following discussion addresses elements of the regulatory framework applicable to bank holding companies and their subsidiaries. This regulatory framework is intended primarily to protect the safety and soundness of depository institutions, the federal deposit insurance system, and depositors, rather than the shareholders of a bank holding company such as the Company.

As a bank holding company, the Company is subject to regulation, examination, and supervision by the Board of Governors of the Federal Reserve System (the "Federal Reserve") under the Bank Holding Company Act of 1956, as amended (the "BHCA"), and the Massachusetts Commissioner of Banks (the "Commissioner") under Massachusetts law.

As a Massachusetts-chartered savings bank, the Bank is subject to regulation, supervision and examination by the Commissioner under Massachusetts law. The Bank's Rhode Island branches are also subject to regulation, supervision and examination by the Rhode Island Department of Business Regulation, Division of Banking (the "RI Division of Banking"). The Bank's deposits are insured up to applicable limits by the FDIC and by the Deposit Insurance Fund, a private industry-sponsored insurance fund, for amounts in excess of the FDIC insurance limits. The Bank must also comply with consumer protection regulations issued by the Consumer Financial Protection Bureau (the "CFPB"), as enforced by the FDIC. Additionally, under the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act"), the Federal Reserve may directly examine the subsidiaries of a bank holding company, including the Bank.

The following is a summary of certain aspects of the various statutes and regulations applicable to the Company and its subsidiaries. This summary is not a comprehensive analysis of all applicable laws, and is qualified by reference to the full text of statutes and regulations referenced below.

Pandemic Response

The COVID-19 pandemic is a highly unusual, unprecedented and evolving public health and economic crisis that may have a significant adverse impact on the economy, the banking industry and the Company in future fiscal periods, all of which are subject to a high degree of uncertainty. On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted to address the economic effects of the COVID-19 pandemic.

Paycheck Protection Program. The CARES Act appropriated $349 billion for "paycheck protection loans" through the PPP. The amount appropriated was subsequently increased to $659 billion. As of December 31, 2020, the Bank had originated 1,041 PPP loans with a total balance of $153.0 million. Additionally, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act was enacted on December 27, 2020, providing for a second round of PPP loans ("PPP-2"). The Bank is currently participating in both the PPP and PPP-2. PPP loans that meet SBA requirements may be forgiven in certain circumstances, are fully guaranteed by the U.S. government, have an initial term of up to five years and earn interest at rate of 1%. We currently expect a significant portion of these loans will ultimately be forgiven by the SBA in accordance with the terms of the program. As of December 31, 2020, PPP loans outstanding amounted to $126.5 million and there was $2.7 million in deferred processing fee income that will be recognized over the life of the loan. The average authorized loan size is $150,000 and the aggregate number of jobs positively impacted is approximately 15,000. In conjunction with the PPP, the Federal Reserve has created a lending facility for qualified financial institutions. The Paycheck Protection Program Liquidity Facility will extend credit to depository institutions with a term equal to the term of the pledged collateral at an interest rate of 0.35%. Only loans issued under the PPP can be pledged as collateral to access the facility.

Troubled Debt Restructuring Relief. From March 1, 2020 through the earlier of January 1, 2022 or 60 days after the termination date of the national emergency declared by the President on March 13, 2020 concerning the COVID–19 outbreak, a financial institution may elect to suspend the requirements under accounting principles generally accepted in the U.S. for loan modifications related to the COVID–19 pandemic that would otherwise be categorized as a troubled debt restructured ("TDR"), including impairment accounting. This TDR relief is applicable for the term of the loan modification that occurs during the applicable period for a loan that was not more than 30 days past due as of December 31, 2019. Financial institutions are required to maintain records of the volume of loans involved in modifications to which TDR relief is applicable.

On March 22, 2020, a statement was issued by our banking regulators titled the "Interagency Statement on Loan Modifications and Reporting for Financial Institutions Working with Customers Affected by the Coronavirus" (the "Interagency Statement") that encourages financial institutions to work prudently with borrowers who are or may be unable to meet their contractual payment obligations due to the effects of COVID-19. The Interagency Statement was subsequently revised in April 2020 to clarify the interaction of the original guidance with Section 4013 of the CARES Act, as well as setting forth the banking regulators' views on consumer protection considerations.

With the passage of the CARES Act, the option to delay CECL was provided until the earlier of the national health emergency being declared over or December 31, 2020. The Consolidated Appropriations Act passed on December 27, 2020 provided the option of postponing adoption of the standard until the earlier of the end of the national emergency declaration related to the COVID-19 pandemic or December 31, 2022.

Regulation of the Company

General. The Company is subject to regulation, supervision and examination by the Federal Reserve, which has the authority, among other things, to order bank holding companies to cease and desist from unsafe or unsound banking practices; to assess civil money penalties; and to order termination of non-banking activities or termination of ownership and control of a non-banking subsidiary by a bank holding company.

Source of Strength. Under the BHCA, as amended by the Dodd-Frank Act, the Company is required to serve as a source of financial strength for the Bank. This support may be required at times when the Company may not have the resources to provide support to the Bank. In the event of a bank holding company's bankruptcy, any commitment by the bank holding company to a federal bank regulatory agency to maintain the capital of a bank subsidiary will be assumed by the bankruptcy trustee and entitled to a priority of payment.

Acquisitions and Activities. The BHCA prohibits a bank holding company, without prior approval of the Federal Reserve, from acquiring all or substantially all the assets of a bank; acquiring control of a bank; merging or consolidating with another bank holding company; or acquiring direct or indirect ownership or control of any voting shares of another bank or bank holding company if, after

such acquisition, the acquiring bank holding company would control more than 5% of any class of the voting shares of such other bank or bank holding company.

The BHCA also generally prohibits a bank holding company from engaging directly or indirectly in activities other than those of banking, managing or controlling banks or furnishing services to its subsidiary banks. However, among other permitted activities, a bank holding company may engage in and may own shares of companies engaged in certain activities that the Federal Reserve has determined to be closely related to banking or managing and controlling banks, subject to certain notification requirements.

Limitations on Acquisitions of Company Common Stock. The Change in Bank Control Act prohibits a person or group of persons from acquiring "control" of a bank holding company unless the Federal Reserve has been notified and has not objected to the transaction. Under rebuttable presumptions of control established by the Federal Reserve, the acquisition of control of voting securities of a bank holding company constitutes an acquisition of control under the Change in Bank Control Act, requiring prior notice to the Federal Reserve, if, immediately after the transaction, the acquiring person (or persons acting in concert) will own, control, or hold with power to vote 10% or more of any class of voting securities of the bank holding company, and if either (i) the bank holding company has registered securities under Section 12 of the Securities Exchange Act of 1934, or (ii) no other person will own, control, or hold the power to vote a greater percentage of that class of voting securities immediately after the transaction.

In addition, the BHCA prohibits any company from acquiring control of a bank or bank holding company without first having obtained the approval of the Federal Reserve. Among other circumstances, under the BHCA, a company has control of a bank or bank holding company if the company owns, controls or holds with power to vote 25% or more of a class of voting securities of the bank or bank holding company; controls in any manner the election of a majority of directors or trustees of the bank or bank holding company; or the Federal Reserve has determined, after notice and opportunity for hearing, that the company has the power to exercise a controlling influence over the management or policies of the bank or bank holding company. The Federal Reserve has established presumptions of control under which the acquisition of control of 5% or more of a class of voting securities of a bank holding company, together with other factors enumerated by the Federal Reserve, could constitute the acquisition of control of a bank holding company for purposes of the BHCA.

Regulation of the Bank

General. The Bank is subject to regulation, supervision and examination by the FDIC, the Commissioner and the RI Division of Banking. The FDIC, the Commissioner and the RI Division of Banking have the authority to issue orders to banks under their supervision to cease and desist from unsafe or unsound banking practices and violations of laws, regulations, or conditions imposed by, agreements with, or commitments to, the Commissioner and the RI Division of Banking. The Commissioner and the RI Division of Banking are also empowered to assess civil money penalties against companies or individuals who violate banking laws, orders or regulations.

Deposit Insurance. Deposit obligations of the Bank are insured by the FDIC's Deposit Insurance Fund, or the "DIF," up to $250,000 per depositor. In 2016, as mandated by the Federal Deposit Insurance Act, or the "FDIA," the FDIC's Board of Directors approved a final rule to increase the DIF's reserve ratio to the statutorily required minimum ratio of 1.35% of estimated insured deposits. On September 30, 2018, the DIF reserve ratio reached 1.36%. Small banks, which are generally banks with less than $10 billion in assets, were awarded assessment credits for the portion of their assessments that contributed to the growth in the reserve ratio from 1.15 percent to 1.35 percent.

Deposit insurance premiums are based on assets. In 2016, the FDIC's Board of Directors adopted a final rule that changed the manner in which deposit insurance assessment rates are calculated for established small banks, generally those banks with less than $10 billion of assets that have been insured for at least five years. Under this method, each of seven financial ratios and a weighted average of CAMELS composite ratings are multiplied by a corresponding pricing multiplier. The sum of these products is added to a uniform amount, with the resulting sum being an institution's initial base assessment rate (subject to minimum or maximum assessment rates based on a bank's CAMELS composite rating). This method takes into account various measures, including an institution's leverage ratio, brokered deposit ratio, one year asset growth, the ratio of net income before taxes to total assets and considerations related to asset quality.

The FDIC has the authority to adjust deposit insurance assessment rates at any time. In addition, under the FDIA, the FDIC may terminate deposit insurance, among other circumstances, 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. For 2020, the FDIC insurance expense for the Bank was $1.2 million.

Acquisitions and Branching. Prior approval from the Commissioner and the FDIC is required in order for the Bank to acquire another bank or establish a new branch office. Well capitalized and well managed banks may acquire other banks in any state, subject to certain deposit concentration limits and other conditions, pursuant to the Riegle-Neal Interstate Banking and Branching Efficiency Act of 1994, as amended by the Dodd-Frank Act. In addition, the Dodd-Frank Act authorizes a state-chartered bank, such as the Bank, to establish new branches on an interstate basis to the same extent a bank chartered by the host state may establish branches.

Activities and Investments of Insured State-Chartered Banks. The FDIA generally limits the types of equity investments an FDIC-insured state-chartered bank, such as the Bank, may make and the kinds of activities in which such a bank may engage, as a principal, to those that are permissible for national banks. Further, the Gramm-Leach-Bliley Act of 1999 (the "GLBA") permits state banks, to the extent permitted under state law, to engage via financial subsidiaries in certain activities that are permissible for subsidiaries of a financial holding company. In order to form a financial subsidiary, a state-chartered bank must be "well capitalized," and such banks must comply with certain capital deduction, risk management and affiliate transaction rules, among other requirements.

Brokered Deposits. The FDIA and FDIC regulations generally limit the ability of an insured depository institution to accept, renew or roll over any brokered deposit unless the institution's capital category is "well capitalized" or, with the FDIC's approval, "adequately capitalized." Depository institutions that have brokered deposits in excess of 10% of total assets are subject to increased FDIC deposit insurance premium assessments; however, for institutions that are "well capitalized" and have a CAMELS composite rating of 1 or 2, reciprocal deposits are deducted from brokered deposits. Section 202 of the Economic Growth, Regulatory Relief, and Consumer Protection Act (the "Economic Growth Act"), which was enacted in 2018, amends the FDIA to exempt a capped amount of reciprocal deposits from treatment as brokered deposits for certain insured depository institutions.

Community Reinvestment Act. The Community Reinvestment Act (the "CRA") requires the FDIC to evaluate the Bank's performance in helping to meet the credit needs of the entire communities it serves, including low- and moderate-income neighborhoods, consistent with its safe and sound banking operations, and to take this record into consideration when evaluating certain applications. The FDIC's CRA regulations are generally based upon objective criteria of the performance of institutions under three key assessment tests: (i) a lending test, to evaluate the institution's record of making loans in its service areas; (ii) an investment test, to evaluate the institution's record of investing in community development projects, affordable housing, and programs benefiting low- or moderate-income individuals and businesses; and (iii) a service test, to evaluate the institution's delivery of services through its branches, ATMs, and other offices. The Bank has achieved a rating of "Outstanding" on its most recent examination. Massachusetts has also enacted a similar statute that requires the Commissioner to evaluate the performance of the Bank in helping to meet the credit needs of its entire community and to take that record into account in considering certain applications.

Lending Restrictions. Federal law limits a bank's authority to extend credit to directors and executive officers of the bank or its affiliates and persons or companies that own, control or have power to vote more than 10% of any class of securities of a bank or an affiliate of a bank, as well as to entities controlled by such persons. Among other things, extensions of credit to insiders are required to be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons. The terms of such extensions of credit may not involve more than the normal risk of repayment or present other unfavorable features and may not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of the bank's capital.

Capital Adequacy and Safety and Soundness

Regulatory Capital Requirements. The Federal Reserve and the FDIC have issued substantially similar risk-based and leverage capital rules applicable to U.S. banking organizations such as the Company and the Bank. These rules are intended to reflect the relationship between the banking organization's capital and the degree of risk associated with its operations based on transactions recorded on-balance sheet as well as off-balance sheet items. The Federal Reserve and the FDIC may from time to time require that a banking organization maintain capital above the minimum levels discussed below, due to the banking organization's financial condition or actual or anticipated growth.

The capital adequacy rules define qualifying capital instruments and specify minimum amounts of capital as a percentage of assets that banking organizations are required to maintain. Common equity Tier 1 capital generally includes common stock and related surplus, retained earnings and, in certain cases and subject to certain limitations, minority interests in consolidated subsidiaries, less goodwill, other non-qualifying intangible assets and certain other deductions. Tier 1 capital for banks and bank holding companies generally consists of the sum of common equity Tier 1 capital, non-cumulative perpetual preferred stock, and related surplus and, in certain cases and subject to limitations, minority interests in consolidated subsidiaries that do not qualify as common equity Tier 1 capital, less certain deductions. Tier 2 capital generally consists of hybrid capital instruments, perpetual debt and mandatory convertible debt securities, cumulative perpetual preferred stock, term subordinated debt and intermediate-term preferred stock, and, subject to

limitations, allowances for loan losses. The sum of Tier 1 and Tier 2 capital less certain required deductions represents qualifying total risk-based capital.

Under the capital rules, risk-based capital ratios are calculated by dividing common equity Tier 1 capital, Tier 1 capital, and total capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned to one of several categories of risk weights based primarily on relative credit risk. The Tier 1 leverage ratio is calculated by dividing Tier 1 capital by average assets, less certain items such as goodwill and intangible assets, as permitted under the capital rules.

Under the Federal Reserve's rules that are applicable to the Company and the FDIC's capital rules applicable to the Bank, the Company and the Bank are each required to maintain a minimum common equity Tier 1 capital to risk-weighted assets ratio of 4.5%, a minimum Tier 1 capital to risk-weighted assets ratio of 6.0%, a minimum total capital to risk-weighted assets ratio of 8.0% and a minimum leverage ratio requirement of 4.0%. Additionally, these rules require an institution to establish a capital conservation buffer of common equity Tier 1 capital in an amount above the minimum risk-based capital requirements for "adequately capitalized" institutions of more than 2.5% of total risk weighted assets, or face restrictions on the ability to pay dividends, pay discretionary bonuses, and to engage in share repurchases.

Under the FDIC's prompt corrective action rules, an FDIC-supervised institution is considered well capitalized if it (i) has a total capital to risk-weighted assets ratio of 10.0% or greater; (ii) a Tier 1 capital to risk-weighted assets ratio of 8.0% or greater; (iii) a common Tier 1 equity ratio of 6.5% or greater, (iv) a leverage capital ratio of 5.0% or greater; and (v) is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. The Bank is considered well capitalized under all regulatory definitions.

Generally, a bank, upon receiving notice that it is not adequately capitalized (i.e., that it is "undercapitalized"), becomes subject to the prompt corrective action provisions of Section 38 of the FDIA that, for example, (i) restrict payment of capital distributions and management fees, (ii) require that its federal bank regulator monitor the condition of the institution and its efforts to restore its capital, (iii) require submission of a capital restoration plan, (iv) restrict the growth of the institution's assets and (v) require prior regulatory approval of certain expansion proposals. A bank that is required to submit a capital restoration plan must concurrently submit a performance guarantee by each company that controls the bank. A bank that is "critically undercapitalized" (i.e., has a ratio of tangible equity to total assets that is equal to or less than 2.0%) will be subject to further restrictions, and generally will be placed in conservatorship or receivership within 90 days.

Current capital rules do not establish standards for determining whether a bank holding company is well capitalized. However, for purposes of processing regulatory applications and notices, the Federal Reserve's Regulation Y provides that a bank holding company is considered "well capitalized" if (i) on a consolidated basis, the bank holding company maintains a total risk-based capital ratio of 10.0% or greater; (ii) on a consolidated basis, the bank holding company maintains a Tier 1 risk-based capital ratio of 6.0% or greater; and (iii) the bank holding company is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Board to meet and maintain a specific capital level for any capital measure. A banking organization that qualifies for and elects to use the community bank leverage framework described below will be considered well capitalized as long as it is not subject to any written agreement, order, capital directive, or prompt corrective action directive issued by the Board to meet and maintain a specific capital level for any capital measure.

Section 201 of the Economic Growth Act directs the federal bank regulatory agencies to establish a community bank leverage ratio ("CBLR") of tangible capital to average total consolidated assets of not less than 8.0% or more than 10.0%. Under the final rule issued by federal banking agencies, effective January 1, 2020, depository institutions and depository institution holding companies that have less than $10 billion in total consolidated assets and meet other qualifying criteria, including a leverage ratio (equal to Tier 1 capital divided by average total consolidated assets) of greater than 9.0%, will be eligible to opt into the community bank leverage ratio framework. A community banking organization that elects to use the community bank leverage ratio framework and that maintains a leverage ratio of greater than 9.0% will be considered to have satisfied the generally applicable risk-based and leverage capital requirements in the banking agencies' generally applicable capital rules and, if applicable, will be considered to have met the well-capitalized ratio requirements for purposes of Section 38 of the Federal Deposit Insurance Act. The final rule includes a two-quarter grace period during which a qualifying banking organization that temporarily fails to meet any of the qualifying criteria, including the greater than 9.0% leverage ratio requirement, generally would still be deemed well-capitalized so long as the banking organization maintains a leverage ratio greater than 8.0%. At the end of the grace period, the banking organization must meet all qualifying criteria to remain in the community bank leverage ratio framework or otherwise must comply with and report under the generally applicable rule. As required by Section 4012 the CARES Act, the federal banking agencies temporarily lowered the community bank leverage ratio, issuing two interim final rules to set the community bank leverage ratio at 8.0% and then gradually re-establish it at 9.0%. Under the interim final rules, the community bank leverage ratio was set at 8.0% beginning in the second quarter of 2020 through the end of

the year. Community banks that have a leverage ratio of 8.0% or greater and meet certain other criteria may elect to use the community bank leverage ratio framework. Beginning in 2021, the community bank leverage ratio will increase to 8.5% for the calendar year. Community banks will have until January 1, 2022, before the leverage ratio requirement to use the CBLR framework will return to 9.0%. At this time, the Company does not anticipate opting in to the CBLR.

Safety and Soundness Standard. Guidelines adopted by the federal bank regulatory agencies pursuant to the FDIA establish general standards relating to internal controls and information systems, internal audit systems, loan documentation, credit underwriting, interest rate exposure, asset growth, asset quality, earnings, and compensation and benefits. In general, these guidelines require, among other things, appropriate systems and practices to identify and manage the risk and exposures specified in the guidelines. The guidelines prohibit excessive compensation as an unsafe and unsound practice and describe compensation as excessive when the amounts paid are unreasonable or disproportionate to the services performed by an executive officer, employee, director or principal shareholder. In addition, the federal banking agencies adopted regulations that authorize, but do not require, an agency to order an institution that has been given notice by an agency that it is not satisfying any of such safety and soundness standards to submit a compliance plan. If, after being so notified, an institution fails to submit an acceptable compliance plan or fails in any material respect to implement an acceptable compliance plan, the agency must issue an order restricting asset growth, requiring an institution to increase its ratio of tangible equity to assets or directing action to correct the deficiency and may issue an order directing other actions of the types to which an undercapitalized institution is subject under the "prompt corrective action" provisions of the FDIA. See "—Regulatory Capital Requirements" above. If an institution fails to comply with such an order, the agency may seek to enforce such order in judicial proceedings and to impose civil money penalties.

Dividend Restrictions

The Company is a legal entity separate and distinct from its subsidiaries. The revenue of the Company (on a parent-only basis) is derived primarily from dividends paid to it by the Bank and the Company's other subsidiaries. The right of the Company, and consequently the right of shareholders of the Company, to participate in any distribution of the assets or earnings of its subsidiaries through the payment of dividends or otherwise is subject to the prior claims of creditors of the subsidiaries, including, with respect to the Bank, depositors of the Bank, except to the extent that certain claims of the Company in a creditor capacity may be recognized.

Restrictions on Bank Holding Company Dividends. The Federal Reserve has the authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. The Federal Reserve has indicated generally that it may be an unsafe or unsound practice for bank holding companies to pay dividends unless the bank holding company's net income over the preceding year is sufficient to fund the dividends and the expected rate of earnings retention is consistent with the organization's capital needs, asset quality and overall financial condition. Further, under the Federal Reserve's capital rules, the Company's ability to pay dividends is restricted if it does not maintain capital above the capital conservation buffer. See "—Capital Adequacy and Safety and Soundness—Regulatory Capital Requirements" above.

Restrictions on Bank Dividends. The FDIC has the authority to use its enforcement powers to prohibit a bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Federal law also prohibits the payment of dividends by a bank that will result in the bank failing to meet its applicable capital requirements on a pro forma basis. The payment of dividends by a bank is also restricted pursuant to various state regulatory limitations.

Certain Transactions by Bank Holding Companies with their Affiliates

There are various statutory restrictions on the extent to which bank holding companies and their non-bank subsidiaries may borrow, obtain credit from or otherwise engage in "covered transactions" with their insured depository institution subsidiaries. An insured depository institution (and its subsidiaries) may not lend money to, or engage in covered transactions with, its non-depository institution affiliates if the aggregate amount of covered transactions outstanding involving the bank, plus the proposed transaction exceeds the following limits: (i) in the case of any one such affiliate, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 10% of the capital stock and surplus of the insured depository institution; and (ii) in the case of all affiliates, the aggregate amount of covered transactions of the insured depository institution and its subsidiaries cannot exceed 20% of the capital stock and surplus of the insured depository institution. For this purpose, "covered transactions" are defined by statute to include a loan or extension of credit to an affiliate; a purchase of or investment in securities issued by an affiliate; a purchase of assets from an affiliate unless exempted by the Federal Reserve; the acceptance of securities issued by an affiliate as collateral for a loan or extension of credit to any person or company; the issuance of a guarantee, acceptance or letter of credit on behalf of an affiliate; securities borrowing or lending transactions with an affiliate that creates a credit exposure to such affiliate; or a derivatives transaction with an affiliate that creates a credit exposure to such affiliate. Covered transactions are also subject to certain collateral security requirements. Covered transactions as well as other types of transactions between a bank and a bank holding company must be

conducted under terms and conditions, including credit standards, that are at least as favorable to the bank as prevailing market terms. If a banking organization elects to use the community bank leverage ratio framework described in "Capital Adequacy and Safety and Soundness-Regulatory Capital Requirements" above, the banking organization would be required to measure the amount of covered transactions as a percentage of Tier 1 capital, subject to certain adjustments. Moreover, Section 106 of the Bank Holding Company Act Amendments of 1970 provides that, to further competition, a bank holding company and its subsidiaries are prohibited from engaging in certain tying arrangements in connection with any extension of credit, lease or sale of property of any kind, or the furnishing of any service.

Consumer Protection Regulation

The Company and the Bank are subject to federal and state laws designed to protect consumers and prohibit unfair, deceptive or abusive business practices, including the Equal Credit Opportunity Act, Fair Housing Act, Home Ownership Protection Act, Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act of 2003 (the "FACT Act"), the GLBA, the Truth in Lending Act ("TILA"), the CRA, the Home Mortgage Disclosure Act, the Real Estate Settlement Procedures Act, the National Flood Insurance Act and various state law counterparts. These laws and regulations mandate certain disclosure requirements and regulate the manner in which financial institutions must interact with clients when taking deposits, making loans, collecting loans and providing other services. Further, the CFPB also has a broad mandate to prohibit unfair or deceptive acts and practices and is specifically empowered to require certain disclosures to consumers and draft model disclosure forms. Failure to comply with consumer protection laws and regulations can subject financial institutions to enforcement actions, fines and other penalties. The Federal Reserve examines the Bank for compliance with CFPB rules and enforces CFPB rules with respect to the Bank.

Mortgage Reform. The Dodd-Frank Act prescribes certain standards that mortgage lenders must consider before making a residential mortgage loan, including verifying a borrower's ability to repay such mortgage loan, and allows borrowers to assert violations of certain provisions of TILA as a defense to foreclosure proceedings. Under the Dodd-Frank Act, prepayment penalties are prohibited for certain mortgage transactions and creditors are prohibited from financing insurance policies in connection with a residential mortgage loan or home equity line of credit. In addition, the Dodd-Frank Act prohibits mortgage originators from receiving compensation based on the terms of residential mortgage loans and generally limits the ability of a mortgage originator to be compensated by others if compensation is received from a consumer. The Dodd-Frank Act requires mortgage lenders to make additional disclosures prior to the extension of credit, and in each billing statement, for negative amortization loans and hybrid adjustable-rate mortgages. The Economic Growth Act included provisions that ease certain requirements related to mortgage transactions for certain institutions with less than $10 billion in total consolidated assets.

Privacy and Customer Information Security. The GLBA requires financial institutions to implement policies and procedures regarding the disclosure of nonpublic personal information about consumers to nonaffiliated third parties. In general, the Bank must provide its clients with an initial and annual disclosure that explains its policies and procedures regarding the disclosure of such nonpublic personal information, and, except as otherwise required or permitted by law, the Bank is prohibited from disclosing such information unless otherwise provided in such policies and procedures. However, an annual disclosure is not required to be provided by a financial institution if the financial institution only discloses information under exceptions from GLBA that do not require an opt-out to be provided and if there has been no change in its privacy policies and procedures since its most recent disclosure provided to consumers. The GLBA also requires that the Bank develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of client information (as defined under GLBA), to protect against anticipated threats or hazards to the security or integrity of such information and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any client. The Bank is also required to send a notice to clients whose "sensitive information" has been compromised if unauthorized use of the information is "reasonably possible." All fifty states, as well as the District of Columbia, Puerto Rico, Guam, and the U.S. Virgin Islands, have enacted legislation concerning breaches of data security and the duties of the Bank in response to a data breach. In addition, Massachusetts has promulgated data security regulations with respect to personal information of Massachusetts residents. Pursuant to the FACT Act, the Bank has developed and implemented a written identity theft prevention program to detect, prevent, and mitigate identity theft in connection with the opening of certain accounts or certain existing accounts. Additionally, the FACT Act amends the Fair Credit Reporting Act to generally prohibit a person from using information received from an affiliate to make a solicitation for marketing purposes to a consumer, unless the consumer is given notice and a reasonable opportunity and a reasonable and method to opt out of the making of such solicitations.

Anti-Money Laundering

The Bank Secrecy Act. Under the Bank Secrecy Act ("BSA"), a financial institution is required to have systems in place to detect certain transactions, based on the size and nature of the transaction. Financial institutions are generally required to report to the U.S. Treasury any cash transactions involving more than $10,000. In addition, financial institutions are required to file suspicious activity

reports for any transaction or series of transactions that involve at least $5,000 and which the financial institution knows, suspects or has reason to suspect involves illegal funds, is designed to evade the requirements of the BSA or has no lawful purpose. The Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, or the "USA PATRIOT Act," which amended the BSA, together with the implementing regulations of various federal regulatory agencies, has caused financial institutions, such as the Bank, to adopt and implement additional policies or amend existing policies and procedures with respect to, among other things, anti-money laundering compliance, suspicious activity, currency transaction reporting, customer identity verification and customer risk analysis. In evaluating an application to acquire a bank or to merge banks or effect a purchase of assets and assumption of deposits and other liabilities, the applicable federal banking regulator must consider the anti-money laundering compliance record of both the applicant and the target. In addition, under the USA PATRIOT Act, financial institutions are required to take steps to monitor their correspondent banking and private banking relationships as well as, if applicable, their relationships with "shell banks."

OFAC. The U.S. has imposed economic sanctions that affect transactions with designated foreign countries, nationals and others. These sanctions, which are administered by the U.S. Treasury's Office of Foreign Assets Control, or "OFAC," take many different forms. Generally, however, they 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 or other transactions relating to a sanctioned country, or with certain designated persons and entities; (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); and (iii) restrictions on certain transactions with or involving certain persons or entities. Blocked assets (for example, property and bank deposits) cannot be paid out, withdrawn, set off or transferred in any manner without a license from OFAC. Failure to comply with these sanctions could have serious legal and reputational consequences the Company.

Emerging Growth Company Status

We qualify as an "emerging growth company" under the Jumpstart Our Business Startups Act of 2012. For as long as we are an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to emerging growth companies, including, but not limited to, reduced disclosure obligations regarding executive compensation, exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved, and an exemption from having outside auditors attest as to our internal control over financial reporting. In addition, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies.

We may be an emerging growth company for up to five years from the completion of the initial public offering of Old HarborOne in 2016. We will cease to be an emerging growth company upon the earliest of: (i) the end of the fiscal year following the fifth anniversary of Old HarborOne's initial public offering in 2016, or December 31, 2021 (ii) the first fiscal year after our annual gross revenues are $1.07 billion or more, (iii) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities or (iv) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeds $700 million as of the end of the second quarter of that fiscal year. The Company's EGC status is scheduled to end December 31, 2021 unless a triggering event occurs sooner.

ITEM 1A. RISK FACTORS

Before deciding to invest in us or deciding to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this report and in our other filings with the SEC. The risks and uncertainties described below and in our other filings are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occur, our business, financial condition and results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose some or all of your investment.

RISKS RELATED TO THE COVID-19 PANDEMIC

The COVID-19 pandemic, and the measures taken to control its spread, will continue to adversely impact our employees, customers, business operations and financial results, and the ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted.

The COVID-19 pandemic has impacted and is likely to continue to impact the national economy and the regional and local markets in which we operate, lower equity market valuations, create significant volatility and disruption in capital and debt markets, and increase unemployment levels. Our business operations may be disrupted if significant portions of our workforce are unable to work effectively, including because of illness, quarantines, government actions, or other restrictions in connection with the pandemic. We are subject to heightened cybersecurity, information security and operational risks as a result of work-from-home arrangements that we have put in place for our employees. Federal Reserve actions to combat the economic contraction caused by the COVID-19 pandemic, including the reduction of the target federal funds rate and quantitative easing programs, could, if prolonged, adversely affect our net interest income and margins, and our profitability. The continued closures of many businesses and the institution of social distancing, shelter in place and stay home orders in the states and communities we serve, have reduced business activity and financial transactions. Government policies and directives relating to the pandemic response are subject to change as the effects of the COVID-19 pandemic continue to evolve. It is unclear whether any COVID-19 pandemic-related businesses losses that we or our customers may suffer will be recovered by existing insurance policies. Changes in customer behavior due to challenging business and economic conditions or legislative or regulatory initiatives may impact the demand for our products and services, which could adversely affect our revenue. Increases in deposit balances due, among other things, to government stimulus and relief programs could adversely affect our financial performance if we are unable to successfully lend or invest those funds. The measures we have taken to aid our customers, including short-term loan payment deferments, may be insufficient to help our customers who have been negatively impacted by the economic fallout from the COVID-19 pandemic. Loans that are currently in deferral status may become nonperforming loans. Pandemic-related delays in our ability to execute appraisals of collateral securing impaired loans may add uncertainty about the adequacy of our allowance for credit losses. Because of adverse economic and market conditions, we may be required to increase our provision for loan losses expense, or recognize impairments on the securities we hold. While the COVID-19 pandemic negatively impacted our results of operations during 2020, the extent to which the COVID-19 pandemic will continue to impact our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments, including the scope and duration of the pandemic and actions taken by governmental authorities and other third parties in response to the pandemic, as well as further actions we may take as may be required by government authorities or that we determine is in the best interests of our employees and customers. There is no certainty that such measures will be sufficient to mitigate the risks posed by the pandemic.

Our participation in the SBA's PPP may expose us to reputational harm, increased litigation risk, as well as the risk that the SBA may not fund some or all of the guarantees associated with PPP loans.

As of December 31, 2020, we have originated 1,041 loans with original balances aggregating $153.0 million through the PPP. As of January 2021 we are participating in the PPP-2. Lenders participating in the PPP have faced increased public scrutiny about their loan application process and procedures, and the nature and type of the borrowers receiving PPP loans. We depend on our reputation as a trusted and responsible financial services company to compete effectively in the communities that we serve, and any negative public or customer response to, or any litigation or claims that might arise out of, our participation in the PPP and any other legislative or regulatory initiatives and programs that may be enacted in response to the COVID-19 pandemic, could adversely impact our business. Other larger banks have been subject to litigation regarding the process and procedures that such banks used in processing applications for the PPP, and we may be subject to the same or similar litigation, in addition to litigation in connection with our processing of PPP loan forgiveness applications. In addition, if the SBA determines that there is a deficiency in the manner in which a PPP loan was originated, funded, or serviced by us, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from us.

RISKS RELATED TO OUR BUSINESS AND INDUSTRY

Commercial real estate and commercial loans carry greater credit risk than loans secured by owner-occupied one- to four-family real estate.

We intend to continue our focus on prudently growing our commercial real estate and commercial loan portfolio. At December 31, 2020, our commercial real estate loan portfolio was $1.55 billion, or 44.4% of total loans, and our commercial and industrial loan portfolio was $464.4 million, or 13.3% of total loans. Given their larger balances and the complexity of the underlying collateral, commercial real estate and commercial loans generally expose a lender to greater credit risk than loans secured by owner-occupied one- to four-family real estate. Also, many of our borrowers or related groups of borrowers have more than one of these types of loans

outstanding. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a one- to four-family residential real estate loan. If loans that are collateralized by real estate or other business assets become troubled and the value of the collateral has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses which would in turn adversely affect our operating results and financial condition. Further, if we foreclose on the collateral, our holding period for the collateral may be longer than for one- to four-family real estate loans because there are fewer potential purchasers of the collateral, which can result in substantial holding costs.

The unseasoned nature of our commercial real estate and commercial loan portfolio may result in changes to our estimates of collectability, which may lead to additional provisions or charge-offs, which could hurt our profits.

Our commercial real estate loan portfolio increased to $1.55 billion at December 31, 2020 from $1.17 billion at December 31, 2019 and $929.9 million at December 31, 2018, and our commercial and industrial loan portfolio increased to $464.4 million at December 31, 2020 from $306.3 million at December 31, 2019 and $277.3 million at December 31, 2018. A large portion of our commercial real estate and commercial and industrial loan portfolio is unseasoned and does not provide us with a significant payment or charge-off history pattern from which to judge future collectability. Currently we estimate potential charge-offs using peer data adjusted for qualitative factors specific to us. As a result, it may be difficult to predict the future performance of this part of our loan portfolio. These loans may have delinquency or charge-off levels above our historical experience or current estimates, which could adversely affect our future performance. Further, these types of loans generally have larger balances and involve a greater risk than one- to four-family residential mortgage loans. Accordingly, if we make any errors in judgment in the collectability of our commercial or commercial real estate loans, any resulting charge-offs may be larger on a per loan basis than those incurred historically with our residential mortgage loan or consumer loan portfolios.

Our commercial and residential construction loans are subject to various lending risks depending on the nature of the borrower's business, its cash flow and our collateral.

At December 31, 2020, our commercial construction loan portfolio was $99.3 million, or 2.8% of total loans, and our residential construction loan portfolio consisted of $31.2 million, or 0.9% of total loans. Our construction loans are based upon estimates of costs to construct and the value associated with the completed project. These estimates may be inaccurate due to the uncertainties inherent in estimating construction costs, as well as the market value of the completed project, making it relatively difficult to accurately evaluate the total funds required to complete a project and the related loan-to-value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. Delays in completing the project may arise from labor problems, material shortages and other unpredictable contingencies. If the estimate of construction costs is inaccurate, we may be required to advance additional funds to complete construction. If our appraisal of the value of the completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project.

Environmental liability associated with commercial lending could result in losses.

In the course of business, we may acquire, through foreclosure or other similar proceedings, properties securing loans we have originated that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered at these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of this remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties as a result of their condition. These events could have an adverse effect on our business, results of operations and financial condition.

Our business may be adversely affected by credit risks associated with residential property.

At December 31, 2020, total residential real estate loans were $1.11 billion, or 31.6% of total loans. Residential mortgage lending, whether owner-occupied or non-owner occupied, is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations. Declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral. Residential loans with combined higher loan-to-value ratios are more sensitive to declining property values than those with lower combined loan-to-value ratios and therefore may experience a higher incidence of default and severity of losses. In addition, if the borrowers sell their homes, they may be unable to repay their loans in full from the sale proceeds. For those home equity loans and lines of credit secured by a second mortgage, it is unlikely that we will be successful in

recovering all or a portion of our loan proceeds in the event of default unless we are prepared to repay the first mortgage loan and such repayment and the costs associated with a foreclosure are justified by the value of the property. For these reasons, we may experience higher rates of delinquencies, defaults and losses on our home equity loans.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in the local economy.

While there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is composed of loans secured by property located in the greater Boston metropolitan area and, to a lesser extent, the greater Providence metropolitan area. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income, level of non-performing loans and the allowance for loan losses. Decreases in local real estate values caused by economic conditions or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. For more information about our market area, see "—*Market Area*" and "—*Competition*."

An increase in interest rates or changes in the secondary mortgage market may reduce our mortgage banking revenues, which would negatively impact our non-interest income.

We sell residential mortgage loans in the secondary market, which provides a significant portion of our non-interest income. We generate mortgage banking revenues primarily from gains on the sale of mortgage loans to investors on servicing-released and servicing-retained bases. We also earn interest on loans held for sale while they are awaiting delivery to our investors. In a rising or higher interest rate environment, our originations of mortgage loans may decrease, resulting in fewer loans that are available to be sold to investors. This would result in a decrease in mortgage banking revenues. In addition, to being affected by interest rates, the secondary mortgage markets are also subject to investor demand for single-family mortgage loans and potentially increased investor yield requirements for those loans. These conditions may fluctuate or even worsen in the future or during a prolonged period of secondary market illiquidity. We believe our ability to retain mortgage loans at the levels generated by the mortgage division is limited. Furthermore, our results of operations are affected by the amount of non-interest expenses associated with mortgage banking activities, such as salaries and employee benefits, occupancy, equipment and data processing expense and other operating costs. During periods of reduced loan demand, our results of operations may be adversely affected to the extent that we are unable to reduce expenses commensurate with the decline in mortgage loan origination activity.

We use significant assumptions and estimates in our financial models to determine the fair value of certain assets, including mortgage servicing rights, origination commitments and loans held for sale. If our assumptions or estimates are incorrect, that may have a negative impact on the fair value of such assets and adversely affect our earnings.

We use internal and third-party financial models that utilize market data to value certain assets, including mortgage servicing rights when they are initially acquired and on a quarterly basis thereafter. The methodology used to estimate these values is complex and uses asset-specific collateral data and market inputs for interest, discount rates and liquidity dates. Valuations are highly dependent upon the reasonableness of our assumptions and the predictability of the relationships that drive the results of our valuation methodologies. If prepayment speeds increase more than estimated, or if delinquency or default levels are higher than anticipated, we may be required to write down the value of certain assets, which could adversely affect our earnings. Prepayment speeds are significantly impacted by fluctuations in interest rates and are therefore difficult to predict. During periods of declining interest rates, prepayment speeds increase, resulting in a decrease in the fair value of the mortgage servicing rights. In addition, there can be no assurance that, even if our models are correct, these assets could be sold for our carrying value should we choose or be forced to sell them in the open market.

If we are required to repurchase mortgage loans that we have previously sold, it could negatively affect our earnings.

In connection with selling residential mortgage loans in the secondary market, our agreements with investors contain standard representations and warranties and early payment default clauses that could require us to repurchase mortgage loans sold to these investors or reimburse the investors for losses incurred on loans in the event of borrower default within a defined period after origination or, in the event of breaches of contractual representations or warranties made at the time of sale that are not remedied within a defined period after we receive notice of such breaches, or to refund the profit received from the sale of a loan to an investor if the borrower pays off the loan within a defined period after origination. If we are required to repurchase mortgage loans, to refund profits, or to provide indemnification or other recourse, this could significantly increase our costs and thereby affect our future earnings.

If our allowance for loan losses is not sufficient to cover actual loan losses, our earnings and capital could decrease.

At December 31, 2020, our allowance for loan losses was $55.4 million, or 1.59% of total loans. At December 31, 2019, our allowance for loan losses was $24.1 million, or 0.76% of total loans, compared to $20.7 million, or 0.69% at December 31, 2018. We make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for many of our loans. In determining the amount of the allowance for loan losses, we review our loans, loss and delinquency experience, and commercial and commercial real estate peer data and we evaluate other factors including, among other things, current economic conditions. If our assumptions are incorrect, or if delinquencies or non-performing loans increase, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance, which could materially decrease our net income.

In addition, our regulators, as an integral part of their examination process, periodically review the allowance for loan losses and may require us to increase the allowance for loan losses by recognizing additional provisions for loan losses charged to income, or to charge-off loans, which, net of any recoveries, would decrease the allowance for loan losses. Any such additional provisions for loan losses or charge-offs could have a material adverse effect on our financial condition and results of operations.

Our portfolio of indirect auto lending and auto lease lending exposes us to increased credit risks.

Historically, we originated auto loans through a network of auto dealers in Massachusetts and Rhode Island, a practice that we discontinued in April 2018. We also originated auto lease loans through our relationship with Credit Union Leasing of America, or "CULA", a practice that we discontinued in the fourth quarter of 2019. At December 31, 2020, our indirect auto loan portfolio was $15.5 million, or 0.44% of total loans, and our indirect auto lease loan portfolio was $240.1 million, or 6.9% of total loans. Auto loans and auto lease loans are inherently risky as they are often secured by assets that may be difficult to locate and can depreciate rapidly. In some cases, repossessed collateral for a defaulted auto loan may not provide an adequate source of repayment for the outstanding loan and the remaining deficiency may not warrant further substantial collection efforts against the borrower. Auto loan collections depend on the borrower's continuing financial stability, and are therefore more likely to be adversely affected by job loss, divorce, illness, or personal bankruptcy. Additional risk elements associated with indirect lending include the limited personal contact with the borrower as a result of indirect lending through non-bank channels, namely automobile dealers.

A portion of our loan portfolio consists of loan participations, which may have a higher risk of loss than loans we originate because we are not the lead lender and we have limited control over credit monitoring.

We occasionally purchase loan participations. Although we underwrite these loan participations consistent with our general underwriting criteria, loan participations may have a higher risk of loss than loans we originate because we rely on the lead lender to monitor the performance of the loan. Moreover, our decisions regarding the classification of a loan participation and loan loss provisions associated with a loan participation are made in part based upon information provided by the lead lender. A lead lender also may not monitor a participation loan in the same manner as we would for loans that we originate. At December 31, 2020, we held loan participation interests in commercial real estate, commercial and commercial construction loans totaling $304.0 million.

Changes in interest rates may hurt our results of operations and financial condition.

Like other financial institutions, we are subject to interest rate risk. Our primary source of income is net interest income, which is the difference between interest earned on loans and investments and interest paid on deposits and borrowings. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted-average yield earned on our interest-earning assets and the weighted-average rate paid on our interest-bearing liabilities, or interest rate spread, and the average life of our interest-earning assets and interest-bearing liabilities. Interest rates are highly sensitive to many factors, including government monetary policies, domestic and international economic and political conditions and other factors beyond our control.

While we pursue an asset/liability strategy designed to mitigate our risk from changes in interest rates, changes in interest rates may still have a material adverse effect on our financial condition and results of operations. Changes in the level of interest rates also may negatively affect our ability to originate and sell loans, the value of our assets and our ability to realize gains from the sale of our assets, all of which ultimately affect our earnings.

Hedging against interest rate exposure may adversely affect our earnings.

We employ techniques that limit, or "hedge," the adverse effects of rising interest rates on our loans held for sale, originated interest-rate locks, our mortgage servicing asset and our borrowings. Our hedging activity varies based on the level and volatility of

interest rates and other changing market conditions. These techniques may include purchasing or selling futures contracts, purchasing put and call options on securities or securities underlying futures contracts, asset liability management, or entering into other mortgage-backed derivatives. There are, however, no perfect hedging strategies, and interest rate hedging may fail to protect us from loss. Moreover, hedging activities could result in losses if the event against which we hedge does not occur. Additionally, interest rate hedging could fail to protect us or adversely affect us because, among other things:

- Available interest rate hedging may not correspond directly with the interest rate risk for which protection is sought;
- The duration of the hedge may not match the duration of the related liability;
- The party owing money in the hedging transaction may default on its obligation to pay;
- The credit quality of the party owing money on the hedge may be downgraded to such an extent that it impairs our ability to sell or assign our side of the hedging transaction;
- The value of derivatives used for hedging may be adjusted from time to time in accordance with accounting rules to reflect changes in fair value; and/or
- Downward adjustments, or “mark-to-market losses,” would reduce our stockholders’ equity.

We may be unable to attract, hire and retain qualified key employees, which could adversely affect our business prospects, including our competitive position and results of operations.

Our success is dependent upon our ability to attract, hire and retain highly skilled individuals. There is significant competition for those individuals with the experience and skills required to conduct many of our business activities. We may not be able to hire or retain the key personnel that we depend upon for our success. The unexpected loss of services of one or more of these or other key personnel could have a material adverse impact or our business because of their skills, knowledge or the markets in which we operate, years of industry experience and the difficulty of promptly finding qualified replacement personnel.

We may not be able to successfully implement our strategic plan.

Our growth is essential to improving our profitability, and we expect to continue to incur expenses related to the implementation of our strategic plan, including hiring initiatives and the opening of new branches. We may not be able to successfully implement our strategic plan, or do so in the timeframe that we expect, and therefore may not be able to increase profitability in the timeframe that we expect or at all, and could experience a decrease in profitability.

The successful implementation of our strategic plan will require, among other things that we attract new customers that currently bank at other financial institutions in our market area or adjacent markets. In addition, our ability to successfully grow will depend on several factors, including continued favorable market conditions, the competitive responses from other financial institutions in our market area, our ability to attract and retain experienced lenders, and our ability to maintain high asset quality as we increase our loan portfolio. While we believe we have the management resources and internal systems in place to successfully manage our future growth, growth opportunities may not be available and we may not be successful in implementing our business strategy. Further, it will take time to implement our business strategy, especially for our lenders to originate enough loans and for our branch network to attract enough favorably priced deposits to generate the revenue needed to offset the associated expenses. Our strategic plan, even if successfully implemented, may not ultimately produce positive results.

Impairment of goodwill and/or intangible assets could require a charge to earnings, which could adversely affect us.

When the purchase price of an acquired business exceeds the fair value of its tangible assets, the excess is allocated to goodwill and other identifiable intangible assets. The amount of the purchase price that is allocated to goodwill is determined by the excess of the purchase price over the net identifiable assets acquired. At December 31, 2020, we had goodwill and other intangible assets of $74.2 million, consisting of $10.8 million of goodwill primarily in connection with the acquisition of HarborOne Mortgage in 2015, and $59.0 million of goodwill and $4.4 million in core deposit intangibles in connection with the Coastway acquisition in 2018. Under current accounting standards, if we determine goodwill or intangible assets are impaired, we will be required to write down the value of these assets. We may be required to take impairment charges in the future, which would have a negative effect on our shareholders’ equity and financial results.

Our efficiency ratio has been high in the past, and it may increase again, as a result of the ongoing implementation of our business strategy.

For the year ended December 31, 2020, our noninterest expense totaled $166.4 million and our efficiency ratio was 63.55%. Our noninterest expense totaled $142.6 million and $120.1 million for the years ended December 31, 2019 and 2018, respectively, and our efficiency ratio was 82.49% and 86.43% for the years ended December 31, 2019 and 2018, respectively. Although we continue to analyze our expenses and pursue efficiencies where available, and we have made substantial progress on reducing our efficiency ratio, it could increase as a result of our implementation of our business strategy. If we are unable to successfully implement our business strategy and increase our revenues, our profitability could be adversely affected.

An increase in FDIC or Depositors Insurance Fund insurance assessments could significantly increase our expenses.

The Dodd-Frank Act eliminated the maximum Deposit Insurance Fund ratio of 1.5% of estimated deposits, and the FDIC has established a long-term ratio of 2.0%. The FDIC has the authority to increase assessments in order to maintain the Deposit Insurance Fund ratio at particular levels. In addition, if our regulators issue downgraded ratings of the Bank in connection with their examinations, the FDIC could impose significant additional fees and assessments on us. Increases in assessments by the FDIC could significantly increase our expenses.

The Bank's deposits in excess of the FDIC insurance limits are insured by Depositors Insurance Fund, a private industry-sponsored insurance fund. Increases in assessments by either the FDIC or the Depositors Insurance Fund could significantly increase our expenses.

The loss of deposits or a change in deposit mix could increase our cost of funding.

Our deposits are a low-cost and stable source of funding. We compete with banks and other financial institutions for deposits. Funding costs may increase if we lose deposits and are forced to replace them with more expensive sources of funding, if clients shift their deposits into higher cost products or if we need to raise interest rates to avoid losing deposits.

Our funding sources may prove insufficient to allow us to meet our obligations, replace depositor withdrawals or support future growth.

We must maintain sufficient funds to respond to the needs of depositors and borrowers. Liquidity is also required to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, and operating expenses and capital improvements. To manage liquidity, we draw upon a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These sources include FHLB advances and proceeds from the sale of investments and loans. Our ability to manage liquidity will be severely constrained if we are unable to maintain our access to funding or if adequate financing is not available to accommodate future growth at acceptable costs. In addition, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In that case, our operating margins and profitability would be adversely affected.

Strong competition within our market area could hurt our profits and slow growth.

We face intense competition in making loans and attracting deposits. Price competition for loans and deposits sometimes results in us charging lower interest rates on our loans and paying higher interest rates on our deposits and may reduce our net interest income. Competition also makes it more difficult and costly to attract and retain qualified employees. Many of the institutions with which we compete have substantially greater resources and lending limits than we have and may offer services that we do not provide. 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. If we are not able to effectively compete in our market area, our profitability may be negatively affected. The greater resources and broader offering of deposit and loan products of some of our competitors may also limit our ability to increase our interest-earning assets or deposits.

Our business may be adversely affected if we fail to adapt our products and services to evolving industry standards and consumer preferences.

The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. The widespread adoption of new technologies, including internet services, cryptocurrencies and payment systems,

could require substantial expenditures to modify or adapt our existing products and services as we grow and develop our internet banking and mobile banking channel strategies in addition to remote connectivity solutions. We might not be successful in developing or introducing new products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and/or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers.

We are a community bank and our ability to maintain our reputation is critical to the success of our business and the failure to do so may materially adversely affect our performance.

We are a community bank and our reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area. As a community bank, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or by events beyond our control, our business and operating results may be adversely affected.

Changes in the valuation of our securities could adversely affect us.

Most of the securities in our portfolio are classified as available-for-sale. Accordingly, a decline in the fair value of our securities could cause a material decline in our reported equity and/or net income. At least quarterly, and more frequently when warranted by economic or market conditions, management evaluates all securities classified as available-for-sale with a decline in fair value below the amortized cost of the investment to determine whether the impairment is deemed to be other-than-temporary, or “OTTI.” For impaired debt securities that are intended to be sold, or more likely than not will be required to be sold, the full amount of market decline is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit-related OTTI for such debt securities is recognized in other comprehensive income, net of applicable taxes. A decline in the market value of our securities portfolio could adversely affect our earnings.

Uncertainty about the future of LIBOR may adversely affect our business.

The Company has certain loans, investment securities and debt obligations whose interest rate is indexed to the London InterBank Offered Rate (“LIBOR”). LIBOR is used extensively in the United States as a benchmark for various commercial and financial contracts, including funding sources, adjustable rate mortgages, corporate debt, interest rate swaps and other derivatives. LIBOR is set based on interest rate information reported by certain banks, which will stop reporting such information after June 30, 2023. It is uncertain at this time whether LIBOR will change or cease to exist or the extent to which those entering into financial contracts will transition to any other particular benchmark. Other benchmarks may perform differently than LIBOR or may have other consequences that cannot currently be anticipated. It is also uncertain what will happen with instruments that rely on LIBOR for future interest rate adjustments and which of those instruments may remain outstanding or be renegotiated if LIBOR ceases to exist. The uncertainty regarding the future of LIBOR as well as the transition from LIBOR to another benchmark rate or rates could have adverse impacts on our funding costs or net interest margins, as well as any floating-rate obligations, loans, deposits, derivatives, and other financial instruments that currently use LIBOR as a benchmark rate and, ultimately, adversely affect our financial condition and results of operations.

We may need to raise additional capital in the future, but that capital may not be available when it is needed, or the cost of that capital may be very high.

We are required by our regulators to maintain adequate levels of capital to support our operations, which may result in our need to raise additional capital to support continued growth. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance. Accordingly, we may not be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, if we are unable to raise additional capital when required by the Massachusetts Commissioner of Banks or the Federal Reserve, we may be subject to adverse regulatory action.

If we raise capital through the issuance of additional of common stock or other securities, it would dilute the ownership interests of existing shareholder and may dilute the per share value of our common stock. New investors may also have rights, preferences and privileges senior to our current shareholders.

We face continuing and growing security risks to our information base, including the information we maintain relating to our customers.

We are subject to certain operational risks, including, but not limited to, data processing system failures and errors, inadequate or failed internal processes, customer or employee fraud and catastrophic failures resulting from terrorist acts or natural disasters. In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. Our electronic communications and information systems infrastructure could be susceptible to cyberattacks, hacking, identity theft or terrorist activity. We have implemented and regularly review and update extensive systems of internal controls and procedures as well as corporate governance policies and procedures intended to protect our business operations, including the security and privacy of all confidential customer information. In addition, we rely on the services of a variety of vendors to meet our data processing and communication needs. No matter how well designed or implemented our controls are, we cannot provide an absolute guarantee to protect our business operations from every type of problem in every situation. A failure or circumvention of these controls could have a material adverse effect on our business operations and financial condition.

We regularly assess and test our security systems and disaster preparedness, including back-up systems, but the risks are substantially escalating. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential customer information, significant regulatory costs, litigation exposure and other possible damages, loss or liability. Such costs or losses could exceed the amount of available insurance coverage, if any, and would adversely affect our earnings. Also, any failure to prevent a security breach or to quickly and effectively deal with such a breach could negatively impact customer confidence, damaging our reputation and undermining our ability to attract and keep customers.

We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability.

We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected costs and/or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations.

Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time.

We rely on other companies to provide key components of our business infrastructure.

Third-party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third-party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third-party vendors could also entail significant delay and expense.

If our risk management framework does not effectively identify or mitigate our risks, we could suffer losses.

Our risk management framework seeks to mitigate risk and appropriately balance risk and return. We have established processes and procedures intended to identify, measure, monitor and report the types of risk to which we are subject, including credit risk, operations risk, compliance risk, reputation risk, strategic risk, market risk and liquidity risk. We seek to monitor and control our risk exposure through a framework of policies, procedures and reporting requirements. Management of our risks in some cases depends upon the use of analytical and/or forecasting models. If the models used to mitigate these risks are inadequate, we may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate our risks, we could suffer unexpected losses and could be materially adversely affected.

Changes in accounting standards could affect reported earnings.

The bodies responsible for establishing accounting standards, including the Financial Accounting Standards Board, or "FASB," the SEC and other regulatory bodies, periodically change the financial accounting and reporting guidance that governs the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply new or revised guidance retroactively.

Of the newly issued guidance, the most significant to us is the FASB Accounting Standards Update (ASU) 2016-13, Financial Instruments- Credit Losses (Topic 326), commonly referred to as "CECL," which introduces new guidance for the accounting for credit losses on instruments within its scope. CECL requires loss estimates for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts. It also modifies the impairment model for debt securities available for sale and provides for a simplified accounting model for purchased financial assets with credit deterioration since their origination. We plan to adopt CECL beginning on January 1, 2022 given accommodations in the CARES Act. While we currently cannot reasonably estimate the impact of adopting this standard, we expect the impact will be influenced by the composition, characteristics and quality of our loan and securities portfolios, as well as the general economic conditions and forecasts as of the adoption date.

Changes in tax laws and regulations and differences in interpretation of tax laws and regulations may adversely impact our financial statements.

From time to time, local, state or federal tax authorities change tax laws and regulations, which may result in a decrease or increase to our deferred tax asset. Local, state or federal tax authorities may interpret laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and/or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest, penalties, or litigation costs that could have a material adverse effect on our results.

Holders of our subordinated notes have rights that are senior to those of our common shareholders. We have supported a portion of our growth through the issuance of subordinated notes.

At December 31, 2020, we had aggregate principal amount of $35.0 million in subordinated notes. Payments of the principal and interest on the subordinated notes are senior to our shares of common stock. As a result, we must make payments on our subordinated notes before any dividends can be paid to our common shareholders. In addition, in the event of our bankruptcy, dissolution or liquidation, the holders of the subordinated notes must be satisfied before any distributions can be made on our common stock.

Acquisitions may disrupt our business and dilute shareholder value.

We regularly evaluate merger and acquisition opportunities with other financial institutions and financial services companies. As a result, negotiations may take place and future mergers or acquisitions involving cash or equity securities may occur at any time. We would seek acquisition partners that offer us either significant market presence or the potential to expand our market footprint and improve profitability through economies of scale or expanded services.

Acquiring other banks, businesses, or branches may have an adverse effect on our financial results and may involve various other risks commonly associated with acquisitions, including, among other things:

- difficulty in estimating the value of the target company;
- payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term;
- potential exposure to unknown or contingent tax or other liabilities of the target company;
- exposure to potential asset quality problems of the target company;
- potential volatility in reported income associated with goodwill impairment losses;
- difficulty and expense of integrating the operations and personnel of the target company;
- the risk that acquired business will not perform in accordance with management's expectations based on its inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and/or other projected benefits;
- potential disruptions to our business;
- potential diversion of our management's time and attention; and
- the possible loss of key employees and customers of the target company.

Natural disasters, acts of terrorism, pandemics 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. 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. Public health crises, such as new pandemics and epidemics, political crises, such as acts of terrorism, war, civil unrest, and political instability, or other events outside of our control including acts of 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.

Various factors may make takeover attempts more difficult to achieve.

Certain provisions of our articles of organization and state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of us without our board of directors' approval. Under regulations applicable to the conversion, for a period of three years following completion of the conversion, no person may acquire beneficial ownership of more than 10% of our common stock without prior approval of the Federal Reserve and the Massachusetts Commissioner of Banks. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve before acquiring control of a bank holding company. Acquisition of 10% or more of any class of voting stock of a bank holding company creates a rebuttable presumption that the acquirer "controls" the bank holding company. Also, a bank holding company must obtain the prior approval of the Federal Reserve before, among other things, acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any bank, including HarborOne Bank.

There also are provisions in our articles of organization that may be used to delay or block a takeover attempt, including a provision that prohibits any person from voting more than 10% of the shares of common stock outstanding. Furthermore, shares of restricted stock and stock options that we have granted or may grant to employees and directors, stock ownership by our management and directors, employment agreements that we have entered into with our executive officers and other factors may make it more difficult for companies or persons to acquire control of us without the consent of our board of directors. Taken as a whole, these statutory provisions and provisions in our articles of organization could result in our being less attractive to a potential acquirer and thus could adversely affect the market price of our common stock.

Securities issued by us, including our common stock, are not FDIC insured.

Securities issued by us, including our common stock, are not savings or deposit accounts or other obligations of any bank and are not insured by the FDIC, or any other governmental agency or instrumentality, or any private insurer, and are subject to investment risk, including the possible loss of principal.

We are an emerging growth company, and if we elect to comply only with the reduced reporting and disclosure requirements applicable to emerging growth companies, our common stock may be less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to "emerging growth companies," including, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved. Investors may find our common stock less attractive if we choose to rely on these exemptions.

As an emerging growth company, we are also not subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest to the effectiveness of our internal control over financial reporting. We could be an emerging growth company for up to five years following the completion of the minority stock offering of Old HarborOne in 2016. We will cease to be an emerging growth company upon the earliest of: (1) the end of the fiscal year following the fifth anniversary of Old HarborOne's initial public offering in 2016; (2) the first fiscal year after our annual gross revenues are $1.07 billion or more; (3) the date on which we have, during the previous three-year period, issued more than $1.0 billion in non-convertible debt securities; or (4) the end of any fiscal year in which the market value of our common stock held by non-affiliates exceeded $700 million at the end of the second quarter of that fiscal year.

RISKS RELATED TO OUR REGULATORY ENVIRONMENT

Our banking business is highly regulated, which could limit or restrict our activities and impose financial requirements or limitations on the conduct of our business.

We are subject to regulation and supervision by the Federal Reserve, and the Bank is subject to regulation and supervision by the Massachusetts Commissioner of Banks and the FDIC. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on stock repurchases and dividend payments. The FDIC and the Massachusetts Commissioner of Banks have the power to issue cease and desist orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the Federal Reserve possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which we and HarborOne Bank may conduct business and obtain financing.

Because our business is highly regulated, the laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, and/or increase the ability of non-banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and/or reputation damage, which could have a material adverse effect on our business, financial condition, and results of operations. See "—*Supervision and Regulation*" for a discussion of the regulations to which we are subject.

We are subject to capital and liquidity standards that require banks and bank holding companies to maintain more and higher quality capital and greater liquidity than has historically been the case.

We are subject to capital requirements that force bank holding companies and their bank subsidiaries to maintain substantially higher levels of capital as a percentage of their assets, with a greater emphasis on common equity as opposed to other components of capital. The need to maintain more and higher quality capital, as well as greater liquidity, and generally increased regulatory scrutiny with respect to capital levels, may at some point limit our business activities, including lending, and our ability to expand. It could also

result in our being required to take steps to increase our regulatory capital by issuing additional shares of common stock, which may dilute shareholder value or limit our ability to pay dividends or effect stock repurchases.

We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions.

The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The Consumer Financial Protection Bureau, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

At December 31, 2020, we conducted business throughout our Southeastern New England network of 26 full-service branches, and a commercial lending office in each of Boston, Massachusetts and Providence, Rhode Island. In addition, we have administrative offices in Brockton, Massachusetts. Most of our branches are equipped with ATMs and drive-up windows and we also have 5 stand-alone ATM locations in Massachusetts. HarborOne Mortgage, LLC, a subsidiary of HarborOne Bank maintains 39 offices in Massachusetts, Rhode Island, New Hampshire, Maine, New Jersey and Florida. We own 17 and lease 42 of the properties in which we operate. At December 31, 2020, the total net book value of our land, buildings, furniture, fixtures and equipment was $49.6 million.

ITEM 3. LEGAL PROCEEDINGS

We are not involved in any material pending legal proceedings as a plaintiff or as a defendant other than routine legal proceedings occurring in the ordinary course of business. We are not involved in any legal proceedings the outcome of which we believe would be material to our financial condition or results of operations.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

PART II

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

(a) The Company's shares of common stock are traded on the NASDAQ Global Select Market under the symbol "HONE." The approximate number of shareholders of record of the Company's common stock as of March 2, 2021 was 3,136. The number of record-holders may not reflect the number of persons or entities holding stock in nominee name through banks, brokerage firms and other nominees.

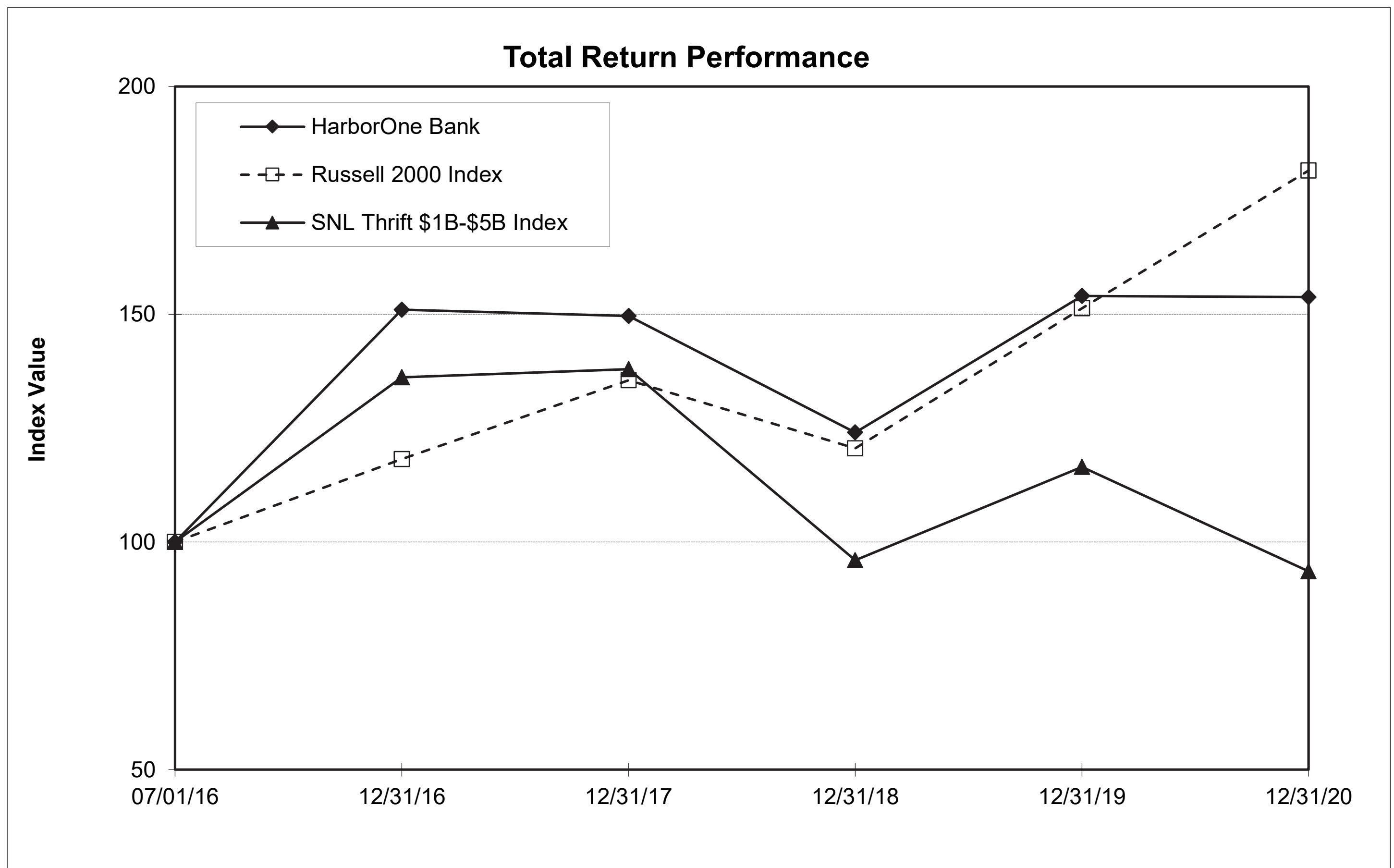
Stock Performance Graph

The Company's shares of common stock began trading on the NASDAQ Global Select Market on June 30, 2016. Accordingly, no comparative stock performance information is available for periods ending prior to this date. The performance graph below compares

the Company's cumulative shareholder return on its common stock since inception of trading on June 30, 2016 to the cumulative total return of the Russell 2000 index of small capitalization companies and the SNL U.S. Thrift Composite comprising thrifts with total assets of $1.0 billion to $5.0 billion. The initial offering price of the Company's shares was $10.00 per share; however, the graph below depicts the cumulative return on the stock since inception of trading at $7.14 per share on June 30, 2016. Total shareholder return is measured by dividing total dividends (assuming dividend reinvestment) for the measurement period plus share price change for the period from the share price at the beginning of the measurement period. The return is based on the initial investment of $100.00. The information provided under Item 12 hereto is incorporated herein by reference.

The following information in this Item 5 of this Annual Report 10-K is not deemed to be "soliciting material" or to be "filed" with the SEC or subject to Regulation 14A or 14C under the Securities Exchange Act of 1934 or to be liabilities of Section 18 of the Securities Exchange Act of 1934, and will not be deemed incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent the Company specifically incorporates it by reference to such filing. The stock price performance shown on the stock performance graph and associated table below is not necessarily indicative of future price performance. Information used in the graph and table was obtained from a third-party provider, a source believed to be reliable, but the Company is not responsible for any errors or omissions in such information.

The following chart depicts the total return performance of the Company:



Index			*Period Ending*			
	07/01/16	**12/31/16**	**12/31/17**	**12/31/18**	**12/31/19**	**12/31/20**
HarborOne Bancorp, Inc.	100.00	150.98	149.57	124.04	154.03	153.72
Russell 2000 Index	100.00	118.18	135.49	120.56	151.34	181.55
SNL Thrift $1B-$5B Index	100.00	136.19	137.94	98.98	116.46	93.54

Source : SNL Financial, an offering of S&P Global Market Intelligence

(b) Not applicable

(c)

Purchases of Equity Securities by the Issuer and Affiliated Purchases

Index	Issuer Purchases of Equity Securities (a) Total Number of Shares Purchased	(b) Average Price Paid Per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
November 1 to November 30, 2020	685,300	$ 9.85	685,300	—
December 1 to December 31, 2020	805,800	10.57	1,491,100	—
Total	1,491,100	$ 10.24	1,491,100	1,429,800

The Company adopted a share repurchase program on September 3, 2020. The Company may repurchase up to 2,920,900 shares of the Company's common stock, or approximately 5% of the Company's current issued and outstanding shares. The repurchase program may be suspended or terminated at any time without prior notice, and it will expire September 3, 2021.

ITEM 6. SELECTED FINANCIAL DATA

The selected financial and other data of the Company, as of December 31, 2020 and 2019 and for the years ended December 31, 2020, 2019 and 2018, set forth below are derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company and Notes thereto presented elsewhere herein. The results reflect the acquisition of Coastway on October 5, 2018.

	December 31, 2020	2019	2018 (in thousands)	2017	2016
Financial Condition Data:					
Total assets	$ 4,483,615	$ 4,058,921	$ 3,653,121	$ 2,684,920	$ 2,448,310
Cash and cash equivalents	205,870	211,616	105,521	80,791	50,215
Securities available for sale, at fair value	276,498	239,473	209,293	170,853	136,469
Securities held to maturity, at cost	—	26,372	44,688	46,869	47,877
Asset held for sale	—	8,536	—	—	—
Loans held for sale, at fair value	208,612	110,552	42,107	59,460	86,443
Loans receivable, net	3,439,247	3,147,498	2,964,852	2,176,478	1,981,747
Deposits	3,506,209	2,942,873	2,685,061	2,013,738	1,804,753
Borrowings	183,130	388,039	553,735	290,365	275,119
Total equity	696,314	665,794	357,574	343,484	329,384

	Year Ended December 31, 2020	2019	2018 (in thousands)	2017	2016
Selected Operating Data:					
Interest and dividend income	$ 148,558	$ 154,784	$ 115,708	$ 90,284	$ 74,756
Interest expense	28,492	45,722	26,778	15,936	13,761
Net interest income	120,066	109,062	88,930	74,348	60,995
Provision for loan losses	34,815	4,747	3,828	2,416	4,172
Net interest income, after provision for loan losses	85,251	104,315	85,102	71,932	56,823
Mortgage banking income	114,375	37,652	30,609	37,195	50,999
Loss on asset held for sale	—	(482)	—	—	—
Gains on sale and calls of securities, net	2,533	1,344	5	—	283
Other noninterest income	22,238	22,458	18,584	17,339	15,821
Noninterest expense	166,388	142,611	120,093	109,414	114,698
Income before income taxes	58,009	22,676	14,207	17,052	9,228
Income tax expense	13,217	4,408	2,813	6,673	3,297
Net income	$ 44,792	$ 18,268	$ 11,394	$ 10,379	$ 5,931

	At or For the Year Ended December 31,				
	2020	2019	2018	2017	2016
Performance Ratios:					
Return on average assets (ratio of net income to average total assets)	1.05 %	0.49 %	0.39 %	0.40 %	0.26 %
Return on average equity (ratio of net income to average equity)	6.55	3.82	3.27	3.09	2.26
Interest rate spread[(1)]	2.80	2.81	2.99	2.88	2.71
Net interest margin[(2)]	3.06	3.14	3.22	3.04	2.85
Efficiency ratio[(3)]	63.55	82.49	86.43	84.83	89.47
Average interest-earning assets to average interest-bearing liabilities	134.81	125.39	124.05	124.78	121.83
Average equity to average total assets	16.09	12.78	11.91	13.00	11.50
Asset Quality Ratios:					
Non-performing assets to total assets	0.77 %	0.76 %	0.51 %	0.69 %	0.94 %
Non-performing loans to total loans	0.99	0.96	0.59	0.81	1.06
Allowance for loan losses to non-performing loans	162.44	79.35	116.62	103.55	80.11
Allowance for loan losses to total loans	1.59	0.76	0.69	0.84	0.85
Allowance for loan losses to total loans, excluding PPP	1.64	—	—	—	—
Net loans charged off as a percent of average loans outstanding	0.10	0.04	0.07	0.04	0.05
Capital Ratios for Bancorp:					
Common equity Tier 1 to risk weighted assets	17.7 %	18.7 %	9.9 %	15.1 %	16.2 %
Tier 1 capital to risk weighted assets	17.7	18.7	9.9	15.1	16.2
Total capital to risk weighted assets	19.9	20.6	11.8	16.0	17.0
Tier 1 capital to average assets	14.5	15.3	8.2	12.5	13.2

(1) Represents the difference between the weighted average yield on average interest-earning assets on a fully tax equivalent basis and the weighted average cost of interest-bearing liabilities.
(2) Represents net interest income as a percent of average interest-earning assets on a fully tax equivalent basis.
(3) Represents noninterest expense less other intangible asset amortization expense, divided by the sum of net interest income and noninterest income.

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

All material intercompany balances and transactions have been eliminated in consolidation. When necessary, certain amounts in prior year financial statements have been reclassified to conform to the current year's presentation. The following discussion and analysis is presented to assist the reader in understanding and evaluating of the Company's financial condition and results of operations. It is intended to complement the Consolidated Financial Statements, footnotes, and supplemental financial data appearing elsewhere in this Form 10-K and should be read in conjunction therewith**.**

Overview

The Company's principal subsidiary is the Bank. The Bank is a Massachusetts-chartered savings bank whose primary subsidiary is a residential mortgage company, HarborOne Mortgage, acquired on July 1, 2015.

On August 14, 2019, the Company completed a second step conversion offering (the "Offering"). Prior to the completion of the Offering approximately 53% of the shares of common stock of the Company were owned by HarborOne Mutual Bancshares, a mutual holding company (the "MHC"). The Company raised gross proceeds of $310.4 million and incurred expenses of $6.3 million resulting in net cash proceeds of $304.1 million by selling 31,036,812 shares of common stock at $10.00 per share in the Offering. In addition, each share of the Company common stock owned by shareholders, other than the MHC, prior to the Offering was exchanged for 1.795431 shares of Company common stock, a total of 12,162,763 shares of Company common stock were issued in the exchange. The Company utilized $24.8 million to fund an additional ESOP loan, invested $151.3 million into the Bank's operations, and retained the remaining amount for general corporate purposes.

As a result of the Offering, all shares and per share information prior to August 14, 2019 has been revised to reflect the 1.795431 exchange ratio. Such revised financial information presented in this Form 10-K is derived from the Consolidated Financial Statements of the Company.

As described in the Notes to Consolidated Financial Statements, we have two reportable segments: HarborOne Bank and HarborOne Mortgage. The Bank segment provides consumer and business banking products and services to individuals, businesses and municipalities. Consumer products include loan and deposit products, and business banking products include loans for working capital, inventory and general corporate use, commercial real estate construction loans, and deposit accounts. The HarborOne Mortgage segment consists of originating residential mortgage loans primarily for sale in the secondary market and the servicing of those loans.

The HarborOne Bank segment generates the significant majority of our consolidated net interest income and requires the provision for loan losses. The HarborOne Mortgage segment generates the majority of our noninterest income. We have provided below a discussion of the material results of operations for each segment on a separate basis for the years ended December 31, 2020 and 2019, which focuses on noninterest income and noninterest expenses. We have also provided a discussion of the consolidated operations of the Company, which includes the operations of HarborOne Bank and HarborOne Mortgage, for the same periods.

For additional revenue, net income, assets, and other financial information for each of the Company's reportable segments, see Part II, Item 8. "Financial Statements and Supplementary Data – Note 23: Segment Reporting."

COVID-19 Pandemic Update

The COVID-19 pandemic is a highly unusual, unprecedented and evolving public health and economic crisis that had an impact on our operations during 2020. The Company continues to take significant steps to protect the health and well-being of its employees and customers and to assist customers who have been impacted by COVID-19 including providing drive-up and appointment banking, continued access to PPP loans and payment deferrals and forbearance to commercial and consumer customers.

Company Impact and Response

Our commercial and consumer banking products and services are offered primarily in Southeastern New England, where individual and governmental responses to the COVID-19 pandemic have led to a broad curtailment of economic activity beginning in March 2020. We have been able to continue serving our customers through online banking, drive-up teller windows and pre-scheduled appointments at our branches. We implemented work-from-home protocols for non-branch staff without any degradation to customer service or operations. The Company's COVID-19 response team continues to monitor the local impact of COVID-19 in order to

anticipate and respond to developments quickly and decisively. As of December 31, 2020, we do not anticipate significant challenges to our ability to maintain our systems and controls and do not currently face any material resource constraints. The Company maintains access to multiple sources of liquidity. If an extended recession caused large numbers of the Company's deposit customers to withdraw their funds, the Company may become more reliant on volatile or more expensive sources of funding.

We provided access to the PPP to both our existing and new customers to ensure small businesses in our communities have access to this important lifeline for their businesses. Under the initial phase of the PPP we provided 1,041 loans totaling $153.0 million. As of December 31, 2020, PPP loans amounted to $126.5 million, as we had processed forgiveness on 175 loans. As of December 31, 2020, there was $2.7 million in remaining deferred processing fee income that will be recognized over the life of the loans. We continue to participate in the PPP and have provided $71.0 million in PPP-2 loans as of January 29, 2021.

We are also working with commercial loan customers that may need payment deferrals or other accommodations to keep their loans out of default through the COVID-19 pandemic. As of December 31, 2020, we have provided 171 payment deferrals on commercial loans with a total principal balance of $295.3 million, or 14.0%, of total commercial loans. Of these 90.8% of the commercial deferrals have expired and the borrower is making payments as agreed, 0.09% of the commercial deferrals have expired and the borrower is delinquent, and 9.1% are in active deferral period. The active commercial deferrals expire during 2021. We have also provided loans with other accommodations totaling $4.6 million. We continue to consider requests for additional deferrals or new deferrals at December 31, 2020 for commercial credits. Commercial credits requesting extended deferrals are reviewed on a case-by-case basis by the Credit Committee, including the appropriate risk rating.

The residential loan and consumer loan portfolios have not experienced significant credit quality deterioration as of December 31, 2020; however, the continuing impact and uncertain nature of the COVID-19 pandemic may result in increases in delinquencies, charge-offs and loan modifications in these portfolios through the remainder of 2021. As of December 31, 2020, we had provided 172 payment deferrals on residential mortgage loans with a total principal balance of $51.9 million, or 4.7% of total residential loans, of which 86.1% of the deferrals have expired and are paying as agreed and 5.4% are in active deferral periods. We had 495 payment deferrals on consumer loans with a total principal balance of $11.6 million, or 4.2%, of total consumer loans, of which 93.5% of the deferrals have expired and are paying as agreed. Requests for additional extensions on residential mortgage loans and consumer loans were not significant as of December 31, 2020.

Most initial deferrals were for a 90-day period and none were greater than 180 days. Deferrals under this program began to expire in the third quarter of 2020. The following tables provide the principal balance of loans with payment deferrals, the current status of the deferral agreement and the quarter of expected expiration for active deferrals as of December 31, 2020.

(dollars in thousands)	Deferrals expired and paying		Deferrals expired & delinquent		Active deferrals		Total deferrals	Total outstanding loans	% Active deferrals to Total outstanding loans
	#	$	#	$	#	$			
Commercial real estate	66	$ 225,969	—	$ —	5	$ 25,981	$ 251,950	$ 1,551,265	1.7 %
Commercial and industrial	89	42,280	2	261	9	811	43,352	464,393	0.2
Commercial construction	—	—	—	—	—	—	—	99,331	—
Total commercial loans	155	268,249	2	261	14	26,792	295,302	2,114,989	1.3
One- to Four family	131	43,610	15	4,319	10	2,823	50,752	928,934	0.3
Home Equity	15	1,065	1	43	—	—	1,108	145,672	—
Residential construction	—	—	—	—	—	—	—	31,217	—
Total residential real estate	146	44,675	16	4,362	10	2,823	51,860	1,105,823	0.3
Consumer	460	10,839	17	360	18	399	11,598	273,830	0.1
Total loans	761	$ 323,763	35	$ 4,983	42	$ 30,014	$ 358,760	$ 3,494,642	0.9 %

(dollars in thousands)	Active deferrals expiring by quarter 3/31/2021	6/30/2021	9/30/2021	12/31/2021	Total
Commercial real estate	$ 9,280	$ 8,961	$ —	$ 7,740	$ 25,981
Commercial and industrial	281	530	—	—	811
Commercial construction	—	—	—	—	—
Total commercial loans	$ 9,561	$ 9,491	$ —	$ 7,740	$ 26,792
One- to Four family	$ 2,199	$ 624	$ —	$ —	$ 2,823
Home equity	—	—	—	—	—
Residential construction	—	—	—	—	—
Total residential real estate	$ 2,199	$ 624	$ —	$ —	$ 2,823
Consumer	$ 272	$ 127	$ —	$ —	$ 399
Total loans	$ 12,032	$ 10,242	$ —	$ 7,740	$ 30,014

Management continues to evaluate our loan portfolio, particularly the commercial loan portfolio, in light of the expected decrease in economic activity, the mitigating effects of government stimulus, and loan modification efforts designed to limit the long-term impacts of the COVID-19 pandemic. Our commercial loan portfolio is diversified across many sectors and is largely secured by commercial real estate loans, which make up 73.3% of the total commercial loan portfolio. Initial assessments of the impact of the COVID-19 pandemic on the commercial loan portfolio have been focused on sectors that have experienced a direct impact. Management has identified six sectors as the most susceptible to immediate increased credit risk: retail, office space, hotels, health and social services, restaurants, and recreation. The total loan portfolio of the six commercial sectors identified as at risk totaled $948.5 million, which represents 44.8% of the commercial loan portfolio. The at-risk sectors include $735.7 million in commercial real estate loans, $179.3 million in commercial and industrial loans, and $33.6 million in commercial construction loans.

	At Risk Sectors: Retail	Office	Hotel	Health and Social Services	Restaurants	Recreation	Total at risk sectors	Total loans	Percent at risk sector to total
	(dollars in thousands)								
Commercial real estate	$ 219,807	$ 193,137	$ 190,316	$ 107,522	$ 10,052	$ 14,831	$ 735,665	$ 1,551,265	47.4 %
Commercial and industrial	28,572	16,298	2,624	90,719	34,628	6,435	179,276	464,393	38.6
Commercial construction	13,392	854	8,014	1,014	10,326	—	33,600	99,331	33.8
Total	$ 261,771	$ 210,289	$ 200,954	$ 199,255	$ 55,006	$ 21,266	$ 948,541	$ 2,114,989	44.8 %
Outstanding principal, commercial deferrals	$ 46,701	$ 13,441	$ 120,359	$ 12,600	$ 13,462	$ 15,660	$ 222,223	$ 295,302	75.3 %
PPP loans, net of fees	$ 4,451	$ —	$ 444	$ 36,243	$ 7,278	$ 1,819	$ 50,235	$ 123,894	40.5 %
Nonaccrual loans	$ 387	$ —	$ 12,220	$ 245	$ 12	$ 118	$ 12,982	$ 34,101	38.1 %

As of December 31, 2020, the retail sector was $261.8 million, or 12.4% of total commercial loans, and included $219.8 million in commercial real estate loans, $28.6 million in commercial and industrial loans, and $13.4 million in commercial construction loans. SBA PPP loans included in this sector totaled $4.5 million. We have provided deferrals for loans in this sector with outstanding principal balances of $46.7 million, $44.7 million have expired and are paying and $2.0 million are in active deferral that will expire in 2021. New loans originated in the retail sector during 2020 generally are supported by leases to credit-related tenants such as pharmacy and grocery stores, which have been essential businesses during the pandemic.

As of December 31, 2020, the office space sector was $210.3 million, or 9.9% of total commercial loans, and included $193.1 million in commercial real estate loans, $16.3 million in commercial and industrial loans, and $854,000 in commercial construction loans. We provided deferrals for loans in the sector with outstanding principal balances of $13.4 million, all of which have expired and are paying as of December 31, 2020. No PPP loans were originated in this sector.

As of December 31, 2020, the hotel sector was $201.0 million, or 9.5% of total commercial loans, and included $190.3 million in commercial real estate loans, $2.6 million in commercial and industrial loans, and $8.0 million in commercial construction loans. PPP loans included in the sector totaled $444,000. We have provided deferrals for loans in this sector with outstanding principal balances of

$120.4 million, $95.9 million that have expired deferral periods and are paying as agreed, and $254,000 that have expired deferral periods and are greater than 30 days delinquent and $24.2 million that are in an active deferral period. In addition, we have provided other relief for loans in this sector with outstanding principal balances of $81,000. At December 31, 2020, nonperforming loans included in the hotel sector amount to $12.2 million, including one loan that amounted to $9.0 million that is on nonaccrual and is considered impaired. This loan's deferral period expires in the second quarter of 2021, however it was determined in the fourth quarter that weaknesses in the credit warranted a downgrade to substandard and nonaccrual status. A specific reserve of $1.8 million has been allocated to this loan.

The health and social services sector amounted to $199.3 million, or 9.4% of total commercial loans, as of December 31, 2020 and included $107.5 million in commercial real estate loans, $90.7 million in commercial and industrial loans, and $1.0 million in commercial construction loans. PPP loans included in the sector totaled $36.2 million, and we have provided deferrals for loans in this sector with outstanding principal balances of $12.6 million, all of which have expired and are paying as of December 31, 2020. New loans originated in the health and social services sector were generally owner occupied commercial real estate supported by stable and diverse medical practices.

As of December 31, 2020, the restaurant sector amounted to $55.0 million, or 2.6% of total commercial loans, including $7.3 million in PPP loans. We provided deferrals for loans in this sector with outstanding principal balances of $13.5 million. The recreation sector amounted to $21.3 million, or 1.0% of total commercial loans, including $1.8 million in PPP loans. We provided deferrals for loans in this sector with outstanding principal balances of $15.7 million. During the fourth quarter of 2020 two non-performing loans that were included in the recreation sector in previous quarters, with a recorded investment of $10.9 million, were sold and a charge off of $937,000 was recorded.

The loan portfolio has not experienced significant credit quality deterioration as of December 31, 2020, however, the continuing impact and uncertain nature of the COVID-19 pandemic may result in increases in delinquencies, charge-offs and loan modifications in these portfolios through the remainder of the year. Continued uncertainty regarding the severity and duration of the COVID-19 pandemic and related economic effects will continue to impact the magnitude of loan loss provisions and allowance for loan losses.

While interest and fees will continue to accrue on short term deferrals, the breadth of the economic impact may affect our borrowers' ability to repay in future periods. Should eventual credit losses on these deferred payments emerge, interest income and fees in future periods could be negatively impacted.

The impact of the pandemic on the Company's business, financial condition, results of operations and its customers has not been fully manifested in 2020. The fiscal stimulus and relief programs may have only delayed material adverse financial impact to the Company, and once the stimulus programs have been exhausted the Company may experience these impacts. The impacts will be contingent upon the possible resurgence of the virus, including new strains, offset by the success of the vaccine and its distribution and the ability of customers and businesses to return to their pre-pandemic routines. We anticipate continued economic uncertainty and volatility, which may have a future adverse financial impact on the Company.

Critical Accounting Policies

Certain of our accounting policies, which are important to the portrayal of our financial condition, require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Estimates associated with these policies are susceptible to material changes as a result of changes in facts and circumstances. Facts and circumstances which could affect these judgments include, but are not limited to, changes in interest rates, changes in the performance of the economy and changes in the financial condition of borrowers. Our significant accounting policies are discussed in detail in Note 1 of the Notes to our Consolidated Financial Statements included in Part II, Item 8 of this Form 10-K.

The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company" we have elected to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our Consolidated Financial Statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Critical accounting estimates are necessary in the application of certain accounting policies and procedures and are particularly susceptible to significant change. Critical accounting policies are defined as those involving significant judgments and assumptions by management that could have a material impact on the carrying value of certain assets or on income under different assumptions or conditions. Management believes that the most critical accounting policies, which involve the most complex or subjective decisions or assessments, are as follows:

Allowance for Loan Losses. The allowance for loan losses is the amount estimated by management as necessary to cover losses inherent in the loan portfolio at the balance sheet date. The allowance is established through the provision for loan losses, which is charged to income. The allowance consists of general, specific reserve and unallocated components. Determining the amount of the allowance for loan losses necessarily involves a high degree of judgment. Among the material estimates required to establish the allowance are: the likelihood of default; the loss exposure at default; the amount and timing of future cash flows on impaired loans; the value of collateral; and the determination of loss factors to be applied to the various elements of the portfolio. All of these estimates are susceptible to significant change. Management reviews the level of the allowance at least quarterly and establishes the provision for loan losses based upon an evaluation of the portfolio, past loss experience, current economic conditions and other factors related to the collectability of the loan portfolio. Although we believe that we use the best information available to establish the allowance for loan losses, future adjustments to the allowance may be necessary if economic or other conditions differ substantially from the assumptions used in making the evaluation. In addition, the FDIC and the Massachusetts Commissioner of Banks, as an integral part of their examination process, periodically review our allowance for loan losses and may require us to recognize adjustments to the allowance based on their judgments about information available to them at the time of their examination. A large loss could deplete the allowance and require increased provisions to replenish the allowance, which would adversely affect earnings. See Note 6, "Loans" within Notes to Consolidated Financial Statements included in item 8 of this annual report.

Goodwill. The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired and is not subsequently amortized. Identifiable intangible assets include core deposit premium and non-compete contracts and are being amortized on a straight-line basis over their estimated lives. Management assesses the recoverability of goodwill at least on an annual basis and of all intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The impairment test uses a combined qualitative and quantitative approach. The initial qualitative approach assesses whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after this assessment, the Company determines that it is more likely than not that the fair value is less than the carrying value, a quantitative impairment test is performed. The quantitative impairment test compares book value to the fair value of the reporting unit. If the carrying amount exceeds fair value, an impairment charge is recorded through earnings. Management has identified two reporting units for purposes of testing goodwill for impairment. The Company's reporting units are the same as the segments used for segment reporting: the Bank, including the two security corporations and a Rhode Island passive investment corporation; and HarborOne Mortgage.

Deferred Tax Assets. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. Management reviews deferred tax assets on a quarterly basis to identify any uncertainties pertaining to the realization of such assets. In determining whether a valuation allowance is required against deferred tax assets, management assesses historical and forecasted operating results, including a review of eligible carryforward periods, tax planning opportunities and other relevant considerations. We believe the accounting estimate related to the valuation allowance is a critical estimate because the underlying assumptions can change from period to period. For example, tax law changes or variances in future projected operating performance could result in a change in the valuation allowance. Should actual factors and conditions differ materially from those used by management, the actual realization of net deferred tax assets could differ materially from the amounts recorded in the financial statements. If we were not able to realize all or part of our deferred tax assets in the future, an adjustment to the related valuation allowance would be charged to income tax expense in the period such determination was made and could have a negative impact on earnings. In addition, if actual factors and conditions differ materially from those used by management, we could incur penalties and interest imposed by taxing authorities.

Please see the Notes to the Consolidated Financial Statements for additional discussion of accounting policies.

Comparison of Financial Condition at December 31, 2020 and December 31, 2019

Total Assets. Total assets increased $424.7 million, or 10.5%, to $4.48 billion at December 31, 2020 from $4.06 billion at December 31, 2019.

Cash and Cash Equivalents. At December 31, 2020 cash and cash equivalents were $205.9 million, a decrease of 2.7% from $211.6 million at December 31, 2019.

Loans Held for Sale. Loans held for sale at December 31, 2020 were $208.6 million, an increase of $98.1 million, or 88.7%, from $110.6 million at December 31, 2019, primarily reflecting higher residential mortgage loan demand in 2020 as compared to 2019.

Loans, net. At December 31, 2020, net loans were $3.44 billion, an increase of $291.7 million, or 9.3%, from $3.15 billion at December 31, 2019. Gross loans increased $323.1 million, reflecting an increase in commercial loans of $486.4 million, partially offset by a decrease in residential real estate loans of $1.3 million and a decrease in consumer loans of $162.1 million. The allowance for loan losses was $55.4 million at December 31, 2020 and $24.1 million December 31, 2019.

The following table provides the composition of our loan portfolio at the dates indicated:

	December 31,									
	2020		2019		2018		2017		2016	
	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent	Amount	Percent
	(dollars in thousands)									
Residential real estate:										
One- to four-family	$ 928,934	26.6 %	$ 937,305	29.6 %	$ 947,204	31.7 %	$ 682,765	31.1 %	$ 683,392	34.2 %
Second mortgages and equity lines of credit	145,672	4.2	155,716	4.9	159,153	5.3	90,082	4.1	93,958	4.7
Residential construction	31,217	0.9	14,055	0.4	14,659	0.5	11,904	0.5	14,925	0.7
Total residential real estate	1,105,823	31.6	1,107,076	34.9	1,121,016	37.5	784,751	35.8	792,275	39.6
Commercial:										
Commercial real estate	1,551,265	44.4	1,168,412	36.8	929,927	31.1	650,330	29.6	486,281	24.3
Commercial construction	99,331	2.8	153,907	4.9	161,660	5.4	116,739	5.3	43,518	2.2
Commercial and industrial	464,393	13.3	306,282	9.7	277,271	9.3	109,523	5.0	105,490	5.3
Total commercial loans	2,114,989	60.5	1,628,601	51.4	1,368,858	45.9	876,592	39.9	635,289	31.8
Consumer:										
Auto	25,134	0.7	49,686	1.6	95,973	3.2	171,734	7.8	257,125	12.9
Auto lease loans	240,132	6.9	374,906	11.8	387,046	13.0	347,761	15.8	298,282	14.9
Personal	8,564	0.2	11,289	0.4	12,614	0.4	14,129	0.6	15,744	0.8
Total consumer	273,830	7.8	435,881	13.7	495,633	16.6	533,624	24.3	571,151	28.6
Total loans	3,494,642	100.0 %	3,171,558	100.0 %	2,985,507	100.0 %	2,194,967	100.0 %	1,998,715	100.0 %
Allowance for loan losses	(55,395)		(24,060)		(20,655)		(18,489)		(16,968)	
Loans, net	$ 3,439,247		$ 3,147,498		$ 2,964,852		$ 2,176,478		$ 1,981,747	

The following table sets forth our loan originations, sales, purchases and principal repayment activities during the periods indicated:

	Year Ended December 31, 2020	2019	2018
		(in thousands)	
Total loans and loans held for sale at beginning of year	$ 3,276,285	$ 3,022,359	$ 2,247,782
Loan originations:			
Residential real estate:			
One- to four-family residential - Bank	—	—	69,349
One- to four-family residential - HarborOne Mortgage	2,814,194	1,334,458	866,945
Second mortgages and equity lines of credit	74,388	80,786	42,214
Residential real estate construction	41,562	14,371	16,775
Commercial real estate	414,633	339,253	233,573
Commercial construction	158,541	63,433	27,234
Commercial and industrial	318,010	70,507	72,047
Consumer	6,424	142,719	176,973
Total loans originations	3,827,752	2,045,527	1,505,110
Loan purchases: [1]			
Acquired from Coastway:			
One- to four-family residential	—	—	399,004
Home equity loans and lines of credit	—	—	67,622
Commercial real estate	—	—	114,350
Commercial and industrial	—	—	130,832
Consumer	—	—	1,176
Total acquired from Coastway	—	—	712,984
Commercial real estate	22,219	40,300	54,224
Commercial construction	5,000	55,400	34,262
Commercial and industrial	1,925	16,559	3,453
Total loan purchases	29,144	112,259	804,923
Loan sales: [2]			
Residential real estate:			
One- to four-family residential - Bank	—	—	(122,367)
One- to four-family residential - HarborOne Mortgage	(2,460,786)	(1,071,937)	(821,089)
Commercial real estate	(35,513)	—	—
Commercial construction	(37,154)	(3,672)	(7,200)
Commercial and industrial	(39,429)	(49,844)	(26,712)
Consumer	—	—	—
Total loan sales	(2,572,882)	(1,125,453)	(977,368)
Other:			
Principal repayments, net of amortization	(596,226)	(568,739)	(427,629)
Net charge-offs	(3,480)	(1,342)	(1,662)
Unadvanced funds on originations	(255,799)	(200,310)	(121,888)
Transfer to other real estate owned	(1,540)	(2,191)	(1,654)
Total other	(857,045)	(772,582)	(552,833)
Net loan activity	426,969	259,751	779,832
Total loans and loans held for sale at end of year	$ 3,703,254	$ 3,282,110	$ 3,027,614

[1] Includes loan purchases and participations by the Bank in loans originated by other financial institutions.
[2] Includes loan sales and participations by other financial institutions in loans originated by the Bank.

The following table sets forth certain information at December 31, 2020 regarding scheduled contractual maturities during the period indicated. The table does not include any estimate of prepayments. Demand loans having no stated schedule of repayments and no stated maturity are reported as due in one year or less. The following table also sets forth the rate structure of loans scheduled to mature after one year.

	One- to Four-Family Residential Real Estate	Second Mortgage and Equity Lines of Credit	Residential Construction	Commercial Real Estate	Commercial Construction	Commercial and Industrial	Consumer	Total Loans
	(in thousands)							
Amounts due in:								
One year or less	$ 384	$ 4,119	$ —	$ 110,410	$ —	$ 45,122	$ 78,596	$ 238,631
After one year through five years	8,867	13,896	—	493,119	42,149	207,453	189,249	954,733
Beyond five years	919,683	127,657	31,217	947,736	57,182	211,818	5,985	2,301,278
Total	$ 928,934	$ 145,672	$ 31,217	$ 1,551,265	$ 99,331	$ 464,393	$ 273,830	$ 3,494,642
Interest rate terms on amounts due after one year:								
Fixed rate	$ 845,901	$ 11,123	$ 31,217	$ 616,331	$ 29,831	$ 257,351	$ 195,234	$ 1,986,988
Adjustable-rate	$ 82,649	$ 130,430	$ —	$ 824,524	$ 69,500	$ 161,920	$ —	$ 1,269,023

Generally, the actual maturity of loans is shorter than their contractual maturity due to prepayments. The average life of residential real estate loans are impacted by the current interest rate environment. The average life tends to increase when current mortgage loan rates are higher than the rates of the loans in the portfolio and decrease when current rates are lower than the rates of the loans in the portfolio. Also, commercial and commercial real estate loans may be renewed at or near maturity resulting in significant differences in principal payments actually received as compared to amounts contractually due in a period.

Securities. Total investment securities at December 31, 2020 were $276.5 million, an increase of $10.7 million, or 4.0%, from December 31, 2019. The purchase of $191.6 million of securities was partially offset by $113.3 million in prepayments, maturities, calls and amortization of securities. Securities in the amount of $69.8 million were sold with a gross realized gain of $2.5 million. The total security portfolio represented 6.2% of total assets as of December 31, 2020, compared to 6.5% as of December 31, 2019. The following table provides the composition of our securities available for sale and our securities held to maturity at the dates indicated:

	December 31,					
	2020		2019		2018	
	Amortized Cost	Fair Value	Amortized Cost	Fair Value	Amortized Cost	Fair Value
	(in thousands)					
Securities available for sale:						
Debt securities:						
U.S. government and government-sponsored enterprise obligations	$ 5,002	$ 5,095	$ 14,994	$ 15,204	$ 27,997	$ 27,541
U.S. government agency and government-sponsored mortgage-backed and collateralized mortgage obligations	251,145	254,283	190,119	191,546	136,633	134,945
SBA asset-backed securities	16,249	17,120	32,461	32,723	47,686	46,807
Total securities available for sale	$ 272,396	$ 276,498	$ 237,574	$ 239,473	$ 212,316	$ 209,293
Securities held to maturity:						
Debt securities:						
U.S. government agency and government-sponsored mortgage-backed and collateralized mortgage obligations	$ —	$ —	$ 14,115	$ 14,264	$ 16,749	$ 16,360
SBA asset-backed securities	—	—	5,308	5,432	5,818	5,819
Other bonds and obligations:						
State and political subdivisions	—	—	6,949	7,231	22,121	22,527
Total securities held to maturity	$ —	$ —	$ 26,372	$ 26,927	$ 44,688	$ 44,706

The following table sets forth the stated maturities and weighted average yields of investment securities at December 31, 2020:

	One Year or Less		More than One Year to Five Years		More than Five Years to Ten Years		More than Ten Years		Total	
	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield	Amortized Cost	Weighted Average Yield
					(dollars in thousands)					
Securities available for sale:										
Debt securities:										
U.S. government and government-sponsored enterprise obligations	$ —	— %	$ —	— %	$ 5,002	3.70 %	$ —	— %	$ 5,002	3.70 %
U.S. government agency and government-sponsored mortgage-backed and collateralized mortgage obligations	—	—	2,745	0.84	14,710	1.91	233,690	1.65	251,145	1.66
SBA asset-backed securities	—	—	1,365	2.07	4,908	2.34	9,976	2.57	16,249	2.46
Total debt securities	$ —	— %	$ 4,110	1.25 %	$ 24,620	2.36 %	$ 243,666	1.69 %	$ 272,396	1.74 %

Mortgage Servicing Rights. MSRs are created as a result of our mortgage banking origination activities and accounted for at fair value. At December 31, 2020, we serviced mortgage loans for others with an aggregate outstanding principal balance of $3.05 billion. Total MSRs were $24.8 million at December 31, 2020, compared to $17.2 million at December 31, 2019. The $7.7 million increase was primarily additions as a result of increased mortgage origination volume and loan sales throughout 2020, partially offset by reductions due to changes in market interest rates impacting payoff volume and valuations.

The following table represents the activity for mortgage servicing rights and the related fair value changes during the periods noted:

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Balance, beginning of period	$ 17,150	$ 22,217	$ 21,092
Additions	14,415	1,174	2,521
Changes in fair value due to:			
Reductions from loans paid off during the period	(4,181)	(1,972)	(1,795)
Changes in valuation inputs or assumptions	(2,551)	(4,269)	399
Balance, end of period	$ 24,833	$ 17,150	$ 22,217

The fair value of our MSRs is determined by a third-party provider that determines the appropriate prepayment speed, discount and default rate assumptions based on our portfolio. Management obtains and reviews the calculation. Any measurement of fair value is limited by the conditions existing and assumptions made at a particular point in time. Those assumptions may not be appropriate if they are applied to a different point in time. The following table presents weighted average assumptions utilized in determining the fair value of MSRs at December 31, 2020 and 2019:

	December 31,	
	2020	2019
Prepayment speed	14.30 %	12.43 %
Discount rate	9.23	9.34
Default rate	2.27	2.61

Prepayment speeds are significantly impacted by mortgage rates. Decreasing mortgage rates normally encourage increased mortgage refinancing activity, which reduces the life of the loans underlying the mortgage servicing rights, thereby reducing the value

of mortgage servicing rights. The value of mortgage servicing rights added during 2020 may not be as significantly impacted by changes in residential mortgage rates in the future due to the historically low mortgage rates during 2020.

Deposits. Deposits increased $563.3 million, or 19.1%, to $3.51 billion at December 31, 2020 from $2.94 billion at December 31, 2019. The following table sets forth information concerning the composition of deposits:

	December 31, 2020	December 31, 2019	Increase (Decrease) Dollars	Increase (Decrease) Percent
	(dollars in thousands)			
Noninterest-bearing deposits	$ 689,672	$ 406,403	$ 283,269	69.7 %
NOW accounts	218,526	165,790	52,736	31.8
Regular savings	998,994	620,705	378,289	60.9
Money market accounts	550,834	575,881	(25,047)	(4.3)
Term certificate accounts	614,884	785,005	(170,121)	(21.7)
Consumer and business deposits	3,072,910	2,553,784	519,126	20.3
Municipal deposits	321,938	286,932	35,006	12.2
Wholesale deposits	111,361	102,157	9,204	9.0
Total deposits	$ 3,506,209	$ 2,942,873	$ 563,336	19.1 %
Reciprocal deposits	$ 104,946	$ 277,874	$ (172,928)	(62.2)%

The deposit growth was driven by an increase of $519.1 million in retail deposits, a $35.0 million in municipal deposits, and an increase of $9.2 million in wholesale deposits. The increase in retail deposits was due to the increase in regular savings of $378.3 million, an increase of $283.2 million in noninterest-bearing deposits, and an increase of $52.7 million in NOW accounts, partially offset by a decrease of $170.1 million in term certificate deposits and a decrease of $25.0 million in money market accounts. Deposit growth reflects the development of commercial lending relationships, continued marketing efforts and customers maintaining liquidity.

Wholesale deposits includes brokered deposits of $100.0 million and $11.4 million in certificates of deposits from institutional investors. The Bank participates in a reciprocal deposit program that converts deposits at the Bank into multiple deposits at other financial institutions. The reciprocal deposit program provides access to FDIC-insured deposit products in aggregate amounts exceeding the current limits for depositors. Total deposits at December 31, 2020 included $104.9 million in reciprocal deposits, including $4.9 million in municipal deposits. The wholesale deposits provide a channel for the Company to seek additional funding outside the Bank's core market. During the year ended December 31, 2020, we continued to focus on enhancing our deposit mix in order to better manage our cost of funds and to expand our customer relationships.

The following table sets forth the average balances and weighted average rates of our deposit products at the dates indicated:

	Year Ended December 31,								
	2020			2019			2018		
	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate	Average Balance	Percent	Weighted Average Rate
	(dollars in thousands)								
Deposit type:									
Noninterest-bearing demand	$ 576,128	17.7 %	— %	$ 443,570	15.3 %	— %	$ 308,441	13.8 %	— %
NOW accounts	188,103	5.8	0.08	139,851	4.8	0.07	130,143	5.8	0.07
Regular savings and club	849,239	26.0	0.39	548,746	19.0	0.55	375,436	16.8	0.20
Money market	832,131	25.5	0.63	853,743	29.5	1.48	704,876	31.6	0.96
Certificates of deposit	816,893	25.0	1.72	908,702	31.4	2.34	714,620	32.0	1.82
Total	$ 3,262,494	100.0 %	0.70 %	$ 2,894,612	100.0 %	1.28 %	$ 2,233,516	100.0 %	0.92 %

The following table sets forth our certificates of deposit classified by interest rate as of the dates indicated:

	December 31, 2020	December 31, 2019	December 31, 2018
	(in thousands)		
Less than 0.50%	$ 244,711	$ 43,741	$ 32,762
0.50% to 0.99%	221,514	8,913	26,007
1.00% to 1.49%	77,163	31,921	134,537
1.50% to 1.99%	76,758	195,841	217,563
2.00% to 2.99%	112,481	603,672	477,592
3.00% and greater	305	4,369	812
Total	$ 732,932	$ 888,457	$ 889,273
Less unaccreted acquisition discount	(634)	(1,379)	(1,750)
Total, net of discount	$ 732,298	887,078	887,523

The following table sets forth the amount and maturities of our certificates of deposit by interest rate at December 31, 2020:

	Period to Maturity						
	Less than One Year	More than One Year to Two Years	More than Two Years to Three Years	More than Three Years to Four Years	More than Four Years	Total	% of Total Certificate Accounts
	(dollars in thousands)						
Less than 0.50%	$ 241,921	$ 2,297	$ 493	$ —	$ —	$ 244,711	33.39 %
0.50% to 0.99%	207,048	3,459	443	9,198	1,366	221,514	30.22
1.00% to 1.49%	71,360	2,357	928	2,139	379	77,163	10.53
1.50% to 1.99%	73,329	3,231	96	103	—	76,759	10.47
2.00% to 2.99%	88,392	16,878	7,047	164	—	112,481	15.35
3.00% and greater	288	16	—	—	—	304	0.04
Total	$ 682,338	$ 28,238	$ 9,007	$ 11,604	$ 1,745	$ 732,932	100.00 %
Less unaccreted acquisition discount						(634)	
Total, net of discount						$ 732,298	

The following table sets forth the maturity of certificates of deposit, excluding brokered deposits, of $100,000 or more as of December 31, 2020:

Maturity Period	Amount
	(in thousands)
Three months or less	$ 151,890
Over three through six months	56,493
Over six months through one year	108,783
Over one year	21,151
Total	$ 338,317

Borrowings. Total borrowings from the FHLB were $149.1 million at December 31, 2020, a decrease of $205.0 million from $354.1 million at December 31, 2019.

In August 2018, the Company issued $35.0 million in fixed-to-floating rate subordinated notes. The notes bear interest at an annual fixed rate of 5.625% until September 1, 2023 at which time the interest rate resets quarterly to an interest rate per annum equal to the three month LIBOR plus 278 basis points. The notes are carried on the Consolidated Balance Sheets net of unamortized issuance costs of $967,000 at December 31, 2020, which are being amortized over the period to maturity date.

The following table sets forth information concerning balances and interest rates on our borrowings at the dates and for the periods indicated:

	At or For the Year Ended December 31,		
	2020	2019	2018
	(dollars in thousands)		
FHLB Advances:			
Balance outstanding at end of year	$ 149,097	$ 354,132	$ 519,936
Average amount outstanding during the year	$ 192,059	$ 286,156	$ 291,782
Maximum outstanding at any month end	$ 341,114	$ 464,936	$ 519,936
Weighted average interest rate during the year	1.88 %	2.30 %	1.88 %
Weighted average interest rate at end of year	1.75 %	2.02 %	2.39 %
Subordinated Debt:			
Balance outstanding at end of year	$ 35,000	$ 35,000	$ 35,000
Average amount outstanding during the year	$ 35,000	$ 35,000	$ 11,890
Maximum outstanding at any month end	$ 35,000	$ 35,000	$ 35,000
Weighted average interest rate during the year	6.17 %	6.14 %	6.47 %
Weighted average interest rate at end of year	6.06 %	5.63 %	5.63 %

Stockholders' equity. Total stockholders' equity was $696.3 million at December 31, 2020 compared to $665.8 million at December 31, 2019.

Comparison of Results of Operations for the Years Ended December 31, 2020 and 2019

HarborOne Bancorp, Inc. Consolidated

Overview. Consolidated net income for the year ended December 31, 2020 was $44.8 million compared to net income of $18.3 million for the year ended December 31, 2019. The 2020 results were significantly impacted by the earnings of HarborOne Mortgage as a result of their historical level of loan closings, contributing $41.8 million in net income. The 2020 results also include $19.6 million in provision for loan losses and $1.8 million in noninterest expense related to the COVID-19 pandemic. Additionally, the 2020 results include $2.5 million in gain on sale of securities and a $1.6 million gain on the sale of VISA B shares. The 2019 results include a full year of income and expense from Coastway. Additionally, the 2019 results include $1.3 million in gain on sale of securities and a $482,000 loss on disposal of asset held for sale.

Average Balances and Yields. The following tables set forth average balance sheets, average yields and costs, and certain other information for the periods indicated, on a consolidated basis. Interest income on tax-exempt securities has been adjusted to a fully taxable-equivalent, or FTE, basis using a federal tax rate of 21% for the years ended December 31, 2020, 2019 and 2018. All average balances are daily average balances. Non-accrual loans were included in the computation of average balances, but have been reflected in the table as loans carrying a zero yield. The yields set forth below include the effect of deferred fees, discounts and premiums that are amortized or accreted to interest income or expense.

	Year Ended December 31,								
	2020			2019			2018		
	Average Outstanding Balance	Interest	Yield/ Cost	Average Outstanding Balance	Interest	Yield/ Cost	Average Outstanding Balance	Interest	Yield/ Cost
	(dollars in thousands)								
Interest-earning assets:									
Investment securities [1]	$ 264,196	$ 5,635	2.13 %	$ 245,021	$ 6,923	2.83 %	$ 238,580	$ 6,660	2.79 %
Other interest-earning assets	153,676	1,288	0.84	102,810	2,970	2.89	50,912	1,591	3.12
Loans held for sale	124,936	3,892	3.12	67,136	2,767	4.12	47,540	2,205	4.64
Loans									
Commercial loans [2]	1,913,304	76,208	3.98	1,483,439	74,085	4.99	1,050,311	51,614	4.91
Residential real estate loans [2]	1,116,601	46,430	4.16	1,115,616	49,459	4.43	860,614	35,345	4.11
Consumer loans [2]	353,412	15,127	4.28	460,625	18,684	4.06	516,179	18,473	3.58
Total loans	3,383,317	137,765	4.07	3,059,680	142,228	4.65	2,427,104	105,432	4.34
Total interest-earning assets	3,926,125	148,580	3.78	3,474,647	154,888	4.46	2,764,136	115,888	4.19
Noninterest-earning assets	324,942			270,441			160,762		
Total assets	$ 4,251,067			$ 3,745,088			$ 2,924,898		
Interest-bearing liabilities:									
Savings accounts	$ 849,239	3,342	0.39	$ 548,746	3,032	0.55	$ 375,436	755	0.20
NOW accounts	188,103	143	0.08	139,851	104	0.07	130,143	86	0.07
Money market accounts	832,131	5,245	0.63	853,743	12,670	1.48	704,876	6,762	0.96
Certificates of deposit	714,628	12,930	1.81	811,089	18,880	2.33	645,901	11,800	1.83
Brokered deposits	102,265	1,133	1.11	97,613	2,371	2.43	68,719	1,160	1.69
Total interest-bearing deposits	2,686,366	22,793	0.85	2,451,042	37,057	1.51	1,925,075	20,563	1.07
FHLB advances	192,059	3,604	1.88	286,156	6,588	2.30	291,782	5,474	1.88
Subordinated debentures	33,967	2,095	6.17	33,848	2,077	6.14	11,457	741	6.47
Total borrowings	226,026	5,699	2.52	320,004	8,665	2.71	303,239	6,215	2.05
Total interest-bearing liabilities	2,912,392	28,492	0.98	2,771,046	45,722	1.65	2,228,314	26,778	1.20
Noninterest-bearing liabilities:									
Noninterest-bearing deposits	576,128			443,570			308,441		
Other noninterest-bearing liabilities	78,602			51,946			39,802		
Total liabilities	3,567,122			3,266,562			2,576,557		
Total equity	683,945			478,526			348,341		
Total liabilities and equity	$ 4,251,067			$ 3,745,088			$ 2,924,898		
Tax equivalent net interest income		120,088			109,166			89,110	
Tax equivalent interest rate spread [3]			2.80 %			2.81 %			2.99 %
Less: tax equivalent adjustment		22			104			180	
Net interest income as reported		$ 120,066			$ 109,062			$ 88,930	
Net interest-earning assets [4]	$ 1,013,733			$ 703,601			$ 535,822		
Net interest margin [5]			3.06 %			3.14 %			3.22 %
Tax equivalent effect			—			—			—
Net interest margin on a fully tax equivalent basis			3.06 %			3.14 %			3.22 %
Ratio of interest-earning assets to interest-bearing liabilities	134.81 %			125.39 %			124.05 %		
Supplemental information:									
Total deposits, including demand deposits	$ 3,262,494	$ 22,793		$ 2,894,612	$ 37,057		$ 2,233,516	$ 20,563	
Cost of total deposits			0.70 %			1.28 %			0.92 %
Total funding liabilities, including demand deposits	$ 3,488,520	$ 28,492		$ 3,214,616	$ 45,722		$ 2,536,755	$ 26,778	
Cost of total funding liabilities			0.82 %			1.42 %			1.06 %

[1] Includes securities available for sale and securities held to maturity. Interest income from tax exempt securities is computed on a taxable equivalent basis using a tax rate of 21%. The yield on investments before tax equivalent adjustments was 2.12%, 2.78% and 2.72% for the years ended December 31, 2020, 2019 and 2018, respectively.

[2] Includes nonaccruing loan balances and interest received on such loans.

[3] Net interest rate spread represents the difference between the yield on average interest-earning assets and the cost of average interest-bearing liabilities.

[4] Net interest-earning assets represents total interest-earning assets less total interest-bearing liabilities.

[5] Net interest margin represents net interest income divided by average total interest-earning assets.

Rate/Volume Analysis. The following table presents, on a tax equivalent basis, the effects of changing rates and volumes on our net interest income for the periods indicated, on a consolidated basis. The rate column shows the effects attributable to changes in rate (changes in rate multiplied by prior volume). The volume column shows the effects attributable to changes in volume (changes in volume multiplied by prior rate). The total column represents the sum of the prior columns. For purposes of this table, changes attributable to both rate and volume, which cannot be segregated, have been allocated proportionately based on the changes due to rate and the changes due to volume.

	Year Ended December 31,					
	2020 v. 2019			2019 v. 2018		
	Increase (Decrease) Due to Changes in		Total	Increase (Decrease) Due to Changes in		Total
	Volume	Rate	Increase (Decrease)	Volume	Rate	Increase (Decrease)
	(in thousands)					
Interest-earning assets:						
Investment securities	$ 510	$ (1,798)	$ (1,288)	$ 178	$ 85	$ 263
Other interest-earning assets	1,041	(2,723)	(1,682)	1,507	(128)	1,379
Loans held for sale	1,929	(804)	1,125	830	(268)	562
Loans						
Commercial loans	19,155	(17,032)	2,123	21,391	1,080	22,471
Residential real estate loans	335	(3,364)	(3,029)	9,754	4,360	14,114
Consumer loans	(3,932)	375	(3,557)	(1,363)	1,574	211
Total loans	15,558	(20,021)	(4,463)	29,782	7,014	36,796
Total interest-earning assets	19,038	(25,346)	(6,308)	32,297	6,703	39,000
Interest-bearing liabilities:						
Savings accounts	1,357	(1,047)	310	117	2,160	2,277
NOW accounts	58	(19)	39	18	—	18
Money market accounts	(91)	(7,334)	(7,425)	1,707	4,201	5,908
Certificates of deposit	(2,028)	(3,922)	(5,950)	2,548	4,532	7,080
Brokered deposit	108	(1,346)	(1,238)	383	828	1,211
Total interest-bearing deposits	(596)	(13,668)	(14,264)	4,773	11,721	16,494
FHLB advances	(1,909)	(1,075)	(2,984)	(104)	1,218	1,114
Subordinated debentures	7	11	18	1,376	(40)	1,336
Total borrowings	(1,902)	(1,064)	(2,966)	1,272	1,178	2,450
Total interest-bearing liabilities	(2,498)	(14,732)	(17,230)	6,045	12,899	18,944
Change in net interest income	$ 21,536	$ (10,614)	$ 10,922	$ 26,252	$ (6,196)	$ 20,056

Interest and Dividend Income. Tax equivalent interest and dividend income decreased $6.3 million, or 4.07%, in 2020, compared to 2019, primarily reflecting the repricing of adjustable rate loans and new loan originations at lower rates. Loan interest income decreased $4.5 million to $137.8 million, average loans increased $323.6 million and the yield decreased 58 basis points from a year ago. Loan interest income includes $4.9 million, as compared to $3.6 million in 2019, in accretion income from the fair value discount on loans acquired from Coastway. Loan interest income for the year ended December 31, 2020 also includes $2.5 million recognition of origination fees on the Paycheck Protection Payment loans.

Interest Expense. Compared to 2019, interest expense for the year ended December 31, 2020 decreased $17.2 million, or 37.7% to $28.5 million from $45.7 million. The decrease primarily reflects a 66 basis point decrease in the cost of interest-bearing deposits, partially offset by an increase of $235.3 million in average interest-bearing deposits, resulting in a $14.3 million decrease in interest expense on deposits. The cost of deposit funds was significantly impacted by falling rates and the deposit mix, as customers moved to more liquid options. Money market accounts and certificates of deposits were the primary drivers of the rate decreases, decreasing 85 basis points and 52 basis points, respectively. The cost of FHLB borrowings decreased 42 basis points and the average balance decreased $94.1 million, resulting in a $3.0 million decrease in interest expense on FHLB borrowings.

Net Interest and Dividend Income. Compared to 2019, tax equivalent net interest and dividend income for the year ended December 31, 2020 increased $10.9 million, or 10.0%, to $120.1 million from $109.2 million. The tax equivalent net interest spread decreased 1 basis point to 2.80% for the year ended December 31, 2020 from 2.81% for the year ended December 31, 2019, and net interest margin on a tax equivalent basis decreased 8 basis points to 3.06% for the year ended December 31, 2020 from 3.14% for the year ended December 31, 2019. The decrease in margin and spread was offset by the increase in interest-earning assets.

Income Tax Provision. The provision for income taxes and effective tax rate for the year ended December 31, 2020 was $13.2 million and 22.8%, respectively, compared to $4.4 million and 19.4%, respectively, for the year ended December 31, 2019. The 2020 tax provision was impacted by a 2016 federal tax refund of $1.9 million recognized on the expiration of the statute of limitations. During 2019, federal and state tax refunds of $2.5 million were recognized.

Segments. The Company has two reportable segments: HarborOne Bank and HarborOne Mortgage. Revenue from HarborOne Bank consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. Revenue from HarborOne Mortgage is comprised of interest earned on loans and fees received as a result of the residential mortgage origination, sale and servicing process. The table below shows the results of operations for the Company's segments, HarborOne Bank and HarborOne Mortgage, for the years ended December 31, 2020 and 2019, and the increase or decrease in those results.

	HarborOne Bank				HarborOne Mortgage			
	Year Ended December 31,		Increase (Decrease)		Year Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent	2020	2019	Dollars	Percent
	(dollars in thousands)							
Net interest and dividend income	$ 118,217	$ 109,106	$ 9,111	8.4 %	$ 3,235	$ 1,064	$ 2,171	204.0 %
Provision for loan losses	34,815	4,747	30,068	633.4	—	—	—	—
Net interest and dividend income, after provision for loan losses	83,402	104,359	(20,957)	(20.1)	3,235	1,064	2,171	204.0
Mortgage banking income:								
Gain on sale of mortgage loans	—	1	(1)	(100.0)	105,469	33,556	71,913	214.3
Intersegment gain (loss)	(3,148)	(1,183)	(1,965)	(166.1)	3,148	1,183	1,965	166.1
Changes in mortgage servicing rights fair value	(2,376)	(1,431)	(945)	(66.0)	(4,356)	(4,810)	454	9.4
Other	1,360	1,494	(134)	(9.0)	14,278	8,842	5,436	61.5
Total mortgage banking income (loss)	(4,164)	(1,119)	(3,045)	(272.1)	118,539	38,771	79,768	205.7
Other noninterest income (loss)	24,909	23,365	1,544	6.6	(138)	(45)	(93)	(206.7)
Total noninterest income	20,745	22,246	(1,501)	(6.7)	118,401	38,726	79,675	205.7
Noninterest expense	98,354	100,688	(2,334)	(2.3)	66,859	39,753	27,106	68.2
Income (loss) before income taxes	5,793	25,917	(20,124)	(77.6)	54,777	37	54,740	NM
Provision (benefit) for income taxes	527	5,019	(4,492)	(89.5)	12,964	(77)	13,041	NM
Net income (loss)	$ 5,266	$ 20,898	$ (15,632)	(74.8)%	$ 41,813	$ 114	$ 41,699	NM %

HarborOne Bank Segment

Results of Operations for the Years Ended December 31, 2020 and 2019

Net Income. Bank net income for the year ended December 31, 2020 decreased $15.6 million, or 74.8%, to $5.3 million from $20.9 million for the year ended December 31, 2019. The decrease in net income reflects an increase of $30.1 million in provision for loan losses and a decrease of $1.5 million in noninterest income, partially offset by a $2.3 million decrease in noninterest expense and a decrease in provision for income taxes of $4.5 million.

Provision for Loan Losses. We recorded a provision for loan losses of $34.8 million for the year ended December 31, 2020, compared to $4.7 million for the year ended December 31, 2019. The year ended December 31, 2020 included $19.6 million of provision directly related to the estimate of incurred losses and uncertainty resulting from the impact of the COVID-19 pandemic. The provision also includes adjustments for our historical and peer loss experience rates and commercial loan growth. Additionally, there was a provision and charge-off in the amount of $937,000 related to two non-performing commercial loans that were transferred out of the portfolio and subsequently sold during the year ended December 31, 2020. For the year ended December 31, 2020, the Bank recorded net charge-offs of $3.5 million compared to $1.3 million for the year ended December 31, 2019. Nonaccrual loans increased to $34.1 million at December 31, 2020 from $30.3 million at December 31, 2019. The increase in nonaccrual loans is primarily due commercial real estate loans.

Noninterest Income. Compared to the year ended December 31, 2019, total noninterest income for the year ended December 31, 2020 decreased $1.5 million, or 6.7%, to $20.7 million from $22.2 million. The following table sets forth the components on non-interest income:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent
	(dollars in thousands)			
Gain on sale of mortgage loans	$ —	$ 1	$ (1)	(100.0)%
Intersegment loss	(3,148)	(1,183)	(1,965)	(166.1)
Secondary market loan servicing fees, net of guarantee fees	1,360	1,494	(134)	(9.0)
Changes in mortgage servicing rights fair value	(2,376)	(1,431)	(945)	(66.0)
Total mortgage banking income	(4,164)	(1,119)	(3,045)	(272.1)%
Interchange fees	8,869	8,296	573	6.9
Other deposit account fees	5,149	7,998	(2,849)	(35.6)
Income on retirement plan annuities	414	402	12	3.0
Loss on asset held for sale	—	(482)	482	100.0
Gain on sale and call of securities	2,533	1,344	1,189	88.5
Bank-owned life insurance income	2,215	1,105	1,110	100.5
Swap fee income	1,531	2,798	(1,267)	(45.3)
Other	4,198	1,904	2,294	120.5
Total noninterest income	$ 20,745	$ 22,246	$ (1,501)	(6.7)%

The primary reasons for the changes within the noninterest income categories shown in the preceding tables are noted below:

- The Bank records an intersegment loss on loans purchased from HarborOne Mortgage that is offset in consolidation. The Bank has purchased $371.4 million residential mortgage loans from HarborOne Mortgage during 2020.
- The decrease in other deposit fees reflects fee policy changes established in response to our customer needs related to the COVID-19 pandemic.
- Other noninterest income includes $1.6 million in income from the sale of VISA B shares held in the investment portfolio.
- The gain on sale and call of securities primarily reflects gain recognized on the sale of $72.3 million of securities.
- The increase in bank-owned life insurance reflects an additional investment of $41.4 million in BOLI at the end of 2019.
- Swap fee income is collected and recorded at the time the swap contract is entered into and therefore income fluctuates as a function of the swap agreements entered into in a period.
- The loss on asset held for sale in 2019 reflects the write down to fair value on the transfer of the former Coastway corporate office in Warwick, RI to assets held for sale. The closing on the sale occurred in 2020 with no additional gain or loss being recorded at the time of sale.

Noninterest Expense. Noninterest expense for the year ended December 31, 2020 decreased $2.3 million, or 2.3% to $98.4 million from $100.7 million for the year ended December 31, 2019. The following table sets forth the components on noninterest expense:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent
	(dollars in thousands)			
Compensation and benefits	$ 54,380	$ 57,566	$ (3,186)	(5.5)%
Occupancy and equipment	14,527	14,416	111	0.8
Data processing expenses	8,532	8,392	140	1.7
Loan expenses	1,146	1,851	(705)	(38.1)
Marketing	3,138	3,366	(228)	(6.8)
Deposit expenses	1,874	1,583	291	18.4
Postage and printing	1,632	1,735	(103)	(5.9)
Professional fees	4,087	3,724	363	9.7
Foreclosed and repossessed assets	(4)	13	(17)	(130.8)
Deposit insurance	1,180	1,035	145	14.0
Other expenses	7,862	7,007	855	12.2
Total noninterest expense	$ 98,354	$ 100,688	$ (2,334)	(2.3)%

The primary reasons for the significant changes within the noninterest expense categories shown in the preceding table are noted below:

- The compensation and benefits decrease reflects a decrease in salary cost due the staff realignment that was undertaken in the third quarter and a decrease in 401(k) expense due to a change in the Company's contribution rate from 9.3% to 5% of the social security wage base. The prior year included the accrual of compensation for the employment agreement of a former Coastway executive.

- The decreases in loan expenses is due a decrease in lease termination expense as the lease auto loan portfolio runs off.

- The increase in deposit expense reflects an increase in customer bad check losses.

- Fluctuations in marketing and professional expenses are due to strategic efforts.

- The increase in other expenses is due to $1.7 million in COVID-19 pandemic expenses partially offset by a decrease of $635,000 in amortization of core deposit intangibles.

HarborOne Mortgage Segment

Results of Operations for the Year Ended December 31, 2020 and 2019.

Net Income. HarborOne Mortgage recorded a net income of $41.8 million for the year ended December 31, 2020, as compared to net income of $114,000 for the year ended December 31, 2019. The HarborOne Mortgage segment's results are heavily impacted by prevailing rates, refinancing activity and home sales.

Noninterest Income. For the years ended December 31, 2020 and 2019, noninterest income totaled $118.5 million and $38.8 million, respectively. Noninterest income is primarily from mortgage banking income for which the following table provides further detail:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent
	(dollars in thousands)			
Gain on sale of mortgage loans	$ 105,469	$ 33,556	$ 71,913	214.3 %
Intersegment gain	3,148	1,183	1,965	166.1
Processing, underwriting and closing fees	10,608	5,426	5,182	95.5
Secondary market loan servicing fees net of guarantee fees	3,670	3,416	254	7.4
Changes in mortgage servicing rights fair value	(4,356)	(4,810)	454	9.4
Total mortgage banking income	$ 118,539	$ 38,771	$ 79,768	205.7 %
Originated mortgage servicing rights included in gain on sale of mortgage loans	$ 13,722	$ 1,173	$ 12,549	NM %
Change in 10-year Treasury Constant Maturity rate in basis points	(99)	(77)		

For the years ended December 31, 2020 and 2019, HarborOne Mortgage closed $2.81 billion and $1.33 billion, respectively, of residential mortgage loans. The following tables provide additional loan production detail:

	Year Ended December 31,			
	2020		2019	
	Loan Amount	% of Total	Loan Amount	% of Total
	(dollars in thousands)			
Product Type				
Conventional	$ 2,122,262	75.5 %	$ 912,246	68.4 %
Government	163,467	5.8	202,025	15.1
State Housing Agency	84,975	3.0	58,454	4.4
Jumbo	442,800	15.7	161,238	12.1
Seconds	690	0.0	496	—
Total	$ 2,814,194	100.0 %	$ 1,334,459	100.0 %
Purpose				
Purchase	$ 1,064,419	37.8 %	$ 791,480	59.3 %
Refinance	1,703,193	60.5	525,446	39.4
Construction	46,582	1.7	17,533	1.3
Total	$ 2,814,194	100.0 %	$ 1,334,459	100.0 %

The primary reason for the changes within the noninterest income categories shown in the preceding tables are noted below:

- Gain on sale of mortgage loans increased $71.9 million, or 217.3%, due to increased residential mortgage demand as a result of increased refinance and purchase activity in 2020 due to lower mortgage interest rates. Included in the gain on mortgage sales was $13.7 million of originated mortgage servicing rights for the year ended December 31, 2020 as compared to $1.2 million for the year ended December 31, 2019.

- Processing, underwriting and closing fees increased, due to volume increases.

- Secondary market loan servicing fees, net of guarantee fees increased consistent with an increase in the average balance of the serviced portfolio. The unpaid balance of the servicing portfolio totaled $2.56 billion and $1.28 billion at December 31, 2020 and 2019, respectively.

- The change in the MSR fair value is consistent with the change in the 10-year Treasury Constant Maturity rate. As interest rates fall, prepayment speeds increase and resulting in a decrease in MSR fair value. The Federal Reserve cuts to the federal funds rate resulted in the 10-year Treasury Constant Maturity rate decreasing 99 basis points for the year ended December 31, 2020, negatively impacting the fair value of the mortgage servicing rights. Decreasing interest rates generally result in a decrease in mortgage servicing rights fair value as the assumed prepayment speeds of the underlying mortgage loans tend to increase. Conversely, as interest rates rise and prepayment speeds slow, mortgage servicing rights fair value tends to increase. Residential mortgage loan payoffs also resulted in accelerated amortization of MSRs of $3.1 million and $1.6 million for the year ended December 31, 2020 and 2019, respectively. At December 31, 2020 and 2019, mortgage servicing rights were $21.8 million and $12.4 million, respectively.

Noninterest Expense. Noninterest expense increased $27.1 million or 68.2%, to $66.9 million for the year ended December 31, 2020 from $39.8 million. The following table sets forth the components on noninterest expense:

	Year Ended December 31,		Increase (Decrease)	
	2020	2019	Dollars	Percent
	(dollars in thousands)			
Compensation and benefits	$ 51,847	$ 29,566	$ 22,281	75.4 %
Occupancy and equipment	3,240	2,909	331	11.4
Data processing expenses	280	300	(20)	(6.7)
Loan expenses	9,130	4,351	4,779	109.8
Marketing	252	339	(87)	(25.7)
Postage and printing	136	150	(14)	(9.3)
Professional fees	892	1,556	(664)	(42.7)
Other expenses	1,082	582	500	85.9
Total noninterest expense	$ 66,859	$ 39,753	$ 27,106	68.2 %

The primary reason for the changes within the noninterest expense categories shown in the preceding tables are noted below:

- The increase in compensation and benefits and loan expenses reflects increases consistent with the increase in loan origination volume.

- Occupancy and equipment expense increased due to an increase in rent on leased premises.

- The decrease in professional fees reflects 2019 consulting expenses to review the filings effected by the Home Mortgage Disclosure Act and no such expenses in 2020.

- Other expenses includes $107,000 in pandemic expense with no such expense in 2019.

Comparison of Results of Operations for the Years Ended December 31, 2019 and 2018

Results of Operations for the Years Ended December 31, 2019 and 2018 are included in the December 31, 2019 Annual Report on Form 10-K filed by HarborOne Bancorp's predecessor company, also named HarborOne Bancorp, Inc., with the Securities and Exchange Commission on March 13, 2020.

Asset Quality

The following table provides information with respect to our nonperforming assets and troubled debt restructurings at the dates indicated. We did not have any accruing loans past due 90 days or more at the dates presented.

	December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Nonaccrual loans:					
Residential real estate:					
One- to four-family	$ 11,611	$ 10,610	$ 12,120	$ 13,308	$ 16,456
Second mortgages and equity lines of credit	834	1,561	1,649	876	1,686
Commercial real estate	12,486	530	298	312	—
Commercial construction	—	11,244	—	130	134
Commercial and industrial	8,606	5,831	3,087	3,038	2,674
Consumer	564	545	557	191	230
Total nonaccrual loans [(1)]	34,101	30,321	17,711	17,855	21,180
Other real estate owned and repossessed assets:					
One- to four-family residential real estate owned	297	298	556	665	1,767
Other repossessed assets	298	421	193	97	—
Total nonperforming assets	34,696	31,040	18,460	18,617	22,947
Performing troubled debt restructurings	11,652	15,104	17,899	20,377	25,134
Total nonperforming assets and performing troubled debt restructurings	$ 46,348	$ 46,144	$ 36,359	$ 38,994	$ 48,081
Total nonperforming loans to total loans [(2)]	0.98 %	0.96 %	0.59 %	0.81 %	1.06 %
Total nonperforming assets and performing troubled debt restructurings to total assets	1.03 %	1.14 %	1.00 %	1.45 %	1.96 %
Total nonperforming assets to total assets	0.77 %	0.76 %	0.51 %	0.69 %	0.94 %

[(1)] $3.6 million and $5.0 million of troubled debt restructurings are included in total nonaccrual loans at December 31, 2020 and December 31, 2019, respectively

[(2)] Total loans is presented before allowance for loan losses, but includes deferred loan origination costs (fees), net.

Income related to impaired loans included in interest income for the years ended December 31, 2020, 2019 and 2018 amounted to $1.2 million, $2.0 million and $1.8 million, respectively. If nonperforming and restructured loans had been performing in accordance with their original terms, we estimate the income earned on those loans to be $2.1 million, $2.5 million and $2.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Classified Assets. Federal regulations require us to review and classify assets on a regular basis. In addition, the FDIC and the Massachusetts Commissioner of Banks have the authority to identify problem assets and, if appropriate, require them to be classified. There are three classifications for problem assets: substandard, doubtful and loss. "Substandard assets" must have one or more defined weaknesses and are characterized by the distinct possibility that we will sustain some loss if the deficiencies are not corrected. "Doubtful assets" have the weaknesses of substandard assets with the additional characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values questionable, and there is a high possibility of loss. An asset classified as "loss" is considered uncollectible and of such little value that continuance as an asset of the institution is not warranted. When management classifies a loan as substandard or doubtful, a specific allowance for loan losses may be established. If management classifies a loan as loss, an amount equal to 100.0% of the portion of the loan classified loss is charged to the allowance for loan losses. The regulations also provide for a "special mention" category, described as loans that do not currently expose us to a sufficient degree of risk to warrant classification, but do possess credit deficiencies or potential weaknesses deserving our close attention. We utilize a ten-grade internal loan rating system for commercial real estate, commercial construction and commercial loans. Loans not rated consist primarily of certain smaller balance commercial real estate and commercial loans that are managed by exception.

The following table presents our risk rated loans considered classified or special mention in accordance with our internal risk rating system:

	December 31,		
	2020	2019	2018
		(in thousands)	
Classified loans:			
Substandard	$ 16,535	$ 14,997	$ 4,398
Doubtful	4,557	2,435	1,930
Loss	—	—	—
Total classified loans	21,092	17,432	6,328
Special mention	17,796	25,357	30,296
Total criticized loans	$ 38,888	$ 42,789	$ 36,624

None of the special mention assets at December 31, 2020, 2019 or 2018 were on nonaccrual. The increase in classified loans at December 31, 2020 was primarily caused by commercial real estate loans. As of December 31, 2020 classified loans includes two hotel loans that amount to $12.0 million and 5 loans to one borrower that amount to $5.4 million.

At December 31, 2020, our allowance for loan losses was $55.4 million, or 1.59% of total loans and 162.44% of nonperforming loans. At December 31, 2019, our allowance for loan losses was $24.1 million, or 0.76% of total loans and 79.35% of nonperforming loans. Nonperforming loans at December 31, 2020 were $34.1 million, or 0.98% of total loans, compared to $30.3 million, or 0.96% of total loans, at December 31, 2019. The allowance for loan losses is maintained at a level that represents management's best estimate of losses in the loan portfolio at the balance sheet date. However, there can be no assurance that the allowance for loan losses will be adequate to cover losses which may be realized in the future or that additional provisions for loan losses will not be required.

Delinquencies. The following table provides information about delinquencies in our loan portfolio at the dates indicated.

	At December 31,														
	2020			2019			2018			2017			2016		
	Days Past Due			Days Past Due			Days Past Due			Days Past Due			Days Past Due		
	30-59	60-89	90 or more	30-59	60-89	90 or more	30-59	60-89	90 or more	30-59	60-89	90 or more	30-59	60-89	90 or more
	(in thousands)														
Residential real estate:															
One- to four-family	$ 12,148	$ 2,223	$ 6,418	$ 9,364	$ 5,622	$ 5,668	$ 1,283	$ 4,554	$ 6,516	$ 3,269	$ 1,116	$ 5,267	$ 4,955	$ 1,873	$ 7,964
Second mortgages and equity lines of credit	460	46	433	418	77	760	846	237	754	256	110	296	588	190	724
Residential construction	471	—	—	—	—	—	—	—	—	—	—	—	—	—	134
Commercial real estate	416	—	3,369	261	4,730	191	—	—	298	—	312	—	—	—	—
Commercial construction	—	—	—	—	—	1,960	—	—	—	—	—	—	—	—	—
Commercial and industrial	444	191	1,243	2,000	722	3,133	34	550	2,575	2	—	260	55	—	387
Consumer	1,745	408	490	3,249	472	470	2,140	502	457	1,673	364	183	2,081	338	173
Total	$ 15,684	$ 2,868	$ 11,953	$ 15,292	$ 11,623	$ 12,182	$ 4,303	$ 5,843	$ 10,600	$ 5,200	$ 1,902	$ 6,006	$ 7,679	$ 2,401	$ 9,382

The following table sets forth the breakdown of the allowance for loan losses by loan category at the dates indicated:

	December 31,														
	2020			2019			2018			2017			2016		
	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans	Amount	% of Allowance Amount to Total Allowance	% of Loans in Category to Total Loans
	(dollars in thousands)														
Residential real estate:															
One- to four-family	$ 6,152	11.11 %	26.58 %	$ 2,606	10.83 %	29.44 %	$ 2,681	12.98 %	31.63 %	$ 3,375	18.25 %	30.98 %	$ 4,193	24.70 %	34.09 %
Second mortgages and equity lines of credit	1,072	1.94	4.17	551	2.29	4.88	508	2.46	5.31	525	2.84	4.07	770	4.54	4.68
Residential construction	195	0.35	0.89	21	0.09	0.44	50	0.24	0.49	100	0.54	0.54	163	0.96	0.72
Commercial real estate	34,765	62.76	44.39	12,875	53.51	37.03	10,059	48.70	31.35	7,835	42.38	29.95	7,150	42.14	24.93
Commercial construction	1,955	3.53	2.84	2,526	10.50	4.86	2,707	13.11	5.42	1,810	9.79	5.33	761	4.49	2.22
Commercial and industrial	5,311	9.59	13.29	2,977	12.37	9.67	2,286	11.07	9.30	2,254	12.19	5.00	1,920	11.32	5.05
Consumer	2,475	4.47	7.84	1,010	4.20	13.68	1,154	5.59	16.50	1,000	5.41	24.12	780	4.60	28.31
Total general and allocated allowance	51,925	93.74	100.00 %	22,566	93.79	100.00 %	19,445	94.15	100.00 %	16,899	91.40	100.00 %	15,737	92.75	100.00 %
Unallocated	3,470	6.26		1,494	6.21		1,210	5.85		1,590	8.60		1,231	7.25	
Total	$ 55,395	100.00 %		$ 24,060	100.00 %		$ 20,655	100.00 %		$ 18,489	100.00 %		$ 16,968	100.00 %	

Analysis of Loan Loss Experience. The following table sets forth an analysis of the allowance for loan losses for the periods indicated:

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	(dollars in thousands)				
Allowance at beginning of period	$ 24,060	$ 20,655	$ 18,489	$ 16,968	$ 13,700
Provision for loan losses	34,815	4,747	3,828	2,416	4,172
Charge offs:					
Residential real estate:					
One- to four-family	(51)	(20)	(50)	(126)	(346)
Second mortgages and equity lines of credit	(9)	(116)	—	(18)	(56)
Commercial Real Estate	(1,240)	—	(94)	—	—
Commercial Construction	(937)	—	—	—	—
Commercial and industrial	(1,471)	(1,075)	(990)	(134)	(27)
Consumer	(599)	(891)	(847)	(1,039)	(935)
Total charge-offs	(4,307)	(2,102)	(1,981)	(1,317)	(1,364)
Recoveries:					
Residential real estate:					
One- to four-family	218	314	1	96	203
Second mortgages and equity lines of credit	122	168	49	70	66
Commercial real estate	1	6	—	—	—
Commercial and industrial	253	22	14	16	9
Consumer	233	250	255	240	182
Total recoveries	827	760	319	422	460
Net charge-offs	(3,480)	(1,342)	(1,662)	(895)	(904)
Allowance at end of period	$ 55,395	$ 24,060	$ 20,655	$ 18,489	$ 16,968
Total loans outstanding at end of period	$ 3,494,642	$ 3,165,733	$ 2,980,252	$ 2,188,322	$ 1,988,784
Average loans outstanding	$ 3,383,317	$ 3,059,680	$ 2,474,644	$ 2,165,806	$ 1,931,271
Allowance for loan losses as a percent of total loans outstanding at end of period	1.59 %	0.76 %	0.69 %	0.84 %	0.85 %
Annualized net loans charged off as a percent of average loans outstanding	0.10 %	0.04 %	0.07 %	0.04 %	0.05 %
Allowance for loan losses to nonperforming loans at end of period	162.44 %	79.35 %	116.62 %	103.55 %	80.11 %

For the years ended December 31, 2020 and 2019, we recorded a provision for loan losses of $34.8 million and $4.7 million, respectively. The provision for loan losses for the year ended December 31, 2020 included adjustments for our analysis of our historical and peer loss experience rates, commercial real estate loan growth, and a $19.6 million provision directly related to the estimate of incurred losses and uncertainty resulting from the impact of the COVID-19 pandemic. The allowance for loan losses also reflects an additional provision expense and charge-off in the amount of $937,000 related to two non-performing commercial loans that were transferred out of portfolio and subsequently sold during the year. The provision for loan losses for the year ended December 31, 2019 primarily reflected total commercial loan growth and overall credit quality indicators.

Management of Market Risk

Net Interest Income Analysis. The Bank uses income simulation as the primary tool for measuring interest-rate risk inherent in our balance sheet at a given point in time by showing the effect on net interest income, over specified time frames and using different interest rate shocks and ramps. The assumptions include, but are not limited to, management's best assessment of the effect of changing interest rates on the prepayment speeds of certain assets and liabilities, projections for account balances in each of the product lines offered and the historical behavior of deposit rates and balances in relation to changes in interest rates. These assumptions are inherently changeable, and as a result, the model is not expected to precisely measure net interest income or precisely predict the impact of fluctuations in interest rates on net interest income. Actual results will differ from the simulated results due to timing, magnitude, and

frequency of interest rate changes as well as changes in the balance sheet composition and market conditions. Assumptions are supported with quarterly back-testing of the model to actual market rate shifts.

The table below presents the estimated impact of interest rate changes on our estimated net interest income over one year:

December 31, 2020	
Changes in Interest Rates (basis points) [1]	**Change in Net Interest Income Year One (% change from year one base)**
+300	9.7 %
-100	(8.2)%

[1] The calculated change in net interest income assumes an instantaneous parallel shift of the yield curve.

Economic Value of Equity Analysis. The Bank also uses the net present value of equity at risk, or "EVE," methodology. This methodology calculates the difference between the present value of expected cash flows from assets and liabilities. The comparative scenarios assume an immediate parallel shift in the yield curve up 300 basis points and down 100 basis points.

The table below sets forth, as of December 31, 2020, the estimated changes in the net economic value of equity that would result from the designated changes in the United States Treasury yield curve under an instantaneous parallel shift for the Bank. Computations of prospective effects of hypothetical interest rate changes are based on numerous assumptions, including relative levels of market interest rates, loan prepayments and deposit decay, and should not be relied upon as indicative of actual results.

At December 31, 2020					
		Estimated Increase (Decrease) in EVE		**EVE as a Percentage of Economic Value of Assets**	
Changes in Interest Rates (basis points) [1]	**Estimated EVE**	**Amount**	**Percent**	**EVE Ratio [2]**	**Changes in Basis Points**
	(dollars in thousands)				
+ 300	$ 793,351	$ 83,071	11.7 %	18.8 %	3.1
0	710,280	—	—	15.7	—
- 100	575,318	(134,962)	(19.0)	12.6	(3.1)

[1] Assumes instantaneous parallel changes in interest rates.
[2] EVE Ratio represents EVE divided by the economic value of assets.

The board of directors and management review the methodology's measurements for both net interest income and EVE on a quarterly basis to determine whether the exposure resulting from the changes in interest rates remains within established tolerance levels and develops appropriate strategies to manage this exposure.

Liquidity Management and Capital Resources

Liquidity measures the Company's ability to meet both current and future financial obligations of a short and long term nature. Liquidity planning is necessary for the Company to ensure it has the ability to respond to the needs of its customers as well as opportunities for earnings enhancements. While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows, calls of investment securities and prepayments and sales on loans are greatly influenced by general interest rates, economic conditions and competition.

The Company has both a liquidity and contingent liquidity policy. The management of both policies is monitored by ALCO which is responsible for establishing and monitoring liquidity targets as well as strategies to meet these targets. The projected cash flows are stress tested quarterly to estimate the needs for contingent funding outside of the normal course of business. To supplement liquidity, the Company has available collateral at the Federal Home Loan Bank of Boston, or FHLB of Boston and the Federal Reserve Bank of Boston. At December 31, 2020, the Bank had $741.7 million of additional borrowing capacity available at the FHLB of Boston and $65.3 million at the Federal Reserve Bank of Boston. The Bank also has a $25.0 million correspondent bank line of credit available. At December 31, 2020, the Bank had $149.1 million of borrowings outstanding with the FHLB of Boston. As of December 31, 2020, we have not experienced any signs of stress in our liquidity position as a result of the COVID-19 pandemic or otherwise. Management plans to continually monitor liquidity in future periods for signs of stress resulting from the COVID-19 pandemic.

Our cash flows are composed of three primary classifications: cash flows from operating activities, investing activities and financing activities as reported in our Consolidated Statements of Cash Flows included in our Consolidated Financial Statements.

Our most liquid assets are cash and cash equivalents. The level of these assets is dependent on our operating, financing, lending and investing activities during any given period. At December 31, 2020 cash and cash equivalents totaled $205.9 million.

Net cash used by operating activities was $27.0 million and $36.1 million for the years ended December 31, 2020 and 2019, respectively. Our primary investing activities are originating loans and purchasing securities. Net cash used in investing activities was $318.9 million and $228.8 million for the years ended December 31, 2020 and 2019, respectively. During the years ended December 31, 2020 and 2019, we had $306.4 million and $76.4 million, respectively, of loan originations, net of principal payments. During the year ended December 31, 2020, we purchased $191.6 million of securities and received proceeds from the maturities, prepayments and calls totaling $110.6 million. During the year ended December 31, 2019, those amounts were $109.3 million and $103.3 million, respectively. Net cash provided by financing activities was $340.1 million and $371.1 million for the years ended December 31, 2020 and 2019, respectively. Net cash provided by financing activities included $304.1 million from the offering in 2019. The net increase in deposits was $562.6 million for the year ended December 31, 2020 as compared to a net increase of $256.8 million for the prior year. The net decrease in borrowings was $205.0 million and $165.8 million for the years ended December 31, 2020 and 2019, respectively.

HarborOne Bank is subject to various regulatory capital requirements. At December 31, 2020, HarborOne Bank exceeded all regulatory capital requirements and was considered "well capitalized" under regulatory guidelines. See "*Supervision and Regulation—Capital Adequacy and Safety and Soundness—Regulatory Capital Requirements*" and Note 19 of the Notes to Consolidated Financial Statements.

At December 31, 2020, we had outstanding commitments to originate loans of $539.1 million and unadvanced funds on loans of $476.1 million. We anticipate that we will have sufficient funds available to meet our current loan origination commitments. Certificates of deposit that are scheduled to mature in less than one year from December 31, 2020 totaled $682.3 million. Management expects, based on historical experience, that a substantial portion of the maturing certificates of deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may use FHLB advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Off-Balance Sheet Arrangements and Contractual Obligations

Commitments. We are a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of our customers. These financial instruments include commitments to extend credit, which involve elements of credit and interest rate risk in excess of the amount recognized in the accompanying Consolidated Balance Sheets. The contract amount of these instruments reflects the extent of involvement we have in these particular classes of financial instruments. We use the same credit policies in making commitments as we do for on-balance sheet instruments. Our exposure to credit loss is represented by the contractual amount of the 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 and unadvanced funds on lines-of-credit generally have fixed expiration dates and may expire without being drawn upon. Therefore, the total commitment amount does not necessarily represent future cash requirements. We evaluate each customer's creditworthiness on a case-by-case basis. In addition, from time to time we enter into commitments to sell mortgage loans that we originate. For additional information, see Note 15 of the Notes to Consolidated Financial Statements.

Contractual Obligations. We are obligated to make future payments according to various contracts. The following table presents the expected future payments of contractual obligations aggregated by obligation type at December 31, 2020. FHLB advances payments are assumed to be at call date, subordinated notes are assumed to be a redemption date and certificate of deposits are assumed to occur at maturity.

	One year or less	More than one year to three years	More than three years to five years	More than five years	Total
			(in thousands)		
FHLB long-term advances	$ 101,750	$ 190	$ 10,987	$ 1,170	$ 114,097
Subordinated debt	—	—	35,000	—	35,000
Certificates of deposit	681,933	37,016	13,349	—	732,298
Operating leases	2,452	4,086	3,328	13,134	23,000
Total contractual obligations	$ 786,135	$ 41,292	$ 62,664	$ 14,304	$ 904,395

Impact of Inflation and Changing Prices

Our Consolidated Financial Statements, including the notes thereto, and related financial data presented herein have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP"). GAAP generally requires the measurement of financial position and operating results in terms of historical dollars without consideration of 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 the effects of inflation.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information regarding quantitative and qualitative disclosures about market risk appears under Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" under the caption "Management of Market Risk".

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

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Crowe LLP
Independent Member Crowe Global

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Stockholders and the Board of Directors of HarborOne Bancorp, Inc.
Brockton, Massachusetts

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of HarborOne Bancorp, Inc. (the "Company") as of December 31, 2020, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for the year ended December 31, 2020, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and the results of its operations and its cash flows for the year ended December 31, 2020, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 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 the financial statements are free of material misstatement, whether due to error or fraud.

Our audit 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 audit 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 audit provides a reasonable basis for our opinion.

We have served as the Company's auditor since 2020.

/s/ Crowe LLP

New York, New York
March 12, 2021

Report of Independent Registered Public Accounting Firm

To the Stockholders and the Board of Directors of HarborOne Bancorp, Inc.:

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheet of HarborOne Bancorp, Inc. (the "Company") as of December 31, 2019, the related consolidated statements of income, comprehensive income, changes in stockholders' equity and cash flows for each of the two years in the period ended December 31, 2019, and the related notes to the consolidated financial statements (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2019, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2019, in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) ("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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

We served as the Company's auditor from 2008 to 2019.

/s/ Wolf & Company, P.C.

Boston, Massachusetts
March 13, 2020

MEMBER OF ALLINIAL GLOBAL,
AN ASSOCIATION OF LEGALLY INDEPENDENT FIRMS

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HarborOne Bancorp, Inc.

Consolidated Balance Sheets

(in thousands, except share data)	December 31, 2020	December 31, 2019
Assets		
Cash and due from banks	$ 31,777	$ 24,464
Short-term investments	174,093	187,152
Total cash and cash equivalents	205,870	211,616
Securities available for sale, at fair value	276,498	239,473
Securities held to maturity, at amortized cost	—	26,372
Federal Home Loan Bank stock, at cost	8,738	17,121
Assets held for sale	—	8,536
Loans held for sale, at fair value	208,612	110,552
Loans	3,494,642	3,171,558
Less: Allowance for loan losses	(55,395)	(24,060)
Net loans	3,439,247	3,147,498
Accrued interest receivable	11,874	9,807
Other real estate owned and repossessed assets	595	719
Mortgage servicing rights, at fair value	24,833	17,150
Property and equipment, net	49,580	47,951
Retirement plan annuities	13,747	13,333
Bank-owned life insurance	87,950	85,735
Goodwill	69,802	69,802
Intangible assets	4,370	6,035
Other assets	81,899	47,221
Total assets	$ 4,483,615	$ 4,058,921
Liabilities and Stockholders' Equity		
Deposits:		
Demand deposit accounts	$ 689,672	$ 406,403
NOW accounts	218,584	165,877
Regular savings and club accounts	998,994	626,685
Money market deposit accounts	866,661	856,830
Term certificate accounts	732,298	887,078
Total deposits	3,506,209	2,942,873
Short-term borrowed funds	35,000	183,000
Long-term borrowed funds	114,097	171,132
Subordinated debt	34,033	33,907
Mortgagors' escrow accounts	7,736	6,053
Accrued interest payable	1,262	1,669
Other liabilities and accrued expenses	88,964	54,493
Total liabilities	3,787,301	3,393,127
Commitments and contingencies (Notes 9 and 10)		
Common stock, $0.01 par value; 150,000,000 shares authorized; 58,834,970 and 58,489,222 shares issued; 57,205,458 and 58,418,021 shares outstanding at December 31, 2020 and December 31, 2019, respectively	584	584
Additional paid-in capital	464,176	460,232
Retained earnings	277,312	237,356
Treasury stock, at cost, 1,629,512 and 71,201 shares at December 31, 2020 and December 31, 2019, respectively	(16,644)	(721)
Accumulated other comprehensive income	2,185	1,480
Unearned compensation - ESOP	(31,299)	(33,137)
Total stockholders' equity	696,314	665,794
Total liabilities and stockholders' equity	$ 4,483,615	$ 4,058,921

The accompanying notes are an integral part of these Consolidated Financial Statements.

HarborOne Bancorp, Inc.

Consolidated Statements of Income

(in thousands, except share data)	Year Ended December 31, 2020	2019	2018
Interest and dividend income:			
Interest and fees on loans	$ 137,765	$ 142,228	$ 105,432
Interest on loans held for sale	3,892	2,767	2,205
Interest on taxable securities	5,510	6,325	5,624
Interest on non-taxable securities	103	494	856
Other interest and dividend income	1,288	2,970	1,591
Total interest and dividend income	148,558	154,784	115,708
Interest expense:			
Interest on deposits	22,793	37,057	20,563
Interest on FHLB borrowings	3,604	6,588	5,474
Interest on subordinated debentures	2,095	2,077	741
Total interest expense	28,492	45,722	26,778
Net interest and dividend income	120,066	109,062	88,930
Provision for loan losses	34,815	4,747	3,828
Net interest and dividend income, after provision for loan losses	85,251	104,315	85,102
Noninterest income:			
Mortgage banking income:			
Gain on sale of mortgage loans	105,469	33,557	23,353
Changes in mortgage servicing rights fair value	(6,732)	(6,241)	(1,396)
Other	15,638	10,336	8,652
Total mortgage banking income	114,375	37,652	30,609
Deposit account fees	14,018	16,294	13,500
Income on retirement plan annuities	414	402	433
Loss on disposal of asset held for sale	—	(482)	—
Gain on sale and call of securities, net	2,533	1,344	5
Bank-owned life insurance income	2,215	1,105	1,728
Other income	5,591	4,657	2,923
Total noninterest income	139,146	60,972	49,198
Noninterest expense:			
Compensation and benefits	105,615	86,787	70,568
Occupancy and equipment	17,841	17,396	13,212
Data processing	8,811	8,692	6,789
Loan expenses	10,276	6,202	5,382
Marketing	3,390	3,705	3,333
Deposit expenses	1,874	1,583	1,320
Postage and printing	1,819	1,935	1,494
Professional fees	5,456	5,689	3,832
Foreclosed and repossessed assets	(4)	13	95
Deposit insurance	1,180	1,035	2,097
Amortization of intangible assets	1,665	2,344	706
Merger expenses	—	—	5,092
Other expenses	8,465	7,230	6,173
Total noninterest expense	166,388	142,611	120,093
Income before income taxes	58,009	22,676	14,207
Income tax provision	13,217	4,408	2,813
Net income	$ 44,792	$ 18,268	$ 11,394
Earnings per common share [(1)]:			
Basic	$ 0.82	$ 0.33	$ 0.20
Diluted	$ 0.82	$ 0.33	$ 0.20
Weighted average shares outstanding [(1)]:			
Basic	54,313,368	55,731,637	56,689,591
Diluted	54,319,835	55,731,776	56,689,591

[(1)] Share amounts related to periods prior to the August 14, 2019 closing of the conversion offering have been restated to give retroactive recognition to the 1.795431 exchange ratio applied in the conversion offering (see Note 1).

The accompanying notes are an integral part of these Consolidated Financial Statements.

HarborOne Bancorp, Inc.

Consolidated Statements of Comprehensive Income

(in thousands)	Year Ended December 31, 2020	2019	2018
Net income	$ 44,792	$ 18,268	$ 11,394
Other comprehensive income:			
Unrealized gain/loss on cash flow hedge:			
Unrealized holding losses	(1,453)	—	—
Reclassification adjustment for net losses included in net income	46	—	—
Net change in unrealized losses on derivatives in cash flow hedging instruments	(1,407)	—	—
Related tax effect	394	—	—
Net-of-tax amount	(1,013)	—	—
Unrealized gain/loss on securities available for sale:			
Unrealized holding gains (losses)	4,214	6,266	(2,212)
Reclassification of unrealized gain on securities transferred to available for sale	522	—	—
Reclassification adjustment for net realized gains	(2,533)	(1,344)	—
Net unrealized gains (losses)	2,203	4,922	(2,212)
Related tax effect	(485)	(1,084)	486
Net-of-tax amount	1,718	3,838	(1,726)
Total other comprehensive income (loss)	705	3,838	(1,726)
Comprehensive income	$ 45,497	$ 22,106	$ 9,668

The accompanying notes are an integral part of these Consolidated Financial Statements.

HarborOne Bancorp, Inc.

Consolidated Statements of Changes in Stockholders' Equity

(in thousands, except share data)	Common Stock Outstanding Shares [1]	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at Cost	Accumulated Other Comprehensive Income (Loss)	Unearned Compensation - ESOP	Total Stockholders' Equity
Balance at December 31, 2017	58,616,160	327	147,060	207,590	(280)	(528)	(10,685)	343,484
Comprehensive income (loss)	—	—	—	11,394	—	(1,726)	—	9,668
Reclassification of stranded effect of tax rate change	—	—	—	104	—	(104)	—	—
ESOP shares committed to be released (106,576 shares)	—	—	503	—	—	—	594	1,097
Restricted stock awards forfeited, net of awards issued	(30,763)	—	—	—	—	—	—	—
Share-based compensation expense	—	—	4,593	—	—	—	—	4,593
Treasury stock purchased	(119,892)	—	—	—	(1,268)	—	—	(1,268)
Balance at December 31, 2018	58,465,505	$ 327	$ 152,156	$ 219,088	$ (1,548)	$ (2,358)	$ (10,091)	$ 357,574
Corporate Reorganization:								
Conversion of HarborOne Bancorp, Inc. (net of costs of $6.3 million)	8,760	257	303,804	—	—	—	—	304,061
Purchase of 2,482,945 shares by the ESOP	—	—	—	—	—	—	(24,829)	(24,829)
Treasury stock retired	—	—	(1,548)	—	1,548	—	—	—
Contributions of HarborOne Bancorp Mutual Bancshares	—	—	99	—	—	—	—	99
Comprehensive income	—	—	—	18,268	—	3,838	—	22,106
ESOP shares committed to be released (230,724 shares)	—	—	872	—	—	—	1,783	2,655
Restricted stock awards granted, net of awards forfeited	14,957	—	—	—	—	—	—	—
Share-based compensation expense	—	—	4,849	—	—	—	—	4,849
Treasury stock purchased	(71,201)	—	—	—	(721)	—	—	(721)
Balance at December 31, 2019	58,418,021	584	460,232	237,356	(721)	1,480	(33,137)	665,794
Comprehensive income	—	—	—	44,792	—	705	—	45,497
Dividends declared of $0.03 per share	—	—	—	(4,836)	—	—	—	(4,836)
ESOP shares committed to be released (230,723 shares)	—	—	265	—	—	—	1,838	2,103
Restricted stock awards granted, net of awards forfeited	345,748	—	—	—	—	—	—	—
Share-based compensation expense	—	—	3,679	—	—	—	—	3,679
Treasury stock purchased	(1,558,311)	—	—	—	(15,923)	—	—	(15,923)
Balance at December 31, 2020	57,205,458	$ 584	$ 464,176	$ 277,312	$ (16,644)	$ 2,185	$ (31,299)	$ 696,314

[1] Share amounts related to periods prior to the August 14, 2019 closing of the conversion offering have been restated to give retroactive recognition to the 1.795431 exchange ratio applied in the conversion offering (see Note 1).

The accompanying notes are an integral part of these Consolidated Financial Statements.

HarborOne Bancorp, Inc.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31, 2020	2019	2018
Cash flows from operating activities:			
Net income	$ 44,792	$ 18,268	$ 11,394
Adjustments to reconcile net income to net cash used by operating activities:			
Provision for loan losses	34,815	4,747	3,828
Net amortization of securities premiums/discounts	2,263	391	534
Proceeds from loans held for sale	2,460,786	1,105,494	849,949
Loans originated for sale	(2,446,830)	(1,138,718)	(800,642)
Net amortization of net deferred loan costs/fees and premiums	370	2,867	3,418
Depreciation and amortization of premises and equipment	4,011	4,394	3,241
Change in mortgage servicing rights fair value	6,732	6,241	1,396
Mortgage servicing rights capitalized	(14,415)	(1,173)	(2,521)
Accretion of fair value adjustment on loans and deposits, net	(4,175)	(2,838)	(1,242)
Amortization of intangible assets	1,665	2,344	706
Amortization of subordinated debt issuance costs	126	108	79
Gain on sale and call of securities, net	(2,533)	(1,344)	(5)
Net gains on mortgage loan sales, including fair value adjustments	(112,016)	(35,221)	(22,883)
Bank-owned life insurance income	(2,215)	(1,105)	(1,728)
Income on retirement plan annuities	(414)	(402)	(433)
Gain on sale of portfolio loans	—	—	(395)
Loss on disposal of asset held for sale	—	482	—
Net loss on disposal of premises and equipment	101	116	—
Net (gain) loss on sale and write-down of other real estate owned and repossessed assets	(41)	(69)	(15)
Deferred income tax benefit	(3,614)	(556)	(1,140)
ESOP expense	2,103	2,655	1,097
Share-based compensation expense	3,679	4,849	4,593
Change in other assets	(33,222)	(11,619)	1,929
Change in other liabilities	31,080	3,962	10,005
Net cash (used) provided by operating activities	(26,952)	(36,127)	61,165
Cash flows from investing activities:			
Activity in securities available for sale:			
Maturities, prepayments and calls	110,615	56,691	23,833
Purchases	(191,560)	(109,289)	(64,691)
Sales	67,574	28,391	—
Activity in securities held to maturity:			
Maturities, prepayment and calls	432	18,218	3,839
Purchases	—	—	(2,996)
Sales	4,759	—	1,015
Net redemption (purchase) of FHLB stock	8,383	7,848	(9,437)
Investment in bank-owned life insurance	—	(40,000)	—
Proceeds from life insurance policies	—	—	2,215
Proceeds on asset held for sale	8,536	—	—
Proceeds from sale of portfolio loans transferred to held for sale	10,000	—	105,823
Participation-in loan purchases	(27,133)	(112,259)	(91,939)
Loan originations, net of principal payments	(306,421)	(76,389)	(105,671)
Proceeds from sale of other real estate owned and repossessed assets	1,704	2,290	1,638
Additions to property and equipment	(5,741)	(4,434)	(5,545)
Cash paid, net of cash acquired, in business combinations	—	—	(73,987)
Cash received in MHC merger	—	99	—
Net cash used by investing activities	(318,852)	(228,834)	(215,903)

(continued)

The accompanying notes are an integral part of these Consolidated Financial Statements.

HarborOne Bancorp, Inc.

Consolidated Statements of Cash Flows

(in thousands)	Year Ended December 31, 2020	2019	2018
Cash flows from financing activities:			
Net increase in deposits	562,591	256,847	194,865
Net change in short-term borrowed funds	(148,000)	(107,000)	(29,000)
Proceeds from other borrowed funds and other long term borrowings	40,000	31,220	131,795
Repayment of other borrowed funds	(97,035)	(90,024)	(116,254)
Net change in mortgagors' escrow accounts	1,683	1,502	(670)
Purchase of shares by the ESOP	—	(24,829)	—
Treasury stock purchased	(15,923)	(721)	(1,268)
Net proceeds from sale of common stock	—	304,061	—
Dividends paid	(3,258)	—	—
Net cash provided by financing activities	340,058	371,056	179,468
Net change in cash and cash equivalents	(5,746)	106,095	24,730
Cash and cash equivalents at beginning of period	211,616	105,521	80,791
Cash and cash equivalents at end of period	$ 205,870	$ 211,616	$ 105,521
Supplemental cash flow information:			
Interest paid on deposits	$ 23,253	$ 36,824	$ 20,423
Interest paid on borrowed funds	5,910	8,933	5,227
Income taxes paid, net	18,089	3,627	2,834
Transfer of loans to other real estate owned and repossessed assets	1,540	2,191	1,654
Transfer of securities held to maturity to available for sale, fair value	22,051	—	105,823
Transfer of loans to loans held for sale	10,937	—	—
Transfer of asset to asset held for sale	—	8,536	—
Dividends declared	4,836	—	—

The accompanying notes are an integral part of these Consolidated Financial Statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Consolidation

HarborOne Bancorp, Inc. (the "Company") is the stock holding company of HarborOne Bank (the "Bank"), a Massachusetts-chartered savings bank, which in turn owns a residential mortgage banking company, HarborOne Mortgage, LLC ("HarborOne Mortgage"). HarborOne Mortgage was acquired as Merrimack Mortgage, LLC on July 1, 2015 and effective April 3, 2018 became HarborOne Mortgage. The Consolidated Financial Statements include the accounts of the Company, the Company's subsidiaries, Legion Parkway Company LLC, a security corporation formed on July 13, 2016 and HarborOne Bank; and the Bank's wholly-owned subsidiaries. HarborOne Mortgage, two security corporation subsidiaries and one passive investment subsidiary, which were established for the purpose of buying, holding and selling securities on their own behalf. All significant intercompany balances and transactions have been eliminated in consolidation.

Conversion and Reorganization

On August 14, 2019, the Company completed a second step conversion offering (the "Offering"). Prior to the completion of the Offering, approximately 53% of the shares of common stock of the Company were owned by HarborOne Mutual Bancshares, a mutual holding company (the "MHC"). The Company raised gross proceeds of $310.4 million and incurred expenses of $6.3 million, resulting in net cash proceeds of $304.1 million by selling 31,036,812 shares of common stock at $10.00 per share in the Offering, shares of common stock formerly held by the MHC. In addition, each share of the Company common stock owned by shareholders, other than the MHC, prior to the Offering was exchanged for 1.795431 shares of Company common stock, for a total of 12,162,763 shares of Company common stock that were issued in the exchange. The Company utilized $24.8 million to fund an additional ESOP loan, invested $151.3 million into the Bank's operations, and retained the remaining amount for general corporate purposes.

All historical share and per share information has been restated to reflect the 1.795431 exchange ratio.

The Company established a liquidation account in connection with Offering. The liquidation accounts are maintained for the benefit of the eligible account holders and supplemental eligible account holders who maintain their accounts at the Bank after the offering. The liquidation accounts are reduced annually to the extent that such account holders have reduced their qualifying deposits as of each anniversary date. Subsequent increases will not restore an account holder's interest in the liquidation account. The Company is not permitted to pay dividends on its capital stock if the Company's shareholders' equity would be reduced below the amount of the liquidation account.

Nature of Operations

The Company provides a variety of financial services to individuals and businesses through its 25 full-service bank branches in Massachusetts and Rhode Island, one limited-service bank branch, and a commercial lending office in each of Boston, Massachusetts and Providence, Rhode Island. HarborOne Mortgage maintains 36 offices in Massachusetts, Rhode Island, New Hampshire, Maine, New Jersey and Florida and originates loans in four additional states.

The Company's primary deposit products are checking, money market, savings and term certificate of deposit accounts while its primary lending products are commercial real estate, commercial, residential mortgages and consumer loans, including indirect automobile lease loans. The Company also originates, sells and services residential mortgage loans primarily through HarborOne Mortgage.

Risks and Uncertainties

On March 11, 2020, the World Health Organization declared the outbreak of a novel coronavirus ("COVID-19") as a global pandemic, and almost all public commerce and related business activities have been, to varying degrees, curtailed. The COVID-19 pandemic has caused economic and social disruption on an unprecedented scale. While some industries have been impacted more severely than others, all businesses have been impacted to some degree. The outbreak has also caused significant disruptions in the U.S. economy and has adversely impacted a broad range of industries in which the Company's customers operate, which has impaired, or

may impair in the future, their ability to fulfill their financial obligations to the Company. The Company's business is dependent upon the willingness and ability of its employees and customers to conduct banking and other financial transactions.

Congress, the President, and the Board of Governors of the Federal Reserve System (the "Federal Reserve") have taken several actions designed to cushion the economic fallout. Most notably, the Coronavirus Aid, Relief and Economic Security Act (the "CARES Act"), a $2 trillion legislative package, was signed into law at the end of March 2020. The goal of the CARES Act is to prevent a severe economic downturn through various measures, including direct financial aid to American families and economic stimulus to significantly impacted industry sectors. Additionally, the Economic Aid to Hard-Hit Small Businesses, Nonprofits, and Venues Act was enacted on December 27, 2020, providing for a second round of PPP loans ("PPP-2"). Also on December 27, 2020, the Consolidated Appropriations Act passed on December 27, 2020 provided the option of postponing adoption of the standard until the earlier of the end of the national emergency declaration related to the COVID-19 pandemic or December 31, 2022. The Federal Reserve also took actions to mitigate the economic impact of the COVID-19 pandemic, including cutting the federal funds rate 150 basis points and targeting a 0 to 25 basis point rate. In addition to the general impact of the COVID-19 pandemic, certain provisions of the CARES Act as well as other legislative and regulatory relief efforts are expected to have a material impact on the Company's operations.

The fiscal stimulus and relief programs have been an effective mitigant to credit losses in the near term; however, once these programs are discontinued the severity of potential losses is uncertain and depends on numerous factors and future developments. The Company could experience a material adverse effect on its business, financial condition, results of operations and cash flows. Effects may include:

- Net interest income could be reduced. In accordance with regulatory guidance, the Company is actively working with borrowers impacted by the COVID-19 pandemic to defer payments. While interest will continue to be recognized in accordance with GAAP, should eventual credit losses on these deferments emerge, interest income would be negatively impacted.

- The provision for loan losses could increase. Continued uncertainty regarding the severity and duration of the COVID-19 pandemic and related economic effects will continue to affect the accounting for loan losses. It also is possible that asset quality could worsen, and loan charge-offs increase. The Company participated in the U.S. Small Business Administration's ("SBA") Paycheck Protection Program ("PPP") providing loans to small businesses negatively impacted by the COVID-19 pandemic. PPP loans are fully guaranteed by the U.S. government.

- Noninterest income could be reduced. Uncertainty regarding the severity and duration of the COVID-19 pandemic could cause further volatility in the financial markets. The COVID-19 pandemic and the measures taken to control its spread may disrupt the mortgage loan origination process. Mortgage banking revenues are dependent on mortgage origination volume and are sensitive to interest rates and the condition of housing markets.

- Valuation and fair value measurement challenges may occur. The COVID-19 pandemic could cause further and sustained decline in the Company's stock price or the occurrence of additional valuation triggering events that could result in an impairment charge to earnings.

Use of Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management makes estimates and assumptions based on available information. These estimates and assumptions affect the amounts reported in the financial statements and the disclosures provided, however, actual results could differ.

Business Combinations

Business combinations are accounted for using the acquisition method of accounting. Under this method, the accounts of an acquired entity are included with the acquirer's accounts as of the date of acquisition with any excess of purchase price over the fair value of the net assets acquired (including identifiable intangibles) capitalized as goodwill.

As consideration for such transactions, the Company will typically issue common stock and/or pay cash, depending on the terms of the acquisition agreement. The value of common stock issued is based upon the market price of the stock as of the closing of the acquisition.

Significant Group Concentration of Credit Risk

The Company has cash and federal fund balances on deposit at correspondent banks that exceed insurable limits. The Company has not experienced any losses on such amounts. Most of the Company's lending activities are with borrowers located within south eastern New England. The ability and willingness of residential and consumer borrowers to honor their repayment commitments is generally dependent on the level of overall economic activity within the borrowers' geographic area and real estate values. Note 6 provides the detail of the Company's loan portfolio and Note 4 provides the detail of the Company's investment portfolio. The Company does not have any significant concentrations to any one industry or customer.

Reclassifications

Certain previously reported amounts have been reclassified to conform to the current year's presentation.

Cash Flows

Cash and cash equivalents include cash, interest-bearing deposits with other financial institutions with maturities fewer than 90 days, and federal funds sold. Net cash flows are reported for customer loan and deposit transactions and interest-bearing deposits in other financial institutions.

Debt Securities

Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Management evaluates debt securities for other-than-temporary impairment ("OTTI") on at least a quarterly basis, and more frequently when economic or market conditions warrant such an evaluation. For debt securities in an unrealized loss position, management considers the extent and duration of the unrealized loss, and the financial condition and near-term prospects of the issuer. Management also assesses whether it intends to sell, or it is more likely than not that it will be required to sell, a debt security in an unrealized loss position before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the entire difference between amortized cost and fair value is recognized as impairment through earnings. For debt securities that do not meet the aforementioned criteria, the amount of impairment is split into two components as follows: (1) OTTI related to credit loss, which must be recognized in the income statement and (2) OTTI related to other factors, which is recognized in other comprehensive income. The credit loss is defined as the difference between the present value of the cash flows expected to be collected and the amortized cost basis.

Federal Home Loan Bank Stock

The Company, 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 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. The Company reviews FHLB stock for impairment based on the ultimate recoverability of the cost basis. As of December 31, 2020, no impairment has been recognized.

Mortgage Loans Held for Sale

Residential mortgage loans originated with the intent to sell are classified as held-for-sale and are carried at fair value. Loan origination costs for loans held for sale that the Company accounts for under the fair value option are recognized in noninterest expense when incurred. Changes in fair value are recognized in mortgage banking income.

Interest income on mortgage loans held for sale is recorded in interest income.

Loans

Loans held for investment are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loan losses, and any unamortized deferred origination fees and costs.

Loan origination fees are offset with related direct incremental loan origination costs and the resulting net amount is deferred and amortized to interest income using the level-yield method over the remaining life of the loan.

Accrual of interest on loans is discontinued when collectability of principal or interest is uncertain or when payments of principal or interest have become contractually past due 90 days or more. Past due status is based on contractual terms of the loan. However, a loan may remain on accrual status if both the value of any collateral securing the loan is sufficient to cover principal and accrued interest thereon, and the loan is in the process of collection. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on non-accrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero.

Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Company's loan portfolio includes residential real estate, commercial real estate, construction, commercial and industrial and consumer segments. Residential real estate loans include classes for one- to four-family and second mortgages and equity lines of credit. Consumer loans include classes for auto and personal loans.

The Company's acquired loans are recorded at fair value with no carryover of the allowance for loan losses. Net discount on performing loans acquired are recognized as interest income over the remaining life of the loan.

Acquired loans determined to have evidence of deterioration in credit quality and when it is probable, at acquisition, that all contractually required payments will not be collected, are deemed to be purchased credit impaired ("PCI") loans. For PCI loans, the excess of cash flows expected to be collected over the carrying amount of the loans, referred to as the "accretable yield," is accreted into interest income over the life of the loans using the effective yield method. The Company monitors actual cash flows to determine any deterioration from those forecasted at the acquisition date, which is evaluated and recorded through the allowance for loan losses.

Allowance for Loan Losses

The allowance for loan losses is established based upon the level of estimated probable losses in the current loan portfolio. Loan losses are charged against the allowance when management believes the collectability of a loan balance is doubtful. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated 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. The allowance consists of general, specific and unallocated components, as further described below.

General component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the Company's loan segments. Management uses a rolling average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment except commercial real estate, commercial construction and commercial and industrial loans. Due to the lack of historical loss experience for our commercial real estate, commercial construction and commercial and industrial loan portfolio, we utilize peer loss data. Adjustments to loss factors are considered for the following qualitative factors: levels/trends in delinquencies; 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; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Company generally does not originate portfolio loans with a loan-to-value ratio greater than 80 percent without obtaining private mortgage insurance and does not generally grant loans that would be classified as subprime upon origination. The Company generally has first or second liens on the property securing equity lines of credit. Loans in this segment are generally collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, can have an effect on the credit quality in this segment.

Residential construction –Residential construction loans include loans to build one- to four-family owner-occupied properties, which are subject to the same credit quality factors as residential real estate loans.

Commercial real estate – Commercial real estate loans are primarily secured by income-producing properties in southeastern New England. The underlying cash flows generated by the properties can be adversely impacted by a downturn in the economy, as evidenced by increased vacancy rates, which in turn, could have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Commercial construction –Commercial construction loans may include speculative real estate development loans for which payment is derived from lease or sale of the property. Credit risk is affected by cost overruns, time to lease or sell at an adequate price, and market conditions.

Commercial and industrial – Commercial and industrial loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer or business spending, could have an effect on the credit quality in this segment.

Consumer – Consumer loans in this segment are generally secured by automobiles or unsecured and repayment is dependent on the credit quality of the individual borrower.

Specific Reserve

The specific reserves relate to loans that are classified as impaired. Residential real estate and commercial loans are evaluated for impairment on a loan-by-loan basis. Impairment is determined by nonaccrual status, whether a loan is subject to a troubled debt restructuring ("TDR") agreement or in the case of certain loans, based on the internal credit rating. Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, except for TDRs, the Company does not separately identify individual consumer loans for impairment evaluation.

A loan is considered impaired when, based on current information and events, it is probable that the Company 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. Management determines 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.

TDRs are individually evaluated for impairment and included in the separately identified impairment disclosures. TDRs are measured at the present value of estimated future cash flows using the loan's effective rate at inception. If a TDR is considered to be a collateral dependent loan, the loan is reported, net, at the fair value of the collateral.

For TDRs that subsequently default, the Company determines the amount of the allowance on that loan in accordance with the accounting policy for the allowance for loan losses on loans individually identified as impaired. The company incorporates recent historical experience related to TDRs including the performance of TDRs that subsequently default into the calculation of the allowance by loan portfolio segment.

Unallocated component

The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating specific and general reserves in the portfolio. The unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. Additionally, the Company's unseasoned commercial portfolio and use of peer group data to establish general reserves for the commercial portfolio adds another element of risk to management's estimates.

Loan Commitments and Related Financial Instruments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit, issued to meet customer financing needs. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Property and Equipment

Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization, computed on the straight-line method over the estimated useful lives of the assets or the terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Maintenance and repairs are charged to expense as incurred and improvements are capitalized.

Retirement Plan Annuities

Retirement plan annuities are reflected on the Consolidated Balance Sheets at the face amount of the policies. Changes in recorded value are reflected in income on retirement plan annuities on the Consolidated Statements of Income.

Bank-owned life insurance

Bank-owned life insurance policies are reflected on the Consolidated Balance Sheets at net cash surrender value. Changes in the net cash surrender value of the policies, as well as insurance proceeds received, are reflected in bank-owned life insurance income on the Consolidated Statements of Income and are not subject to income taxes. The Company is the beneficiary on these life insurance policies which are purchased for select employees of the Company.

Employee Stock Ownership Plan

Compensation expense for the Company's ESOP is recorded at an amount equal to the shares committed to be allocated by the ESOP multiplied by the quarterly average fair market value of the shares during the year. The Company recognizes compensation expense ratably over the year based upon the Company's estimate of the number of shares committed to be allocated by the ESOP. The difference between the average fair market value and the cost of the shares committed to be allocated by the ESOP is recorded as an adjustment to additional paid-in capital. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce debt and accrued interest.

Mortgage Servicing Rights

When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income.

Under the fair value measurement method, the Company measures servicing rights at fair value at each reporting date and reports changes in fair value of servicing assets in earnings in the period in which the changes occur, and are included with changes in mortgage servicing rights fair value on the income statement. The fair values of servicing rights are subject to significant fluctuations as a result of changes in estimated and actual prepayment speeds and default rates and losses.

Servicing fee income, which is reported on the income statement as Mortgage banking income, Other income, is recorded for fees earned for servicing loans. 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. Late fees and ancillary fees related to loan servicing are not material.

Derivative Financial Instruments

At the inception of a derivative contract, the Company designates the derivative as one of three types based on the Company's intentions and belief as to the likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), of (3) an instrument with no hedging designation ("stand alone derivative"). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and reclassified into earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings, as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Company formally documents all relationships between derivatives and hedged items, as well as the risk-management objective and strategy for undertaking various hedge transactions. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions. The Company also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of the hedged items. The Company discontinues hedge accounting prospectively when it is determined that (1) the derivative is no longer effective in offsetting changes in the fair value or cash flows of the hedged item; (2) the derivative expires, is sold, or terminated; (3) the derivative instrument is de-designated as a hedge because the forecasted transaction is no longer probable of occurring; (4) a hedged firm commitment no longer meets the definition of a firm commitment; or (5) management otherwise determines that designation of the derivative as a hedging instrument is no longer appropriate.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as noninterest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transaction is still expected to occur, changes in value that were accumulated in other comprehensive income are amortized or accreted into earnings over the same periods which the hedged transactions will affect earnings.

The Company accounts for commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans as free standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund the loans, the Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair values of these

mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in fair value are recorded as gain on sale of mortgage loans.

The Company also enters into interest rate swap contracts to meet the financing needs of the Company's commercial customers. Offsetting swap agreements are simultaneously transacted to effectively eliminate the Company's market and interest rate risk associated with the swaps. Interest rate swaps are recognized on the Consolidated Balance Sheets in other assets and other liabilities with changes in their fair values recorded in other income.

Transfers of Financial Assets

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset 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 the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets.

During the normal course of business, the Company may transfer a portion of a financial asset, for example, a participation loan or the government guaranteed portion of a loan. In order to be eligible for sale treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

Other Real Estate Owned and Repossessed Assets

Assets acquired through, or in lieu of, loan foreclosure are held for sale and are initially recorded at fair value less estimated costs to sell when legal title is obtained, establishing a new cost basis. Subsequently, valuations are periodically updated by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell. The excess (deficiency) of any consideration received as compared to the carrying value of other real estate owned is recorded as a gain (loss) on sale of other real estate owned. Revenues and expenses from operations and changes in the valuation allowance and any direct write-downs are included in foreclosed and repossessed assets expense. Repossessed assets includes automobiles to be sold which are recorded at estimated fair value, less costs to sell, with the initial charge to the allowance for loan losses and the subsequent gain or loss on sale recorded to foreclosed and repossessed assets expense.

Goodwill and Identifiable Intangible Assets

The assets (including identifiable intangible assets) and liabilities acquired in a business combination are recorded at fair value at the date of acquisition. Goodwill is recognized for the excess of the acquisition cost over the fair values of the net assets acquired and is not subsequently amortized. Identifiable intangible assets include core deposit premium and non-compete contracts and are being amortized over their estimated lives. Management assesses the recoverability of goodwill at least on an annual basis and all intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. The impairment test uses a combined qualitative and quantitative approach. The initial qualitative approach assesses whether the existence of events or circumstances led to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after this assessment, the Company determines that it is more likely than not that the fair value is less than the carrying value, a quantitative impairment test is performed. The quantitative impairment test compares book value to the fair value of the reporting unit. If the carrying amount exceeds fair value, an impairment charge is recorded through earnings. Management has identified two reporting units for purposes of testing goodwill for impairment. The Company's reporting units are the same as the segments used for segment reporting - the Bank, including the two security corporations, and one passive investment company, and HarborOne Mortgage. No impairment has been recognized as of December 31, 2020.

Income Taxes

Deferred tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws in the period on enactment. A

valuation allowance is established against deferred tax assets when, based upon the available evidence including historical and projected taxable income, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company records uncertain tax positions on the basis of a two-step process in which (1) we determine whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, we recognize the largest amount of tax benefit that is more than 50 percent likely to be realized upon ultimate settlement with the related tax authority. The determination of whether or not a tax position has met the more likely than not recognition threshold considers the facts, circumstances and information available at the reporting date and is subject to management's judgment. The Company records interest and penalties as part of income tax expense.

Fair Value of Financial Instruments

The fair value of financial instruments is estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgement regarding interest rates, credit risk, prepayments, and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Share-based Compensation Plans

The Company's share-based compensation plans provide for awards of stock options, restricted stock and other stock-based compensation to directors, officers and employees. The cost of employee services received in exchange for awards of equity instruments is based on the grant-date fair value of those awards. Compensation cost is recognized over the requisite service period as a component of compensation expense. The Company uses the Black-Scholes option-pricing model to determine the fair value of stock options granted, while the market price of the Company's common stock at the date of grant is used for restricted stock awards. The Company has elected to recognize forfeitures of awards as they occur (e.g., when an award does not vest because the employee leaves the Company or does not meet specific performance measures).

Comprehensive Income (Loss)

Comprehensive income (loss) consists of net income and other comprehensive income (loss). Other comprehensive income includes unrealized gains and losses on debt securities available for sale and cash flow hedges, net of taxes, which are also recognized as a separate component of equity.

Revenue Recognition

Effective January 1, 2019, the Company adopted Accounting Standards Update ("ASU") 2014-09, Revenue from Contracts with Customers (Topic 606) with no cumulative effect adjustment to retained earnings upon adoption.

Revenue from deposit account-related fees, including general service fees charged for deposit account maintenance and activity and transaction-based fees charged for certain services, such as debit card, wire transfer or overdraft activities, is recognized when the performance obligation is completed, which is generally after a transaction is completed or monthly for account maintenance services.

Earnings Per Share

Basic earnings per common share is net income divided by the weighted-average number of common shares outstanding during the period. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. Restricted stock awards are included in weighted average common shares outstanding as they are earned. Outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends are considered participating securities for this calculation. Diluted earnings per common share includes the dilutive effect of additional potential common shares issuable. Potential common shares that may be issued by the Company relate to outstanding stock options awards and restricted stock awards and are determined using the treasury stock method.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe such matters exist that will have a material effect on the financial statements.

Recent Accounting Pronouncements

As an "emerging growth company" ("EGC") as defined in Title 1 of the Jumpstart Our Business Startups Act of 2012, or the "Jobs Act," the Company has elected to use the extended transition period to delay the adoption of new or reissued accounting pronouncements applicable to public companies until such pronouncements are made applicable to non-public companies. As of December 31, 2020, there is no significant difference in the comparability of the financial statements as a result of this extended transition period. The Company's EGC status is scheduled to end December 31, 2021.

Accounting Guidance Issued But Not Yet Adopted

In October 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-08, Codification Improvements to Subtopic 310-20, Receivables-Nonrefundable Fees and Other Costs, to clarify that an entity should reevaluate whether a callable security is within the scope of ASC paragraph 310-20-35-33 for each reporting period. The ASU is effective for fiscal years, and interim periods within those fiscal years beginning after December 31, 2020 and early application is not permitted. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted for all other entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The Company is currently evaluating the effect that this ASU will have on the Company's consolidated financial statements.

In March 2020, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2020-04, Reference *Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This guidance provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. These provisions apply to contract modifications that reference LIBOR or another reference rate expected to be discounted because of reference rate reform. Qualifying modifications of loan agreements should be accounted for by prospectively adjusting the effective interest rate and the modification would be considered "minor" so that any existing unamortized deferred loan origination fees and costs would carry forward and continue to be amortized. Qualifying modifications of lease agreements should be accounted for as a continuation of the existing agreement with no reassessments of the lease classification and the discount rate or remeasurements of lease payments that otherwise would be required for modifications not accounted for as separate contracts. ASU 2020-04 also provides numerous optional expedients for hedge accounting. The amendments in the ASU are effective as of March 12, 2020 through December 31, 2022, with adoption permitted as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively from a date within an interim period that includes or is subsequent to March 12, 2020, up to the date that the financial statements are available to be issued. Once elected, the amendments must be applied prospectively for all eligible contract modifications. The Company is currently evaluating the effect that this ASU will have on the Company's consolidated financial statements.

ASU No. 2019-12, "Income Taxes (Topic 740) - Simplifying the Accounting for Income Taxes" ("ASU 2019-12"), was issued in December 2019 to simplify the accounting for income taxes. ASU 2019-12 is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. Certain provisions under ASU 2019-12 require prospective application, some require modified retrospective application through a cumulative-effect adjustment to retained earnings as of the beginning of the year of adoption, while other provisions require retrospective application to all periods presented in the consolidated financial statements upon adoption. The adoption of ASU 2019-12 is not expected to have a material impact on the Company's consolidated financial statements.

In August 2017, FASB issued ASU 2017-12, *Derivatives and Hedging (Topic 815), Targeted Improvements to Accounting for Hedging Activities.* This guidance changes the recognition and presentation requirements of hedge accounting, including eliminating the requirement to separately measure and report hedge ineffectiveness and presenting all items that affect earnings in the same income statement line as the hedged item. This guidance also provides new alternatives for applying hedge accounting to additional hedging strategies, measuring the hedged item in fair value hedges of interest rate risk, reducing the complexity of applying hedge accounting by easing the requirements for effectiveness testing, hedge documentation and application of the critical terms match method, and reducing the risk of material error corrections if a company applies the shortcut method inappropriately. This update is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. For non-public entities, this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. The adoption of this standard is not expected to have a material effect on the Company's Consolidated Financial Statements.

In June 2016, FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, commonly referred to as "CECL," which requires entities to measure all expected credit losses for financial assets held at the reporting date based on historical experience, current conditions, and reasonable and supportable forecasts. Entities will now use forward-looking information to better form their credit loss estimates. 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. For public entities that are SEC filers, this ASU is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. For non-public entities, this ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. Early application will be permitted for all entities for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2018. With the passage of the CARES Act, the option to delay CECL was provided until the earlier of the national health emergency being declared over or December 31, 2020. The Consolidated Appropriations Act passed on December 27, 2020 provided the option of postponing adoption of the standard until the earlier of the end of the national emergency declaration related to the COVID-19 pandemic or December 31, 2022. The Company continues to evaluate the impact of this ASU on the consolidated financial statements and disclosures. The Company has formed a cross functional working group and selected a third-party vendor to assist with the application of this ASU. The working group has an implementation plan which includes assessment and documentation of processes, internal controls, data sources and model development and documentation. The working group has met key milestones within the implementation plan and the Company expects to adopt the ASU on or about January 1, 2022.

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This update requires a lessee to record a right-to-use asset and a liability representing the obligation to make lease payments for long-term leases. For public business entities, this update is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For non-public business entities, this update is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company will adopt the ASU in the first quarter of 2021 and expects an increase in the right of use assets and operating lease liabilities of approximately $20.0 million to $30.0 million, as we finalize evaluation of items within scope, with no material effect on the Company's key financial ratios.

2. BUSINESS COMBINATIONS

Effective October 5, 2018, the Company completed the acquisition of Coastway Bancorp, Inc. ("Coastway"), the holding company of Coastway Community Bank, a Rhode Island chartered savings bank headquartered in Warwick, Rhode Island with $835.1 million in total assets, $736.2 million in gross loans and $478.3 million in total deposits. Pursuant to the merger agreement, each share of Coastway common outstanding was converted into the right to receive $28.25 in cash.

Goodwill in the amount of $56.4 million was recognized in the Coastway acquisition.

In 2018, HarborOne Mortgage acquired a primary third-party originator, Cumberland Mortgage, and recorded $327,000 in goodwill. Goodwill recognized in these transactions is not deductible for income tax purposes.

The following table represents the assets acquired and liabilities assumed of Coastway as of October 5, 2018 and the fair value adjustments and amounts recorded by the Company in 2018 under the acquisition method of accounting, which are subject to adjustment for up to one year after the merger date:

	Coastway Carrying Value	Fair Value Adjustment	Fair Value
		(in thousands)	
Assets Acquired			
Cash and cash equivalents	$ 45,453	$ —	$ 45,453
Loans held for sale	9,071	—	9,071
Loans, gross	727,148	(23,234)	703,914
Allowance for loan losses	(3,480)	3,480	—
Fixed assets	30,965	(711)	30,254
Core deposit intangible	—	8,952	8,952
Deferred tax assets	1,144	3,114	4,258
Other assets	24,783	(287)	24,496
Total assets acquired	$ 835,084	$ (8,686)	$ 826,398
Liabilities Assumed			
Deposits	$ 478,336	$ (1,814)	$ 476,522
Borrowings	276,750	—	276,750
Other liabilities	10,082	—	10,082
Total liabilities assumed	765,168	(1,814)	763,354
Net acquired	$ 69,916	$ (6,872)	$ 63,044
Consideration paid			119,440
Goodwill recognized			$ 56,396

The fair value adjustment for loans represents the write-off of $5.4 million of deferred loan costs and the write down of the unpaid principal balance of loans to their estimated fair value based on interest rates and expected cash flows as of the acquisition date, which includes an estimate of expected loan loss inherent in the portfolio. Non-impaired loans had an unpaid principal balance of $716.4 million and a fair value of $698.8 resulting in a $17.5 million fair value adjustment that is accretable in earnings. Purchased credit impaired loans had an unpaid principal balance of $5.4 million and a fair value of $5.1 million.

The core deposit intangible asset represents the value of the core deposit base assumed in the acquisition. The asset was recorded as an identifiable intangible asset and will be amortized over the estimated useful life of the deposit base.

The fair value of time deposits was determined based on the present value of the contractual cash flows over the remaining period to maturity using a market interest rate.

Fair value adjustments to assets acquired and liabilities assumed are generally amortized using either an effective yield or straight-line basis over periods consistent with the average life, useful life and/or contractual term of the related assets and liabilities.

3. CASH AND DUE FROM BANKS

Effective March 26, 2020, the Federal Reserve reduced the reserve requirement to 0% which eliminated reserve requirements for all depository institutions. Prior to March 26, 2020, the Company was required to maintain average balances on hand or with the Federal Reserve Bank of Boston. At December 31, 2019 reserve balances amounted to $7.0 million.

4. DEBT SECURITIES

The amortized cost and fair value of securities with gross unrealized gains and losses is as follows:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
		(in thousands)		
December 31, 2020:				
Securities available for sale				
U.S. government and government-sponsored enterprise obligations	$ 5,002	$ 93	$ —	$ 5,095
U.S. government agency and government-sponsored residential mortgage-backed securities	234,819	3,113	305	237,627
U.S. government-sponsored collateralized mortgage obligations	16,326	330	—	16,656
SBA asset-backed securities	16,249	871	—	17,120
Total securities available for sale	$ 272,396	$ 4,407	$ 305	$ 276,498
December 31, 2019:				
Securities available for sale				
U.S. government and government-sponsored enterprise obligations	$ 14,994	$ 210	$ —	$ 15,204
U.S. government agency and government-sponsored residential mortgage-backed securities	163,982	1,456	265	165,173
U.S. government-sponsored collateralized mortgage obligations	26,137	243	7	26,373
SBA asset-backed securities	32,461	286	24	32,723
Total securities available for sale	$ 237,574	$ 2,195	$ 296	$ 239,473
Securities held to maturity				
U.S. government agency and government-sponsored residential mortgage-backed securities	$ 12,682	$ 86	$ 6	$ 12,762
U.S. government-sponsored collateralized mortgage obligations	1,433	69	—	1,502
SBA asset-backed securities	5,308	124	—	5,432
Municipal bonds	6,949	282	—	7,231
Total securities held to maturity	$ 26,372	$ 561	$ 6	$ 26,927

In February 2020, with the intention to reduce credit risk in the investment portfolio and to support the Bank's credit risk policy, the Bank executed the sale of five held-to-maturity investments. The securities had a total amortized cost of $4.5 million and a $1.3 million gain on sale was recorded during the three months ended March 31, 2020. As a result, the remaining held to maturity securities, with an amortized cost of $21.5 million and an unrealized gain of approximately $522,000, were transferred to the available for sale category at a fair value of $22.1 million.

Twenty-six mortgage-backed securities with a combined fair value of $40.3 million are pledged as collateral for interest rate swap agreements as of December 31, 2020 (see Note 16). Seven mortgage-backed securities with a combined fair value of $15.7 million were pledged as collateral for interest rate swap agreements as of December 31, 2019.

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2020 is as follows:

	Available for Sale	
	Amortized Cost	Fair Value
	(in thousands)	
After 1 year through 5 years	$ —	$ —
After 5 years through 10 years	5,002	5,095
Over 10 years	—	—
	5,002	5,095
U.S. government agency and government-sponsored residential mortgage-backed securities	234,819	237,627
U.S. government-sponsored collateralized mortgage obligations	16,326	16,656
SBA asset-backed securities	16,249	17,120
Total	$ 272,396	$ 276,498

U.S. government-sponsored residential mortgage-backed securities, collateralized mortgage obligations and securities whose underlying assets are loans from the SBA have stated maturities of 1 to 30 years; however, it is expected that such securities will have shorter actual lives due to prepayments. U.S. government and government-sponsored enterprise obligations are callable at the discretion of the issuer. The U.S. government and government-sponsored enterprise obligations with a total fair value of $5.1 million have a final maturity of 7 years and a call feature of 8 months. At the year ended December 31, 2020 and 2019, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholder equity.

The following table shows proceeds and gross realized gains and losses related to the sales and calls of securities for the periods indicated:

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Sales			
Proceeds	$ 72,333	$ 28,391	$ 1,015
Gross gains	2,521	1,267	5
Gross losses	—	—	—
Calls			
Proceeds	$ 13,635	$ 20,145	$ 1,025
Gross gains	12	77	—
Gross losses	—	—	—

Information pertaining to securities with gross unrealized losses at December 31, 2020 and December 31, 2019 aggregated by investment category and length of time that individual securities have been in a continuous loss position follows:

	Less Than Twelve Months		Twelve Months and Over	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(in thousands)			
December 31, 2020:				
Securities available for sale				
U.S. government agency and government-sponsored residential mortgage-backed securities	$ 283	$ 67,460	$ 22	$ 3,668
December 31, 2019:				
Securities available for sale				
U.S. government agency and government-sponsored residential mortgage-backed securities	$ 147	$ 47,343	$ 118	$ 7,986
U.S. government-sponsored collateralized mortgage obligations	1	884	6	795
SBA asset-backed securities	24	3,964	—	—
	$ 172	$ 52,191	$ 124	$ 8,781
Securities held to maturity				
U.S. government agency and government-sponsored residential mortgage-backed securities	$ —	$ —	$ 6	$ 2,538

Management evaluates securities for OTTI at each reporting period, and more frequently when economic or market concerns warrant such evaluation.

As of December 31, 2020, the Company's security portfolio consisted of 98 debt securities, 18 of which were in an unrealized loss position. The unrealized losses are related to the Company's mortgage-backed securities and were issued by U.S. government-sponsored entities and agencies.

Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Company does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Company does not consider these securities to be other-than-temporarily impaired at December 31, 2020.

5. LOANS HELD FOR SALE

The following table provides the fair value and contractual principal balance outstanding of loans held for sale accounted for under the fair value option:

	December 31,	
	2020	2019
	(in thousands)	
Loans held for sale, fair value	$ 208,612	$ 110,552
Loans held for sale, contractual principal outstanding	198,984	107,472
Fair value less unpaid principal balance	$ 9,628	$ 3,080

The Company has elected the fair value option for mortgage loans held for sale to better match changes in the fair value of the loans with changes in the fair value of the forward sale commitment contracts used to economically hedge them. Changes in fair value of mortgage loans held for sale accounted for under the fair value option election amounted to an increase of $6.5 million in the year

ended December 31, 2020 to $9.6 million, compared to an increase of $1.7 million in the year ended December 31, 2019. These amounts are offset in earnings by the changes in fair value of forward sale commitments. The changes in fair value are reported as a component of gain on sale of mortgage loans in the Consolidated Statements of Income.

At December 31, 2020 and 2019, there were no loans held for sale that were greater than 90 days past due.

6. LOANS

A summary of the balances of loans follows:

	December 31,	
	2020	2019
	(in thousands)	
Residential real estate:		
One- to four-family	$ 928,934	$ 937,305
Second mortgages and equity lines of credit	145,672	155,716
Residential real estate construction	31,217	14,055
	1,105,823	1,107,076
Commercial:		
Commercial real estate	1,551,265	1,168,412
Commercial construction	99,331	153,907
Commercial and industrial	464,393	306,282
Total commercial loans	2,114,989	1,628,601
Consumer loans:		
Auto	265,266	424,592
Personal	8,564	11,289
Total consumer loans	273,830	435,881
Total loans	3,494,642	3,171,558
Allowance for loan losses	(55,395)	(24,060)
Loans, net	$ 3,439,247	$ 3,147,498

The Company has transferred a portion of its originated commercial real estate loans to participating lenders. The amounts transferred have been accounted for as sales and are therefore not included in the Company's accompanying Consolidated Balance Sheets. The Company and participating lenders share ratably in cash flows and any gains or losses that may result from a borrower's lack of compliance with contractual terms of the loan. The Company continues to service the loans on behalf of the participating lenders and, as such, collects cash payments from the borrowers, remits payments to participating lenders and disburses required escrow funds to relevant parties. At December 31, 2020 and 2019, the Company was servicing loans for participants aggregating $284.2 million and $195.2 million, respectively.

Acquired Loans

The loans purchased from Coastway included $5.4 million in purchased credit impaired loans (“PCI”). The PCI loans were primarily residential real estate loans. The following table displays certain information pertaining to PCI loans at the dates indicated.

	December 31, 2020	December 31, 2019
	(in thousands)	
Outstanding balance	$ 4,307	$ 4,609
Carrying amount	$ 4,079	$ 4,378

The following table summarizes activity in the accretable yield for PCI loans:

	December 31, 2020	December 31, 2019
	(in thousands)	
Balance at beginning of period	$ 149	$ 185
Additions	—	—
Accretion	(8)	(8)
Reclassification from nonaccretable difference	—	(28)
Balance at end of period	$ 141	$ 149

The following is the activity in the allowance for loan losses for the years ended December 31, 2020, 2019 and 2018 follows:

	Residential Real Estate	Commercial Real Estate	Commercial Construction	Commercial and Industrial	Consumer	Unallocated	Total
				(in thousands)			
Balance at December 31, 2017	$ 4,000	$ 7,835	$ 1,810	$ 2,254	$ 1,000	$ 1,590	$ 18,489
Provision (credit) for loan losses	(761)	2,318	897	1,008	746	(380)	3,828
Charge-offs	(50)	(94)	—	(990)	(847)	—	(1,981)
Recoveries	50	—	—	14	255	—	319
Balance at December 31, 2018	$ 3,239	$ 10,059	$ 2,707	$ 2,286	$ 1,154	$ 1,210	$ 20,655
Provision (credit) for loan losses	(407)	2,810	(181)	1,744	497	284	4,747
Charge-offs	(136)	—	—	(1,075)	(891)	—	(2,102)
Recoveries	482	6	—	22	250	—	760
Balance at December 31, 2019	$ 3,178	$ 12,875	$ 2,526	$ 2,977	$ 1,010	$ 1,494	$ 24,060
Provision (credit) for loan losses	3,961	23,129	366	3,552	1,831	1,976	34,815
Charge-offs	(60)	(1,240)	(937)	(1,471)	(599)	—	(4,307)
Recoveries	340	1	—	253	233	—	827
Balance at December 31, 2020	$ 7,419	$ 34,765	$ 1,955	$ 5,311	$ 2,475	$ 3,470	$ 55,395

Allocation of the allowance to loan segments at December 31, 2020 and 2019 follows:

	Residential Real Estate	Commercial Real Estate	Commercial Construction	Commercial and Industrial (in thousands)	Consumer	Unallocated	Total
December 31, 2020:							
Loans:							
Impaired loans	$ 24,384	$ 12,513	$ —	$ 9,359	$ —		$ 46,256
Non-impaired loans	1,081,439	1,538,752	99,331	455,034	273,830		3,448,386
Total loans	$ 1,105,823	$ 1,551,265	$ 99,331	$ 464,393	$ 273,830		$ 3,494,642
Allowance for loan losses:							
Impaired loans	$ 802	$ 1,845	$ —	$ 31	$ —	$ —	$ 2,678
Non-impaired loans	6,617	32,920	1,955	5,280	2,475	3,470	52,717
Total allowance for loan losses	$ 7,419	$ 34,765	$ 1,955	$ 5,311	$ 2,475	$ 3,470	$ 55,395
December 31, 2019:							
Loans:							
Impaired loans	$ 27,275	$ 530	$ 11,244	$ 5,831	$ —		$ 44,880
Non-impaired loans	1,079,801	1,167,882	142,663	300,451	435,881		3,126,678
Total loans	$ 1,107,076	$ 1,168,412	$ 153,907	$ 306,282	$ 435,881		$ 3,171,558
Allowance for loan losses:							
Impaired loans	$ 985	$ —	$ —	$ 176	$ —	$ —	$ 1,161
Non-impaired loans	2,193	12,875	2,526	2,801	1,010	1,494	22,899
Total allowance for loan losses	$ 3,178	$ 12,875	$ 2,526	$ 2,977	$ 1,010	$ 1,494	$ 24,060

The following is a summary of past due and non-accrual loans at December 31, 2020 and 2019:

	30-59 Days Past Due	60-89 Days Past Due	90 Days or More Past Due	Total Past Due	Loans on Non-accrual
			(in thousands)		
December 31, 2020					
Residential real estate:					
One- to four-family	$ 12,148	$ 2,223	$ 6,418	$ 20,789	$ 11,611
Second mortgages and equity lines of credit	460	46	433	939	834
Residential real estate construction	471	—	—	471	—
Commercial real estate	416	—	3,369	3,785	12,486
Commercial construction	—	—	—	—	—
Commercial and industrial	444	191	1,243	1,878	8,606
Consumer:					
Auto	1,657	397	488	2,542	557
Personal	88	11	2	101	7
Total	$ 15,684	$ 2,868	$ 11,953	$ 30,505	$ 34,101
December 31, 2019					
Residential real estate:					
One- to four-family	$ 9,364	$ 5,622	$ 5,668	$ 20,654	$ 10,610
Second mortgages and equity lines of credit	418	77	760	1,255	1,561
Commercial real estate	261	4,730	191	5,182	530
Commercial construction	—	—	1,960	1,960	11,244
Commercial and industrial	2,000	722	3,133	5,855	5,831
Consumer:					
Auto	3,180	456	457	4,093	529
Personal	69	16	13	98	16
Total	$ 15,292	$ 11,623	$ 12,182	$ 39,097	$ 30,321

At December 31, 2020 and 2019, there were no loans past due 90 days or more and still accruing. During the year ended December 31, 2020 two non-performing loans with a recorded investment of $10.9 million, were sold and a charge off of $937,000 was recorded.

The following information pertains to impaired loans:

	December 31,					
	2020			2019		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
	(in thousands)					
Impaired loans without a specific reserve:						
Residential real estate	$ 12,284	$ 13,039	$ —	$ 11,610	$ 12,140	$ —
Commercial real estate	3,552	4,741	—	530	530	—
Commercial construction	—	—	—	11,244	11,244	—
Commercial and industrial	9,243	11,604	—	5,505	6,901	—
Total	25,079	29,384	—	28,889	30,815	—
Impaired loans with a specific reserve:						
Residential real estate	12,100	12,355	802	15,665	16,218	985
Commercial real estate	8,961	8,961	1,845	—	—	—
Commercial and industrial	116	181	31	326	326	176
Total	21,177	21,497	2,678	15,991	16,544	1,161
Total impaired loans	$ 46,256	$ 50,881	$ 2,678	$ 44,880	$ 47,359	$ 1,161

	Year Ended December 31,								
	2020			2019			2018		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
	(in thousands)								
Residential real estate	$ 26,040	$ 1,115	$ 1,054	$ 29,708	$ 1,694	$ 1,335	$ 32,186	$ 1,764	$ 1,379
Commercial real estate	5,064	2	2	643	10	10	744	—	—
Commercial construction	8,831	—	—	5,622	237	237	26	—	—
Commercial and industrial	8,162	80	80	5,564	54	54	2,729	35	32
Total	$ 48,097	$ 1,197	$ 1,136	$ 41,537	$ 1,995	$ 1,636	$ 35,685	$ 1,799	$ 1,411

Interest income recognized and interest income recognized on a cash basis in the table above represent interest income for the years ended December 31, 2020, 2019 and 2018, not for the time period designated as impaired. No additional funds are committed to be advanced in connection with impaired loans.

Loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans that do not meet the CARES Act or regulatory guidance criteria are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures.

There were no material TDR loan modifications for the year ended December 31, 2020. During the year ended December 31, 2019, there was one material TDR loan modification for a $2.0 million commercial loan. The TDR included an extension of maturity

dates, interest only periods, and compliance with specific covenants. There were no material TDR loan modifications during the year ended December 31, 2018.

The recorded investment of TDRs was $15.1 million and $20.0 million at December 31, 2020 and 2019, respectively. Of these loans, $3.6 million and $5.0 million were on non-accrual at December 31, 2020 and 2019, respectively.

All TDR loans are considered impaired and management performs a discounted cash flow calculation to determine the amount of impairment reserve required on each loan. TDR loans which subsequently default are reviewed to determine if the loan should be deemed collateral dependent. In either case, any reserve required is recorded as part of the allowance for loan losses.

For the years ended December 31, 2020, 2019 and 2018, there were no significant TDRs that defaulted in the first twelve months of restructure. A default is defined as two or more payments in arrears.

As noted above, loan modifications and payment deferrals as a result of the COVID-19 pandemic that meet the criteria established under Section 4013 of the CARES Act or under applicable interagency guidance of the federal banking regulators are excluded from evaluation of TDR classification and will continue to be reported as current during the payment deferral period. The Company's policy is to continue to accrue interest during the deferral period. Loans not meeting the CARES Act or regulatory guidance are evaluated for TDR and non-accrual treatment under the Company's existing policies and procedures. Loan modifications made pursuant to the CARES Act that were in payment deferral at December 31, 2020 totaled approximately $30.0 million. There were 5 commercial real estate loans that amounted to $26.0 million, 9 commercial and industrial loans that amounted to $811,000, 10 residential mortgage loans that amounted to $2.8 million and 18 consumer loans that amounted to $399,000.

Credit Quality Information

The Company uses a ten-grade internal loan rating system for commercial real estate, commercial construction and commercial loans, as follows:

Loans rated 1 – 6 are considered "pass" rated loans with low to average risk.

Loans rated 7 are considered "special mention." These loans are starting to show signs of potential weakness and are being closely monitored by management.

Loans rated 8 are considered "substandard." Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 9 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 in full, on the basis of currently existing facts, highly questionable and improbable.

Loans rated 10 are considered "uncollectible" (loss), and of such little value that their continuance as loans is not warranted.

Loans not rated consist primarily of certain smaller balance commercial real estate and commercial loans that are managed by exception.

On at least an annual basis, in accordance with the Company's loan policy, the Company analyzes commercial loans, individually by grading the loans based on credit risk. The loan grades assigned to all commercial loan types are also tested by the Company's external loan review firm in accordance with the Company's loan review policy.

On a monthly basis, the Company reviews the residential construction, residential real estate and consumer installment portfolios for credit quality primarily through the use of delinquency reports.

The following table presents the Company's loans by risk rating at December 31, 2020 and 2019:

	December 31,					
	2020			2019		
	Commercial Real Estate	Commercial Construction	Commercial and Industrial	Commercial Real Estate	Commercial Construction	Commercial and Industrial
	(in thousands)					
Loans rated 1 - 6	$ 1,524,105	$ 99,331	$ 452,665	$ 1,163,343	$ 127,962	$ 294,507
Loans rated 7	14,674		3,122	4,539	14,701	6,117
Loans rated 8	9,455	—	7,080	530	11,244	3,223
Loans rated 9	3,031	—	1,526	—	—	2,435
Loans rated 10	—	—	—	—	—	—
	$ 1,551,265	$ 99,331	$ 464,393	$ 1,168,412	$ 153,907	$ 306,282

7. MORTGAGE LOAN SERVICING

The Company sells residential mortgages to government-sponsored entities and other parties. The Company retains no beneficial interests in these loans, but may retain the servicing rights of the loans sold. Mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The risks inherent in mortgage servicing rights ("MSRs") relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The unpaid principal balances of mortgage loans serviced for others were $3.05 billion and $1.83 billion as of December 31, 2020 and 2019, respectively.

The Company accounts for MSRs at fair value. The Company obtains and reviews valuations from independent third parties to determine the fair value of MSRs. Key assumptions used in the estimation of fair value include prepayment speeds, discount rates, and default rates. At December 31, 2020 and 2019, the following weighted average assumptions were used in the calculation of fair value of MSRs:

	December 31,	
	2020	2019
Prepayment speed	14.30 %	12.43 %
Discount rate	9.23	9.34
Default rate	2.27	2.61

The following summarizes changes to mortgage servicing rights for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Balance, beginning of period	$ 17,150	$ 22,217	$ 21,092
Additions	14,415	1,174	2,521
Changes in fair value due to:			
Reductions from loans paid off during the period	(4,181)	(1,972)	(1,795)
Changes in valuation inputs or assumptions	(2,551)	(4,269)	399
Balance, end of period	$ 24,833	$ 17,150	$ 22,217

For the years ended December 31, 2020, 2019 and 2018, contractually specified servicing fees included in other mortgage banking income amounted to $6.1 million, $5.4 million, and $5.4 million respectively.

8. OTHER REAL ESTATE LOANS AND REPOSSESSED ASSETS

Income and expenses applicable to foreclosed and repossessed assets include the following:

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Gain on sales of real estate, net	$ (86)	$ (181)	$ (126)
Net loss on sales of repossessed assets	45	112	106
Write-downs of real estate	—	—	5
Operating expenses	37	82	110
	$ (4)	$ 13	$ 95

At December 31, 2020 and 2019, foreclosed and repossessed assets include one residential real estate property with a recorded value of $297,000, respectively. Foreclosed and repossessed assets also includes automobiles with total recorded values of $298,000 and $421,000 at December 31, 2020 and 2019, respectively. All foreclosed and repossessed assets are held for sale. Mortgage loans in the process of foreclosure totaled $4.3 million and $3.9 million as of December 31, 2020 and 2019, respectively, and are reported in loans.

9. PROPERTY AND EQUIPMENT

A summary of the cost and accumulated depreciation of property and equipment follows:

	December 31,	
	2020	2019
	(in thousands)	
Land	$ 12,420	$ 11,048
Buildings and leasehold improvements	46,216	45,357
Furniture, equipment and vehicles	14,719	12,247
Fixed assets in process	1,365	646
	74,720	69,298
Less accumulated depreciation and amortization	(25,140)	(21,347)
Property and equipment, net	$ 49,580	$ 47,951

Depreciation and amortization expense amounted to $4.0 million, $4.4 million and $3.2 million for the years ended December 31, 2020, 2019 and 2018, respectively. During the year ended December 31, 2019, land and a building with a total net book value of $9.0 million were transferred to asset held for sale, a loss of $482,000 was recognized on the transfer and the property was sold during 2020 with no additional gain or loss recorded. In addition, $17.7 million of fully depreciated property and equipment was purged from our fixed assets system when we converted to a new accounting platform in 2019.

At December 31, 2020 and 2019, fixed assets in process represents buildings in process, building improvements and equipment not placed in service.

Pursuant to the terms of noncancellable operating lease agreements in effect at December 31, 2020, pertaining to property and equipment, future minimum lease payments under various operating leases are as follows:

Years Ending December 31,	(in thousands)
2021	$ 2,452
2022	2,239
2023	1,847
2024	1,644
2025	1,684
Thereafter	13,134
	$ 23,000

The noncancellable lease agreements contain options to extend for periods from five to twenty-five years, the cost of which is not included above. Rent expense amounted to $2.9 million, $2.5 million and $2.0 million for the years ended December 31, 2020, 2019 and 2018 and is included in occupancy and equipment expenses in the accompanying Consolidated Statements of Income.

10. GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill

The following table presents changes in the carrying value of goodwill for the periods indicated:

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Balance, beginning of period	$ 69,802	$ 70,088
Measurement period fair value adjustments	—	(286)
Balance, end of period	$ 69,802	$ 69,802

The Bank and HarborOne Mortgage are identified as a reporting unit for purposes of goodwill impairment testing. At December 31, 2020 and 2019, the carrying value of the Bank's goodwill was $59.0 million and $59.6 million, respectively, and the carrying value of HarborOne Mortgage's goodwill was $10.8 million and $10.5 million, respectively.

The Company typically performs its goodwill impairment test during the fourth quarter of the year, unless certain indicators suggest earlier testing to be warranted. The Company determined that an interim impairment test was also warranted due to the operational disruption and uncertainty associated with the COVID-19 pandemic as of June 30, 2020 and performed a qualitative assessments for the Bank and HarborOne Mortgage. The qualitative assessment for HarborOne Mortgage indicated that it was more likely than not that the fair value of the reporting unit exceeded the carrying value, including goodwill and as such no further evaluation was performed. However, the Company proceeded with a quantitative assessment for the Bank.

The quantitative impairment test includes comparing the carrying value of the reporting unit, including the existing goodwill and intangible assets, to the fair value of the reporting unit. If the carrying amount of the reporting unit exceeds its fair value, a goodwill impairment charge is recorded for the amount in which the carrying value of the reporting unit exceeds the fair value of the reporting unit, up to the amount of goodwill attributed to the reporting unit. We used a third party valuation specialist to assist management in performing a quantitative test to assess goodwill for impairment. The fair value of the Company was calculated using a weighted average of the results from three valuation approaches: comparable transactions approach, the control premium approach and the public market peers control premium approach. The indicated fair value of the Bank was determined to be in excess of the carrying amount of the Bank's equity and therefore no impairment charge was recorded as of June 30, 2020. The extent to which the COVID-19 pandemic will

continue to impact our business and financial condition is uncertain and may negatively impact key assumptions used in determining the fair value and the resultant fair value.

Other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The Company also considered the impact of the COVID-19 pandemic as it pertains to these intangible assets, and determined that there was no indication of impairment related to other intangible assets as of June 30, 2020.

The Company performed a qualitative impairment test as of October 31, 2020 and determined it was more likely than not that the fair value of the Bank exceeded the carrying value, including goodwill, and as such, no further evaluation was performed.

Core Deposit Intangible

The Company recognized core deposit intangibles ("CDI") of $9.0 million in connection with the Coastway acquisition. The Company's change in the gross amount of core deposit intangibles and the related accumulated amortization consisted of the following:

	December 31,	
	2020	2019
	(in thousands)	
Gross amount of CDI:		
Balance, beginning of period	$ 8,952	$ 8,952
Additions due to acquisitions	—	—
Balance, end of period	8,952	8,952
Accumulated amortization:		
Balance, beginning of period	(2,917)	(618)
Amortization	(1,665)	(2,299)
Balance, end of period	(4,582)	(2,917)
Net CDI, end of period	$ 4,370	$ 6,035

The estimated aggregate amortization expense related to the Company's core deposit intangible assets for each of the next five years is $1.2 million, $893,000, and $758,000 thereafter. The weighted average original amortization period was 7.3 years.

Other Intangible Assets

A non-compete intangible asset was recognized in connection with HarborOne Mortgage and was amortized over the four year period of the agreement ending in 2019. Amortization expense for this asset of $45,000, and $88,000 was recorded in 2019 and 2018, respectively.

11. DEPOSITS

A summary of deposit balances, by type, is as follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
NOW and demand deposit accounts	$ 908,256	$ 572,280
Regular savings and club accounts	998,994	626,685
Money market deposit accounts	866,661	856,830
Total non-certificate accounts	2,773,911	2,055,795
Term certificate accounts greater than $250,000	135,190	169,595
Term certificate accounts less than or equal to $250,000	497,108	636,343
Brokered deposits	100,000	81,140
Total certificate accounts	732,298	887,078
Total deposits	$ 3,506,209	$ 2,942,873

The Company has established a relationship to participate in a reciprocal deposit program with other financial institutions. The reciprocal deposit program provides access to FDIC-insured deposit products in aggregate amounts exceeding the current limits for depositors. At December 31, 2020 and 2019, total reciprocal deposits were $104.9 million and $277.9 million, respectively, consisting primarily of money market accounts.

A summary of certificate accounts by maturity at December 31, 2020 is as follows:

	Amount	Weighted Average Rate
	(dollars in thousands)	
Within 1 year	$ 682,338	0.88 %
Over 1 year to 2 years	28,238	1.68
Over 2 years to 3 years	9,007	1.88
Over 3 years to 4 years	11,604	1.00
Over 4 years to 5 years	1,745	0.81
Total certificate deposits	732,932	0.92 %
Less unaccreted acquisition discount	(634)	
Total certificate deposits, net	$ 732,298	

12. FHLB BORROWINGS

Borrowed funds at December 31, 2020 and 2019 consisted of FHLB advances. Short-term advances were $35.0 million and $183.0 million at December 31, 2020 and 2019, respectively, with a weighted average rate of 0.42% and 1.80%, respectively. Long-term advances are summarized below:

	December 31, 2020			December 31, 2019		
	Amount by Scheduled Maturity*	Amount by Call Date [1]	Weighted Average Rate [2]	Amount by Scheduled Maturity*	Amount by Call Date [1]	Weighted Average Rate [2]
	(dollars in thousands)					
Year ending December 31:						
2020	$ —	$ —	— %	$ 87,000	137,000	2.25 %
2021	41,750	101,750	2.47	41,750	21,750	2.47
2022	—	—	—	10,000	—	1.73
2023	20,190	190	3.48	20,195	195	2.43
2024	10,000	10,000	1.68	10,000	10,000	1.68
2025	40,987	987	1.32	987	987	—
2026 and thereafter	1,170	1,170	2.00	1,200	1,200	2.00
	$ 114,097	$ 114,097	2.16 %	$ 171,132	$ 171,132	2.16 %

* Includes an amortizing advance requiring monthly principal and interest payments.

[1] Callable FHLB advances are shown in the respective periods assuming that the callable debt is redeemed at the call date, while all other advances are shown in the periods corresponding to their scheduled maturity date.

[2] Weighted average rates are based on scheduled maturity dates.

The FHLB advances are secured by a blanket security agreement which requires the Bank to maintain certain qualifying assets as collateral, principally residential mortgage loans and certain multi-family and commercial real estate loans held in the Bank’s portfolio. The carrying value of the loans pledged as collateral for these borrowings totaled $1.25 billion and $1.06 billion at December 31, 2020 and 2019, respectively. As of December 31, 2020, the Company had $741.7 million of available borrowing capacity with the FHLB.

The Company also has additional borrowing capacity under a $25.0 million unsecured federal funds line with a correspondent bank and a secured line of credit with the Federal Reserve Bank of Boston secured by 61% of the carrying value of indirect auto and commercial loans with principal balances amounting to $107.1 million and $46.9 million, respectively, of which no amount was outstanding at December 31, 2020 and 2019.

13. SUBORDINATED DEBENTURES

On August 30, 2018, the Company issued $35.0 million in fixed-to-floating rate subordinated notes due 2028 (the “Notes”) in a private placement transaction to institutional accredited investors. The Notes bear interest at annual fixed rate of 5.625% until September 1, 2023 at which time the interest rate resets quarterly to an interest rate per annum equal to the three–month LIBOR plus 278 basis points. Interest is payable semi-annually on March 1 and September 1 each year through September 1, 2023 and quarterly thereafter. The Notes can be redeemed partially or in whole, prior to the maturity date beginning September 1, 2023 and on any scheduled interest payment date thereafter, at par. The Notes are carried on the Consolidated Balance Sheets net of unamortized issuance costs of $967,000 and $1.1 million at December 31, 2020 and 2019, respectively, which are being amortized over the period to maturity date using the interest method. At December 31, 2020 and 2019, the Notes qualified as Tier 2 capital for regulatory capital purposes.

14. INCOME TAXES

Allocation of the federal and state income taxes between current and deferred portions for the years ended December 31, 2020, 2019 and 2018 are as follows:

	2020	2019	2018
		(in thousands)	
Current tax provision:			
Federal	$ 11,591	$ 3,757	$ 2,576
State	5,240	1,207	1,377
	16,831	4,964	3,953
Deferred tax benefit:			
Federal	(2,124)	(445)	(740)
State	(1,490)	(111)	(400)
	(3,614)	(556)	(1,140)
Income tax provision	$ 13,217	$ 4,408	$ 2,813

The reasons for the differences between the statutory federal income tax and the actual income tax provision for the years ended December 31, 2020, 2019 and 2018 are summarized as follows:

	2020	2019	2018
		(dollars in thousands)	
Statutory federal tax rate	21%	21%	21%
Statutory federal tax provision	$ 12,182	$ 4,762	$ 2,983
Increase (decrease) resulting from:			
State taxes, net of federal tax benefit	2,962	866	772
Bank-owned life insurance	(465)	(232)	(358)
Non-deductible merger expenses	—	—	196
Employee Stock Ownership Plan expenses	56	172	106
Tax exempt income	(22)	(104)	(180)
Reduction in uncertain federal tax positions	(1,864)	(1,586)	(801)
Other, net	368	530	95
Income tax provision	$ 13,217	$ 4,408	$ 2,813

The tax effects of each item that give rise to deferred taxes at December 31, 2020 and 2019 are as follows:

	2020	2019
	(in thousands)	
Deferred tax assets:		
Allowance for loan losses	$ 15,493	$ 6,651
Employee benefit plans	4,999	5,036
Mark-to-market loans	2,387	3,687
Accrued expenses not deducted for tax purposes	1,799	1,093
HarborOne Mortgage loan repurchase reserve	743	231
Charitable contribution and other carryforwards	—	15
	25,421	16,713
Deferred tax liabilities:		
Net unrealized gain on securities available for sale	(904)	(419)
Derivatives	(2,349)	-
Deferred income annuities	(1,580)	(1,447)
Depreciation and amortization	(1,145)	(370)
Deferred loan fees	(1,578)	(1,995)
Mortgage servicing rights	(6,793)	(4,759)
Core deposit intangible	(1,222)	(1,668)
Other	(293)	(21)
	(15,864)	(10,679)
Net deferred tax asset	$ 9,557	$ 6,034

A summary of the change in the net deferred tax asset (liability) for the years ended December 31, 2020, 2019 and 2018 is as follows:

	2020	2019	2018
		(in thousands)	
Balance at beginning of year	$ 6,034	$ 6,727	$ 843
Deferred tax benefit	3,614	556	1,140
Coastway deferred tax accounting / measurement period adjustment	—	(165)	4,258
Change in cash flow hedge	394	—	—
Change in securities available for sale	(485)	(1,084)	486
Balance at end of year	$ 9,557	$ 6,034	$ 6,727

The Company’s income tax returns are subject to review and examination by federal and state taxing authorities. The Company is currently open to audit under the applicable statutes of limitations by the Internal Revenue Service (“IRS”) and the Massachusetts Department of Revenue for the years ended December 31, 2017 through 2020.

At December 31, 2020, the Bank had a net operating loss carryforward in the state of New Hampshire of $1.7 million related to the acquisition of HarborOne Mortgage with a recorded deferred tax asset of $10,000 at December 31, 2020. The net operating loss expires on December 31, 2024. The state of New Hampshire limits the use of acquired net operating losses that can be used by the Bank each year based on Internal Revenue Code Section 382. This limitation is $552,000 per year. Management believes it is more likely than not that it will be able to utilize the New Hampshire net operating loss carryforward prior to expiration.

At December 31, 2018, the Company had a charitable contribution carryforward of $1.1 million. This carryforward was generated from the Company’s creation of The HarborOne Foundation to which it contributed 385,450 shares of its common stock and $965,000 in cash in connection with the offering in June 2016. At December 31, 2019, the Company had no federal charitable contribution carryforward as it utilized the remaining $1.1 million benefit in the 2019 tax return.

During 2017, federal and state amended tax returns were filed that requested tax refunds of approximately $3.2 million. These refunds reflected the change in the tax basis of certain assets not reflected on the original tax return filings. In addition, net operating

loss carryforwards for 2016 and related uncertain tax benefits were recognized on the 2016 and 2017 tax return filings. The amended tax return filings net of the tax impact of a temporary difference adjustment of $320,000 reflect "unrecognized tax benefits", which are defined as the aggregate differences between tax return positions and the benefits recognized in the Consolidated Financial Statements. Interest on the uncertain tax positions was reflected in the determination of tax expense for 2018 and 2017. In 2019, a Federal tax refund in the amount of $603,000 was received for 2013 and state tax refunds were received for years 2013, 2014 and 2015 in the amount of $211,000, $320,000 and $40,000, respectively. Federal tax refunds for years 2014 and 2015 in the amount of $826,000 and $1.3 million, respectively, were received during 2018. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

	December 31,		
	2020	2019	2018
		(in thousands)	
Balance at beginning of year	$ 3,052	$ 3,769	$ 1,898
Additions based on tax positions related to current year	—	—	—
Additions for tax positions for prior years	168	1,471	2,672
Reductions for tax positions for prior years	(2,058)	(153)	—
Settlements	—	(2,035)	(801)
Balance at end of year	$ 1,162	$ 3,052	$ 3,769

The balance of unrecognized tax benefits, the amount of related interest accrued and what management believes to be the range of reasonably possible changes in the next 12 months, are:

Unrecognized tax benefits	$ 1,060
Accrued interest on unrecognized tax benefits	102
Portion that, if recognized, would reduce tax expense and effective tax rate	1,162
Reasonably possible reduction to the balance of unrecognized tax in subsequent year	754
Portion that, if recognized, would reduce tax expense and effective tax rate in subsequent year	754

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. Based on the level of historical taxable income and projections for future taxable income over the periods the deferred tax assets are expected to be deductible, management believes it is more likely than not that its deferred tax assets are realizable. It should be noted, however, that factors beyond management's control, such as the general economy and real estate values, can affect future levels of taxable income, and no assurance can be given that sufficient taxable income will be generated to fully absorb gross deductible temporary differences.

15. OTHER COMMITMENTS AND CONTINGENCIES

Loan Commitments

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and advance funds on various lines of credit. Those commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying Consolidated Financial Statements.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance sheet instruments.

The following off-balance sheet financial instruments were outstanding at December 31, 2020 and 2019. The contract amounts represent credit risk.

	December 31, 2020	December 31, 2019
	(in thousands)	
Commitments to grant residential real estate loans-HarborOne Mortgage	$ 485,428	$ 24,752
Commitments to grant other loans	53,714	74,114
Unadvanced funds on home equity lines of credit	178,432	157,867
Unadvanced funds on revolving lines of credit	169,907	147,047
Unadvanced funds on construction loans	127,776	112,158

Commitments to extend credit and unadvanced portion of construction loans are agreements to lend to a customer, as long as there is no violation of any condition established in the contract. Commitments to grant loans generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for unadvanced funds on construction loans, home equity and revolving lines of credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Commitments to grant loans, unadvanced construction loans and home equity lines of credit are collateralized by real estate, while revolving lines of credit are unsecured.

Employment Agreements

The Company has entered into employment agreements with certain executive officers. The term of the agreements commenced on the effective date of the signed agreements and continues thereafter until terminated, as defined by the agreements. The agreements generally provide for a specified minimum annual compensation and the continuation of benefits currently received. However, such employment can be terminated for cause, as defined, without incurring any continuing obligations. In addition, all of the agreements provide for severance payments to the officers following a change in control, as defined.

The Company entered into an employment agreement with the former President and Chief Executive Officer of Coastway in connection with the Coastway acquisition. The agreement had a five-year term that provided total compensation of $2.2 million. Generally, in the event of termination after the first twelve months, the remaining total compensation was payable and as such the total amount was fully expensed over twelve months, ending in 2019. For the years ended December 31, 2019 and 2018, the Company recognized compensation expense of $1.7 million and $509,000, respectively.

Reserve for Residential Mortgage Loan Repurchase Losses

The Company sells residential mortgage loans on a "whole-loan" basis to Fannie Mae and Freddie Mac, and to non-agency investors. These loan sales occur under industry standard contractual provisions that include various representations and warranties, which typically cover ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan and other similar matters. The Company may be required to repurchase certain loans sold with identified defects, indemnify the investor, or reimburse the investor for any credit losses incurred. The Company establishes mortgage repurchase reserves related to various representations and warranties that reflect management's estimate for which we have a repurchase obligation. The reserves are established by a charge to loan expenses in our Consolidated Statements of Income. At December 31, 2020 and 2019, this reserve totaled $2.7 million and $834,000, respectively, and is included in other liabilities and accrued expenses on the Consolidated Balance Sheets.

The repurchase reserve is applicable to loans the Company originated and sold with representations and warranties, which is representative of the entire sold portfolio. The repurchase loss liability is estimated by origination year and to the extent that repurchase demands are made by investors, we may be able to successfully appeal such repurchase demands. The reserve considers anticipated future losses and the Company's lack of historical experience with the make-whole demands. The reserve for residential mortgage loan repurchase losses represents our best estimate of the probable loss that we may incur due to the representations and warranties in our loan sales contracts with investors. Repurchase losses depend upon economic factors and other external conditions that may change over the life of the underlying loans. Additionally, lack of access to the servicing records of loans sold on a service released basis adds

difficulty to the estimation process. To the extent that future investor repurchase demand and appeals success differ from past experience, the Company could have increased demands and increased loss severities on repurchases, causing future additions to the repurchase reserve.

Certain loans were sold with recourse provisions, and at December 31, 2020 and 2019, the related maximum contingent liability related to loans sold amounted to $1.3 million and $1.3 million, respectively. Based on discounted cash flow of projected losses on sold loans in this portfolio at December 31, 2020 and 2019, the Company had no recourse liability.

Other

In the ordinary course of business, various legal claims arise from time to time and, in the opinion of management based on discussion with legal counsel, management does not believe these claims will have a material effect on the Company's financial position or results of operations.

16. DERIVATIVES

The Company's derivative financial instruments are used to manage differences in the amount, timing and duration of the Company's known or expected cash receipts and its known or expected cash payments principally to manage the Company's interest rate risk. Additionally, the Company enters into interest rate derivatives to accommodate the business requirements of its customers. All derivatives are recognized as either assets or liabilities on the balance sheet and are measured at fair value. The accounting for changes in the fair value of a derivative instrument depends upon whether or not it qualifies as a hedge for accounting purposes, and further, by the type of hedging relationship.

Interest Rate Swaps Designated as a Cash Flow Hedge

As part of its interest rate risk management strategy, the Company utilizes interest rate swap agreements to help manage its interest rate risk positions. The notional amount of the interest rate swaps do not represent the amount exchanged by the parties. The exchange of cash flows is determined by reference to the notional amounts and the other terms of the interest rate swap agreements. The changes in fair value of derivatives designated as cash flow hedges are recorded in other comprehensive income and subsequently reclassified to earnings when gains or losses are realized.

As of December 31, 2020, the Company had one interest rate swap agreement with a notional amount of $100.0 million that was designated as a cash flow hedge of certain short-term debt. The interest rate swap agreement has an average maturity of 4.3 years, the current weighted average fixed rate paid is 0.67%, the weighted average 3-month LIBOR swap receive rate is 0.35% and the fair value is $1.4 million. The Company expects approximately $489,000 related to the cash flow hedge to be reclassified to interest expense, from other comprehensive income, in the next twelve months.

Derivative Loan Commitments

Mortgage loan commitments qualify as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. The Company enters into commitments to fund residential mortgage loans as specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Company to lend funds to a potential borrower at a specified interest rate and within a specified period of time, generally up to 60 days after inception of the rate lock.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loans arising from exercise of the loan commitment might decline from inception of a rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases.

Forward Loan Sale Commitments

The Company utilizes both “mandatory delivery” and “best efforts” forward loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments.

With a “mandatory delivery” contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

With a “best efforts” contract, the Company commits to deliver an individual mortgage loan of a specified principal amount and quality to an investor if the loan to the underlying borrower closes. Generally, the price the investor will pay the seller for an individual loan is specified prior to the loan being funded (e.g., on the same day the lender commits to lend funds to a potential borrower).

The Company expects that these forward loan sale commitments will experience changes in fair value opposite to the change in fair value of derivative loan commitments.

Interest Rate Swaps

The Company enters into interest rate swap agreements that are transacted to meet the financing needs of its commercial customers. Offsetting interest rate swap agreements are simultaneously transacted with a third-party financial institution to effectively eliminate the Company’s interest rate risk associated with the customer swaps. The primary risks associated with these transactions arise from exposure to the ability of the counterparties to meet the terms of the contract. Mortgage-backed securities with a fair value of $40.3 million are pledged to secure the Company’s liability for the offsetting interest rate swaps (see Note 4). The interest rate swap notional amount below is the aggregate notional amount of the customer swap and the offsetting third-party swap.

Risk Participation Agreements

The Company has entered into risk participation agreements with the correspondent institutions and shares in any interest rate swap losses incurred as a result of the commercial loan customers’ termination of a loan level interest rate swap agreement prior to maturity. The Company records these risk participation agreements at fair value. The Company’s maximum credit exposure is based on its proportionate share of the settlement amount of the referenced interest rate swap. Settlement amounts are generally calculated based on the fair value of the swap plus outstanding accrued interest receivables from the customer.

Although the Company has determined that the majority of the inputs used to value its interest rate swaps and risk participation agreements fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with interest rate contracts and risk participation agreements utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of December 31, 2020 and 2019, The Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that the credit valuation adjustments are not significant to the overall valuation of its derivatives. As a result, the Company has classified its derivative valuations in their entirety as Level 2.

The following tables present the outstanding notional balances and fair values of outstanding derivative instruments:

	Notional Amount	Assets: Balance Sheet Location	Assets: Fair Value	Liabilities: Balance Sheet Location	Liabilities: Fair Value
			(in thousands)		
December 31, 2020:					
Derivatives designated as Hedging Instruments					
Interest rate swaps	$ 100,000	—	$ —	Other liabilities	$ 1,407
Derivatives not designated as Hedging Instruments					
Derivative loan commitments	$ 485,428	Other assets	$ 12,623	Other liabilities	$ 341
Forward loan sale commitments	356,500	Other assets	—	Other liabilities	2,204
Interest rate swaps	867,728	Other assets	39,320	Other liabilities	39,320
Risk participation agreements	132,379	Other assets	—	Other liabilities	—
Total			$ 51,943		$ 43,272
December 31, 2019:					
Derivatives designated as Hedging Instruments					
Interest rate swaps	$ —	—	$ —	—	$ —
Derivatives not designated as Hedging Instruments					
Derivative loan commitments	$ 100,938	Other assets	$ 1,385	Other liabilities	$ 174
Forward loan sale commitments	88,000	Other assets	26	Other liabilities	158
Interest rate swaps	725,332	Other assets	15,092	Other liabilities	15,092
Risk participation agreements	134,346	Other assets	—	Other liabilities	—
Total			$ 16,503		$ 15,424

The following table presents the recorded net gains and losses pertaining to the Company's derivative instruments:

	Year Ended December 31, 2020	2019	2018
		(in thousands)	
Derivatives designated as hedging instruments			
Gain (loss) in OCI on derivatives (effective portion), net of tax	$ (1,013)	$ —	$ —
(Loss) gain reclassified from OCI into interest income or interest expense (effective portion)	$ (46)	$ —	$ —
Derivatives not designated as hedging instruments			
Changes in fair value of derivative loan commitments			
Mortgage banking income	$ 11,072	$ 62	$ 129
Changes in fair value of forward loan sale commitments			
Mortgage banking income	(2,073)	386	(472)
Changes in fair value of interest rate swaps			
Other income	—	—	—
Total	$ 8,999	$ 448	$ (343)

17. COMPENSATION AND BENEFIT PLANS

Defined Contribution Plan

The Company provides saving plans which qualifies under Section 401(k) of the Internal Revenue Code and provides for voluntary contributions by participating employees up to the maximum amount permitted by law. For the year ended December 31, 2020 the Bank contributed 5% of each employee's compensation up to the social security wage base and HarborOne Mortgage matched 50% of the first 4% of employee contributions up to a maximum of $2,000. For the years ended December 31, 2019 and 2018, the Bank

contributed 9.3% of each employee's compensation up to the social security wage base, plus an additional 5.7% of the employee's compensation in excess of the social security wage base on a discretionary basis up to regulatory maximums. HarborOne Mortgage made no contributions in 2019 and 2018. Contributions expensed were $1.8 million, $2.5 million and $2.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Management Incentive Program

The Company from time to time creates incentive compensation plans for senior management and other officers to participate in at varying levels. In addition, the Company may also pay a discretionary bonus to senior management, officers, and/or nonofficers of the Company. These programs are administered by the Compensation Committee of the Board of Directors. The expense for the incentive plans amounted to $4.7 million, $2.1 million and $3.3 million for the years ended December 31, 2020, 2019 and 2018, respectively.

Supplemental Retirement Plans

The Company provides supplemental retirement benefits to two senior executive officers of the Company under the terms of two Supplemental Executive Retirement Plan Agreements (the "SERPs"). Benefits to be paid under the SERPs are based primarily on the officer's compensation and estimated mortality. At December 31, 2020, 2019 and 2018, included in Other liabilities and accrued expenses is the Company's obligation under the SERPs of $8.0 million, $7.1 million and $5.3 million, respectively. The retirement benefits, as defined in the SERPs, are accrued by charges to compensation expense over the required service periods of the officers. Expense related to these benefits was $955,000, $1.8 million and $658,000 for the years ended December 31, 2020, 2019 and 2018, respectively.

The Company assumed a supplemental retirement plan in the Coastway acquisition. At December 31, 2018, the Company's obligation under the plan of $3.4 million is included in other liabilities and accrued expenses. Compensation expense related to this benefit was $90,000 for the year ended December 31, 2018. The plan was frozen as part of the merger agreement and the settlement of the plan was completed in 2019.

Split-Dollar Life Insurance Arrangement

The Company has an endorsement split-dollar life insurance agreement with an executive officer whereby the Company will pay to the executives' estates or beneficiaries a portion of the death benefit that the Company will receive as beneficiary of such policy. Expense associated with this post-retirement benefit for the years ended December 31, 2020, 2019 and 2018 amounted to $21,000, $38,000 and $73,000, respectively. The cash surrender value of the policy is included in Bank-owned life insurance on the Consolidated Balance Sheets.

Deferred Compensation Plans

The Company is the sole owner of an annuity policy pertaining to one of the Company's executives. The Company has an agreement with this executive whereby upon retirement the Company will pay to the executive an amount equal to the cash surrender value of the annuity less premiums paid accumulated at an interest rate of 1.5% per year. At December 31, 2020, 2019 and 2018, included in other liabilities and accrued expenses is the Company's obligation under the plan of $385,000, $353,000 and $322,000, respectively. For the years ended December 31, 2020, 2019 and 2018, the expense amounted to $32,000, $31,000 and $29,000, respectively.

The Company has agreements with two executive officers whereby the Company will pay the cost of the premium for individual supplemental medical and prescription drug coverage for their lifetime upon retirement at age 65 or later. Spousal coverage is provided each year the executive is eligible for coverage and the spouse is age 65 or over. At December 31, 2020, 2019 and 2018, included in other liabilities and accrued expenses is the Company's obligation under the plan of $344,000, $297,000 and $229,000, respectively. For the years ended December 31, 2020, 2019 and 2018, the expense amounted to $47,000, $66,000 and $3,000, respectively.

The Company assumed a deferred compensation plan in the Coastway acquisition. At December 31, 2018, other assets included $1.5 million in plan assets and other liabilities and accrued expenses included a liability for the benefit obligation of $1.5 million. Compensation expense related to this plan for the year ended December 31, 2018 was $46,000. The plan was terminated and paid to the former Coastway executive in 2019.

Long-Term Incentive Plan

During 2015, the Company entered into a long-term incentive plan with several executive officers. Benefits are earned annually based on the Company's achievement of performance goals. The plan is administered by the Company's Board of Directors. The plan was amended effective January 1, 2018 and no further incentive awards are awarded under the plan. Included in other liabilities and accrued expenses at December 31, 2020, 2019 and 2018 is $437,000, $838,000 and $1.3 million, respectively, for this plan. For the years ended December 31, 2020 and 2018, the expense amounted to $20,000 and $56,000, respectively. For the year ended December 31, 2019, the Company reversed $82,000 of expense related to a former executive officer.

Post-Retirement Life Insurance

Employees who are covered under the Company's bank-owned life insurance program can elect to participate in the benefits of the program while employed by the Company. The Company granted post-employment coverage to certain executives. This post retirement benefit is included in other liabilities and accrued expenses at December 31, 2020, 2019 and 2018 in the amount of $234,000, $186,000 and $171,000, respectively. For the years ended December 31, 2020, 2019 and 2018, the expense amounted to $47,000, $17,000 and $29,000, respectively.

Employee Stock Ownership Plan

On June 29, 2016, the Company established an ESOP to provide eligible employees the opportunity to own Company stock. The Company added shares to the ESOP as part of the Offering completed August 14, 2019. The plan is a tax-qualified retirement plan for the benefit of the eligible Company employees. The ESOP shares were purchased through a loan from the Company and as the debt is repaid, shares are released. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax limits. The unreleased shares are deducted from stockholders' equity as unearned ESOP shares in the accompanying Consolidated Balance Sheets. The number of shares committed to be released per year is 230,723 through 2035 and 124,148 from 2036 through 2038.

The following table presents share information held by the ESOP:

	December 31,	
	2020	2019
Allocated shares	639,525	408,803
Shares committed to be allocated	230,723	230,724
Unallocated shares	3,602,562	3,833,283
Total shares	4,472,810	4,472,810
Fair value of unallocated shares	$ 39,123,823	$ 42,127,780

Total compensation expense recognized in connection with the ESOP was $2.1 million, $2.7 million and $1.1 million for the years ended December 31, 2020, 2019 and 2018, respectively.

ESOP Restoration Plan

During 2016, the Company also adopted an ESOP Restoration Plan for the benefit of ESOP eligible employees whose annual compensation exceeds the amount of annual compensation permitted to be recognized under the ESOP by the Internal Revenue Code. Under the ESOP Restoration Plan, eligible participants would receive a credit each year equal to the amount they would have received under the ESOP but for the Internal Revenue Service imposed compensation limit. Any benefits earned under the ESOP Restoration Plan would become payable at the earliest of six months and a day after the participant's separation of service from the Bank, the participant's death, a change in control of the Company or upon termination of the ESOP Restoration Plan. These benefits are accrued over the period during which employees provide services to earn these benefits. For the year ended December 31, 2020, 2019 and 2018, $487,000, $210,000 and $24,000, respectively, was accrued for the ESOP Restoration Plan.

Defined Benefit Plan

The Company assumed a frozen noncontributory defined benefit pension plan in the Coastway acquisition. At December 31, 2018 the fair value of the plan assets was $1.4 million and the projected benefit obligation was $1.6 million. The unfunded liability balance of $202,000 was included in other liabilities and accrued expenses. The Company settled the plan in 2019 and recognized a gain on settlement of $43,000, included in other income.

Directors' Retirement Plan

The Company has an unfunded director fee continuation plan which provides postretirement benefits to eligible directors of the Company. Participants in the plan must have at least six years of service as a director to be vested in the benefit, which is determined based on number of years of service. The Company elected to freeze the plan in 2017.

Based on the actuarial analysis, the funded status of the plan and the components of net periodic cost are as follows:

	Year Ended December 31,		
	2020	2019 (in thousands)	2018
Change in projected benefit obligation:			
Benefit obligation at beginning of year	$ 1,915	$ 1,876	$ 1,837
Service cost	—	—	—
Interest cost	75	76	76
Loss	—	—	—
Benefits paid	(37)	(37)	(37)
Benefit obligation and funded status at end of year	$ 1,953	$ 1,915	$ 1,876
Accumulated benefit obligation	$ 1,953	$ 1,915	$ 1,876
Service cost	$ —	$ —	$ —
Interest cost	75	76	76
Loss recognized	—	—	—
Prior service cost recognized	—	—	—
Net periodic cost	$ 75	$ 76	$ 76

The following assumption was used to determine the benefit obligation and net periodic cost at or for the years ended December 31:

	2020	2019	2018
Discount rate	4.14 %	4.14 %	4.14 %
Rate of compensation increase	N/A	N/A %	3.00 %

The following is a summary of benefit payments expected to be paid by the director's retirement plan over the next ten years:

<u>Years Ending December 31,</u>	(in thousands)
2021	$ 37
2022	399
2023	230
2024	230
2025	231
2026-2030	1,050

18. STOCK-BASED COMPENSATION

The Company has two share-based compensation plans. Under the HarborOne, Inc. 2020 Equity Incentive Plan (the "2020 Equity Plan"), adopted on September 29, 2020, and the 2017 Stock Option and Incentive Plan (the "2017 Equity Plan"), adopted on August 9, 2017, the Company may grant stock options, restricted stock awards, and other equity incentives to its directors, officers and employees. Total shares reserved for issuance under the 2020 Equity Plan are 4,500,000. The 2017 Equity Plan was discontinued upon the adoption of the 2020 Equity Plan and as such the Company may only award shares from the 2020 Equity Plan.

Expense related to awards granted to employees is recognized as compensation expense, and expense related to awards granted to directors is recognized as directors' fees within noninterest expense.

The following table presents the pre-tax expense associated with stock options and restricted stock awards and the related tax benefits recognized for the years presented:

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Stock-based compensation expense			
Stock options	$ 1,099	$ 1,213	$ 694
Restricted stock awards	1,618	2,204	2,360
Directors' fee expense			
Stock options	358	572	629
Restricted stock awards	604	860	910
Total stock-based award expense	$ 3,679	$ 4,849	$ 4,593
Related tax benefits recognized in earnings	$ 773	$ 1,042	$ 965

Stock Options

Stock options are generally granted with the exercise price equal to the market price of the Company's common stock at the date of the grant with vesting periods ranging from 1 to 3 years and have 10-year contractual terms.

The fair value of each option grant is estimated on the date of the grant using the Black-Scholes option-pricing model with the following assumptions:

- Volatility is based on peer group volatility due to lack of sufficient trading history for the Company.
- Expected life represents the period of time that the option is expected to be outstanding, taking into account the contractual term and the vesting period.
- Expected dividend yield is based on the Company's history and expectation of dividend payouts.
- The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected life of the option.

During the year ended December 31, 2020, the Company made no awards of nonqualified options to purchase shares of common stock. During the years ended December 31, 2019 and 2018, the Company made the following awards of nonqualified options to purchase shares of common stock:

	Year Ended December 31,	
	2019	2018
Options granted	583,565	289,890
Vesting period (years)	3	3
Term (years)	10	10
Weighted average expected volatility	22.09 %	22.16 %
Expected life (years)	6	6
Expected dividend yield	— %	— %
Weighted average risk free interest rate	2.46 %	2.93 %
Weighted average fair value per option	$2.49	$2.83

A summary of the status of the Company's stock option grants for the year ended December 31, 2020 is presented in the table below:

	Outstanding				Nonvested	
	Stock Option Awards	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value	Stock Option Awards	Weighted Average Grant Date Fair Value
Balance at January 1, 2020	2,169,243	$ 9.87			1,196,545	$ 2.66
Granted	—	—			—	—
Vested	—	—			(702,155)	2.73
Forfeited	(20,948)	10.23			(20,948)	2.82
Expired	(41,892)	10.23			(41,892)	2.82
Balance at December 31, 2020	2,106,403	$ 9.86	7.22	$ 2,097,257	431,550	$ 2.55
Exercisable at December 31, 2020	1,632,958	$ 10.05	6.96	$ 1,321,686		
Unrecognized cost inclusive of directors' awards	$ 805,000					
Weighted average remaining recognition period (years)	1.12					

Restricted Stock

Shares issued upon vesting may be either authorized but unissued shares or reacquired shares held by the Company. Any shares not issued because vesting requirements are not met will again be available for issuance under the plan. The fair market value of shares awarded, based on the market price at the date of grant, is unearned compensation to be amortized over the applicable vesting period.

The following table presents the activity in unvested stock awards under the 2020 Equity Plan and the 2017 Equity Plan for the year ended December 31, 2020:

	Restricted Stock Awards	Weighted Average Grant Price
Unvested stock awards at January 1, 2020	333,766	$ 10.20
Vested	(294,822)	10.22
Granted	355,427	9.28
Forfeited	(9,679)	10.13
Unvested stock awards at December 31, 2020	384,692	$ 9.33
Unrecognized cost inclusive of directors' awards	$ 3,194,000	
Weighted average remaining recognition period (years)	1.75	

19. STOCKHOLDERS' EQUITY

Minimum Regulatory Capital Requirements

The Company and Bank are subject to various regulatory capital requirements administered by the Federal Reserve and the FDIC. Failure to meet minimum capital requirements can result in mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's Consolidated Financial Statements.

Under the capital rules, risk-based capital ratios are calculated by dividing Tier 1, common equity Tier 1, and total risk-based capital, respectively, by risk-weighted assets. Assets and off-balance sheet credit equivalents are assigned to one of several risk-weight categories, based primarily on relative risk. The rules require banks and bank holding companies to maintain a minimum common equity Tier 1 capital ratio of 4.5%, a minimum Tier 1 capital ratio of 6.0%, and a total capital ratio of 8.0%. In addition, a Tier 1 leverage ratio of 4.0% is required. Additionally, the capital rules require a bank holding company to maintain a capital conservation buffer of common equity Tier 1 capital in an amount above the minimum risk-based capital requirements equal to 2.5% of total risk weighted assets, or face restrictions on the ability to pay dividends, pay discretionary bonuses, and to engage in share repurchases.

Under the FDIC's prompt corrective action rules, an insured state nonmember bank is considered "well capitalized" if its capital ratios meet or exceed the ratios as set forth in the following table and is not subject to any written agreement, order, capital directive, or prompt corrective action directive to meet and maintain a specific capital level for any capital measure. The Bank must meet well capitalized requirements under prompt corrective action provisions. Prompt corrective action provisions are not applicable to bank holding companies.

A bank holding company is considered "well capitalized" if the bank holding company (i) has a total risk-based capital ratio of at least 10.0%, (ii) has a Tier 1 risk-based capital ratio of at least 6.0%, and (iii) is not subject to any written agreement order, capital directive or prompt corrective action directive to meet and maintain a specific capital level for any capital measure.

At December 31, 2020, the capital levels of both the Company and the Bank exceeded all regulatory capital requirements, and their regulatory capital ratios were above the minimum levels required to be considered well capitalized for regulatory purposes. The capital levels of both the Company and the Bank at December 31, 2020 also exceeded the minimum capital requirements, including the currently applicable capital conservation buffer of 2.5%.

The Company's and Bank's regulatory capital ratios as of December 31, 2020 and 2019 are presented in the table below.

	Actual		Minimum Required for Capital Adequacy Purposes		Minimum Required to be Considered "Well Capitalized" Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(dollars in thousands)			
HarborOne Bancorp, Inc.						
December 31, 2020						
Common equity Tier 1 capital to risk-weighted assets	$ 621,153	17.7 %	$ 158,050	4.5 %	N/A	N/A
Tier 1 capital to risk-weighted assets	621,153	17.7	210,733	6.0	N/A	N/A
Total capital to risk-weighted assets	700,197	19.9	280,978	8.0	N/A	N/A
Tier 1 capital to average assets	621,153	14.5	171,578	4.0	N/A	N/A
December 31, 2019						
Common equity Tier 1 capital to risk-weighted assets	$ 590,122	18.7 %	$ 142,048	4.5 %	N/A	N/A
Tier 1 capital to risk-weighted assets	590,122	18.7	189,397	6.0	N/A	N/A
Total capital to risk-weighted assets	649,182	20.6	252,529	8.0	N/A	N/A
Tier 1 capital to average assets	590,122	15.3	154,659	4.0	N/A	N/A
HarborOne Bank						
December 31, 2020						
Common equity Tier 1 capital to risk-weighted assets	$ 506,822	14.4 %	$ 158,081	4.5 %	$ 228,339	6.5 %
Tier 1 capital to risk-weighted assets	506,822	14.4	210,775	6.0	281,033	8.0
Total capital to risk-weighted assets	550,875	15.7	281,033	8.0	351,291	10.0
Tier 1 capital to average assets	506,822	11.8	171,501	4.0	214,377	5.0
December 31, 2019						
Common equity Tier 1 capital to risk-weighted assets	$ 453,707	14.4 %	$ 142,053	4.5 %	$ 205,188	6.5 %
Tier 1 capital to risk-weighted assets	453,707	14.4	189,404	6.0	252,539	8.0
Total capital to risk-weighted assets	477,767	15.1	252,539	8.0	315,674	10.0
Tier 1 capital to average assets	453,707	12.2	149,272	4.0	186,591	5.0

Dividend Restrictions

The Bank is 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 calendar year. The total of all dividends shall not exceed the Bank's net income for the current year (as defined by statute), plus the Bank's net income retained for the two previous years, without regulatory approval. Dividends from the Bank are an important source of funds to the Company to make dividend payments on its common stock and for its other cash needs. The ability of the Company and the Bank to pay dividends is dependent on regulatory policies and regulatory capital requirements. The ability to pay such dividends in the future may be adversely affected by new legislation or regulations, or by changes in regulatory policies relating to capital, safety and soundness, and other regulatory concerns.

Preferred Stock

The Company has 1,000,000 shares of preferred stock, no par value, authorized, and none issued or outstanding.

Treasury Stock

Any shares repurchased under the Company's share repurchase programs were purchased in open-market transactions and are held as treasury stock. All treasury stock is held at cost.

The Company adopted a share repurchase program on September 3, 2020 to repurchase up to approximately 5% of the Company's outstanding shares. During the year ended December 31, 2020, the Company purchased 1,533,500 shares at an average price of $10.29 for a total of $15.9 million.

The Company's prior share repurchase program expired in 2019. Treasury stock at December 31, 2019 consisted of shares acquired in connection with the satisfaction of tax obligations on vested restricted stock issued pursuant to the Stock Option and Incentive Plan. As of December 31, 2018, the Company had repurchased 146,644 shares, including 75,544 shares acquired by the Company in connection with the satisfaction of tax obligations on vested restricted stock issued pursuant to the Stock Option and Incentive Plan.

20. 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 stockholders' equity section of the Consolidated Balance Sheets, such items, along with net income, are components of comprehensive income (loss).

The components of accumulated other comprehensive income (loss), included in stockholders' equity, are as follows:

	December 31, 2020	December 31, 2019
	(in thousands)	
Cash flow hedge:		
Net unrealized loss	$ (1,407)	$ —
Related tax effect	394	—
Total accumulated other comprehensive loss	$ (1,013)	$ —
Securities available for sale:		
Net unrealized gain	$ 4,102	$ 1,899
Related tax effect	(904)	(419)
Total accumulated other comprehensive income	$ 3,198	$ 1,480

The following tables present changes in accumulated other comprehensive income (loss) by component for the years ended December 31, 2020, 2019 and 2018:

	Year Ended December 31, 2020			2019	2018
	Available for Sale Securities	Cash Flow Hedge	Total	Available for Sale Securities	Available for Sale Securities
			(in thousands)		
Balance at beginning of period	$ 1,480	$ —	$ 1,480	$ (2,358)	$ (528)
Other comprehensive income (loss) before reclassifications	4,214	(1,453)	2,761	6,266	(2,212)
Reclassification of stranded effect of tax rate changes	—	—	—	—	(104)
Amounts reclassified to accumulated other comprehensive income for transfer of securities to available for sale	522	—	522	—	—
Amounts reclassified from accumulated other comprehensive income (loss)	(2,533)	46	(2,487)	(1,344)	—
Net current period other comprehensive income (loss)	2,203	(1,407)	796	4,922	(2,316)
Related tax effect	(485)	394	(91)	(1,084)	486
Balance at end of period	$ 3,198	$ (1,013)	$ 2,185	$ 1,480	$ (2,358)

21. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is the exchange price that would be received for an asset or paid to transfer a liability (exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. There are three levels of inputs that may be used to measure fair values:

•Level 1 – Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

•Level 2 – Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

•Level 3 – Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The following methods and assumptions were used by the Company in estimating fair value disclosures:

Cash and cash equivalents - The carrying amounts of cash and cash equivalents approximate fair values based on the short-term nature of the assets.

Debt Securities - Available for sale debt securities are recorded at fair value on a recurring basis. When available, the Company uses quoted market prices to determine the fair value of debt securities; such items are classified as Level 1. There were no Level 1 securities held at December 31, 2020 and 2019.

Level 2 debt securities are traded less frequently than exchange-traded instruments. The fair value of these securities is determined using matrix pricing with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category includes obligations of U.S. government-sponsored enterprises, including mortgage-backed securities, individual name issuer trust preferred debt securities and corporate bonds.

Debt securities not actively traded whose fair value is determined through the use of cash flows utilizing inputs that are unobservable are classified as Level 3. There were no Level 3 securities held at December 31, 2020 and 2019.

FHLB stock - FHLB stock has restrictions placed on its transferability. As a result, the fair value of FHLB stock was not practicable to determine.

Loans held for sale - The fair value of mortgage loans held for sale is estimated based on current market prices for similar loans in the secondary market and therefore are classified as Level 2 assets. There were no mortgage loans held for sale 90 days or more past due as of December 31, 2020 and 2019.

Collateral Dependent Impaired Loans - The fair value of collateral dependent loans that are deemed to be impaired is determined based upon the fair value of the underlying collateral. Such collateral primarily consists of real estate and, to a lesser extent, other business assets. For collateral dependent loans for which repayment is dependent on the sale of the collateral, management adjusts the fair value for estimated costs to sell. For collateral dependent loans for which repayment is dependent on the operation of the collateral, such as accruing troubled debt restructured loans, estimated costs to sell are not incorporated into the measurement. Management may also adjust appraised values to reflect estimated market value declines or apply other discounts to appraised values resulting from its knowledge of the property. Internal valuations are utilized to determine the fair value of other business assets. Collateral dependent impaired loans are categorized as Level 3.

Appraisals for collateral-dependent impaired loans are performed by certified general appraisers (for commercial properties) or certified residential appraisers (for residential properties) whose qualifications and licenses have been reviewed and verified by the Company.

Once received, the Company reviews the assumptions and approaches utilized in the appraisal as well as the overall resulting fair value in comparison with independent data sources such as recent market data or industry-wide statistics.

Retirement plan annuities - The carrying value of the annuities are based on their contract values which approximate fair value.

MSRs -Fair value is based on a third-party valuation model that calculates the present value of estimated future net servicing income and includes observable market data such as prepayment speeds and default and loss rates.

Deposits and mortgagors' escrow accounts - The fair values disclosed for demand deposits (e.g., interest and non-interest checking, passbook savings, and certain types of money market accounts) and mortgagors' escrow accounts are, by definition, equal to the amount payable on demand at the reporting date (i.e., their carrying amounts). Fair values for certificates of deposit are estimated using a discounted cash flow calculation that applies market interest rates currently being offered on certificates to a schedule of aggregated expected monthly maturities on time deposits.

Borrowed funds - The fair values of borrowed funds are estimated using discounted cash flow analyses based on the current incremental borrowing rates in the market for similar types of borrowing arrangements.

Accrued interest - The carrying amounts of accrued interest approximate fair value.

Interest Rate Swap designated as a cashflow hedge – The Company works directly with a third party vendor to provide periodic valuations for its interest rate risk management agreements to determine fair value of its interest rate swaps executed for interest rate risk management. The vendor utilizes standard valuation methodologies applicable to interest rate derivatives based on readily observable market data and are therefore considered Level 2 valuations.

Forward loan sale commitments and derivative loan commitments - Forward loan sale commitments and derivative loan commitments are based on fair values of the underlying mortgage loans and the probability of such commitments being exercised. The assumptions for pull-through rates are derived from internal data and adjusted using management judgment. Derivative loan commitments include the non-refundable costs of originating the loan based on the Company's internal cost analysis that is not observable and the value of servicing. The weighted average pull-through rate for derivative loan commitments was approximately 76% and 85% at both December 31, 2020 and 2019, respectively.

Interest rate swaps and risk participation agreements - The Company's interest rate swaps are traded in over-the-counter markets where quoted market prices are not readily available. For these interest rate derivatives, fair value is determined by a third party utilizing models that use primarily market observable inputs, such as swap rates and yield curves. The pricing models used to value interest rate swaps calculate the sum of each instrument's fixed and variable cash flows, which are then discounted using an appropriate yield curve to arrive at the fair value of each swap. The pricing models do not contain a high level of subjectivity as the methodologies used do not require significant judgment. The Company incorporates credit valuation analysis for counterparty nonperformance risk in the fair value measurement, including the impact of netting applicable credit enhancements such as available collateral.

Off-balance sheet credit-related instruments - Fair values for off-balance sheet, credit related financial instruments are based on fees currently charged to enter into similar agreements, taking into account the remaining terms of the agreements and the counterparties' credit standing. The fair value of off-balance sheet instruments is immaterial.

Transfers between levels are recognized at the end of the reporting period, if applicable. There were no transfers in the periods presented.

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:

	Level 1	Level 2	Level 3	Total Fair Value
		(in thousands)		
December 31, 2020				
Assets				
Securities available for sale	$ —	$ 276,498	$ —	$ 276,498
Loans held for sale	—	208,612	—	208,612
Mortgage servicing rights	—	24,833	—	24,833
Derivative loan commitments	—	—	12,623	12,623
Forward loan sale commitments	—	—	—	—
Interest rate swaps	—	39,320	—	39,320
	$ —	$ 549,263	$ 12,623	$ 561,886
Liabilities				
Derivative loan commitments	$ —	$ —	$ 341	$ 341
Forward loan sale commitments	—	—	2,204	2,204
Interest rate management agreements	—	1,407	—	1,407
Interest rate swaps	—	39,320	—	39,320
	$ —	$ 40,727	$ 2,545	$ 43,272
December 31, 2019				
Assets				
Securities available for sale	$ —	$ 239,473	$ —	$ 239,473
Loans held for sale	—	110,552	—	110,552
Mortgage servicing rights	—	17,150	—	17,150
Derivative loan commitments	—	—	1,385	1,385
Forward loan sale commitments	—	—	26	26
Interest rate swaps	—	15,092	—	15,092
	$ —	$ 382,267	$ 1,411	$ 383,678
Liabilities				
Derivative loan commitments	$ —	$ —	$ 174	$ 174
Forward loan sale commitments	—	—	158	158
Interest rate swaps	—	15,092	—	15,092
	$ —	$ 15,092	$ 332	$ 15,424

The table below presents, for the years ended December 31, 2020, 2019 and 2018, the changes in Level 3 assets and liabilities that are measured at fair value on a recurring basis.

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Assets: Derivative and Forward Loan Sale Commitments:			
Balance at beginning of period	$ 1,411	$ 1,261	$ 1,093
Total gains included in net income [1]	11,212	150	168
Balance at end of period	$ 12,623	$ 1,411	$ 1,261
Changes in unrealized gains relating to instruments at period end	$ 12,623	$ 1,411	$ 1,261

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Liabilities: Derivative and Forward Loan Sale Commitments:			
Balance at beginning of period	$ (332)	$ (630)	$ (119)
Total gains (losses) included in net income [1]	(2,213)	298	(511)
Balance at end of period	$ (2,545)	$ (332)	(630)
Changes in unrealized losses relating to instruments at period end	$ (2,545)	$ (332)	(630)

[1] Included in mortgage banking income on the Consolidated Statements of Net Income.

Assets Measured at Fair Value on a Non-recurring Basis

The Company may also be required, from time to time, to measure certain other financial assets on a nonrecurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. There were no liabilities measured at fair value on a non-recurring basis at December 31, 2020 and 2019. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets.

	December 31,					
	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
	(in thousands)					
Asset held for sale	$ —	$ —	$ —	$ —	$ —	$ 8,536
Impaired loans:						
Residential	—	—	919	—	—	2,272
Commercial	—	—	7,242	—	—	1,606
Other real estate owned and repossessed assets	—	—	595	—	—	719
	$ —	$ —	$ 8,756	$ —	$ —	$ 13,133

Losses in the following table represent the amount of the fair value adjustments recorded during the year on the carrying value of the assets held at December 31, 2020 and 2019, respectively. Losses on fully charged off loans are not included in the table.

	Year Ended December 31,	
	2020	2019
	(in thousands)	
Asset held for sale	$ —	$ 482
Impaired loans		
Residential	118	28
Commercial	2,197	605
	$ 2,315	$ 1,115

The table below presents quantitative information about significant unobservable inputs (Level 3) for assets measured at fair value on a recurring basis at the dates indicated.

	Fair Value December 31,		Valuation Technique
	2020	2019	
	(in thousands)		
Impaired loans:			
Residential	$ 919	$ 2,272	Sales Comparison Approach [1]
Commercial	$ 7,242	$ 1,606	Sales Comparison Approach [1]
Real estate owned:			
Residential	$ 298	$ 298	Sales Comparison Approach [1]

[1] Fair value is generally determined through independent appraisals of the underlying collateral. The Company may also use another source of collateral assessment to determine a reasonable estimate of the fair value of the collateral. Appraisals may be adjusted by management for qualitative factors and estimated liquidation expenses. Unobservable inputs are adjustments for differences between the comparable sales. Residential real estate appraisals are generally discounted 0% - 20%. The weighted average for 2020 was 15%. Commercial loan appraisals are discounted 0% - 50%. The weighted average for 2020 was 27%.

Summary of Fair Values of Financial Instruments

The estimated fair values, and related carrying or notional amounts, of the Company's financial instruments are as follows. Certain financial instruments and all nonfinancial instruments are exempt from disclosure requirements. Accordingly, the aggregate fair value amounts presented herein may not necessarily represent the underlying fair value of the Company.

	December 31, 2020				
	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
	(in thousands)				
Financial assets:					
Cash and cash equivalents	$ 205,870	$ 205,870	$ —	$ —	$ 205,870
Securities available for sale	276,498	—	276,498	—	276,498
Federal Home Loan Bank stock	8,738	N/A	N/A	N/A	N/A
Loans held for sale	208,612	—	208,612	—	208,612
Loans, net	3,439,247	—	—	3,473,751	3,473,751
Retirement plan annuities	13,747	—	—	13,747	13,747
Accrued interest receivable	11,874	—	11,874	—	11,874
Financial liabilities:					
Deposits	3,506,209	—	—	3,509,996	3,509,996
Borrowed funds	149,097	—	152,373	—	152,373
Subordinated debt	34,033	—	—	34,799	34,799
Mortgagors' escrow accounts	7,736	—	—	7,736	7,736
Accrued interest payable	1,262	—	1,262	—	1,262
Derivative loan commitments:					
Assets	12,623	—	—	12,623	12,623
Liabilities	341	—	—	341	341
Interest rate management agreements:					
Liabilities	1,407	—	1,407	—	1,407
Interest rate swap agreements:					
Assets	39,320	—	39,320	—	39,320
Liabilities	39,320	—	39,320	—	39,320
Forward loan sale commitments:					
Assets	—	—	—	—	—
Liabilities	2,204	—	—	2,204	2,204

	December 31, 2019				
	Carrying	Fair Value			
	Amount	Level 1	Level 2	Level 3	Total
			(in thousands)		
Financial assets:					
Cash and cash equivalents	$ 211,616	$ 211,616	$ —	$ —	$ 211,616
Securities available for sale	239,473	—	239,473	—	239,473
Securities held to maturity	26,372	—	26,927	—	26,927
Federal Home Loan Bank stock	17,121	N/A	N/A	N/A	N/A
Loans held for sale	110,552	—	110,552	—	110,552
Loans, net	3,147,498	—	—	3,176,442	3,176,442
Retirement plan annuities	13,333	—	—	13,333	13,333
Accrued interest receivable	9,807	—	9,807	—	9,807
Financial liabilities:					
Deposits	2,942,873	—	—	2,943,899	2,943,899
Borrowed funds	354,132	—	354,881	—	354,881
Subordinated debt	33,907	—	—	34,619	34,619
Mortgagors' escrow accounts	6,053	—	—	6,053	6,053
Accrued interest payable	1,669	—	1,669	—	1,669
Derivative loan commitments:					
Assets	1,385	—	—	1,385	1,385
Liabilities	174	—	—	174	174
Interest rate swap agreements:					
Assets	15,092	—	15,092	—	15,092
Liabilities	15,092	—	15,092	—	15,092
Forward loan sale commitments:					
Assets	26	—	—	26	26
Liabilities	158	—	—	158	158

22. EARNINGS PER SHARE (“EPS”)

Basic EPS represents net income attributable to common shareholders divided by the weighted-average number of common shares outstanding during the period. Unvested restricted shares are participating securities and included in the computation of basic earnings per share. Diluted EPS is computed by dividing net income attributable to common shareholders by the weighted-average number of common shares outstanding, plus the effect of potential dilutive common stock equivalents outstanding during the period. The following table presents earnings per common share.

	Year Ended December 31,		
	2020	2019	2018
Net income available to common stockholders (in thousands)	$ 44,792	$ 18,268	$ 11,394
Average number of common shares outstanding	58,252,140	58,451,387	58,549,990
Less: Average unallocated ESOP shares	(3,938,772)	(2,719,750)	(1,860,399)
Weighted average common shares outstanding used to calculate basic earnings per common share	54,313,368	55,731,637	56,689,591
Dilutive effect of share-based compensation	6,467	139	—
Weighted average common shares outstanding used to calculate diluted earnings per common share	54,319,835	55,731,776	56,689,591
Earnings per common share:			
Basic	$ 0.82	$ 0.33	$ 0.20
Diluted	$ 0.82	$ 0.33	$ 0.20

Share amounts related to periods prior to the August 14, 2019 closing of the conversion offering have been restated to give retroactive recognition to the 1.795431 exchange ratio applied in the conversion offering.

Stock options for 2,106,403, 2,169,243 and 1,778,407 shares were not considered in computing diluted earnings per share for the years ended December 31, 2020, 2019 and 2018, respectively, because they were antidilutive.

23. SEGMENT REPORTING

The reportable segments are determined by the products and services offered, primarily distinguished between banking and mortgage banking operations. They are also distinguished by the level of information provided to the chief operating decision maker, who uses such information to review performance of various components of the business. The Company has two reportable segments: HarborOne Bank and HarborOne Mortgage. Revenue from HarborOne Bank consists primarily of interest earned on loans and investment securities and service charges on deposit accounts. Revenue from HarborOne Mortgage comprises interest earned on loans and fees received as a result of the residential mortgage origination, sale and servicing process.

The accounting policies of the reportable segments are the same as those described in the summary of significant accounting policies. Segment profit and loss is measured by net income on a legal entity basis. Intercompany transactions are eliminated in consolidation.

Information about the reportable segments and reconciliation to the Consolidated Financial Statements at December 31, 2020, 2019 and 2018, and for the years then-ended are presented in the tables below.

	Year Ended December 31, 2020				
	HarborOne Bank	HarborOne Mortgage	HarborOne Bancorp, Inc. (in thousands)	Eliminations	Consolidated
Net interest and dividend income (expense)	$ 118,217	$ 3,235	$ (1,386)	$ —	$ 120,066
Provision for loan losses	34,815	—	—	—	34,815
Net interest and dividend income (loss), after provision for loan losses	83,402	3,235	(1,386)	—	85,251
Mortgage banking income:					
Gain on sale of mortgage loans	—	105,469	—	—	105,469
Intersegment (loss) gain	(3,148)	3,148	—	—	—
Changes in mortgage servicing rights fair value	(2,376)	(4,356)	—	—	(6,732)
Other	1,360	14,278	—	—	15,638
Total mortgage banking income (loss)	(4,164)	118,539	—	—	114,375
Other noninterest income (loss)	24,909	(138)	—	—	24,771
Total noninterest income	20,745	118,401	—	—	139,146
Noninterest expense	98,354	66,859	1,175	—	166,388
Income (loss) before income taxes	5,793	54,777	(2,561)	—	58,009
Provision (benefit) for income taxes	527	12,964	(274)	—	13,217
Net income (loss)	$ 5,266	$ 41,813	$ (2,287)	$ —	$ 44,792
Total assets at period end	$ 4,460,164	$ 312,194	$ 733,993	$ (1,022,736)	$ 4,483,615
Goodwill at period end	$ 59,042	$ 10,760	$ —	$ —	$ 69,802

	Year Ended December 31, 2019				
	HarborOne Bank	HarborOne Mortgage	HarborOne Bancorp Inc. (in thousands)	Eliminations	Consolidated
Net interest and dividend income (expense)	$ 109,106	$ 1,064	$ (1,108)	$ —	$ 109,062
Provision for loan losses	4,747	—	—	—	4,747
Net interest and dividend income (loss), after provision for loan losses	104,359	1,064	(1,108)	—	104,315
Mortgage banking income:					
Gain on sale of mortgage loans	1	33,556	—	—	33,557
Intersegment (loss) gain	(1,183)	1,183	—	—	—
Changes in mortgage servicing rights fair value	(1,431)	(4,810)	—	—	(6,241)
Other	1,494	8,842	—	—	10,336
Total mortgage banking income (loss)	(1,119)	38,771	—	—	37,652
Other noninterest income (loss)	23,365	(45)	—	—	23,320
Total noninterest income	22,246	38,726	—	—	60,972
Noninterest expense	100,688	39,753	2,170	—	142,611
Income (loss) before income taxes	25,917	37	(3,278)	—	22,676
Provision (benefit) for income taxes	5,019	(77)	(534)	—	4,408
Net income (loss)	$ 20,898	$ 114	$ (2,744)	$ —	$ 18,268
Total assets at period end	$ 3,925,328	$ 165,863	$ 701,181	$ (733,451)	$ 4,058,921
Goodwill at period end	$ 59,042	$ 10,760	$ —	$ —	$ 69,802

	Year Ended December 31, 2018				
	HarborOne Bank	HarborOne Mortgage	HarborOne Bancorp Inc. (in thousands)	Eliminations	Consolidated
Net interest and dividend income (expense)	$ 88,478	$ 1,018	$ 39,434	$ (40,000)	$ 88,930
Provision for loan losses	3,828	—	—	—	3,828
Net interest and dividend income (loss), after provision for loan losses	84,650	1,018	39,434	(40,000)	85,102
Mortgage banking income:					
Gain on sale of mortgage loans	784	22,569	—	—	23,353
Intersegment (loss) gain	(205)	205	—	—	—
Changes in mortgage servicing rights fair value	(375)	(1,021)	—	—	(1,396)
Other	1,445	7,207	—	—	8,652
Total mortgage banking income	1,649	28,960	—	—	30,609
Other noninterest income	18,587	2	—	—	18,589
Total noninterest income	20,236	28,962	—	—	49,198
Noninterest expense	86,586	31,639	1,868	—	120,093
Income (loss) before income taxes	18,300	(1,659)	37,566	(40,000)	14,207
Provision (benefit) for income taxes	3,463	(262)	(388)	—	2,813
Net income (loss)	$ 14,837	$ (1,397)	$ 37,954	$ (40,000)	$ 11,394
Total assets at period end	$ 3,657,982	$ 89,461	$ 391,692	$ (486,014)	$ 3,653,121
Goodwill at period end	$ 59,582	$ 10,506	$ —	$ —	$ 70,088

24. CONDENSED FINANCIAL STATEMENTS OF PARENT COMPANY

Condensed financial information relative to HarborOne Bancorp, Inc.'s balance sheet at December 31, 2020 and 2019 and the related statements of net income and cash flows for the years ended December 31, 2020, 2019 and 2018 are presented below. The statement of stockholders' equity is not presented below as the parent company's stockholders' equity is that of the consolidated company.

Balance Sheet	December 31, 2020	December 31, 2019
	(in thousands)	
Assets		
Cash and due from banks	$ 118,265	$ 135,067
Investment in common stock of HarborOne Bank	581,982	529,380
Loan receivable - ESOP	32,190	33,407
Due from subsidiary	612	2,456
Other assets	657	871
Total assets	$ 733,706	$ 701,181
Liabilities and Stockholders' Equity		
Subordinated debt	$ 34,033	$ 33,907
Other liabilities and accrued expenses	3,359	1,480
Due to subsidiary	—	—
Stockholders' equity	696,314	665,794
Total liabilities and stockholders' equity	$ 733,706	$ 701,181

Statement of Net Income	Year Ended December 31, 2020	2019	2018
		(in thousands)	
Dividends from subsidiary	$ —	$ —	$ 40,000
Interest from bank deposits	260	15	163
Interest on short-term investments	449	953	12
Interest on ESOP loan	1,596	1,062	488
Total income	2,305	2,030	40,663
Interest expense	2,095	2,076	741
Operating expenses	2,771	3,232	2,356
Total expenses	4,866	5,308	3,097
Income (loss) before income taxes and equity in undistributed net income (loss) of HarborOne Bank	(2,561)	(3,278)	37,566
Income tax provision (benefit)	(274)	(534)	(388)
Income (loss) before equity in income of subsidiaries	(2,287)	(2,744)	37,954
Equity in undistributed net income (loss) of HarborOne Bank	47,079	21,012	(26,560)
Net income	$ 44,792	$ 18,268	$ 11,394

Statement of Cash Flows

	Year Ended December 31,		
	2020	2019	2018
		(in thousands)	
Cash flows from operating activities:			
Net income	$ 44,792	$ 18,268	$ 11,394
Adjustments to reconcile net income to net cash used by operating activities:			
Equity in undistributed net (income) loss of HarborOne Bank	(47,079)	(21,012)	26,560
Deferred income tax provision (benefit)	(18)	139	440
Share-based compensation	963	1,432	1,568
Net change in other assets	231	(284)	(841)
Net change in other liabilities	302	1,299	577
Net cash provided (used) by operating activities	(809)	(158)	39,698
Cash flows from investing activities:			
Investment in HarborOne Bank	—	(152,713)	(10,000)
Repayment of ESOP loan	1,218	1,862	404
Advances to subsidiary	(1,884)	(2,456)	—
Repayment of advances to subsidiary	3,728	—	—
Cash paid for acquisitions, net of cash acquired	—	—	(122,235)
Net cash provided (used) by investing activities	3,062	(153,307)	(131,831)
Cash flows from financing activities:			
Issuance of common stock	—	304,161	—
Repurchase of common stock	(15,923)	(721)	(1,267)
Purchase of shares by ESOP	—	(24,829)	—
Proceeds from advance from subsidiary	—	—	139
Repayment of advance from subsidiary	—	(139)	—
Proceeds from subordinated debt issuance	—	—	33,720
Amortization of subordinated debt issuance costs	126	108	79
Dividends paid	(3,258)	—	—
Net cash provided (used) by financing activities	(19,055)	278,580	32,671
Net change in cash and cash equivalents	(16,802)	125,115	(59,462)
Cash and cash equivalents at beginning of year	135,067	9,952	69,414
Cash and cash equivalents at end of year	$ 118,265	$ 135,067	$ 9,952

25. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

	First Quarter		Second Quarter		Third Quarter		Fourth Quarter	
	2020	2019	2020	2019	2020	2019	2020	2019
	(in thousands, except share data)							
Interest and dividend income	$ 37,169	$ 37,053	$ 36,621	$ 38,278	$ 37,048	$ 39,730	$ 37,720	$ 39,723
Interest expense	10,469	11,023	7,174	11,565	5,879	11,745	4,970	11,389
Net interest and dividend income	26,700	26,030	29,447	26,713	31,169	27,985	32,750	28,334
Provision for loan losses	3,749	857	10,004	1,750	13,454	889	7,608	1,251
Other noninterest income	16,341	9,842	38,630	14,451	44,461	17,196	37,181	18,139
Gain on sale and call of securities, net	2,525	—	8	1,267	—	77	—	—
Total noninterest income	18,866	9,842	38,638	15,718	44,461	17,273	37,181	18,139
Total noninterest expenses	35,388	32,592	43,838	35,081	45,722	36,203	41,440	38,735
Provision for income taxes	1,705	356	3,668	819	4,561	1,053	3,283	2,180
Net income	$ 4,724	$ 2,067	$ 10,575	$ 4,781	$ 11,893	$ 7,113	$ 17,600	$ 4,307
Basic earnings per share [1]	$ 0.09	$ 0.04	$ 0.19	$ 0.08	$ 0.22	$ 0.13	$ 0.33	$ 0.08
Diluted earnings per share [1]	$ 0.09	$ 0.04	$ 0.19	$ 0.08	$ 0.22	$ 0.13	$ 0.33	$ 0.08
Weighted average common shares, basic [1]	54,392,465	56,666,979	54,450,146	56,704,297	54,465,339	55,638,734	53,947,868	54,208,629
Weighted average common shares, diluted [1]	54,392,465	56,666,979	54,450,146	56,704,297	54,465,339	55,638,734	53,973,737	54,209,182

[1] Share amounts related to periods prior to August 14, 2019 closing of the conversion offering have been restated to give retroactive recognition to the 1.795431 exchange ratio applied in the conversion offering.

26. REVENUE RECOGNITION

Revenue from contracts with customers in the scope of Accounting Standards Codification (“ASC”) (“Topic 606”) is measured based on the consideration specified in the contract with a customer and excludes amounts collected on behalf of third parties. The Company recognizes revenue from contracts with customers when it satisfies its performance obligations.

The Company’s performance obligations are generally satisfied as services are rendered and can either be satisfied at a point in time or over time. Unsatisfied performance obligations at the report date are not material to our consolidated financial statements.

In certain cases, other parties are involved with providing services to our customers. If the Company is a principal in the transaction (providing services itself or through a third party on its behalf), revenues are reported based on the gross consideration received from the customer and any related expenses are reported gross in noninterest expense. If the Company is an agent in the transaction (referring to another party to provide services), the Company reports its net fee or commission retained as revenue.

The Company recognizes revenue that is transactional in nature and such revenue is earned at a point in time. Revenue that is recognized at a point in time includes card interchange fees (fee income related to debit card transactions), ATM fees, wire transfer fees, overdraft charge fees, and stop-payment and returned check fees. Additionally, revenue is collected from loan fees, such as letters of credit, line renewal fees and application fees. Such revenue is derived from transactional information and is recognized as revenue immediately as the transactions occur or upon providing the service to complete the customer’s transaction.

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

None.

ITEM 9A. CONTROLS AND PROCEDURES

Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) promulgated under the Exchange Act) as of December 31, 2020. In designing and evaluating the Company's disclosure controls and procedures, the Company and its management recognize that any controls and procedures, no matter how well-designed and operated, can provide only a reasonable assurance of achieving the desired control objectives, and management necessarily was required to apply its judgment in evaluating and implementing possible controls and procedures. Based on that evaluation, the Company's management, including the Chief Executive Officer and the Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported as of the end of the period covered by this annual report.

Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting that occurred during the fourth quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting

Management of HarborOne Bancorp, Inc. is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is defined in Rule 13a-15(f) under the Exchange Act as a process designed by, or under the supervision of, the Company's principal executive and principal financial officers and effected by the Company's Board of Directors, management and other personnel, 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. HarborOne Bancorp, Inc.'s internal control over financial reporting includes those policies and procedures that:

(i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflects the transactions and disposition of the assets of the Company;

(ii) 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

(iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the 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.

Management assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2020. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework (2013).

Based on our assessment and those criteria, management believes that the Company maintained effective internal control over financial reporting as of December 31, 2020.

ITEM 9B. OTHER INFORMATION

None.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information required herein is incorporated by reference from the Company's proxy statement relating to its May 26, 2021 Annual Meeting of Shareholders (the "Definitive Proxy Statement") that will be filed with the Commission within 120 days following the fiscal year end December 31, 2020 under the headings of "Board of Director Information," "Executive Officer Information," and "Section 16(a) Beneficial Ownership Reporting Compliance."

ITEM 11. EXECUTIVE COMPENSATION

The information required herein is incorporated by reference from the Definitive Proxy Statement under the headings of "Director Compensation," "Executive Compensations," and "Compensation Committee Interlocks and Insider Participation."

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

Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information as of December 31, 2020 about the securities authorized for issuance under the 2017 and 2020 Equity Plans. The Company's shareholders previously approved the plans and all amendments are subject to shareholder approval. The Company has no other equity compensation plans that have not been approved by shareholders.

	Number of Securities to Be Issued Upon Exercise of Outstanding Options, Warrants, and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance (Excluding Securities in Column (a)) (c)
Equity compensation plans approved by shareholders [1]	2,106,403	$ 9.86	$ 4,144,573 [2]
Equity compensation plans not approved by shareholders	—	—	—
Total	2,106,403	$ 9.86	$ 4,144,573 [2]

[1] Consists of the Company's 2017 Stock Option and Incentive Plan and the 2020 Equity Incentive Plan. For additional information, see Note 18 to the Consolidated Financial Statements.
[2] Shares available for issuance under the 2020 Equity Incentive Plan. The 2017 Equity Plan was discontinued upon the adoption of the 2020 Equity Plan and as such, the Company may only award shares from the 2020 Equity Plan.

The information required herein by item 403 of Regulation S-K regarding the security ownership of management and certain beneficial owners is incorporated by reference from the Definitive Proxy statement under the heading "Stock Ownership and Other Matters."

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

The information required herein is incorporated by reference from the Definitive Proxy Statement under the heading "Board of Director Information-Related Party Transactions" and "Board of Director Information-Director Independence."

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information required herein is incorporated by reference from the Definitive Proxy Statement under the heading "Proposals to be Voted upon at the Annual Meeting – Ratification of Appointment of Independent Registered Public Accounting Firm (Proposal 2)."

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

EXHIBIT INDEX

The following exhibits are included in this Annual Report on Form 10-K for the year ended December 31, 2020 (and are numbered in accordance with Item 601 of Regulation S-K):

Exhibit No.	Description
2.1	Plan of Conversion (*incorporated by reference to Exhibit 2.1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 11, 2019*)
3.1	Articles of Organization of HarborOne Bancorp, Inc. (*incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 11, 2019*)
3.2	By-Laws of HarborOne Bancorp, Inc. (*incorporated by reference to Exhibit 3.2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 11, 2019*)
4.1	Form of Common Stock Certificate of HarborOne Bancorp, Inc. (*incorporated by reference to Exhibit 4.1 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 11, 2019*)
4.2	Indenture, dated August 30, 2018 by and between HarborOne Bancorp, Inc. and UMB Bank, N.A., as trustee (*incorporated by reference to Exhibit 4.1 to Form 8-K filed with the Securities and Exchange Commission on August 30, 2018*)
4.3	Form of 5.625% Fixed to Floating Rate Subordinated Note due 2028 (*incorporated by reference to Exhibit 4.2 to Form 8-K filed with the Securities and Exchange Commission on August 30, 2018)*
4.4	Description of Registrant's Securities *(incorporated by reference to Exhibit 4.4 to Form 10-K filed with the Securities and Exchange Commission on March 13, 2020)*
10.1+	HarborOne Bank Employee Stock Ownership Plan (*incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016*)
10.2+	HarborOne ESOP Restoration Plan (*incorporated by reference to Exhibit 10.2 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016*)
10.3+	HarborOne Senior Management Long Term Incentive Plan (*incorporated by reference to Exhibit 10.3 to the Registrant's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016*)
10.4	Amended and Restated Employment Agreement, dated as of March 1, 2016, by and among HarborOne Bancorp, Inc., HarborOne Bank and James W. Blake *(incorporated by reference to Exhibit 10.4 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016)* †
10.5	Amended and Restated Employment Agreement, dated as of March 1, 2016, by and among HarborOne Bancorp, Inc., HarborOne Bank and Joseph Casey *(incorporated by reference to Exhibit 10.7 to HarborOne Bancorp, Inc.'s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016)*†
10.6	2016 Supplemental Executive Retirement Plan, dated as of January 21, 2016, by and between HarborOne Bank and James W. Blake *(incorporated by reference to Exhibit 10.5 to HarborOne Bancorp, Inc.'s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016)*†
10.7	Amended and Restated Supplemental Executive Retirement Plan Agreement, dated as of March 1, 2016, by and between HarborOne Bank and Joseph F. Casey *(incorporated by reference to Exhibit 10.8 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016)* †

10.8	Endorsement Split Dollar Life Insurance Agreement, dated as of November 13, 2015, by and between HarborOne Bank and James Blake *(incorporated by reference to Exhibit 10.6 to HarborOne Bancorp, Inc.'s Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016)*†
10.9+	HarborOne Bancorp, Inc. 2017 Stock Option and Incentive Plan (*incorporated herein by reference to the Company's Form 8-K filed with the Commission on August 10, 2017*)
10.10+	Form of Restricted Stock Award Agreement Under the HarborOne Bancorp, Inc. 2017 Stock Option and Incentive Plan (*incorporated by reference to Exhibit 10.2 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 11, 2017*)
10.11+	Form of Non-Qualified Stock Option Agreement for Non-Employee Directors Under the HarborOne Bancorp, Inc. 2017 Stock Option and Incentive Plan (*incorporated by reference to Exhibit 10.3 to the Registrant's Quarterly Report on Form 10-Q filed with the Commission on August 11, 2017*)
10.12+	Form of Non-Qualified Stock Option Agreement for Employees Under the HarborOne Bancorp, Inc. 2017 Stock Option and Incentive Plan (*incorporated by reference to Exhibit 10.4 to Quarterly Report on Form 10-Q filed with the Commission on August 11, 2017*)
10.13+	Form of Incentive Stock Option Agreement Under the HarborOne Bancorp, Inc. 2017 Stock Option and Incentive Plan (*incorporated by reference to Exhibit 10.5 to Quarterly Report on Form 10-Q filed with the Commission on August 11, 2017*)
10.14+	Form of Change in Control Agreement (*incorporated by reference to Exhibit 10.9 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016*)
10.15+	HarborOne Bank Director Retirement Plan (*incorporated by reference to Exhibit 10.10 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 4, 2016*)
10.16+	First Amendment to Director Retirement Plan (*incorporated by reference to Exhibit 10.11 to Amendment No.1 of the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on April 8, 2016)*
10.17	Form of Subordinated Note Purchase Agreement, dated August 30, 2018, by and among HarborOne Bancorp, Inc. and the Purchasers (*incorporated by reference to Exhibit 10.1 to Form 8-K filed with the Securities and Exchange Commission on August 30, 2018*)
10.18	Form of Registration Rights Agreement, dated August 30, 2018, by and among HarborOne Bancorp, Inc. and the Purchasers (*incorporated by reference to Exhibit 10.2 to Form 8-K filed with the Securities and Exchange Commission on August 30, 2018*)
10.19+	HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.1 to Form 8-K filed with the Securities and Exchange Commission on October 1, 2020)*
10.20	Form of Indemnification Agreement *(incorporated by reference to Exhibit 10.2 to Form 10-Q filed with the Securities and Exchange Commission on November 6, 2020)*
10.21+	Form of Restricted Stock Award Agreement under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.2 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*
10.22+	Form of Non-Qualified Stock Option Award Agreement for Non-Employee Directors under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.3 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*
10.23+	Form of Non-Qualified Stock Option Award Agreement for Employees under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.4 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*
10.24+	Form of Incentive Stock Option Agreement under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.5 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*
10.25+	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.6 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*

10.26+	Form of Restricted Stock Unit Award Agreement for Employees under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan *(incorporated by reference to Exhibit 10.7 to Form S-8 filed with the Securities and Exchange Commission on October 5, 2020)*
10.27*+	Form of Performance Restricted Stock Unit Award Agreement for Employees under the HarborOne Bancorp, Inc. 2020 Equity Incentive Plan
21	Subsidiaries of the Registrant *(incorporated by reference to Exhibit 21.1 to the Registration Statement on Form S-1 filed with the Securities and Exchange Commission on March 11, 2019)*
23.1*	Consent of Crowe LLP
23.2*	Consent of Wolf & Co., P.C.
31.1*	Certification of Chief Executive Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
31.2*	Certification of Chief Financial Officer Required by Rule 13a-14(a) and Rule 15d-14(a) of the Exchange Act
32.1**	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2**	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Consolidated Balance Sheets as of December 31, 2020 and 2019, (ii) the Consolidated Statements of Income for the years ended December 31, 2020 and 2019, (iii) the Consolidated Statements of Comprehensive Income for the years ended December 31, 2020 and 2019, (iv) the Consolidated Statements of Changes in Stockholders' Equity for the years ended December 31, 2020 and 2019, (v) the Consolidated Statements of Cash Flows for the years ended December 31, 2020 and 2019, and (vi) the Notes to the Consolidated Financial Statements.
104	Cover Page Interactive Data File (formatted in Inline XBRL and included in Exhibit 101)

* Filed herewith
** Furnished herewith
\+ Management contract or compensatory plan or agreement

ITEM 16. FORM 10-K SUMMARY

None.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HarborOne Bancorp, Inc.

Date: March 12, 2021

By: /s/ James W. Blake
James W. Blake
Chief Executive Officer and Director
(Principal Executive Officer)
Date: March 12, 2021

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

By: /s/ James W. Blake
James W. Blake
Chief Executive Officer and Director
(Principal Executive Officer)
Date: March 12, 2021

By: /s/ Linda H. Simmons
Linda H. Simmons
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)
Date: March 12, 2021

By: /s/ Joseph F. Barry
Joseph F. Barry,
Director
Date: March 12, 2021

By: /s/ Timothy R. Lynch
Timothy R. Lynch,
Director
Date: March 12, 2021

By: /s/ Mandy Lee Berman
Mandy Lee Berman,
Director
Date: March 12, 2021

By: /s/ William A. Payne
William A. Payne,
Director
Date: March 12, 2021

By: /s/ Joseph F. Casey
Joseph F. Casey
President, Chief Operating Officer and Director
Date: March 12, 2021

By: /s/ Wallace H. Peckham, III
Wallace H. Peckham, III,
Director
Date: March 12, 2021

By: /s/ David P. Frenette, Esq.
David P. Frenette, Esq.,
Director
Date: March 12, 2021

By: /s/ Andreana Santangelo
Andreana Santangelo
Director
Date: March 12, 2021

By: /s/ Gordon Jezard
Gordon Jezard,
Director
Date: March 12, 2021

By: /s/ Michael J. Sullivan, Esq.
Michael J. Sullivan, Esq.
Chairman and Director
Date: March 12, 2021

By: /s/ Barry R. Koretz
Barry R. Koretz,
Director
Date: March 12, 2021

By: /s/ Damian W. Wilmot
Damian W. Wilmot
Director
Date: March 12, 2021

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-233292 and 333-249324 on Form S-8 of HarborOne Bancorp, Inc. of our report dated March 12, 2021 relating to the financial statements, appearing in this Annual Report on Form 10-K.

/s/ Crowe LLP

New York, New York
March 12, 2021

Exhibit 23.2

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in HarborOne Bancorp, Inc.'s Registration Statement Nos. 333-233292 and 333-249324 on Forms S-8 of our report dated March 13, 2020 relating to the consolidated financial statements of HarborOne Bancorp, Inc. as of December 31, 2019 and for each of the two years in the period ended December 31, 2019 appearing in this Annual Report on Form 10-K for the year ended December 31, 2020.

/s/ Wolf & Company, P.C.

March 12, 2021

Exhibit 31.1

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AND RULE 15d-14(a)

I, James W. Blake, certify that:

1. I have reviewed this Annual Report on Form 10-K of HarborOne 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 statements made, in light of the 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 financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls 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 quarter (the registrant's 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 over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit 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 adversely affect the 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 financial reporting.

Date: March 12, 2021

By: /s/James W. Blake
James W. Blake
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATION PURSUANT TO
EXCHANGE ACT RULE 13a-14(a) AND RULE 15d-14(a)

I, Linda H. Simmons, certify that:

1. I have reviewed this Annual Report on Form 10-K of HarborOne 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 statements made, in light of the 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 financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls 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 material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls 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 quarter (the registrant's 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 over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit 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 adversely affect the 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 financial reporting.

Date: March 12, 2021

By: /s/ Linda H. Simmons
Linda H. Simmons
Executive Vice President and Chief Financial Officer
(Principal Accounting and Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report on Form 10-K of HarborOne Bancorp, Inc. (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, James W. Blake, Chief Executive Officer and Director of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ James W. Blake
James W. Blake
Chief Executive Officer and Director

Date: March 12, 2021

Exhibit 32.2

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report on Form 10-K of HarborOne Bancorp, Inc. (the "Company") for the year ended December 31, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Linda H. Simmons, Senior Vice President and Chief Financial Officer, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge: (1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Linda H. Simmons
Linda H. Simmons
Executive Vice President and Chief
Financial Officer

Date: March 12, 2021