

FRIENDLY
KNOWLEDGE
EXPERTISE
WISDOM TEAMWORK
COMMITMENT

An experience you can bank on.

PROVEN
COMMUNITY
RELIABLE
QUALITY
RELATIONSHIPS STABILITY
TRUST
EXPERIENCE

Clinton
Savings Bank

Annual Report | 2008

EXPERIENCE

skips along the water after
countless lessons and a few
hundred stones.



President's Message

This past year, the financial markets experienced unprecedented turmoil. The credit crisis, plummeting real estate values, collapsing financial institutions, and rising unemployment combined to create the worst economic climate since the 1930s.

No financial institution is immune in this uncertain environment. Surviving and succeeding during these times require the Bank to have guiding principles and values that provide the right direction. These include qualities like stability, knowledge, experience, commitment and vision...and I'm proud to say Clinton Savings Bank has all of them.

Despite the current economic uncertainty, I'm happy to report that at Clinton Financial Services, MHC (the parent company of Wachusett Financial Services), and its wholly owned subsidiary, Clinton Savings Bank, our prudent lending practices and sound financial policies have us positioned as a strong, well-capitalized financial institution.

That kind of stability is why our customers and the local communities have turned to Clinton Savings Bank to help weather the economic ups and downs that have occurred during our 157 year history. Today we remain committed to helping both new and existing customers with safe, sound financial solutions. Clinton Savings' year-end total assets of \$486,596,000 – an increase of 5.57 percent from last year – show that the commitment is appreciated.

Our consistently solid core performance is a direct result of having knowledgeable, experienced, engaged employees who are committed to delivering highly personalized service to our customers. During 2008, we recruited several highly qualified employees who fit that model perfectly, including Len Anctil, Senior Vice President of Commercial Lending; Kevin DeNorscia, Assistant Vice President of Commercial Lending; and Brendan Gallagher, Boylston Branch Manager.



“Stability is why our customers and the local communities have turned to Clinton Savings.”

Robert J. Paulbus, Jr.
President & CEO

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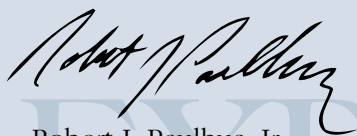
Like all our employees, they believe in our mission to have an intimate knowledge of our markets and to provide customers with superior service and sophisticated products. They are committed to each other, our customers and the communities we serve. And, like their peers at every level of the organization, they are challenged to be personally connected to our results.

Clinton Savings can succeed in an increasingly competitive marketplace because our approach and mission allow us to combine small bank customer service and community knowledge with the product offerings and competitive pricing of a larger bank.

For continued success, however, we must have a clear vision and invest in our future. This past year, we made serious investments in our new Boylston location and in the technology needed to provide the services that our customers expect from us and are needed to compete. Of course, we continue to invest in our people with the assistance of a \$100,000 state grant that provided year-long training programs to improve customer service and internal leadership capabilities across the organization.

As I complete my first year as President & CEO, I thank my fellow Directors and Corporators for their help, support, and guidance. We are fortunate to have a Board of Directors that shares the business expertise and community commitment that define our institution. Similarly, I thank the management team and all of our employees for their dedication to ensure that we exceed customers' expectations and remain a financially strong and vibrant institution. Finally, I thank our customers for their business and support. Please be assured that we remain committed to providing you with the highest quality of service and will be there to assist you during these turbulent financial times.

Sincerely,

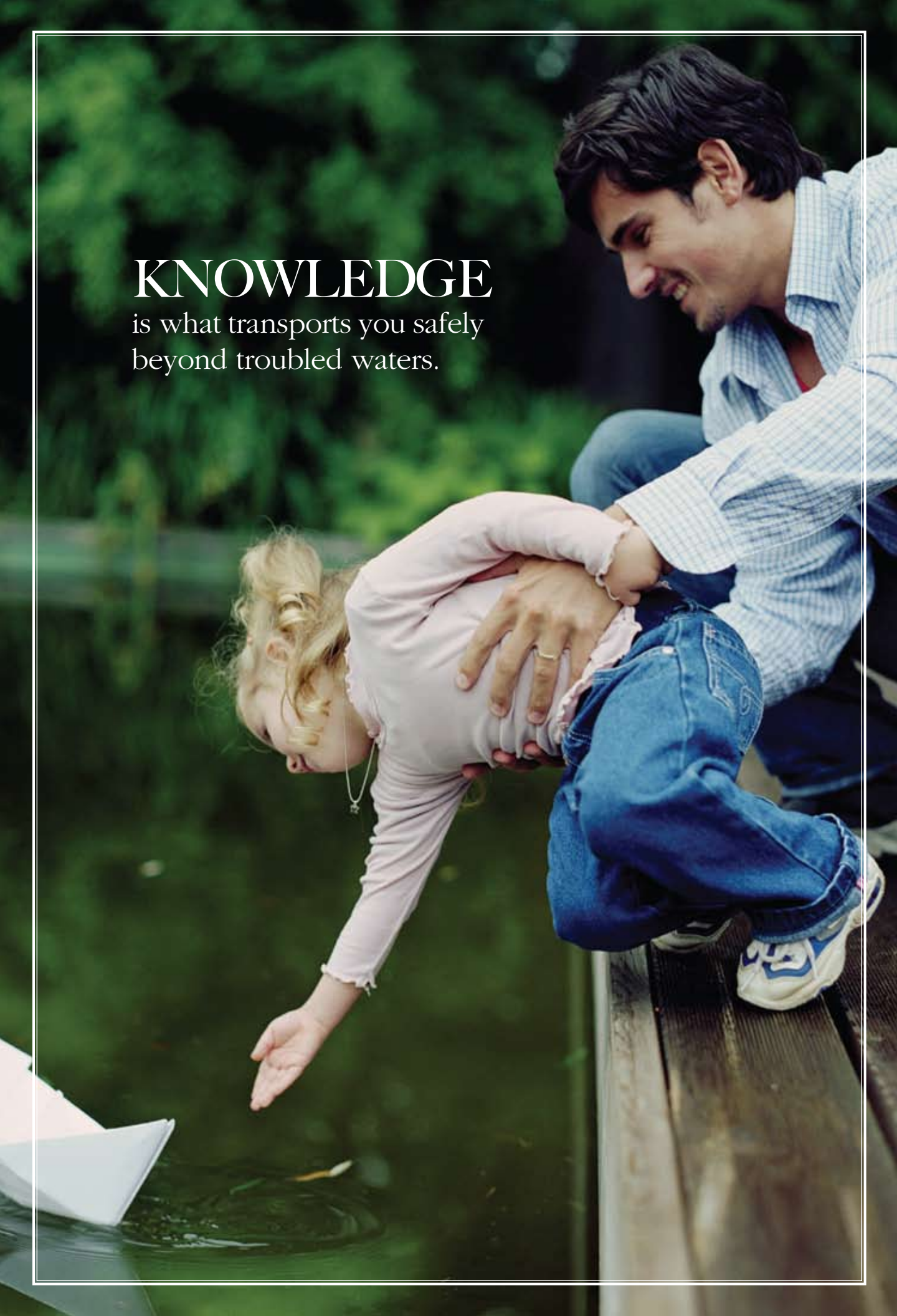


Robert J. Paulhus, Jr.

EXPERIENCE
skips along the water after
countless lessons and
a few hundred stones.

KNOWLEDGE

is what transports you safely
beyond troubled waters.



Banking Services

A key to future success is understanding how, when and where our customers want to get information so we can make it easy and efficient for them to transact their financial business. For this reason, we continue to invest in our technology infrastructure. In 2008, the clintonsavings.com web site continued to be a busy point of contact for our customers. New tools were added to the site, and we saw a 25 percent increase in the number of users. We also introduced e-statements in 2008, allowing our customers to access their account information from any computer, 24 hours a day. By year-end, 36 percent of households were banking online with Clinton Savings. In addition, our efforts to educate customers on the ease and convenience of online bill payment resulted in a 105 percent increase in customers using this service from 2007.

In 2008, security breaches in our industry affected thousands of our customers, so Clinton Savings Bank took action to ensure that none of them lost a penny of their money. To underscore our focus on the safety and security of our customers' funds, we introduced ID Protection Service™. This service constantly monitors credit files, sends e-mail alerts of any changes to a credit file, provides online access and the ability to request credit reports, and offers up to \$25,000 of reimbursement to customers if they do have their identity stolen.

While we increased our accessibility online, we continue to believe a strong community presence is an important way to serve our customers. In June 2008, we opened a new full-service branch in Boylston. The 2,700-square-foot facility offers an Internet Café and private offices, providing the residents of this growing community with a more spacious and convenient way to bank with us. The branch opening proved to be a huge success and by the end of 2008, 965 new customers chose to bank with us there, with deposits totaling more than \$40 million at that location.

KNOWLEDGE
is what transports you
safely beyond
troubled waters.



RELATIONSHIPS

create a rhythm that
propels your business.

Lending Services

Commercial

We believe that our powerful products, convenient branches and community focus combine to give Clinton Savings Bank an exceptional strength in serving the small business sector. In 2008, Len Ancil joined Clinton Savings Bank to provide seasoned leadership to our Commercial Lending group. Our Commercial Lending team also added two new members – commercial lender Kevin DeNorscia and credit analyst Becky Beaton – to service our customers and help our growing business. Average small business loans increased 10.7 percent last year by \$9.5 million.

We understand the unique challenges and opportunities ahead for small-business owners, and we are here to help examine their needs and provide an effective solution. Clinton Savings' size continues to give us an advantage over our larger competitors, particularly in our ability to communicate and work together across business lines.

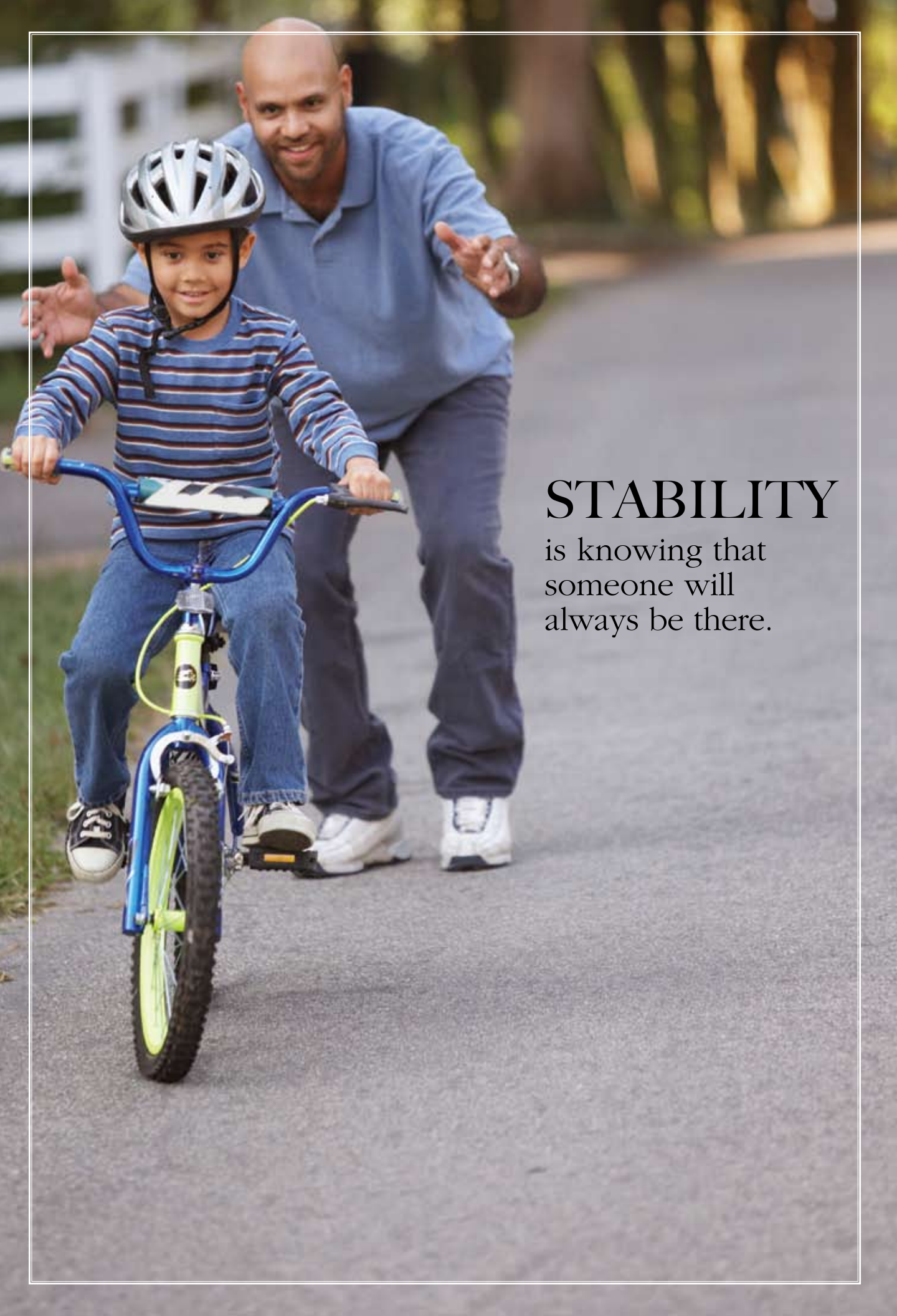
Our commercial capabilities will continue to expand in 2009, as we introduce a Remote Deposit Capture Service, specifically designed for small business owners. With this convenient service, businesses use a special scanner in their office to convert checks into electronic images, which are sent to the bank via a secure Internet connection. Our system will go one step further, however, automatically updating their QuickBooks accounting software, saving time and making the deposited funds available to the small business faster.

Consumer

By the end of 2008, everybody knew how severe and painful the global financial breakdown had been. Declining home values became a significant challenge for the economy and foreclosures surged nationwide. Although we faced challenges as a result of market conditions, Clinton Savings Bank was never involved in the sub-prime lending that negatively impacted so many financial institutions. In fact, our "Mortgage Rescue Team" stayed focused on serving and finding solutions for our customers. The team offered a series of Mortgage Focus Days at our branches, providing easy access to answers and information. For those people who needed to be rescued from their current situation, our team was there to help.

Unlike other lenders, Clinton Savings Bank has remained committed to providing access to mortgage loans at more than competitive rates. In fact, during 2008, we originated \$55.7 million in loans, allowing many customers to own homes for the first time.

RELATIONSHIPS
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propels your business.



STABILITY
is knowing that
someone will
always be there.

Community Services

During 2008, Clinton Savings Bank was grateful to receive local recognition for our success as a bank, being listed as a Top Ten Bank by the Worcester Business Journal, for example, and winning the Readers' Choice Award for Regional Favorite Bank. But as a community bank, we were particularly proud to win the Good Neighbor Award from the United Way of Tri-County.

Making change at Clinton Savings Bank doesn't just happen at our teller lines. It occurs through our commitment to all the communities we serve: through the assistance offered to local organizations by the Clinton Savings Charitable Foundation, Inc.; the educational scholarships offered to area students; the hands-on support of community groups and events by our individual branches; and the volunteer work our employees do for the local causes they care about. Some of the groups we're proud to support – either as an organization or as individuals – include:

- Aleppo Shriners
- American Legion
- Ayer Community Preservation Committee
- Berlin Lions Club
- Bolton Children's Fair
- Cartridges for Kids
- Christmas in Berlin
- Clinton Community Partnerships for Children
- Clinton Holiday Pops Concert
- Clinton Hospital
- Clinton Jack-O-Lantern Festival
- Clinton Meals on Wheels
- Clinton Olde Home Day
- Clinton Tribute Road Race
- Community School Reading Days
- Gael Force Robotics Team
- Kids Express of Worcester
- Lutheran Preschool in West Boylston
- Mary Rowlandson School
- Mass Bankers Charity Fund
- NEADS – Canines for Combat Veterans
- Relay for Life
- Rotary Clubs of Clinton & Wachusett
- Sterling Elementary Halloween Walk
- Sterling Senior Center
- Teach Children to Save Educational Program
- Town Fairs of Berlin, Bolton and Sterling
- Travel & Tourism Wachusett Region Committee
- United Way of Tri-County
- Walk for Autism
- Walk for Hunger
- WHEAT Angel Program & Toys for Tots
- Worcester Chamber Music Series

“ Clinton Savings Bank has proved to be a good neighbor in the communities we serve because of their ongoing financial support and steadfast desire to help where needed.”

Paul Mina
United Way Tri-County president
& chief professional officer

As involved corporate neighbors, we look forward to continuing these partnerships into the future.

STABILITY
is knowing that someone
will always be there.

A woman with long dark hair, wearing a bright green zip-up hoodie and blue jeans, is running joyfully on a dirt path in a lush green forest. She is holding the hands of two young girls. The girl on the left is wearing a grey and white striped hoodie, blue jeans, and bright pink rain boots. The girl on the right is wearing a white cable-knit sweater, blue jeans, and colorful patterned rain boots. The woman is also wearing green patterned rain boots. The background is filled with vibrant green foliage and trees, creating a bright and cheerful atmosphere.

EXPERTISE

guides you comfortably
down unfamiliar paths.

Investing for the Future

As we look to the future, many challenges remain as the financial markets and overall economy continue to struggle. Throughout these difficult times, Clinton Savings Bank will remain committed to serving our customers by offering innovative online banking tools, financial education, and other dynamic products that will help them meet their goals.

We will introduce services designed to make it easier to bank with us. Customers will be able to open certificates of deposit, savings, and personal checking accounts online. They can look forward to receiving faster approvals for loan applications. Business customers will have access to Remote Deposit Capture to help streamline their deposits.

We will continue to focus on our employees so that we retain experienced, seasoned banking professionals in all of the communities we serve. We believe having a strong, knowledgeable staff that is committed to the financial well-being of our customers is a key component of a successful banking strategy.

At Clinton Savings Bank, we have a culture that is clearly focused on our customers. The strength of our products, our local commitment, our flexibility in working with customers, and our vision for the future allow us to be the region's bank of choice. These qualities define us and set us apart – and they are the strongest argument for why consumers and businesses in our region should consider banking with us.

EXPERTISE
guides you comfortably
down unfamiliar paths.

SECURITY

keeps you from getting
in over your head.



Clinton Financial Services, MHC and Subsidiary*

Consolidated Balance Sheets

December 31, 2008 and 2007

(In thousands)

(Audited)

Assets:	2008	2007	Change
Cash and due from banks	\$ 4,329	\$ 5,640	\$(1,311)
Short-term investments		1,985	(1,985)
Cash and cash equivalents	4,329	7,625	(3,296)
Investments in available-for-sale securities (at fair value)	56,689	46,339	10,350
Investments in held-to-maturity securities (at amortized cost)	20,984	39,988	(19,004)
Federal Home Loan Bank stock, at cost	5,983	5,424	559
Loans, net	377,355	345,543	31,812
Premises and equipment, net	5,797	4,842	955
Accrued interest receivable	2,046	2,232	(186)
Cash surrender value of life insurance policies	7,798	8,261	(463)
Deferred tax asset, net	3,758		3,758
Other assets	1,857	680	1,177
Total assets	\$ 486,596	\$ 460,934	\$25,662
Liabilities and Equity			
Deposits:			
Noninterest-bearing	\$ 24,487	\$ 26,417	\$(1,930)
Interest-bearing	313,839	295,292	18,547
Total deposits	338,326	321,709	16,617
Federal Home Loan Bank advances	112,081	98,046	14,035
Subordinated debt	7,732	7,732	
Capital lease obligation	646		646
Defined tax liability, net		308	(308)
Other liabilities	2,606	779	1,827
Total liabilities	461,391	428,574	32,817
Equity:			
Retained earnings	27,687	31,773	(4,086)
Accumulated other comprehensive (loss) income	(2,482)	587	(3,069)
Total equity	25,205	32,360	(7,155)
Total liabilities and equity	\$486,596	\$460,934	\$25,662

* Clinton Financial Services, MHC, a Massachusetts Mutual Holding Company (MHC), its wholly owned subsidiary Wachusett Financial Services, Inc., its wholly owned subsidiary Clinton Savings Bank, a state-chartered savings bank, and the bank's wholly owned subsidiary Clinton Securities Corp.

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in over your head.

Board of Directors



David E. Ross¹
Chairman of the Board
Current Term Ends: 2011



Robert M. Farragher^{1,4}
Vice Chairman
Current Term Ends: 2011



Timothy H. Wheeler^{3,4}
Clerk of the Corporation
Current Term Ends: 2010



Robert J. Paulbus, Jr.
President & CEO
Current Term Ends: 2009



Paul B. Cberubini^{1,4}
Current Term Ends: 2010



John M. Davis¹
Current Term Ends: 2011



John F. Kilcoyne^{2,3}
Current Term Ends: 2010



Barbara E. King^{1,3}
Current Term Ends: 2009



William E. O'Neil, Jr.^{2,3}
Current Term Ends: 2009



Maureen K. Quill^{2,3}
Current Term Ends: 2011



John A. Schmidt^{2,4}
Current Term Ends: 2009

- 1.) Executive Committee
- 2.) Audit Committee
- 3.) Compensation Committee
- 4.) Governance Committee

Bank Senior Management



Robert J. Paulbus, Jr.
President & CEO



Cindy L. Alden
VP/Branch Administrator



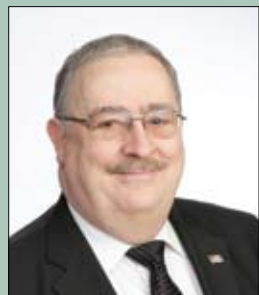
Leonard Anctil
SVP/Commercial Lending



Christopher M. Gill
SVP/Treasurer/CFO



Maura Grossman
SVP/Human Resources



Joseph D. Guercio
SVP/Lending



Ellen J. McGovern
VP/Marketing Director



Michael D. Tenaglia
SVP/Operations/CIO

Clinton Financial Services, MHC Officers

David E. Ross
Chairman of the Board

Robert M. Farragher
Vice Chairman

Robert J. Paulbus, Jr.
President & CEO

Christopher M. Gill
Treasurer

Timothy H. Wheeler
Clerk of the Corporation

Clinton Savings Bank Officers

Robert J. Paulbus, Jr.
President & CEO

Leonard Anctil
SVP/Commercial Lending

Christopher M. Gill
SVP/Treasurer/CFO

Maura Grossman
SVP/Human Resources

Joseph D. Guercio
SVP/Lending

Michael D. Tenaglia
SVP/Operations/CIO

Cindy L. Alden
VP/Branch Administrator

Sheila A. Azorandia
VP/Comptroller

Michael Bovenzi
VP/Commercial Lending

Maria Heskes-Allard
VP/Commercial Lending

Ellen J. McGovern
VP/Marketing Director

Joan E. Moran
VP/Loan Operations

Thomas Mullen
VP/Risk Management

Holly A. Alessi
AVP/Operations Manager

Kevin DeNorscia
AVP/Commercial Lending

Kathleen A. Flaberty
AVP/Residential Loan Officer

Majlinda Haxbiaj
AVP/Branch Manager – Clinton

Debra M. Minor
AVP/Credit Officer

Jeffrey G. Perkins
AVP/Mortgage Originations

Scott A. Youlden
AVP/Information Technology Officer

Brendan Gallagher
Branch Manager – Boylston

Kristen Meyer
Branch Manager – Berlin

Christopher Stevens
Branch Manager – Bolton

Danielle M. McCarter
Human Resources Manager

Janet L. Scott
Business Development/Cash Management

Kristin Zirkel
Marketing Communications Officer

TRUST
holds your hand
wherever life takes you.

TRUST

holds your hand wherever
life takes you.



List of Corporators

Corporator	Term Ends	Corporator	Term Ends
<i>Ms. Cynthia L. Alden</i>	2016	<i>Mr. Donald A. Lowe</i>	2012
<i>Mrs. Sheila A. Azorandia</i>	2014	<i>Mr. Robert H. Mackay</i>	2017
<i>Mr. Albert A. Barbieri Jr.</i>	2017	<i>Ms. Ellen J. McGovern</i>	2016
<i>Ms. Joanne Bergen</i>	2018	<i>Atty. William T. McGrail</i>	2009
<i>Mr. Victor S. Bbakta</i>	2017	<i>Mr. Robert J. McIntyre</i>	2010
<i>Ms. Jane D. Boquist</i>	2016	<i>Atty. James T. McLaughlin</i>	2014
<i>Mr. Harold E. Brown</i>	2010	<i>Mr. Brian J. McNally</i>	2009
<i>Ms. Cynthia E. Cannon</i>	2015	<i>Mr. Robert J. McNally</i>	2016
<i>Mr. John J. Candler III</i>	2010	<i>Mr. Paul J. Menard</i>	2017
<i>Mr. David Candler</i>	2010	<i>Mr. Steven Mendoza</i>	2012
<i>Mr. Paul A. Cherubini</i>	2018	<i>Mr. David P. Mercurio</i>	2016
<i>Mr. Paul B. Cherubini</i>	2012	<i>Ms. Joan E. Moran</i>	2009
<i>Mr. Warren W. Clarke</i>	2014	<i>Mr. Harold P. Naughton Jr.</i>	2009
<i>Mr. Abren L. Cohen</i>	2013	<i>Atty. William E. O'Neil Jr.</i>	2018
<i>Mr. Charles P. Conroy</i>	2015	<i>Mr. Robert C. Ordnung</i>	2018
<i>Ms. Denise Coolidge</i>	2018	<i>Mr. Genaro R. Paen</i>	2013
<i>Mr. Laurence T. Crossman</i>	2009	<i>Mr. Robert J. Paulbus Jr.</i>	2010
<i>Mr. John M. Davis</i>	2014	<i>Mr. Jeffrey G. Perkins</i>	2009
<i>Mr. Robert S. Davis</i>	2014	<i>Mr. Stephen J. Philbin</i>	2013
<i>Mr. Douglas A. Davis</i>	2016	<i>Mr. Paul Q. Polewarczyk</i>	2009
<i>Mr. Roger P. Desilets DDS</i>	2012	<i>Ms. Maureen K. Quill</i>	2015
<i>Ms. Mary Rose Dickhaut</i>	2013	<i>Mr. Kenneth W. Rauscher</i>	2012
<i>Mr. Robert B. Doane</i>	2012	<i>Mr. William M. Reisner</i>	2012
<i>Ms. Pamela D. Dobeck</i>	2009	<i>Mr. James Riseborough</i>	2017
<i>Ms. Evelyn M. Dueck</i>	2017	<i>Mr. Christopher J. Rogers</i>	2016
<i>Mr. David M. Dunn</i>	2011	<i>Mr. David E. Ross</i>	2013
<i>Mr. Steven H. Duvarney</i>	2018	<i>Ms. Ellen M. Salmon</i>	2016
<i>Atty. Cynthia A. Dzuirgot</i>	2015	<i>Mr. Raymond J. Salmon Jr.</i>	2017
<i>Mr. Robert D. Ebsstein</i>	2013	<i>Atty. Gary P. Sanginario</i>	2015
<i>Mr. Robert M. Farragher</i>	2013	<i>Mr. Dennis P. Sargent</i>	2017
<i>Mrs. Catherine M. Frost</i>	2012	<i>Ms. Jane L. Sawyer</i>	2009
<i>Ms. Janice L. Fuller</i>	2017	<i>Mr. John A. Schmidt</i>	2011
<i>Dr. Peter A. Garofoli</i>	2017	<i>Mr. Harold Schonbeck</i>	2017
<i>Mr. Christopher M. Gill</i>	2014	<i>Ms. Jean D. Sifleet</i>	2012
<i>Mr. R. Gary Griffin</i>	2016	<i>Dr. Param B. Singh</i>	2012
<i>Ms. Eileen Griffin-Wright</i>	2011	<i>Ms. Virginia J. Smith</i>	2009
<i>Ms. Maura Grossman</i>	2017	<i>Dr. William R. Southworth</i>	2009
<i>Mr. Joseph D. Guercio</i>	2014	<i>Mr. David K. Stadtherr</i>	2010
<i>Ms. Diane C. Haarmann</i>	2018	<i>Ms. Carolyn C. Stimpson</i>	2009
<i>Ms. Lorraine P. Hanson</i>	2013	<i>Mr. George A. Stowe</i>	2018
<i>Mr. Robert D. Heinold</i>	2012	<i>Mr. Kenneth G. Sydow</i>	2016
<i>Ms. Carole Helwig</i>	2014	<i>Mr. Michael D. Tenaglia</i>	2017
<i>Ms. Maria A. Heskes-Allard</i>	2016	<i>Mr. Richard C. Traina</i>	2016
<i>Mr. Frank R. Hewitt</i>	2012	<i>Mr. Edward J. Troisi</i>	2017
<i>Mr. John F. Hogan Jr.</i>	2018	<i>Mr. Wilfredo Vázquez-Pol</i>	2016
<i>Mr. Arthur T. Innamorati Jr.</i>	2014	<i>Mr. Timothy H. Wheeler</i>	2016
<i>Atty. Jane K. Innamorati</i>	2015	<i>Ms. Brenda A. Wiechmann</i>	2018
<i>Dr. Theresa E. Kane</i>	2011	<i>Mrs. Bobbi-Jo A. Williams</i>	2009
<i>Mr. John F. Kilcoyne</i>	2015		
<i>Ms. Barbara E. King</i>	2012	Retiring Corporators	
<i>Mr. Malcolm T. Kleinknecht</i>	2018	<i>Mr. George J. Colangelo</i>	2009
<i>Mr. Mark R. Laverdure</i>	2011	<i>Ms. Elaine A. Mudgett</i>	2016
<i>Ms. Dee (Dolores) M. Lee</i>	2013	<i>Ms. Katherine A. Fadden</i>	2013
<i>Ms. Cathleen E. Llanso</i>	2017	<i>Mr. Walter R. Sanders</i>	2014

TRUST
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clintonsavings.com

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35 Central St.
978-838-2286

Bolton
563 Main St.
978-779-2857

Boylston
81 Shrewsbury St.
508-869-3122

Clinton
200 Church St.
978-365-3700

Sterling
1 Main St.
978-422-8133

West Boylston
231 W. Boylston St.
508-835-9955