

Uncommon Banking for the Common Good



2018
Annual Report
Bridgewater Financial MHC
and Subsidiaries

BridgewaterSavings
UNCOMMON BANKING



PRESIDENT'S MESSAGE

Peter Dello Russo

President & Chief Executive Officer

We are pleased to report another successful year for our organization that was characterized by strong financial performance, significant charitable contributions, and continued institutional advancement. Earnings, excluding a non-recurring tax adjustment, were at a record level and the asset size of the Bank grew to over \$600 million, surpassing our goals and positioning us for continued success into the new fiscal year.

This past year was our most successful year in providing down payment and closing cost assistance to prospective homebuyers. We provided over \$540,000 in this type of assistance toward the purchase of 28 homes in the form of grants through Federal Home Loan Bank's Equity Builder Program (EBP), MassHousing's Down Payment Assistance (DPA) program, and the NeighborhoodLIFT program through NeighborWorks.

Throughout the year, employees demonstrated a continued commitment to the community in an effort to add value to the neighborhoods we serve. A total of 733 hours of community service were recorded, and over \$175,000 was donated to local organizations by the Bank and its Charitable Foundation. I would like to recognize a group of employees who went above and beyond in their volunteer efforts: Reiko McNeil, Branch & Client Relationship Officer; Kristine Resendes, BSA Officer; Robert Peixoto, Senior Wealth Management Officer; and James Duff, Commercial Loan Officer. Their efforts to make a difference while simultaneously serving as ambassadors of the Bank are greatly appreciated.

The current interest rate environment will pose several challenges; first the Bank's cost of funds continues to rise as a result of an increased demand for deposits by area financial institutions. Secondly, although rates have risen on deposits, loan rates have not kept pace with that increase due to competitive pressures. The result is a tightening of the net interest margins for banks across the region. We are keenly aware of these challenges and we continually scrutinize the market and our deposit and loan mix. We feel confident the Bank will successfully navigate these interest rate challenges and continue to deliver a strong performance for the foreseeable future. Additionally, we will be giving special attention to our customer experience, by focusing on providing high-quality training for employees to ensure we meet – and exceed – customer expectations in the year ahead.

After years of service Ronald Broman and Joan Ulrich will be retiring from our Board of Directors. In 2019, we will welcome Walter Zaverucha and Michael Giancola to fill their vacant seats. Kelly Collins will also be joining us as a Trustee.



EXECUTIVE VICE PRESIDENT'S MESSAGE

Richard Fisher

*Executive Vice President
& Chief Operating Officer*

With each passing year, we are tasked with monitoring technological advancements, presenting new ways to leverage them for the benefit of our customers, and ensuring security measures are continually strengthened to match the evolving demands. We made several strategic investments in 2018 to enhance our internal network security, identify potential fraud, and increase transaction speed at our branches. We also created an internal team, the Innovation Steering Group, with the purpose of identifying and driving technology, security, and process improvements throughout the Bank.

We successfully launched our AddVantageSM Checking account, and it has become our top relationship checking account at the Bank. Adding this product to our suite of services has provided the Bank with the opportunity to forge deeper relationships with customers.

In the coming year, we plan to implement the following technologies to facilitate a positive mobile and electronic banking experience: SecureLOCKTM debit card control service (Q4 2018), Zelle[®] person-to-person payment service (Q1 2019), an enhanced digital mortgage application (Q2 2019), video chat (Q2 2019), and digital deposit account opening (Q3 2019). We feel adding products and services of this sort will not only assist the Bank in moving forward from a technological perspective, but also help differentiate the Bank from other community financial institutions in our marketplace.

As we look toward the future, we will continue to offer opportunities to share best practices with our consumer and business banking customers via our website, eNews, and in-person. The importance of cyber security and the Bank's commitment to the security and privacy of our customer's information will continue to be a primary focus.

“We pride ourselves in taking an “uncommon” approach to banking and understand that the impact we make within our branches and throughout our communities can truly facilitate the common good. Thank you for your continued support as we build our product suite and optimize our customer experience year after year.”

Thank you. Peter Dello Russo & Rick Fisher



FINANCIAL RESULTS

for the year ended and as of September 30, 2018

Richard Burgess
*Senior Vice President
& Chief Financial Officer*

Net income for Bridgewater Financial MHC and subsidiaries for the year ended September 30, 2018 was \$2,712,000, a decrease of \$30,000 (1%) from the year ended September 30, 2017. Return on average assets was 0.47%, a decrease from 0.50% in the prior year. Income before income taxes increased \$428,000 (12%), while federal and state income taxes increased \$458,000 (51%). The increase in income tax expense was largely due to an adjustment of net deferred tax assets as a result of the reduction of the federal tax rate in the Tax Cuts and Jobs Act. The benefit of the tax rate cut is expected to be realized in the Company's income statement for the 2019 fiscal year. Total interest and dividend income increased \$1,835,000, as income from both loans and securities grew. Total interest expense was \$835,000 higher than in the prior year due to increases in interest expense on deposits and Federal Home Loan Bank advances. Higher market interest rates and competition for deposits caused rate hikes in certificates of deposit and money market deposit accounts. Net interest income grew \$1,000,000 (6%). The provision for loan losses was \$275,000, compared to \$200,000 in 2017. Credit quality remained strong as evidenced by minimal loan charge-offs. Customer service fees, trust department fees and revenue from the sale of investment products increased from 2017 levels and contributed to a \$214,000 (5%) increase in non-interest income. Gain on sale of residential loans decreased \$284,000 (25%) from the prior year. Total non-interest expenses increased \$711,000 (4%). Salaries and benefits and occupancy and equipment costs had the largest dollar increases, while professional fees and other general and administrative costs decreased.

Total assets at September 30, 2018 were \$601,597,000, an increase of \$33,863,000 (6%) from September 30, 2017. The investment securities portfolio decreased \$5,513,000 (4%). Total loans, net of the allowance for loan losses, increased \$38,097,000 (9%) as residential and commercial loans both grew. The balance of deposits was \$54,377,000 (12%) higher than at September 30, 2017. \$35,002,000 of deposit growth came from brokered certificates of deposit, while total deposits of retail and commercial customers increased \$19,375,000. Federal Home Loan Bank advances decreased \$16,265,000 (34%). Total equity decreased \$257,000 to \$53,995,000. A decline in the fair value adjustment of the investment portfolio, due to higher interest rates, caused a decrease in accumulated other comprehensive income that was greater than the increase in retained earnings. Bridgewater Savings Bank's capital ratios remain above the regulatory minimums to be considered "well-capitalized".

BRIDGEWATER FINANCIAL MHC AND SUBSIDIARIES

CONSOLIDATED INCOME STATEMENTS *(in thousands)*

Year Ended September 30, 2018 and 2017

	(unaudited)	
	<u>2018</u>	<u>2017</u>
INTEREST AND DIVIDEND INCOME		
Interest and fees on loans	\$ 17,345	\$ 16,153
Interest and dividends on securities	3,684	3,044
Interest on short-term investments	19	16
Total interest and dividend income	<u>21,048</u>	<u>19,213</u>
INTEREST EXPENSE		
Interest on deposits	1,871	1,298
Interest on Federal Home Loan Bank advances	924	637
Interest on subordinated debt	145	170
Total interest expense	<u>2,940</u>	<u>2,105</u>
Net interest income	18,108	17,108
Provision for loan losses	275	200
Net interest income, after provision for loan losses	<u>17,833</u>	<u>16,908</u>
NON-INTEREST INCOME		
Customer service fees	1,513	1,370
Trust department fees	730	660
Gain on sale of loans, net	837	1,121
Gain on sale of securities, net	-	77
Miscellaneous	1,276	914
Total non-interest income	<u>4,356</u>	<u>4,142</u>
NON-INTEREST EXPENSE		
Salaries and employee benefits	10,517	10,009
Occupancy and equipment, net	2,760	2,474
Data processing	1,718	1,557
Deposit insurance	190	190
Professional fees	469	601
Advertising and marketing	556	518
Foreclosed real estate	1	14
Other general and administrative	1,916	2,053
Total non-interest expense	<u>18,127</u>	<u>17,416</u>
Income before income taxes	4,062	3,634
Federal and state income taxes	1,350	892
Net income	<u>\$ 2,712</u>	<u>\$ 2,742</u>

BRIDGEWATER FINANCIAL MHC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS *(in thousands)*

September 30, 2018 and 2017

	(unaudited)	
	2018	2017
ASSETS		
Cash and due from banks	\$ 1,569	\$ 1,505
Interest bearing deposits	3,751	3,092
Total cash and cash equivalents	5,320	4,597
Securities available for sale, at fair value	118,410	123,923
Loans held for sale	2,434	2,235
Loans, net	452,307	414,210
Accrued interest receivable	1,925	1,723
Premises and equipment, net	11,189	11,468
Federal Home Loan Bank stock, at cost	2,408	2,846
Federal Reserve Bank stock, at cost	1,210	1,210
Goodwill and other intangible assets	1,015	1,025
Deferred income taxes	2,603	1,895
Bank-owned life insurance	1,726	1,681
Other assets	1,050	921
Total assets	\$ 601,597	\$ 567,734
LIABILITIES AND RETAINED EARNINGS		
Deposits	\$ 510,733	\$ 456,356
Federal Home Loan Bank advances	31,720	47,985
Subordinated debt	-	4,000
Accrued expenses and other liabilities	5,149	5,141
Total liabilities	547,602	513,482
Retained earnings	56,297	53,653
Accumulated other comprehensive income	(2,302)	599
Total equity	53,995	54,252
Total liabilities and equity	\$ 601,597	\$ 567,734

OFFICERS *as of September 30, 2018*

SENIOR OFFICERS

Peter Dello Russo

President & Chief Executive Officer

Richard Fisher

Executive Vice President & Chief Operating Officer

Edward F. Sousa

1st Senior Vice President & Senior Commercial Loan Officer

Richard Burgess

Senior Vice President & Chief Financial Officer

Carol A. DeMoranville

Senior Vice President & Human Resource Officer

James Duff

Senior Vice President & Commercial Team Leader

Mike Kemple

Senior Vice President & Senior Retail Lending Officer

Joseph W. Mitchell, Jr.

Senior Vice President, Senior Retail Banking & Marketing Officer

Robert Peixoto

Senior Vice President & Senior Wealth Management Officer

Katherine Watson

Senior Vice President, Senior Credit & Loan Operations Officer

VICE PRESIDENTS

Mary Buck

Vice President & Area Sales Manager

John Decker

Vice President & Commercial Loan Officer

Michelle Durette

Vice President & Loan Officer

Martha Fox

Vice President & Residential Lending Operations Manager

Edward (Ned) Gaughan, Jr.

Vice President & Construction Lending Officer

Ronald Hill

Vice President & Loan Officer

Patricia Lynch

Vice President & Loan Officer

Joseph T. McMahon

Vice President & Retail Investment Officer

Cathy Milani

Vice President, Information Security
& Vendor Management Officer

John Moran

Vice President & Commercial Loan Officer

Corinne O'Neill

Vice President & Deposit Operations Officer

Don Parsons

Vice President & Area Sales Manager

Kristine D. Resendes

Vice President & Bank Secrecy Act Officer

Jeffrey S. Smith

Vice President & Information Technology Officer

Mary Snethen

1st Vice President & Operations Officer

Courtney Tilton

Vice President & Branch Administrator

Lisa Zenack

Vice President, Audit & Compliance Officer

JUNIOR OFFICERS

Michael Baker

Assistant Vice President & Controller

Jonathan Cordaro

Assistant Vice President, Administrative Services
& Security Officer

Barbara Danforth

Retail Investment Officer

Russell F. Dupuis, Jr.

Assistant Vice President, Branch
& Client Relationship Officer

Beth Ellis

Assistant Vice President & Trust Officer

James Flynn

Retail Investment Officer

John (Jack) Fraser

Loan Officer

Michelle Guidaboni

Assistant Vice President & Loan Servicing Officer

Justin Jeffrey

Assistant Vice President, Branch & Client Relationship Officer

Nancy Koczela

Assistant Vice President, Branch & Client Relationship Officer

Kelly Le

Assistant Vice President, Branch & Client Relationship Officer

Reiko McNeil

Assistant Vice President, Branch & Client Relationship Officer

Linda Plunkett

Assistant Vice President & Assistant Credit Manager

John Romancier

Loan Officer

Glenn Sherman

Assistant Vice President, Branch & Client Relationship Officer

Sean Wilson

Assistant Vice President & Secondary Marketing Manager



TEAM DRIVEN. COMMUNITY FOCUSED.

School on Wheels

“Bridgewater Savings Bank employees joined us on-site to pack over 150 backpacks with age-appropriate school supplies for local students. They donated 48 total volunteer hours in addition to \$1,000. We appreciate the time and assistance that each individual was able to contribute to School on Wheels.”

- Kathleen Graham, Executive Director



Our Daily Bread

“A key part of our mission is to offer resources to help get people off the street and into the workforce. Bridgewater Savings Bank’s \$2,500 donation gave us the financial means to facilitate a variety of classes covering topics including Word, Excel, and self-defense. The Bank also selected our organization as its Mass Banker’s Association nominee for additional support.”

- Maribeth Ferreira, Director

Friends of West Bridgewater Public Library

“After attending a Cyber Security Workshop sponsored by Bridgewater Savings Bank, it was evident that upgrading the cable wiring at the West Bridgewater Public Library would be a worthwhile investment in long-term security. In addition to sponsoring our LiBrewery fundraiser, BSB donated \$5,000 to assist with the project.”

- Ellen Snoeyenbos, Director



Old Colony YMCA

A total of \$6,000 was donated to four Old Colony YMCA locations within our footprint: Brockton, East Bridgewater, Taunton, and Middleboro. Peter Dello Russo, BSB President/CEO, sits on the main YMCA board, and several employees are involved with the East Bridgewater and Middleboro boards.

Special Olympics

Bridgewater Savings Bank enjoyed sponsoring and attending the local Special Olympics event where employee volunteers handed out awards to the athletes. \$2,000 was also donated on behalf of the Bank.



EMPLOYEE SPOTLIGHT



Reiko McNeil

As Assistant Vice President, Branch and Client Relationship Officer at the West Bridgewater location, Reiko McNeil has worked closely with customers to make a difference for the past 18 years. Outside of the branch, Reiko actively serves the community as a member of the West Bridgewater Lions Club and Metro South Chamber of Commerce.

Kristine Resendes

With 45 years of combined service, including time at East Bridgewater Savings Bank, Kristine Resendes continues to make meaningful contributions to the Bank and its customers as Vice President and BSA Officer. Kristine is also a member of the Kiwanis Club of East Bridgewater and actively supports the United Way of Greater Plymouth County and Old Colony YMCA in East Bridgewater.



Robert Peixoto

Senior Vice President and Senior Wealth Management Officer, Robert Peixoto, has spent nine years guiding the financial goals of customers at the Bank. Robert is also a member of the Rotary Club of Mansfield and volunteers his time for the Old Colony Habitat for Humanity.



James Duff

James Duff, Senior Vice President and Commercial Team Leader, has spent eight years working closely with local businesses. James also dedicates his time to volunteering for the South Shore Habitat for Humanity.



COMMUNITY SUPPORT

Academy of Performing Arts	Cranberry Country Chamber of Commerce	Lakeville Police Association	School on Wheels
ALS Family Charitable Foundation	Dollars for Scholars of Whitman/Hanson	Mansfield High School Baseball	SEED Corporation
American Cancer Society	Downtown Fest Brockton	Massachusetts Vest-a-Dog	Signature Healthcare
American Credit Counseling Service, Inc.	Downtown Taunton Foundation	Metro South Chamber of Commerce	South Shore Habitat for Humanity
Anne Kenneally Hynes Memorial Scholarship	East Bridgewater Business Association	Middleboro on the Move	Southeastern Regional High School Athletics
Apponequet Regional High School	East Bridgewater HUGS	National Adoption Day Planning Committee	Special Olympics of MA
Bethesda House	East Bridgewater Ice Hockey Parents Association	New Hope, Inc.	St. Vincent de Paul Society - East Bridgewater
Boys & Girls Club of Brockton	East Bridgewater Junior/Senior High School	Norfolk Lions Club	St. Vincent de Paul Society - Middleboro
Boys & Girls Club of Taunton	East Bridgewater Lions Club	North Taunton Food Pantry Outreach	St. Vincent de Paul Society - West Bridgewater
Bridgewater Academy Lions Club	East Bridgewater Little League	Old Colony Habitat for Humanity	Sydney Craven Memorial Fund
Bridgewater Cares Family Fund	East Bridgewater Little Vikings Summer Institute	Old Colony Hospice	TASC/AHS
Bridgewater Food Pantry	East Bridgewater Music Parents	Old Colony YMCA Brockton	Taunton Area Chamber of Commerce
Bridgewater Fourth of July Committee	East Bridgewater Public Library	Old Colony YMCA East Bridgewater	Taunton Eastern Little League
Bridgewater Improvement Association	Essex County Community Foundation	Old Colony YMCA Middleboro	Taunton High School Boys Soccer
Bridgewater Junior American Legion Baseball	Family & Community Resource Center	Old Colony YMCA Taunton	The Charity Guild, Inc.
Bridgewater Lions Club Foundation	Father Bill's & MainSpring	Our Daily Bread Food and Resource Center	The Sean Gannon Memorial Fund
Bridgewater Little League	Franklin Food Pantry	Pembroke Arts Festival	Town of Lakeville
Bridgewater Police Foundation	Friends of East Bridgewater Trails	Pembroke Chamber of Commerce	United Way of Greater Plymouth County
Bridgewater State University	Friends of Music Alley	Pembroke Fire Department	Veterans Garden, Inc.
Bridgewater Youth Basketball	Friends of Stonehill Athletics Golf Tournament	Pembroke Firehouse Food Pantry	West Bridgewater Community Scholarship Foundation
Bridgewater Youth Soccer Association	Gridiron Club of Mansfield	Pembroke Food Pantry	West Bridgewater Department of Public Works
Bridgewater-Raynham Regional High School	Habitat for Humanity of Greater Plymouth	Pembroke High School	West Bridgewater Emergency Fund
Bristol Community College Foundation	Hanson Little League	Pembroke Titans Against Drugs	West Bridgewater Firefighters Local 2610
Bristol-Plymouth Regional Technical School	Hanson Police Department	Pro-Home, Inc.	West Bridgewater Food Pantry
Brockton Neighborhood Health Center	Health Imperatives, Inc.	Project Contemporary Competitiveness	West Bridgewater Housing Authority
Brockton Visiting Nurses Association	Heidrea for Heroes	Raynham Community Pride Day	West Bridgewater Lions Club
CABbies	House of Possibilities	Raynham Food Basket	West Bridgewater Middle/Senior High School
Cape Cod Healthcare Foundation	Housing Solutions for Southeastern Massachusetts	Raynham Knights of Columbus	West Bridgewater Park Day
Children's Advocacy Center of Bristol County	Jessica Thurston Memorial Fund	Raynham Lions Club Foundation Inc.	West Bridgewater Police Association
Citizens for Citizens	John & Cheryl Noblin Scholarship	Raynham Youth Lacrosse	West Bridgewater Youth Athletic Association
Cops For Kids With Cancer	Kiwanis Club of East Bridgewater	Rexel Energy Solutions	West Bridgewater Youth Football Association
Coyle & Cassidy Food Pantry	Kiwanis Club of Taunton	Rotary Club of Mansfield	Wild Hearts Horses for Heroes
	Lakeville Community Development Committee	Rotary Club of Middleboro	Wraths Across America
		Rotary Club of Taunton	
		Rotary Club of the Bridgewater	

**ADMINISTRATIVE OFFICES
& RAYNHAM**

756 Orchard Street
Raynham, MA 02767

BRIDGEWATER CENTER

14 Main Street
Bridgewater, MA 02324

BRIDGEWATER

5 Scotland Boulevard
Bridgewater, MA 02324

EAST BRIDGEWATER

29 Bedford Street
East Bridgewater, MA 02333

LAKEVILLE

6 Main Street
Lakeville, MA 02347

MARSHFIELD LOAN CENTER

1020 Plain Street, Suite 380
Marshfield, MA 02050

PEMBROKE

27 Mattakeesett Street
Pembroke, MA 02359

TAUNTON

2109 Bay Street (Northwoods)
Taunton, MA 02780

WEST BRIDGEWATER

120 West Center Street
West Bridgewater, MA 02379


WRENTHAM LOAN CENTER

850 Franklin Street
Wrentham, MA 02093

**BRIDGEWATER FINANCIAL
ADVISORS**

1400 Pleasant Street
Bridgewater, MA 02324



Member FDIC Member DIF  Equal Housing Lender

 [BridgewaterSavings.com](https://www.BridgewaterSavings.com)  800.356.8622