

BAY STATE SAVINGS BANK

# ANNUAL REPORT

2018

## Growth & Collaboration

Member FDIC  
Member DIF



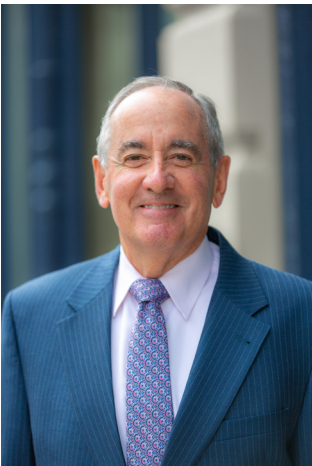
# A Letter From The President

With great pride, I am pleased to report that Bay State Savings Bank remains in sound financial health and high morale. The Bank successfully concluded 2018 with its assets at \$418,398,000, net loans at \$368,580,000, net income at \$1,489,000 and capital ratio at 8.77%. In addition to revenue growth, this year's Report highlights how we have evolved our organizational structure, collaboration across departments, and methods of customer engagement. It is through these forward-thinking forms of expansion that we continue to promote Bay State Savings Bank as a trusted, modern institution.

For our staff, 2018 was a significant year of cross-departmental collaboration. As a result, we not only increased our efficiency; we heightened the quality and accessibility of our services with the launch of new platforms and products. Employees from Retail Lending, Information Technology, and Marketing launched the online loan application platform, Consumer Connect. Employees from Information Technology and Marketing launched Card Services, an app feature which allows BSSB Mobile users to customize debit card security settings. Bay State's millennial focus group MCAP, comprised of 10 employees selected from multiple departments, conceptualized the #BSSB campaign, an 18-advertisement digital campaign designed to grow Bay State's base of millennial customers. Commercial Lending, Operations, Compliance, and Marketing created the Smile Worcester County Account, an account designed to support economic growth in Worcester County.

Throughout 2018, Bay State Savings Bank remained committed to serving our local community. The Bank participated in and supported initiatives and organizations including the Mustard Seed, the Worcester Railers, Literacy Volunteers of Greater Worcester, LUK, Inc., the Worcester Bravehearts, and Simon Says Give Worcester among many others. The Bank's branches have been proactive in strategizing new ways to build relationships with customers including financial literacy seminars, homebuyer seminars, sports ticket giveaways, cookouts and in-branch open houses.

The Bay State Savings Charitable Foundation also had a remarkable year in giving. The Foundation, established in 2003 to support non-profit organizations and programs that enhance the quality of life in our communities, distributed more than \$27,000 in grants in 2018. Over its life, the Foundation has distributed an excess of \$700,000.



Lastly, I am endlessly thankful for the time and commitment our Board of Directors, Corporators, and staff continue to devote to our Bank. Looking ahead, I trust that our employees will continue to build on last year's synergy. I am confident that this will only propel Bay State Savings Bank to new heights, as we continue to serve as a beacon in our community.

Sincerely,  
**Peter B. Alden**  
President & CEO

A handwritten signature in blue ink that reads "Peter B. Alden". The signature is fluid and cursive, matching the printed name above it.

# Audited Financial Statements

## CONSOLIDATED BALANCE SHEETS

(in thousands)

	<u>12/31/2018</u>	<u>12/31/2017</u>
<b>ASSETS</b>		
Cash and due from banks	\$ 2,401	\$ 2,669
Short-term investments	<u>7,288</u>	<u>4,057</u>
Cash and cash equivalents	9,689	6,726
Investments in available-for-sale securities	20,635	26,336
Federal Home Loan Bank stock, at cost	2,961	2,890
Loans, net	368,580	345,048
Premises and equipment, net	3,424	4,148
Accrued interest receivable	1,154	1,088
Bank and corporate-owned life insurance	8,422	8,252
Deferred income tax asset, net	621	343
Other Real Estate Owned	395	-
Other assets	<u>2,517</u>	<u>2,102</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 418,398</u></b>	<b><u>\$ 396,933</u></b>
<b>LIABILITIES</b>		
Deposits	\$ 327,479	\$ 303,817
Federal Home Loan Bank advances	47,810	50,634
Mortgagors' escrow accounts	1,334	1,191
Other liabilities	<u>3,913</u>	<u>4,515</u>
<b>TOTAL LIABILITIES</b>	<b>380,536</b>	<b>360,157</b>
<b>EQUITY</b>	<u>37,862</u>	<u>36,776</u>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b><u>\$ 418,398</u></b>	<b><u>\$ 396,933</u></b>

## CONSOLIDATED STATEMENTS OF INCOME

(in thousands)

Years Ended December 31,	<u>2018</u>	<u>2017</u>
Interest and dividend income	\$ 16,146	\$14,679
Interest expense	<u>3,862</u>	<u>2,746</u>
Net interest and dividend income	12,284	11,933
Provision for loan losses	<u>429</u>	<u>639</u>
Net interest and dividend income after provision for loan losses	11,855	11,294
Noninterest income	2,110	4,567
Noninterest expense	<u>11,973</u>	<u>11,220</u>
Income before income taxes	1,992	4,641
Income tax expense	<u>503</u>	<u>1,771</u>
<b>NET INCOME</b>	<b><u>\$ 1,489</u></b>	<b><u>\$ 2,870</u></b>
<b>RETURN ON AVERAGE ASSETS</b>	<b>0.36%</b>	<b>0.73%</b>

# Directors

**Peter B. Alden**

President and CEO: Bay State Savings Bank

**John Altomare, Esq.**

Partner: Fusaro, Altomare & Ermilio, Attys.

**Robert Blute III**

Producer: SGD Insurance Agencies LLC

**William J. Fay**

Funeral Director/Treasurer: Fay Brothers, Inc.

**Carol A. Garofoli**

Director of Operations: Worcester Polytechnic Institute

**Patricia L. Jones**

Principal/Owner: P.L. Jones & Associates, P.C.  
Audit Committee Chair: Bay State Savings Bank

**Christine Lucey**

CFO: Sun Transportation, Inc

**John H. McCabe**

VP Corporate Development: Jabil Inc.  
Chairman of the Board: Bay State Savings Bank

**Andrew C.J. Meagher, Esq.**

Attorney

**Joni Milluzzo**

Owner: Apple Home Care Associates, Inc.

**William J. Mulford**

Assoc. Superintendent for Business:  
Diocese of Worcester School Dept.

**Alan P. Pandiani**

President: National Glass Works, Inc.

**Gerald J. Power, Esq.**

Attorney  
Clerk: Bay State Savings Bank

**Sharon M. Wratchford**

Consultant

# Officers

**John H. McCabe**

Chairman of the Board

**Peter B. Alden**

President & CEO

**Thomas J. Belton**

SVP - Information Technology

**Jeanie Connolly**

SVP - Commercial Lender

**Francis P. Dauphinais**

SVP & Chief Financial Officer

**Diane M. Giampa**

SVP - HR, Marketing, and  
Retail Banking

**Steven L. Groccia**

SVP - Commercial Lending

**Maria A. Heskes-Allard**

SVP - Senior Lender

**Lucas J. Miller, Esq.**

SVP - Compliance and  
General Counsel

**Heather L. Belair**

VP - Executive Liaison,  
Branch and Lending  
Operations

**Jayne D. Burdett**

VP - Branch Manager

**Cheri E. Carty**

VP & Treasurer

**Janet L. Jones**

VP - Branch Manager

**Jeffrey B. Locke**

VP - Branch Manager

**Peter P. Rovezzi**

VP - Strategic Sales

**Marc C. Sanguinetti**

VP - Retail Lending

**Lisa M. Duquette**

AVP - Operations

**Ana C. Pestana**

AVP - Retail Loan Servicing  
Manager

**Cheryl A. Begin**

Commercial Loan Officer

**Joseph P. Ewing**

Branch Manager

**Joseph G. Moro**

Mortgage Officer

**Lauren M. Piehl**

Branch Manager

**Gerald N. Plange**

Senior Consumer Lending  
Officer

# Corporators

**Tom Ackerman**

Territory Agent: Colonial Life

**Jay Z. Aframe**

Attorney/Partner: Phillips, Silver, Talman, Aframe & Sinrich, P.C.

**Anthony Athy**

Owner: Athy Memorial Home

**Desiree Awiszio**

Consulting Engineer

**Robert Branca**

President: Branded Realty Group

**Karin Branscombe**

CEO: Quaker Special Risk

**Stephen S. Buchalter**

President: Enterprise Cleaning Corp.

**James Cahn**

Attorney: Peters and Sowyrda

**Dr. Matilde Castiel**

Commissioner of Health & Human Services:  
City of Worcester

**Walter M. Conlin, Jr.**

Vice President: Thomas J. Woods Insurance Agency, Inc.

**P. Scott Conti**

President: Capital Properties, Inc.

**James F. Cosgrove**

Attorney/Owner: Cosgrove & Blatt, Attorneys at Law

**Michael Cotoia**

CEO: Tech Target

**Joseph W. Crotty**

Wealth Management Associate: Morgan Stanley

**David Cyganski**

Retired Professor: Worcester Polytechnic Institute

**Patrick J. Diggins**

Principal: Sullivan Garrity & Donnelly Insurance

**Paul A. DiPierro**

Vice Chairman: Anna Maria College

**Howard Dono**

President/CEO: Howard S. Dono & Associates

**Sheillah H. Dooley**

Executive Director: Pernet Family Health Service

**Paul Dubrey, Jr.**

Certified Public Accountant

**Eric N. Dunphy**

EVP: Vital Emergency Medical Services

**Robert Duquette**

Retired CFO: Bay State Savings Bank

**Francis P. Ermilio, DC**

Chiropractor: Gold Star Chiropractic, Inc.

**Patti-anne Faucher**

Owner/Broker: Patti Faucher Real Estate

**Lt. James P. Fogarty**

Station Commander: MA State Police

**Patricia Gates**

Partner/Attorney: Mountain, Dearborn & Whiting LLP

**Elaine A. Godimis**

Attorney/Owner: Elaine Godimis, Attorney at Law

**Kimberly Harmon, RN, BSN**

President: Life Enterprises, Inc.

**Neil Harvey**

President: Harvey Remodeling LLC

**John Heald**

Senior Vice President: Sales, Legacy.com

**James Hogan**

Couturier

**Dr. Jennifer Hylton**

Executive Director: Counseling & Assessment Clinic of Worcester, LLC

**Valerie James**

Owner: Val's Restaurant

**Timothy M. Jarry**

Chief Investment Officer: College of the Holy Cross

**Ashley Johnson**

Owner: Salon Exquisite

**Gerald Kashuk**

CFO: Highland Apartments, LLC

**Christopher A. Kiritsy**

Owner: Kiritsy Contracting

**Ryan Kittredge**

Partner/CFP: Carr Financial Group

**Audrey Kurlan-Marcy**

Philanthropist

**Timothy Lahey**

Senior Vice President: CBRE

**Tommy Lee, Sr.**

Trustee: Kent Lane Realty Trust

**Debra S. Levenson**

Celebrity Brander

**Stephen F. Madaus**

Partner: Mirick, O'Connell, DeMallie & Lougee, LLP

**Iain McKinlay**

Owner: McKinlay's Liquors

**Kathy McSweeney**

Realtor/Broker Associate:  
Collins & Demac Real Estate

**Margaret E. Melican**

Attorney

**Christopher D. Metzger**

Attorney/President: Alexandrov, Metzger & Flannagan, P.C.

**Michael J. Mills**

President: Business Coaches and Associates

**Moir Moynihan-Manoog**

CFP/Firm Principal: MSW Financial Partners

**Robert E. O'Connell, III**

Owner/Manager: O'Connell Realty LLC

**Jon Oliveri**

Owner/GM: Oli's Italian Eatery

**David Papazian**

Owner: Dzian Gallery

**Lisa Piehler**

Retired

**Tracey Porcaro**

Executive Vice President: Robert Powers Insurance

**Christopher Powers**

SVP/Employee Benefits: Risk Strategies Company

**James Riseborough**

President: Turtle Transit

**Janet Rivard**

President: Peerless Financial Solutions, Inc.

**Gladys Rodríguez-Parker**

Senior District Representative:  
Office of Congressman James P. McGovern

**Anthony Rozevicius**

CPA/Partner: O'Connor; Maloney & Company P.C.

**Anthony Servidio**

CPA

**Michele Sloan**

President/Owner: W.J. Hoey Tire Co.

**Mark W. Smiley**

VP/Principal: Managed Wealth Strategies, LLC

**David W. Stead**

Broker: RE/MAX Advantage I

**Joseph Sullivan**

President: PMA, Inc.

**Robert L. Thomas**

President & COO: New Americans Community Development Corp

**Daniel C. Tinsley**

VP/Financial Advisor: Tinsley Financial Group, LLC

**Daniel S. Toomey**

Retired

**Francis J. Trapasso**

President/Owner: Francis J. Trapasso & Associates

**Michael Vicens**

Project Manager: Columbia Tech

**Nancy L. Virzi**

Retired: Insurance Broker

**Janice B. Yost**

President & CEO: The Health Foundation of Central Mass, Inc.

**Amerigo Zamarro, Jr.**

Owner: A.A. Zamarro & Associates, Inc.



# 2018: A YEAR OF GROWTH

## A New CFO

Frank Dauphinais was hired in June 2018, becoming Bay State's first CFO in 4 years.



## MCAP

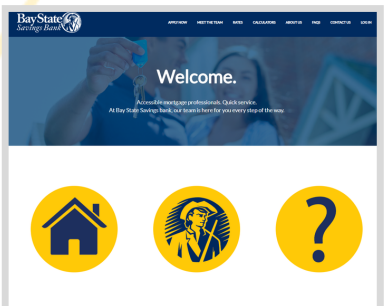
In April 2018, Bay State formed a focus group to grow the Bank's Millennial customer base via community outreach and marketing initiatives.

In Fall 2018, MCAP launched 3 digital ad campaigns, targeting 18-25 year olds across Worcester and 21 additional towns. The group plans to launch college networking and financial literacy initiatives Fall 2019.

## Consumer Connect

In December 2018, Bay State launched its online loan application platform. The site was created by Retail and Commercial Lending, Marketing, Operations, and Information Technology.

"The feedback has been excellent," VP of Retail Lending Marc Sanguinetti said. "Customers love it...it's a smooth experience."





## Smile Worcester County Account

In December 2018, Bay State created the Smile Worcester County Money Market Account, which helps the Bank support economic growth in areas of Worcester County that need it most.

It was featured on [magnifymoney.com](http://magnifymoney.com) among the site's top 5 "best money market rates."

## Mobile Security

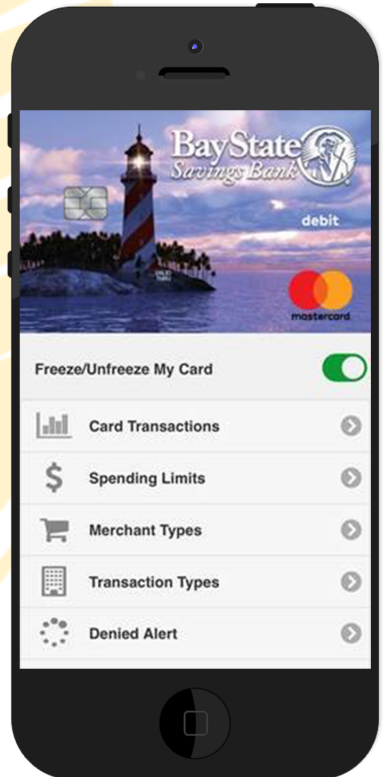
In November 2018, Card Services was added to the Bank's mobile app, BSSB Mobile. The feature allows users the ability to customize their debit card security settings with their phone.



## Sales & Strategy

In Spring 2018, Branch Managers partnered with Commercial Lenders to expand the Bank's relationships with both retail and commercial customers.

Peter Rovezzi was promoted to Vice President of Strategic Sales. Mr. Rovezzi works with leadership and Branch Managers to increase production in this role.





YOUR  
COMMUNITY  
BANK  
OF  
CHOICE.

**MAIN OFFICE**

**28 Franklin St. Worcester, MA 01608**

(508) 890-9000 | (800) 244-8161

(508) 890-9090 (Español)

**OTHER LOCATIONS**

**378 Burncoat St. Worcester, MA 01606**

(508) 890-8920

**275 Mill St. Worcester, MA 01602**

(508) 890-8940

**799 Grafton St. Worcester, MA 01604**

(508) 890-9620

**628 Main St. Holden, MA 01520**

(508) 890-8960

**123 Auburn St. Auburn, MA 01501**

(508) 890-8980

**Auburn High School Auburn, MA 01501**

(Not open to the public)



Member FDIC Member DIF LEADER We take banking personally.