



# EXPERIENCE MORE MILESTONES

2018 Annual Report

## 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.

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# President's Message

## STRENGTH OF A SOLID FOUNDATION

I am pleased to report that Clinton Savings Bank (CSB), a wholly-owned subsidiary of Wachusett Financial Services and its parent company, Clinton Financial Services, MHC, continued to operate in a financially sound manner last year. As you review the annual report, it will be increasingly apparent that 2018 was a very successful year — both for the Bank and for our customers. Total assets grew by \$24 million, reaching the \$575 million level, fueled by \$13 million in commercial loan growth and \$7 million in residential loan growth, supported by a \$13 million increase in deposits. This growth combined with prudent balance sheet management generated a record net income at the Bank level of \$5.4 million and a ROA of 0.98%, resulting in a capital ratio of 10.86% which is well in excess of the FDIC's minimum requirement for a well-capitalized financial institution.

### Building on service to strengthen relationships

2018 was a year of enhancing services and taking steps to expand customer relationships. Whether they choose to visit a branch or use CSB's mobile app, we always want to provide simple, convenient and helpful banking solutions in order to ensure a superior experience. The hybrid approach of combining technological accessibility along with personal service was further developed with the remodeling of our Sterling branch. The interior design is similar to our Bolton branch that we built in 2016, structured to meet the needs of future customers by having Relationship Bankers quickly assist people in an environment that facilitates efficiency, thus well-matched for any busy schedule.

At Clinton Savings Bank, the security of customers' personal information is our top priority in order to assure that they bank with ease and peace of mind. Increasing the protection of their accounts, a text security alert system was implemented for any debit card transactions that seemed out of the



Clinton Savings Bank  
President & CEO  
Robert J. Paulhus, Jr.

ordinary, providing the opportunity to validate or decline such transactions right away simply by replying to the text message.

To provide additional convenience, CSB launched mobile wallet compatibility. A mobile wallet is a way to carry your credit and debit card information in a secure digital format on your mobile device. By linking their CSB Debit Card to Apple Pay®, Samsung Pay® and Google Pay®, customers can use their smartphones to pay at retail stores, restaurants or any physical location that accepts mobile payment, expediting the payment process and enhancing security.

In today's world of expediency, we know that people seek immediate delivery of information and solutions. In the 4th quarter of 2018, Clinton Savings Bank rebuilt its website to be even more intuitive and fully responsive. Whether someone is looking for educational material, to open a personal deposit account or even apply for a loan, the menu option functionality directs visitors quickly to the content most relevant to their needs. The site deploys a new way of positioning information on the home page that mirrors a life stage path of financial milestones

### **ELEVATING CUSTOMER RELATIONSHIPS FOR 2019 AND BEYOND**

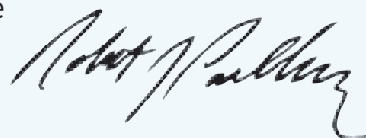
At Clinton Savings Bank, we strive to be more than your financial institution and exist to make a positive difference in the lives of our customers. The Bank will continue to do this by eliminating inefficiencies, reducing expenses and continue investing in technology to offer best-in-class service. Our approach of operating with our customer's best interest in mind, along with properly managing assets, will position CSB to continue producing solid growth and a high level of customer satisfaction.

as well as blogs that speak to banking questions that we all encounter in life. The Bank plans to evolve the site content in 2019 by adding engaging video content as yet another way to evaluate our offerings and services. Coupled with the new website, we launched an online only savings product, CSB's eEXPERIENCE Online Savings Account, which is a high-yielding account that can be quickly opened and maintained solely online.

We also know that everyone likes to have choices on how to bank – whether that is online, in-person or both. In October of 2018, CSB rolled out a high yield Mega Money Market account for customers looking to invest \$100,000 or more and who prefer more branch interaction. In just three months the account generated nearly \$14 million in deposits. The strategy of enhancing our online experience and personal relationship approach to banking proved to resonate with customers with 1,280 new checking accounts being opened in 2018.

Listening to and understanding the needs of our customers are also vital to the development of our consumer loan products. As such, a fixed rate conversion option was added to our Home Equity Line of Credit in order to provide stability by helping our customers afford changes that occur in life.

In closing, we extend our whole-hearted thanks to our Board of Directors for their guidance and commitment to representing the best interest of our customers. We are grateful to our customers and local businesses for trusting us with their financial needs. Clinton Savings Bank knows that there are many choices in the market, and we value the relationships of people who choose our services. Lastly, we are thankful for loyal employees who work diligently to improve the lives of everyone in our community.



# FINANCIALS

## Clinton Financial Services, MHC AND Subsidiary\* Consolidated Balance Sheets

December 31, 2018 and 2017 (In Thousands - Audited)

	2018	2017	Variance
<b>ASSETS</b>			
Cash and due from banks	10,333	7,826	2,507
Interest-bearing demand deposits with other banks	3,307	310	2,997
<b>Cash and cash equivalents</b>	<b>13,640</b>	<b>8,136</b>	<b>5,504</b>
Interest-bearing time deposits with other banks	100	100	-
Investments in available-for-sale securities (at fair value)	91,142	93,461	(2,319)
Federal Home Loan Bank stock, at cost	3,989	3,702	287
Loans, net	438,728	419,291	19,437
Premises and equipment, net	6,448	6,261	187
Accrued interest receivable	1,708	1,570	138
Other real estate owned	-	69	(69)
Cash surrender value of life insurance policies	15,179	15,252	(73)
Deferred tax asset, net	2,607	1,574	1,033
Other assets	1,682	1,163	519
<b>Total assets</b>	<b>575,223</b>	<b>550,579</b>	<b>24,644</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Deposits:</b>			
Non-interest-bearing	56,844	48,425	8,419
Interest-bearing	372,690	368,086	4,604
<b>Total deposits</b>	<b>429,534</b>	<b>416,511</b>	<b>13,023</b>
Federal Home Loan Bank advances	78,500	70,169	8,331
Securities sold under agreements to repurchase	2,045	1,864	181
Subordinated debt	7,732	7,732	-
Capital lease obligation	476	503	(27)
Other liabilities	4,874	4,064	810
<b>Total liabilities</b>	<b>523,161</b>	<b>500,843</b>	<b>22,318</b>
<b>Equity:</b>			
Retained earnings	54,086	49,072	5,014
Accumulated other comprehensive (loss) income	(2,024)	664	(2,688)
<b>Total equity</b>	<b>52,062</b>	<b>49,736</b>	<b>2,326</b>
<b>Total liabilities and equity</b>	<b>575,223</b>	<b>550,579</b>	<b>24,644</b>

\*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, 2018 and 2017 (In Thousands - Audited)

	2018	2017	Variance
<b>INTEREST AND DIVIDEND INCOME</b>			
Interest and fees on loans	19,466	17,615	1,851
Interest on debt securities:			
Taxable	1,423	1,185	238
Tax-exempt	867	776	91
Dividends	388	432	(44)
Other interest on short-term investments	24	60	(36)
<b>Total interest and dividend income</b>	<b>22,168</b>	<b>20,068</b>	<b>2,100</b>
<b>INTEREST EXPENSE</b>			
Interest on deposits	2,566	1,955	611
Interest on Federal Home Loan Bank advances	1,564	1,021	543
Interest on subordinated debt	393	318	75
Interest on capital lease obligation	34	38	(4)
<b>Total interest expense</b>	<b>4,557</b>	<b>3,332</b>	<b>1,225</b>
<b>Net interest and dividend income</b>	<b>17,611</b>	<b>16,736</b>	<b>875</b>
Provision for loan losses	330	330	0
<b>Net interest and dividend income after provision for loan losses</b>	<b>17,281</b>	<b>16,406</b>	<b>875</b>
<b>NON-INTEREST INCOME</b>			
Customer service fees	1,246	1,235	11
Gain on securities, net	1,602	2,223	(621)
Gain on sales of mortgages	121	150	(29)
Loan servicing fees, net	124	95	29
Bank owned life insurance income	695	445	250
Other income	91	122	(31)
<b>Total non-interest income</b>	<b>3,879</b>	<b>4,270</b>	<b>(391)</b>
<b>NON-INTEREST EXPENSE</b>			
Salaries and employee benefits	9,504	9,348	156
Occupancy expense	878	999	(121)
Equipment expense	966	1,015	(49)
Data processing expense	777	746	31
Professional fees	390	391	(1)
Advertising and marketing	528	513	15
FDIC assessment	157	158	(1)
Other expense	1,725	1,730	(5)
<b>Total non-interest expense</b>	<b>14,925</b>	<b>14,900</b>	<b>25</b>
<b>Income before income tax expense</b>	<b>6,235</b>	<b>5,776</b>	<b>459</b>
Income Tax Expense	1,091	2,152	(1,061)
<b>Net income</b>	<b>5,144</b>	<b>3,624</b>	<b>1,520</b>

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# COMMUNITY MATTERS

## VOLUNTEERING TO BETTER OUR COMMUNITY

Each year, we challenge our employees to give back to the community, and we're happy to report that CSB's team contributed almost 1,000 volunteer hours at more than 50 organized events in 2018. Clinton Savings Bank's staff offered their skills and talents at various nonprofits including W.H.E.A.T., local school Community Reading Days, United Way, Perkins, local Rotaries, multiple Parks and Recreation initiatives, and other local town events. We are incredibly proud of our employees' commitment and dedication to serve their community.

### Community Partnerships

Clinton Savings Bank once again hosted a group of Tahanto Regional High School students for a half-day visit to our headquarters. The visit was part of Junior Achievement's® Job Shadow Day program that provides a unique opportunity to visit a professional work environment and gain insights into how to find and maintain a fulfilling career. We offered an engaging schedule that was designed to inspire students in the areas of Marketing, Information Technology, Commercial Lending, and Human Resources as well as Branch Operations.

In May of 2018, we also offered a student internship program. A student joined us for an eight-week, hands-on experience in Marketing and worked with Retail and all Lending departments. With support from Bank staff mentors, the student learned about the ever-changing communications world and the challenges facing the financial industry.

CSB has been the premier sponsor of Distributive Education Clubs of America (DECA) at Nashoba Regional High School (NRHS) for 9 years. The organization started with 8 participants at NRHS and now has over 160 students actively participating. Once again, employees volunteered as judges, providing guidance to 16 DECA program student groups during a mock contest that assists in the students' presentations at the state and national competitions.

### Education Support

An investment in knowledge pays the best interest. At Clinton Savings Bank we have been providing educational scholarships to students and online tools for teachers in an effort to help minimize the financial burden of purchasing classroom supplies and paying for college.

In 2018, Clinton Savings Bank awarded seven, \$1,000 scholarships to local high schools to bestow upon an outstanding graduating senior in need and two \$500 dollar scholarships to deserving seniors that worked at the Bank's in-school branches. Scholarships may be used at any academically accredited two or four-year college or university. Applicants are always evaluated by the schools on academic achievement, community involvement, leadership and other recommendations.

For the fifth straight year now, the Bank has sponsored the revered Clinton High School Agenda books (academic planners) for students, teachers, administrators and even alumni.

By heightening our financial education for students with online tools powered by Banzai™, financial literacy programs, in-school banking curriculum programs, events and special promotions for our Get Real Accounts designed for those 14 – 25 years of age, the year ended with impressive results. Deposits for our Get Real Savings account reached \$1.2 million and \$1.4 million for our Get Real Checking account – which was a 24.8% increase in checking balances over the prior year.

In addition, we conducted many in-school presentations to children in kindergarten through sixth grade teaching them the value of our Scratch Kids Club Savings account designed to introduce the importance of saving at the earliest of ages.

For the sixth year in a row we were the premier sponsor for the Reality Fair at Nashoba Regional High School. A Reality Fair is an interactive financial literacy program for high school students. It provides a unique opportunity for students to think about some of the financial challenges they will face when they start living on their own. Our volunteer employees worked with other local organizations to present real-world choices at the Reality Fair including the selection of a career they desire for their future.

## **Giving back to our roots.**

At Clinton Savings Bank we are privileged to be able to dedicate time and resources on behalf of the Bank to give back to our local community. Employees are proud that more than \$3,000 was donated to local in-need organizations by way of the option to contribute \$5 to the cause and wear jeans for a day. The Bank was so moved by this staff driven initiative, in 2018 funds raised individually were matched by CSB doubling the impact made in our community.

Charitable initiatives have a great impact on our friends, neighbors and the communities that we serve. Our actions related to giving back engage employees and offer them a meaningful opportunity to connect, share their personal values, and act in unity toward a common goal.





# Entering Sterling

In 2018, after decades of being part of the **Sterling community** we were pleased to celebrate the remodel of our One Main Street branch.

With a modern and colorful interior aesthetic, the technology focused branch boasts an open concept for more **customer engagement** with the same **friendly Relationship Banking** staff that makes CSB a special and unique **experience** to bank on.

We **welcome** all of our loyal customers and we look forward to meeting new people and local businesses in the neighborhood.

You  
are  
here

12

190

140

40



## BOARD OF DIRECTORS



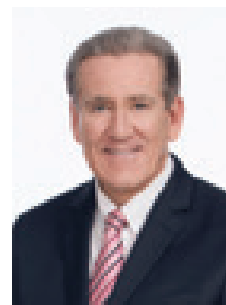
**William E. O'Neil, Jr.** <sup>1</sup>  
*Chairman of the Board*  
Current Term Ends 2021



**Robert M. Farragher** <sup>1</sup>  
*Vice Chairman of the Board*  
Current Term Ends 2020



**Timothy H. Wheeler** <sup>1</sup>  
*Clerk of the Corporation*  
Current Term Ends 2019



**Robert J. Paulhus, Jr.** <sup>1,5</sup>  
*President & CEO*  
Current Term Ends 2021



**John F. Hogan** <sup>2,3</sup>  
Current Term Ends 2019



**John F. Kilcoyne** <sup>1,3</sup>  
Current Term Ends 2019



**Barbara E. King** <sup>1,3</sup>  
Current Term Ends 2021



**Maureen K. Quill** <sup>2,3</sup>  
Current Term Ends 2020



**Stanley B. Starr, Jr.** <sup>3,4</sup>  
Current Term Ends 2021



**Christopher J. Williams** <sup>2</sup>  
Current Term Ends 2019



**Charles P. Conroy** <sup>2</sup>  
Current Term Ends 2020

- <sup>1</sup> Executive Committee
- <sup>2</sup> Audit Committee
- <sup>3</sup> Compensation Committee
- <sup>4</sup> ALCO Committee
- <sup>5</sup> 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*

**David A. Harmon**

*SVP/Chief Lending Officer*

**Richard R. Hayward, Jr.**

*EVP/Chief Financial Officer/Treasurer*

**Nicole L. Martin**

*VP/Retail Sales Manager*

**Ellen J. McGovern**

*SVP/Chief Marketing Officer*

**Linda M. Midura**

*SVP/Director of Human Resources*

**Edward M. Powers\***

*SVP/Chief Lending Officer*

**Daniel J. Kelser**

*SVP/Commercial Lending Officer*

**Robert G. Rivard**

*SVP/Commercial Lending Officer*

**Debra A. Colonna**

*VP/Mortgage Operations Manager*

**Pamela J. Cutler**

*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*

**Kristin E. Farraj**

*AVP/Senior Marketing Manager*

**Robert P. Fontaine**

*AVP/Senior Mortgage Underwriter*

**Michele Hazelhurst**

*AVP/Branch Manager, Boylston*

**Mary E. LaFleur**

*AVP/Collections & Loan Servicing Manager*

**Danielle M. McCarter**

*AVP/Human Resources Manager*

**Linnea C. Miley**

*AVP/Credit Officer*

**Paula H. Mollov**

*AVP/Mortgage Originator*

**Kristen M. Paige**

*AVP/Branch Manager, Sterling*

**Jill E. Parcell**

*AVP/Branch Manager, West Boylston*

**Lisa A. Poirier**

*AVP/Controller*

**John G. Ryan**

*AVP/Mortgage Originator*

**Patricia M. Smith**

*AVP/Branch Manager, Bolton*

**Michelle M. Boudreau**

*Consumer Loan Underwriter*

**Gladys Colon-Grampetro**

*Mortgage Underwriter*

**Geoffrey S. Green**

*Branch Manager, Berlin*

**Andrew J. Taft**

*Training Manager*

**Catherine M. Wade**

*Residential Lending QC Analyst*

*\* Retired 3/29/2019. Succeeded by D. Harmon.*

## CLINTON SAVINGS BANK SENIOR MANAGEMENT TEAM

**Robert J. Paulhus, Jr.**

*President & CEO*

**Leonard T. Anctil**

*SVP/Senior Commercial Lending Officer*

**Mary T. Dean**

*SVP/CIO/Operations*

**David A. Harmon**

*SVP/Chief Lending Officer*

**Richard R. Hayward, Jr.**

*EVP/CFO/Treasurer*

**Nicole L. Martin**

*VP/Retail Sales Manager*

**Ellen J. McGovern**

*SVP/Chief Marketing Officer*

**Linda M. Midura**

*SVP/Director of Human Resources*

**Edward M. Powers\***

*SVP/Chief Lending Officer*

*\* Retired 3/29/2019. Succeeded by David A. Harmon.*

# CORPORATORS

NAME	TERM ENDS
Atty. Albert A. Barbieri Jr.	2027
Ms. Joanne Bergen	2028
Mr. Victor S. Bhakta	2027
Dr. Lindsay A. Bruneau DMD	2026
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	2028
Mr. John W. Child Jr.	2028
Mr. Dennis P. Ciccone	2019
Mr. Matthew P. Colangelo	2019
Mr. Kenneth A. Cole Jr.	2028
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
Ms. Pamela D. Dobeck	2019
Ms. Evelyn M. Dueck	2027
Mr. Robert D. Ebstein	2023
Mr. Robert M. Farragher	2023
Ms. Kristin E. Farraj	2023
Ms. Kerry A. Flathers	2025
Mr. David I. Frem	2021
Ms. Janice L. Fuller	2027
Mr. David R. Glispin	2020

NAME	TERM ENDS
Ms. Caryn L. Gorczynski	2026
Mr. Richard R. Hayward Jr.	2022
Dr. Myles F. Heffernan, Jr. DDS	2026
Mr. David M. Hinckley	2020
Mr. John F. Hogan Jr.	2028
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. Peter F. Kovago	2028
Mr. Mark R. Laverdure	2021
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. Dennis F. Murphy III	2028
Mr. Jason T. Murray	2021

NAME	TERM ENDS
Atty. Harold P. Naughton Jr.	2019
Mr. Stephen A. O'Neil	2028
Atty. William E. O'Neil Jr.	2028
Mr. Robert C. Ordnung	2028
Mr. Genaro R. Paen	2023
Mr. Robert J. Paulhus Jr.	2020
Atty. Stephen J. Philbin	2023
Ms. Catherine M. Phillips	2028
Mr. Paul Q. Polewarczyk	2019
Mr. Edward M. Powers*	2022
Ms. Maureen K. Quill	2025
Mr. Christopher J. Rogers	2026
Mr. Raymond J. Salmon Jr.	2028
Atty. Gary P. Sanginario	2025
Ms. Jane L. Sawyer*	2019
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

\*Retiring Corporator



An **experience** you can bank on.



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