

COMMUNITY

Annual Report 2017

Clinton
Savings Bank

An experience you can bank on.

COMMUNITY

Thank you to all our Corporators who continuously support Clinton Savings Bank by providing valuable feedback on our products and services as well as referring business to the Bank.

You are the key link between the Bank and the communities we serve, and your efforts create an important competitive edge in promoting CSB's public image as well as enhancing our service level.

CORPORATORS

NAME	TERM ENDS
Mr. Leonard T. Anctil*	2019
Ms. Sheila A. Azorandia*	2024
Atty. Albert A. Barbieri Jr.	2027
Ms. Joanne Bergen	2018
Mr. Victor S. Bhakta	2027
Mr. Harold E. Brown*	2020
Dr. Lindsay A. Bruneau DMD	2026
Atty. Francis C. Burke Jr.	2022
Mr. David S. Butler	2024
Ms. Cynthia E. Cannon	2025
Mr. David Chandler	2020
Mr. John Chandler	2020
Mr. John C. Cherubini	2023
Mr. Paul A. Cherubini	2018
Mr. Dennis P. Ciccone	2019
Mr. Matthew P. Colangelo	2019
Mr. Thomas R. Comeau	2022
Dr. Charles P. Conroy	2025
Mr. Laurence T. Crossman	2019
Ms. Cynthia J. Curley	2023
Ms. Mary T. Dean	2026
Ms. Kali H. Delorey	2024
Mr. Dale A. DiMeco	2021
Mr. Robert B. Doane*	2022
Ms. Pamela D. Dobeck	2019
Ms. Evelyn M. Dueck	2027
Mr. Robert D. Ebstein	2023
Mr. Robert M. Farragher	2023
Ms. Kerry A. Flathers	2025
Mr. David I. Frem	2021
Ms. Janice L. Fuller	2027
Mr. David R. Glispin	2020
Ms. Caryn L. Gorczynski	2026
Ms. Diane C. Haarmann	2018
Mr. Richard R. Hayward Jr.	2022
Dr. Myles F. Heffernan, Jr. DDS	2026
Mr. David M. Hinckley	2020
Mr. John F. Hogan Jr.	2018
Mr. Matthew T. Hollister	2022
Atty. Jane K. Innamorati	2025
Dr. Theresa E. Kane	2021
Mr. John F. Kilcoyne	2025
Ms. Barbara E. King	2022
Mr. John P. Kittredge Jr.	2025
Mr. Mark R. Laverdure	2021

**Retiring Corporator*

NAME	TERM ENDS
Mr. Carlos Llanso	2027
Mr. Donald A. Lowe	2022
Mr. Robert H. MacKay	2027
Ms. Nicole L. Martin	2027
Ms. Maegen N. McCaffrey	2020
Ms. Ellen J. McGovern	2026
Mr. Patrick A. McGrail	2026
Mr. Robert J. McIntyre	2020
Ms. Lucinda J. McLaughlin	2019
Mr. Brian J. McNally	2019
Mr. Robert J. McNally	2026
Mr. Anthony R. Melone	2021
Mr. Steven Mendoza	2022
Mr. David P. Mercurio	2026
Ms. Linda M. Midura	2022
Mr. Jason T. Murray	2021
Atty. Harold P. Naughton Jr.	2019
Atty. William E. O'Neil Jr.	2018
Mr. Robert C. Ordung	2018
Mr. Genaro R. Paen	2023
Mr. Robert J. Paulhus Jr.	2020
Atty. Stephen J. Philbin	2023
Mr. Paul Q. Polewarczyk	2019
Mr. Edward M. Powers	2022
Ms. Maureen K. Quill	2025
Mr. Christopher J. Rogers	2026
Mr. David E. Ross*	2023
Mr. Raymond J. Salmon Jr.	2018
Atty. Gary P. Sanginario	2025
Ms. Jane L. Sawyer	2019
Ms. Jean D. Sifleet	2022
Dr. William R. Southworth	2019
Mr. David K. Stadtherr	2020
Mr. Stanley B. Starr Jr.	2020
Ms. Carolyn C. Stimpson	2019
Mr. Kenneth G. Sydow	2026
Mr. David N. Tinsley	2020
Mr. James A. Tomolo Jr.	2019
Mr. Richard C. Traina	2026
Mr. Michael B. Wade	2019
Dr. Richard R. Waller Jr.	2021
Mr. Timothy H. Wheeler	2026
Ms. Bobbi-Jo A. Williams	2019
Mr. Christopher J. Williams	2023
Ms. Kristin E. Zirkel	2023



MISSION STATEMENT

Clinton Savings Bank, a bank committed to the communities it serves, strives to consistently deliver quality financial services based on customer needs through highly motivated employees interested in making the bank a great place to work.

Message from Clinton Savings Bank President and CEO, Robert J. Paulhus, Jr

2017 was a solid year for the Bank as we successfully pursued growth opportunities and built on the economic momentum in our region. Depositors and borrowers continued to put their trust in community banks where they believe they can have a personal relationship with a banker, as well as quick access to senior decision-makers if need be. That is certainly the case for Clinton Savings Bank (CSB), and we are positioned to leverage this advantage in 2018.

Last year Clinton Savings Bank, the wholly-owned subsidiary of Wachusett Financial Services, Inc., and its parent company, Clinton Financial Services, MHC, reached over \$550 million in assets, while exceeding our net income goal by almost 33 percent. We had a solid ROA at 72 basis points and maintained a capital ratio, once again, well over 10 percent. Our strategy in 2017 was clear - it would be a year of managing costs, hard work, and capitalizing on opportunities in our market area.

With the Bank's focus on the aforementioned approach and adding a seasoned professional to our commercial lending team in 2017, commercial loan balances increased by over 9 percent from the previous year. That growth helped fuel a \$26 million net increase in the Bank's total loan portfolio by year end. Moving into 2018, we plan to stay focused on serving the needs and the development of the

commercial and local business markets while also enhancing our consumer mortgage offerings. Through partnerships with Mass Housing and the Federal Home Loan Bank, we will expand on programs designed to serve low to moderate income households and help make them homeowners. Building on the convenience of technology, CSB will also offer a new way to access our mortgage originators through online entities like Zillow® and other mobile apps.



While our Bank remains committed to providing products and services that the community needs and wants, we also continue to be supportive neighbors. We relentlessly offer our talent, time and monetary assistance to the communities in which we are located. Throughout the year CSB donated over \$54,000 to organizations in our region and provided scholarships to nine deserving

high school students. And, to continue its long history and commitment to partnering with local schools, we are very pleased to report the successful launch of the Financial Empowerment Program powered by Banzai™. This program was introduced in the fall of 2017 to help improve financial literacy not only amongst our youth, but anyone interested in a refresher on this important topic. CSB's Banzai™ program has been accepted and highly praised by several schools in the area. In just four months, five local teachers enrolled in and adopted this

form of financial education to benefit 285 students. Adding to the engagement of younger generations and to cultivate smart savers early on, Scratch The Cat debuted as CSB's youth savings ambassador mascot.

From a strategic standpoint, in 2018 we are committed to growing in a measured way that is achievable based on our geography and capital structure. We plan to fulfill this objective, in part, with a renovation of our Sterling Branch. The redesign will support our Relationship Banker service model and be similar to the evolution that our Bolton location experienced in 2016. Our relationship banking model is proving to be a frontrunner as CSB remains dedicated to providing quality service that is superior to what the competition offers. This comes in many forms, which include the interactions that we enjoy with our customers, competitive rates on loans, lower fees, as well as investing in consumer convenience through the expansion of access points and new technology. To provide expediency for our customers, we will generate instant issue debit cards in all branch office locations, offer Apple Pay and redesign the Bank's website to include new business online banking and a consumer money management tool.

We are proud of the reputation that we have built and the recognition that we have received, both locally and nationally, including Bauer Financial's Five Star rating, Community Bank of Choice by the Item readers' poll, and top honors from The New England Financial Marketing Association (NEFMA) and The Agility Resource Group.

Looking ahead, we will benefit from the flexibility provided by our financial strength and our

rising market position. Our talented team of banking professionals continues to compete successfully for new business while providing our customers with first-class individualized service. At the same time, our promise will be to remain keenly focused on the operations of the Bank, and act decisively to meet whatever challenges and opportunities come our way. We believe that by adhering to these proven strategies we will continue to build upon our success now and in the years ahead.

On behalf of the Bank's Board members, management, Corporators, and staff we are proud to serve both our customers and the community and look forward to providing additional ways to do so in the years ahead.

Sincerely,



Robert J. Paulhus, Jr.
President & CEO



Clinton Financial Services, MHC AND Subsidiary*

Consolidated Balance Sheets

December 31, 2017 and 2016 (In Thousands - Audited)

	2017	2016	Variance
ASSETS			
Cash and due from banks	7,826	5,671	2,155
Interest-bearing demand deposits with other banks	310	4,111	-3,801
Cash and cash equivalents	8,136	9,782	-1,646
Interest-bearing time deposits with other banks	100	100	0
Investments in available-for-sale securities (at fair value)	93,461	87,088	6,373
Federal Home Loan Bank stock, at cost	3,702	3,489	213
Loans, net	419,291	392,896	26,395
Premises and equipment, net	6,261	6,715	-454
Accrued interest receivable	1,570	1,364	206
Other real estate owned	69	-	69
Cash surrender value of life insurance policies	15,252	14,757	495
Deferred tax asset, net	1,574	2,108	-534
Other assets	1,163	1,101	62
Total assets	550,579	519,400	31,179
LIABILITIES AND EQUITY			
Deposits:			
Non-interest-bearing	48,425	41,604	6,821
Interest-bearing	368,086	361,854	6,232
Total deposits	416,511	403,458	13,053
Federal Home Loan Bank advances	70,169	55,000	15,169
Securities sold under agreements to repurchase	1,864	3,116	-1,252
Subordinated debt	7,732	7,732	0
Capital lease obligation	503	537	-34
Other liabilities	4,064	3,403	661
Total liabilities	500,843	473,246	27,597
Equity:			
Retained earnings	49,072	45,448	3,624
Accumulated other comprehensive income	664	706	-42
Total equity	49,736	46,154	3,582
Total liabilities and equity	550,579	519,400	31,179

*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 subsidiaries, Clinton Securities Corp. and Wachusett Realty, LLC.

Clinton Financial Services, MHC AND Subsidiary*

Consolidated Statements of Income

Years Ended December 31, 2017 and 2016 (In Thousands - Audited)

	2017	2016	Variance
INTEREST AND DIVIDEND INCOME			
Interest and fees on loans	17,615	16,940	675
Interest on debt securities:			
Taxable	1,185	1,124	61
Tax-exempt	776	694	82
Dividends	432	431	1
Other interest on short-term investments	60	25	35
Total interest and dividend income	20,068	19,214	854
INTEREST EXPENSE			
Interest on deposits	1,955	1,834	121
Interest on Federal Home Loan Bank advances	1,021	1,095	-74
Interest on subordinated debt	318	278	40
Interest on capital lease obligation	38	38	0
Total interest expense	3,332	3,245	87
Net interest and dividend income	16,736	15,969	767
Provision for loan losses	330	330	0
Net interest and dividend income after provision for loan losses	16,406	15,639	767
NON-INTEREST INCOME			
Customer service fees	1,235	1,250	-15
Gain on securities, net	2,223	807	1,416
Gain on sales of mortgages	150	304	-154
Loan servicing fees, net	95	106	-11
Bank owned life insurance income	445	479	-34
Other income	122	174	-52
Total non-interest income	4,270	3,120	1,150
NON-INTEREST EXPENSE			
Salaries and employee benefits	9,348	8,973	375
Occupancy expense	999	951	48
Equipment expense	1,015	1,081	-66
Data processing expense	746	796	-50
Professional fees	391	372	19
Advertising and marketing	513	484	29
FDIC assessment	158	248	-90
Other expense	1,730	1,782	-52
Total non-interest expense	14,900	14,687	213
Income before income tax expense	5,776	4,072	1,704
Income Tax Expense	2,152	942	1,210
Net income	3,624	3,130	494

BOARD OF DIRECTORS



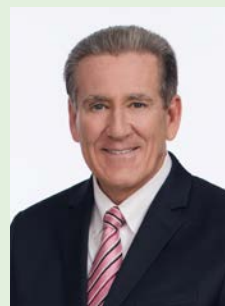
William E. O'Neil, Jr. ¹
Chairman of the Board
Current Term Ends 2018



Robert M. Farragher ^{1,4}
Vice Chairman of the Board
Current Term Ends 2020



Timothy H. Wheeler ^{1,4}
Clerk of the Corporation
Current Term Ends 2019



Robert J. Paulhus, Jr. ^{1,5}
President & CEO
Current Term Ends 2018



John F. Hogan ^{2,4}
Current Term Ends 2019



John F. Kilcoyne ^{2,3}
Current Term Ends 2019



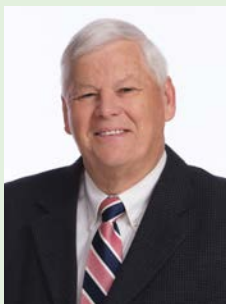
Barbara E. King ^{1,3}
Current Term Ends 2018



Maureen K. Quill ^{2,3}
Current Term Ends 2020



David E. Ross ^{1,4}
Current Term Ends 2020



Stanley B. Starr, Jr. ³
Current Term Ends 2018



Christopher J. Williams ²
Current Term Ends 2019

- ¹ Executive Committee
- ² Audit Committee
- ³ Compensation Committee
- ⁴ Governance Committee
- ⁵ Member of Senior Management Team

CLINTON FINANCIAL SERVICES, MHC OFFICERS

William E. O'Neil, Jr.
Chairman of the Board

Timothy H. Wheeler
Clerk of the Corporation

Richard R. Hayward, Jr.
Treasurer

Robert M. Farragher
Vice Chairman of the Board

Robert J. Paulhus, Jr.
President & CEO

CLINTON SAVINGS BANK OFFICERS

Robert J. Paulhus, Jr.
President & CEO

Leonard T. Anctil
SVP/Senior Commercial Lending Officer

Mary T. Dean
SVP/Chief Information Officer

Richard R. Hayward, Jr.
SVP/Chief Financial Officer/Treasurer

Ellen J. McGovern
SVP/Chief Marketing Officer

Linda M. Midura
SVP/Director of Human Resources

Edward M. Powers
SVP/Chief Lending Officer

Nicole L. Martin
VP/Retail Sales Manager

David A. Harmon
SVP/Commercial Lending Officer

Daniel J. Kelser
SVP/Commercial Lending Officer

Andrew J. Moisan
SVP/Commercial Lending Officer

Robert G. Rivard
SVP/Commercial Lending Officer

Sheila A. Azorandia
VP/Comptroller

Debra A. Colonna
VP/Mortgage Operations Manager

Holly A. Connors
VP/Operations Manager

Kathleen A. Flaherty
VP/Compliance & CRA Officer

Majlinda Haxhiaj
VP/Branch Administrative Manager

Lynne G. McCormack
VP/Commercial Portfolio Manager

Debra M. Minor
VP/Credit Manager

Paula E. Paldino
VP/Compliance & Security Officer

Lawrence R. Palmer
VP/Information Technology Officer

Robert P. Fontaine
AVP/Senior Mortgage Underwriter

Mark M. Geres
AVP/Mortgage Originator

Mary E. LaFleur
AVP/Collections & Loan Servicing Manager

Danielle M. McCarter
AVP/Human Resources Manager

Paula H. Mollov
AVP/Mortgage Originator

Kristen M. Paige
AVP/Branch Manager, Sterling

Jill E. Parcell
AVP/Branch Manager, Bolton

John G. Ryan
AVP/Mortgage Originator

Kristin E. Zirkel
AVP/Senior Marketing Manager

Erin P. Amoling
Branch Manager, West Boylston

Michelle M. Boudreau
Consumer Loan Underwriter

Gladys Colon
Mortgage Underwriter

Geoffrey S. Green
Branch Manager, Berlin

Michele Hazelhurst
Branch Manager, Boylston

Linnea C. Miley
Credit Officer

Lisa A. Poirier
Accounting Supervisor

Andrew J. Taft
Training Manager

Kevin G. Toth
Credit Analyst

Catherine M. Wade
Residential Lending QC Analyst

CLINTON SAVINGS BANK SENIOR MANAGEMENT TEAM

Edward M. Powers
SVP/Chief Lending Officer

Nicole L. Martin
VP/Retail Sales Manager

Mary T. Dean
SVP/CIO/Operations

Linda M. Midura
SVP/Director of Human Resources

Robert J. Paulhus, Jr.
President & CEO

Ellen J. McGovern
SVP/Chief Marketing Officer

Leonard T. Anctil
SVP/Senior Commercial Lending Officer

Richard R. Hayward, Jr.
SVP/CFO/Treasurer

(Senior Management Team from left to right as listed above)



Asset Growth: (Last Year)

\$550,579 Million	6.0% Increase
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Commerical Loan Growth:

CML Loan Portfolio	12-31-16	\$185,639,418	
CML Loan Portfolio	12-31-17	\$202,762,746	
2017 Growth		\$ 17,123,328	(9.22%)

Served:

Meals for over 500 People

Over 600 employee Volunteer Hours

Sponsored:

Employees raised over \$2,800 for local organizations just by donating to wear jeans

Over \$55,000 to Local Organizations and Non-Profits

Built a single garden box to help feed 20 families fresh produce within our community

Provided holiday gifts for over 75 local families

Donated 200 items to the Sterling Animal Shelter

Education:

\$8,000 in Scholarships to 9 local high schools

900 Hours of Financial Literacy Programs

Hosted 7 Home Buying Seminars

Participated in local Community Reading Days

