



2016





**Needham Bank** represents the evolution of community banking,<sup>™</sup> bringing the **latest financial products** and **technologies** to our customers, while maintaining an **unwavering commitment** to the **communities** served.

< *Ashland Reservoir Spillway, Ashland*  
[© Dennis Nations, Nations Photography, 2016]





## Dear Friends,

We begin with a sincere thank you to our employees, to our Board of Directors, to our Advisory Council and to our customers for whom we come to work every day. In looking back at the past year we have much to celebrate. We'd like to highlight a few of our accomplishments.

Construction is complete and we have moved into our new Jack McGeorge Operations Center at our Needham campus enabling our staff to more easily work together instead of in disparate locations. As we write to you we are scheduled to receive a Green Award for the innovative construction used in the Operations Center.

Our Ashland banking center, opened in June of 2015, has already eclipsed its first year deposit target. The new Millis banking center, opened in October of 2015, is doing very well and we're excited by the future of our Natick branch opened in March of 2016. The addition of these three offices and our Dover office, which we opened in 2014, now brings our number of locations to 9 which has required adding to staff. Our headcount now stands at 203, an increase of 14 from the prior year.

## We remain fully committed to supporting the communities we are so privileged to serve.

Our asset growth has been strong and closely managed. We are on pace to hit the \$2 billion asset milestone in the second quarter of 2016. Contributing to this growth has been record total loan origination of \$704 million, record construction-to-permanent loan origination of \$110 million, and record residential mortgage loan origination of \$264 million. For the first time in our history our residential loan portfolio exceeds \$1 billion.

On the deposit side we exceeded our budgeted deposit growth due in large part to more than 2200 new checking accounts, as well as three successful CD promotions bringing \$216 million in new to bank balances. In terms of product enhancements, we upgraded our consumer mobile deposit feature to improve its functionality. We have been training our branch staff to become what are known as universal bankers being capable of completing all branch sales and service needs.

Needham Bank's financial performance remains strong compared to our peer banks in Massachusetts. Our net interest margin of

3.38% is well above our peer group average of 3.07%. And our Tier 1 capital ratio of 12.42% is significantly above the 9.53% peer group average. In terms of our non-interest income we grew our debit card interchange revenue by 33% from the prior year. This was accomplished because every new retail checking account customer receives a Needham Bank debit card, which can be used at any ATM anywhere in the world with full fee reimbursement.

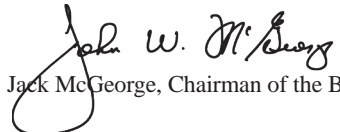
We remain fully committed to supporting the communities we are so privileged to serve. One such example of our community partnership was our support of METCO; Metropolitan Council for Educational Opportunity. Founded in the 1970's to reduce racial imbalance and now serving over 3,300 students, the program existed in four of our branch towns at the time; Wellesley, Needham, Dover-Sherborn, and Westwood. In 2015 we donated \$40,000 to support METCO; \$10,000 to each of the four towns, to supplement their METCO budget.

Looking ahead to 2016, we expect more of the same. This bank's executive management team is fully engaged in the supervision of every aspect of our business. We will continue to place the highest priority on providing excellent service to each and every customer. We will continue trying to expand the relationship we enjoy with each customer as we look for new customers seeking an alternative to wherever they currently bank.

In closing, we extend our deep appreciation for another successful year. We are most grateful for your continued patronage and look forward to serving you in 2016 and for many years to come.

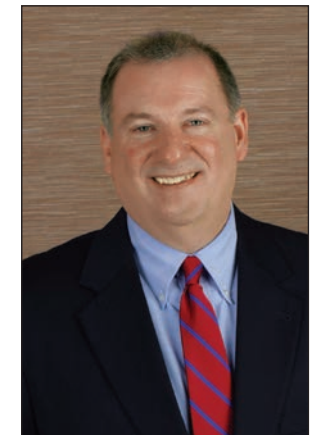
Most appreciatively,




  
Jack McGeorge, Chairman of the Board



  
Mark Whalen, Chief Executive Officer



  
Paul Totino, President





## Shop Local.

Much has been written about the Shop Local movement in the US. We applaud the efforts of local chambers of commerce and other groups who support the concept. Most importantly, we applaud those who choose to support local merchants.

As your community bank, we are well aware that in the communities we are so privileged to serve, there are distinct benefits to having a vibrant downtown area, regardless of its size. When you choose to shop locally, your money stays local. Simply put, and with all due respect to the globalized retail chains, we all have a choice each morning of where we choose to buy our coffee. If you like having a local bakery in your town, you should consider buying your coffee and muffin there. It is simple economics.

## If you don't bank local, where do you think your money goes?

If you like having a local restaurant, you'll dine there instead of going elsewhere. If it's important to you to have a world-class hospital nearby, that's where you'll choose to receive your medical attention. And if you like the idea of having a vibrant local bank in your community, you'll choose a bank like ours as more and more people and small businesses are doing.

Consider this, please. If you shop local, but don't bank local, where do you think your money goes?

We've been a leading voice in the Shop Local, Dine Local, Bank Local discussion and it is working. Unlike globalization, our concept is called localization. It's a concept in which communities take

care of themselves. We believe this process of self-reliance through localization is very powerful and is spreading.

Our business model relies heavily on community involvement and supporting the communities we serve. We believe that this is an important distinguishing factor in the world of banking. There are lots of banks out there, but very few if any which share our community commitment.

Please consider supporting your local merchants as much as you can in 2016. Localization and supporting the community benefits us all.

**Community  
Involvement**





## We listen, and apparently that matters.

Banking research, conducted over many years for many banks, indicates that there is a distinct set of reasons why a business owner would leave one bank for another. “I’m tired of being nickel and dimed in service charges.” “Why am I being charged for making a deposit?” “Who is my loan officer this month?” “Who do I call?” “Why does it take so long to get an answer on my loan request?” We get it.

That’s why we build our business banking strategy every day on what we learn about other banks. We don’t create products or services in a vacuum. We listen to what business people tell us when they switch their banking to us. We try to understand what went wrong at their former bank and do whatever we can to ensure that we never make the same mistake.

## By being fee-averse, we save businesses money.

As an example, many of our new business customers come from the larger banks which are all publicly-traded. Understandably, those banks need as much revenue as they can to please Wall Street. We’re a mutual bank. Our customers are our stakeholders. You may never hear this from another bank, but we feel it is actually in our best interest to not charge businesses for the litany of reasons other, larger banks have. By being fee-averse, as we are, we save businesses substantial amounts of money each month. It’s your money, not ours. You shouldn’t have to pay to give us or receive from us what is yours.

Like many banks, we feel our business bankers are among the best in the business. Naturally we think ours are better because of the tremendous growth they are generating for us. Simply put, if it wasn’t easy to bank with us, we would not have experienced the dramatic growth in both business deposits and loans for which we are most appreciative.

We understand that your business may have a need for lines of credit for working capital, term loans for equipment and other assets, standby letters of credit,

and owner occupied real estate mortgages. We also understand there are nuances among business models, cash cycles and management strategies. That is why we look well beyond a standard computerized loan program to make lending decisions.

Our business customers represent a broad range of industries including doctors, dentists, manufacturing companies, trade organizations, CPAs, attorneys, real estate firms, insurance agencies, retail, and hospitality. Our main office in Needham opens at 7:00 in the morning because that’s when business customers told us is the best time for them to do their banking. It’s not surprising what happens when you listen, as we do. Listening helped us develop unique service capabilities and helps keep us adaptive to emerging needs. Last year more professional service providers moved their banking to Needham Bank than ever before. We listen and apparently, that matters.

**Business  
Banking**

< Jay Spencer, Proprietor of French Press Bakery & Café, Needham







## Success is mutual.

Experience and reliability are crucial components to being a successful commercial real estate and construction lender.

In our case, our reputation is almost 125 years old. We didn't make a decision to enter the world of construction lending last year. We've built our commercial lending reputation on it. One of the main reasons we are "the builder's bank" is that our Credit Committee meets at least twice each week. And our Security Committee meets daily. That means our builders get their site inspections done and funds disbursed promptly.

## We continue to grow with our clients. As they do with us.

We treat each of our borrowers with the respect and responsiveness they deserve. We understand that we would not have the reputation we have without our customers. Our success is driven by theirs. We are truly here to serve them.

While the challenges of providing working capital and other financial services to builders, land developers, and contractors are nothing new to us we are also aware that construction—like banking—changes. We rely on the bilateral relationships we've built with our builders to continuously adapt to the realities of today. Our willingness to evolve has led

to the development of our capabilities in commercial real estate, financing for investment property including non-owner occupied office buildings, industrial parks, retail space, as well as apartment and mixed use properties.

We continue to grow with our clients. As they do with us. Success is mutual, which makes sense for a leading mutual bank construction lender. We're proud of the builders who call Needham Bank their bank. And we look forward to continuing to grow with them.

**Commercial  
Real Estate and  
Construction  
Lending**





## We have some of the best residential and construction lenders in the business.

Needham Bank's Residential Lending & Construction Team had another record-setting year, passing the \$1 billion portfolio milestone. While growth has certainly been an objective, the success of the group is a testament to the level of expertise among the loan office staff and the high level of customer service.

Over the past few years we have recruited some of the best residential lenders and support staff in the business. When it comes to understanding credit, there is no substitute for experience.

## Our mortgage customers are much more than a number to us.

We understand that each applicant is different and deserves individual attention. From the start of the application process to closing, we strive for consistency, communication, and timeliness. We are able to accomplish this because, unlike big banks or mortgage companies, all lending decisions are made at the bank's main office, not in another state. Our mortgage customers are much more than a number to us.

For most people, getting a mortgage may be the single most important financial decision they make. This reality is certainly not lost on us. We'll be with

you through every step of the process to ensure your mortgage experience at Needham Bank exceeds expectations. To help with this goal, our mortgage customers have their personal lender's direct contact information so they can call, text or email at any time.

We are most grateful to the many happy Needham Bank mortgage customers and to the many local builders, realtors, lawyers, accountants, and existing bank customers who continue to refer borrowers to us. We appreciate the confidence you have in us and we strive to continue earning that trust every single day in each and every relationship.

**Residential  
Lending**





## Once again this year thousands of people left their big bank for Needham Bank.

2015 was another incredible year as measured by the success of our personal banking team. Of course, important milestones include the official opening of the Jack McGeorge Operations Center adjacent to our Main Office in Needham, the opening of our Ashland branch at 41 Front Street, and the opening of our Millis branch at 857 Main Street. This growth continued with the opening of our Natick branch in early 2016, located at 17 West Central Street. The reception we've received in Ashland, Millis, and Natick has been very encouraging. We're excited to now be a part of these vibrant communities, and have enjoyed that our unique brand of banking is resonating with our new neighbors.

## We are a mutual bank and answer to you, not to Wall Street.

Having an operations center as part of our Needham campus enabled us to provide a centralized location for our non-customer facing employees. Bringing the various departments under one roof and closer to the main office has helped streamline communication while fostering a more collaborative environment for our employees.

Once again this year thousands of people left their big bank for Needham Bank. We are seeing an interesting movement wherein individuals and small businesses in our market are eschewing the big banks for a better alternative, which is Needham Bank. Big banks are publicly-traded and answer to Wall Street. We are a mutual bank and answer to you. Big banks typically charge for everything because their shareholders demand more profits. We are very profitable, thank you, without all of the annoying fees and hidden charges.

Our growth is once again driven by having what we believe is the best checking account in New England.

With NB Checking you can use any ATM anywhere in the world and whatever that bank charges you, we automatically reimburse. No account fees, no minimum balance requirements, no gimmicks, and never any unreadable small type at the bottom of any of our marketing material.

Training of our branch and back office personnel continues to be an ongoing priority, as we realize the importance of excellent customer service. We also understand the importance of emerging technologies and the conveniences inherent to mobile banking. Even though our banking apps are currently highly rated, we will continue to invest heavily in financial technology to meet the evolving needs of our expanding customer base. We are dedicated to bringing you the best in financial products and services, all while remaining strategically fee averse and locally focused.

**Personal  
Banking**







## Partner with us in a new and meaningful way.

Ask anyone if they have a wealth management plan and likely their answer will be “yes.” Yet, most Americans do not have a real plan. Or their plan is to make more money someday to be able to save more money for tomorrow. That’s not really a plan at all.

Most banks believe that they are good at banking, some offer trust services, and many are trying to develop an asset management capability, whether internally or through a partnership. Truth be told, though we understand the world of trust services and asset management, our internal expertise and strengths are in more traditional banking services. We knew our customers and community required a more specialized approach.

## A no-cost, no-commitment look at your financial roadmap.

As we thought about this opportunity, we realized that what we sought was more closely aligned with financial planning than it was with asset management. Clearly, managing assets is important, but in our mind that is simply one piece in the more complex puzzle of financial planning which also touches upon cash flow, estate and succession planning, tax strategies, and retirement. At the end of the day, we believe that everyone deserves a plan. Each plan will be different, just as each individual’s life differs.

To that end, this past year we entered into a strategic alliance with The Bulfinch Group, a Needham-based financial services and wealth management firm which shares our deep community commitment. We believe each of our customers, whether an individual or a business, should have a plan.

We feel that by expanding the value we provide to our customers, we are partnering with them in a very new and meaningful way. We each have “financial helpers,” but when, if ever, do they all meet with you at the same time to help you understand how all of

the “helpers” work together? That’s what Bulfinch can do. They will take a holistic look at your financial roadmap and offer suggestions that you may wish to consider. There is no cost for their evaluation just as there is no commitment to work with them if, for whatever reason, you choose not to.

Our relationship with Bulfinch is off to a very promising start and we look forward to introducing them to you in the weeks and months ahead.

Products and services provided through The Bulfinch Group are not FDIC insured and are not guaranteed by Needham Bank and may lose value. Securities products and advisory services are offered through Park Avenue Securities, LLC, a member of FINRA and SIPC. Life insurance is offered through The Bulfinch Group Life Insurance Agency, LLC, an affiliate of The Bulfinch Group, LLC. The Bulfinch Group LLC, and Needham Bank are not affiliated and are not affiliates or subsidiaries of Park Avenue Securities or Guardian.

**Wealth  
Management**





## Financial Statement

Statement of Condition (in thousands)	March 31, 2016	March 31, 2015
<b>Assets</b>		
Cash and due from Banks	\$ 16,531	\$ 20,048
Federal funds sold	25,693	23,220
Total cash and cash equivalents	<u>\$ 42,224</u>	<u>\$ 43,268</u>
Investment securities		
Available for sale, at fair value	201,857	185,957
Loans receivable, net	1,663,873	1,435,456
Accrued interest receivable	5,431	4,890
Other real estate owned, net	-	112
Banking premises and equipment, net	32,672	25,038
Cooperative Central Bank Reserve Fund	3,014	3,014
Federal Home Loan Bank stock	16,449	14,678
Federal Reserve Bank stock	4,188	3,283
Investments in non-public stock	165	160
Bank owned life insurance	3,390	3,299
Prepaid expenses and other assets	2,293	1,815
Income taxes receivable	-	107
Deferred income tax asset	7,101	8,912
	<u>\$ 1,982,657</u>	<u>\$ 1,729,989</u>
<b>Liabilities and Surplus</b>		
Deposits	1,471,020	1,229,962
Mortgagors' escrow accounts	3,322	3,118
Borrowings	255,275	247,793
Accrued income taxes	396	-
Accrued expenses and other liabilities	2,670	4,290
Accrued retirement liabilities	5,596	11,216
Total liabilities	<u>\$ 1,738,279</u>	<u>\$ 1,496,379</u>
Commitments and Contingencies		
Surplus:		
Undivided earnings	242,959	233,606
Accumulated other comprehensive income (loss)	1,419	4
	<u>\$ 244,378</u>	<u>\$ 233,610</u>
	<u>\$ 1,982,657</u>	<u>\$ 1,729,989</u>

Based on Audited Consolidated Financial Statements.  
Audited-Published in accordance with Provisions of Massachusetts General Laws, Chapter 170, Section 18.



## Financial Statement

Statement of Operation (in thousands)	March 31, 2016	March 31, 2015
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$ 68,127	\$ 59,619
Interest and dividends on investments and cash equivalents	4,450	3,881
	<u>\$ 72,577</u>	<u>\$ 63,500</u>
<b>Interest Expense</b>		
Interest on deposits	11,185	7,853
Interest on borrowed funds	1,838	1,014
	<u>\$ 13,023</u>	<u>\$ 8,867</u>
<b>Net Interest Income</b>	\$ 59,554	\$ 54,633
Provision for loan losses	5,235	1,160
<b>Net Interest Income after Loan Loss provision</b>	<u>\$ 54,319</u>	<u>\$ 53,473</u>
<b>Other Income (Losses)</b>		
Customer service fees	244	383
Increase in cash surrender value of BOLI	87	90
Realized net gains on sales of securities	26	86
Gain on loans sold	1,139	471
Loss on disposals of banking premises and equipment	-	(129)
Miscellaneous	405	422
	<u>\$ 1,901</u>	<u>\$ 1,323</u>
<b>Operating Expenses</b>		
Salaries and employee benefits	27,693	25,809
Professional service fees	3,481	3,109
Occupancy and equipment expenses	3,138	2,278
Data processing expenses	2,223	1,808
Charitable contributions	585	446
FDIC insurance assessments	1,218	910
OREO and foreclosure and losses, net	48	246
General and administrative expenses	2,514	2,047
	<u>\$ 40,900</u>	<u>\$ 36,653</u>
<b>Income before taxes</b>	\$ 15,320	\$ 18,143
<b>Income taxes</b>	5,967	7,230
<b>Net income</b>	<u>\$ 9,353</u>	<u>\$ 10,913</u>

Based on Audited Consolidated Financial Statements.  
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## Board of Directors

### **JACK McGEORGE**

Chairman of the Board  
Needham Bank

### **MARK WHALEN**

Chief Executive Officer  
Needham Bank

### **JOHN BUCKLEY**

President of Sales  
James F. Gilmore Real Estate

### **LENNOX CHASE**

Founder and Owner  
Chase Legal Services

### **ROBERT CICERONE**

Associate Professor  
Department of Geological Sciences  
Bridgewater State University

### **JOHN DAY**

Retired Contractor

### **WILLIAM DAY**

Retired Executive Vice President  
Needham Bank

### **ARTHUR HOWE**

President  
Howe Associates/Marketing Design

### **CHRISTOPHER LYNCH**

President  
Marshall Industries

### **THOMAS McINERNEY**

Owner  
Relaxin Custom Embroidery

### **PAULA McLAUGHLIN**

Director of Advancement  
Hale Reservation

### **FRANCIS ORFANELLO**

Chief Financial Officer  
MMB

### **RICHARD QUINCY**

President  
Quincy & Co.

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## Advisory Council

### **TOM AARON**

Vice President, Premier Associate  
Coldwell Banker

### **JOHN ANTONUCCI**

Superintendent  
Westwood Public Schools

### **KRISTEN ATWOOD**

Founder  
Ripples of Hope

### **SUSAN BROUILLETTE**

Accounting Consultant

### **MARY CRANE**

Owner  
Mary Crane Properties

### **WILLIAM DARCEY**

President, CEO  
Provider Insurance Group

### **JAMES HEALY**

Associate Vice Chancellor  
UMASS Medical School

### **CHRISTOPHER KELLY**

Principal  
Insight Partners, Inc.

### **KELLY HYNES McDERMOTT**

Marketing Consultant

### **ERIC MORSE**

Senior Vice President  
Needham Bank

### **TIM NUGENT**

Owner  
The Incentive Group

### **BILL TREDDIN**

Consultant

< Jack McGeorge, Needham Bank's Chairman of the Board, during the dedication ceremony of the new Operations Center







Private bank-like service without the requirements of a private bank.

**ASHLAND**

41 Front Street  
Ashland, MA 01721  
Tel: **508-881-1088**

**NATICK**

17 West Central Street  
Natick, MA 01760  
Tel: **508-647-4999**

**DEDHAM**

402 Washington Street  
Dedham, MA 02026  
Tel: **781-326-0700**

**NEEDHAM**

1063 Great Plain Avenue  
Needham, MA 02492  
Tel: **781-444-2100**

**DOVER**

60 Centre Street  
Dover, MA 02030  
Tel: **781-247-6825**



**WELLESLEY**

458 Washington Street  
Wellesley, MA 02482  
Tel: **781-237-0210**

**MEDFIELD**

520 Main Street  
Medfield, MA 02052  
Tel: **508-359-4442**

**WESTWOOD**

341 Washington Street  
Westwood, MA 02090  
Tel: **781-329-0216**

**MILLIS**

857 Main Street  
Millis, MA 02054  
Tel: **508-376-8759**

**BI DEACONESS NEEDHAM  
HOSPITAL (ATM only)**

148 Chestnut Street  
Needham, MA 02492  
Tel: **781-444-2100**

< *Westwood Branch, 341 Washington Street*









[www.needhambank.com](http://www.needhambank.com)