



2018

## Dear Friends,

On behalf of Needham Bank's Board of Directors, I am pleased to report that your bank made significant progress on all fronts during the fiscal year ending March 31, 2018.

During the year the Board and the senior management team engaged in a significant strategic planning exercise that is already bearing fruit and positions the bank for continued success in the years ahead. Under the leadership of President and Chief Executive Officer Joe Campanelli and Executive Vice President and Chief Operating Officer Sal Rinaldi, the bank re-engineered and improved processes to better manage risk; to more closely monitor performance of our individual lines of business; and to meet additional regulatory requirements.

Needham Bank crossed the \$2 billion threshold in terms of assets in 2017 and, in the eyes of our regulators, this means we are no longer considered a small institution. Among other things, this reclassification expands our lending area of focus outside its traditional MetroWest footprint.

## We have a well-known passion for serving customers.

As part of the strategic planning process, the Board and management anticipated this eventuality by becoming a more active lending partner in Boston and in some of the city's close-in suburbs. To that end, we have increased our banking resources to service this expanded market and client segment and constituted a special Board Committee to monitor the bank's progress relevant to meeting and exceeding our Community Reinvestment Act (CRA) targets.

In addition to its governance, compliance and strategic oversight roles, a Board has an obligation to be actively engaged in building and developing a strong management team. We take this very seriously, as we wish to ensure that the bank not only has the right individuals in place today, but will have strong leadership in the years ahead. Effective planning is particularly important in today's rapidly evolving financial services sector, which requires constant innovation as customer needs evolve.

We also owe our success to the fact that the bank has always operated under two guiding principles – Rock-solid financial stability and a relentless focus on customer service. We have always maintained strong capitalization which is among the best in the Northeast, and we have a well-known passion for serving customers.

In the end, it all comes down to our people – and we have great people.

In that regard, I want to take this opportunity, on behalf of the entire Board of Directors, to thank our Advisory Committee, our management team and our wonderful employees for contributing so much to the bank's success this past year. You provide us with great confidence as we look to the future.



*John W. McGeorge*  
Jack McGeorge  
Chairman of the Board

At Needham Bank, community involvement isn't just something we do; it is who we are. We see it as our responsibility and privilege to support as many non-profit community organizations as we can – more than 300 during the past year alone.

That spirit of giving back to the community at Needham Bank permeates throughout the entire organization. Remarkably, our employees in 2017 provided a total of 7,363 volunteer hours to 193 organizations in Eastern Massachusetts.

## Community support will always be front and center.

Community support will always be front and center. We subscribe to a simple concept: If we all cooperate and lend a helping hand, we can live and work in the best possible community. We have long recognized that community development doesn't happen on its' own – it must be carefully nurtured.

This is why we strive to work with as many of the organizations in each of our communities in a way that is fundamentally different from larger banks. We remain committed to lending support that goes beyond writing a simple check, and believe that by connecting directly with these difference makers, we can better celebrate the amazing work of our partnership organizations.

This past year Needham Bank sponsored a capacity-building workshop for local charitable organizations. Facilitated by the Institute for Non-Profit Practice, it examined more effective ways of communicating between generations. This is an example of how we can provide more than just monetary support to help our community partners grow.

As we watch these organizations truly make their mark and become hallmarks of their respective communities, we too have been growing as a bank. That growth provides us the opportunity to become involved with communities beyond our legacy branch footprint. In doing so, we've witnessed first-hand the opportunity gap which exists between students in predominantly urban areas as compared to those in the suburban areas.

As such, we've made a concerted effort to invest in backing organizations that are continuously working to provide unique educational opportunities in an effort to position our young neighbors to better succeed in life.

You may be familiar with our work with METCO, the Metropolitan Council for Educational Opportunity. The long-established organization is dedicated to positive interchange between urban and suburban student populations, and just three years ago, the programs serving our immediate geographic area faced looming budget cuts. Needham Bank proudly stepped into the breach to counter the state's decision to freeze funding, and the program has successfully been continued in five of our branch towns.

Similarly, we've recently extended our support to include organizations like Tenacity and Horizons at Dedham Country Day School. Tenacity operates in partnership with Boston Public Schools to provide a safe, educational, and fun summer program for youth ages 6-16; all free of charge to the families participating. Not far from our Dedham branch, Horizons offers a similar program that is dedicated to providing brighter academic futures for children from low-income families.

These are but a few examples of the many activities and organizations we proudly support. If you would like to request support for a non-profit organization, please visit the charitable request page on our website, [NeedhamBank.com](http://NeedhamBank.com).

## Community Involvement



## To Our Customers, Neighbors, and Stakeholders,

There are many ways to measure success at a financial institution, including asset growth, capital strength and loans outstanding. By any of these measures, Needham Bank had another remarkable year as we executed on our strategic plan.

It is no secret that some banks are struggling to attract younger clients. At Needham Bank we have been making a concerted strategic effort to reach out to a younger demographic, realizing they represent an important and growing segment of the population. Whether it is the young couple looking to buy their first home or a business looking for a true partnership with their banker, the performance of this past year indicates that we are distinguishing ourselves competitively in Greater Boston.

By giving our customers “brick or click” choices, we make their often hectic lives a little easier.

Millennials, in particular, have been attracted by what I like to call our “hi-tech/high-touch” approach to banking and our deep commitment to the communities we serve. Today, fully 20% of our customers were born after 1990.

### By giving our customers these kinds of “brick or click” choices, we make their often hectic lives a little easier.

Beyond our product design, why is this so important?

Put simply, I am witnessing something I have not previously seen in my 35 years of banking. More and more people are fed up with big, impersonal financial services brands. Individuals and families recognize that these megabanks – and many of us here used to work at one of those megabanks – care more about their bottom line than they care about the customers and communities they serve.

Disenfranchised by the big bank experience, more and more former big bank customers seek the polar opposite in their banking experience and that is precisely why we have grown. In America, we like to root for the underdog. Ours is the story of David and Goliath. We are David and we actually enjoy competing with the Goliath banks.

Preparing for this epic battle took years of strategic planning on our part. We redesigned all of our products and services to be as good if not better than what Goliath offers. And if we lacked a product or service we bought or partnered with available tech resources. Our products are second to none and we place an extreme priority on providing private bank-like service absent the pretense of private banking.

But at the end of the day – and quite candidly this is our secret sauce – we believe that people are attracted to brands to which they can relate. We have created a brand which is very appealing and which has almost a cult-like following. People know that “we get it”. We understand banking from our customers’ perspective and this is evident in everything we do.

We are proudly a Main Street bank, beholden only to our customers and communities.

Our money is the same color as Goliath’s. We know that and we know that we have to work harder than the big banks do. In fact, you may have seen our advertising in which we portray the classic tale of David and Goliath. Our ads are different because we are different. Yes, we are the underdog but that has created an attitude and a work ethic unavailable elsewhere.

Once a relatively quiet but very successful bank, we now compete in all aspects of banking. Today we have customers in 43 states. This was unimaginable to us years ago, but it speaks to the power of the spoken word and the internet. We rely heavily on referrals and on web resources which rave about us.

What we are witnessing, especially over this past fiscal year, is the beginning of a significant sea change in Greater Boston banking. When I grew up in this business, the churning among Goliaths was always from one big bank to another. What you disliked about one big bank, you soon found at another. Many of the Goliaths which inhabited Boston in my early years are now part of an even larger Goliath.

## We are proudly a Main Street bank, beholden only to our customers and communities.

But for the first time in my banking lifetime, the disenfranchised are breaking away from big banks and they are choosing Needham Bank. This single trend could change the Greater Boston banking landscape in a profound manner. We are obsessed with continuing this trend.

One last important point of differentiation: Our competition is transaction-driven. How can they close a transaction in record time and move on to the next one? How can they achieve their sales goals or quarterly projections? By contrast, we are relationship-driven. We reject the notion that bigger is better. We wish to be known by the company we keep and by the quality of each and every relationship we have from our smallest to our largest customer.

If you share our passion for something better, I encourage you to contact me. As the President and CEO of this incredible bank I am not only accessible to you, I am actively engaged in every aspects of our operation. I want to hear from you, I want to understand what's important to you, I want to discuss your company's credit needs. Put as simply as I know how...Can we be your banker?



A handwritten signature in black ink that reads "Joseph P. Campanelli". The signature is fluid and cursive.

Joseph P. Campanelli  
President and Chief Executive Officer



## Personal Banking

At Needham Bank we provide banking services that are convenient, devoid of annoying monthly fees, universally available, and backed by a service-first staff.

The word on this approach is clearly getting out. Thousands of area residents switched institutions and discovered for the first time what many of their friends and neighbors already knew – that banking locally with us is easier and more satisfying than with virtually any other institution.

## Our core value, superb customer service, remains.

Today we have customers in 43 states. Especially gratifying is the fact that younger generations in our communities are embracing our offerings like never before – in fact, 34% of checking accounts opened last fiscal year were by Millennials.

They, like all of our customers, appreciate having a wide range of choices when it comes to their banking, from visiting one of our branches to accessing us entirely via our mobile app.

Banking is rapidly evolving, with a proliferation of useful technology innovations, but our core value, superb customer service, remains.

For those who prefer to bank remotely and enjoy the convenience of digital self-service, we've designed our NB Mobile app to handle practically all of one's banking needs. Far from a standard offering, NB Mobile features person to person payments, e-deposit, biometric logins, smart-watch compatibility, and budgeting tools, just to name a few.

Customers are certainly embracing these technologies. Last year alone we saw a 19.2% increase in active online banking users and a 35.5% increase in mobile app users.

Speaking of universal account access, we also continue to reimburse NB Checking customers every ATM fee when they use their NB Debit Card at any ATM around the world. Essentially making every ATM a Needham Bank ATM.

For those who favor an in-bank experience for the knowledge and attentiveness of our legendary staff, our recently expanded branch network is full of personal bankers eager to assist in anyway. And our website connects directly to our calendars so you can schedule a time to come in and have us ready for your arrival.

We listen attentively to our customers and respect their wishes. Many of you have told us that you would like us to be more of a “one-stop shop” for an expanded array of financial products and services. With that in mind, we are actively developing our credit card, auto loans and student loans offerings, partnering with providers that share our commitment to customer service excellence and community reinvestment.

Our primary interest is in you – now, and into the future. By offering things like fee-free checking and ATM reimbursement teamed with concierge levels of service, we have been able to grow at a pace that is the envy of the industry. That growth has enhanced our bottom line, allowing us to maintain our reputation as a very stable, well capitalized institution – one well positioned to invest in our region's economy and committed to creating future opportunities in our communities for generations to come.

Therefore, if we are not already - Can we be your banker?



## Let us take you to the next level.

If you own or manage a business in Eastern Massachusetts and are looking to grow and expand, Needham Bank offers more than lending services. With over 125 years of experience, Needham Bank understands the many challenges facing business today and wants to be your financial services partner to take your company to the next level.

As a community bank, we know your success helps strengthen the economic and social fabric of the cities and towns where you operate. That is why we take such a deep, personal interest in your business and stand ready with a wide range of services, from an expanding portfolio of SBA loans and lines of credit, to an extensive cash management suite and selection of deposit accounts, to make your job easier.

## We provide long-term, sustainable solutions.

Perhaps even more valuable is the offer of a true business partner. We employ dedicated and experienced individuals who go beyond their job descriptions to ensure that each of our business customers have a reliable resource; an actual human who is eager to understand the very breadth of your business, your challenges, and your goals, and who will work alongside you to ensure you have what you need to prosper.

Too many banks seem intent on placing barriers to success by imposing a dizzying array of fees and charges and by being slow to respond when a business needs advice or assistance. At Needham Bank, we take the opposite approach because we know that when our local businesses are able to build on their own success, the benefits are multitudinous – to our neighbors, to our communities, to our local economy. Instead of relying on a rinse and repeat model or a one-size-fits-all approach, we are able to tailor financial solutions for many that would have fallen through the cracks at some other institution. We are able to take the time to not only understand your vision, but truly become a part of the road that gets you there.

Augmenting the expertise provided by our private bankers and lenders, our product teams work tirelessly to ensure that we are offering the most advanced and extensive services a business could need. Our deposit

solutions are focused on accessibility and convenience and our cash management suite of services is designed for businesses of almost any size or complexity. From large manufacturers to corner shops - to everything in between, including doctors, CPA firms, real estate companies, landscapers, hospitality providers - we provide long-term, sustainable solutions.

We are able, for example, to offer businesses lending solutions on amounts from \$10,000 to \$25 million and regularly provide working capital lines of credit, equipment loans, commercial mortgages and SBA 504 and other SBA financing. We have also developed a municipal banking capability, recognizing that the cities and towns we serve, as well as those throughout the state, seek a higher level of banking products and services.

At Needham Bank, we take the long view and understand that sustainability comes through partnership - a partnership that is mutual. We make every effort to promote our business customers in our advertising and marketing materials, at events and, whenever possible, we use their goods and services. In turn, more and more area businesses are banking with us, understanding that it is not only to their own benefit, but to the communities we all share.

Which brings us to ask - Can we be your banker?

**Business  
Banking**



## Residential Lending

Needham Bank's Residential Lending team recorded another strong performance this past year, achieving the \$1 billion portfolio milestone for the third year in succession. This accomplishment is all the more remarkable as it came at a time when the Massachusetts Association of Realtors (MAR) was reporting a 29.9% decline in single family listing inventory; sales of single family homes and condos in the state were flat; and interest rates began moving upwards.

## When it comes to understanding credit, there is no substitute for experience.

The continued success of our residential team is a testament to the level of expertise among our loan office staff and their high level of customer service. We have some of the best residential lenders and support staff in the business – and when it comes to understanding credit, there is no substitute for experience.

At Needham Bank we recognize that each applicant is different and deserves individual attention. We also understand that for most individuals, buying a home is the single biggest financial transaction of a lifetime.

Our objective is to make the process as easy and stress-free as possible. That is why, from the start of the application process to closing, we strive for consistency, transparent communication and timeliness. Unlike many banks and lending institutions, we offer one point of contact rather than pushing our customers onto annoying 1-800 pool lines. In addition, your loan officer and all of the lending decision-makers are housed in the same office, in close proximity to one another. This also acts to speed up the process.

With over \$2.1 billion in assets and a long history of residential lending, Needham Bank has the financial stability and resources to create unique lending products for all manner of real estate, from a first-time buyer purchasing a condo to those looking to design and build their dream home.

With a notable decline of buildable land available amid our thickly settled branch footprint, a great deal of purchases began to involve some level of construction. Needham Bank answered with the creation of our

Construction-to-Permanent lending product. Designed to give buyers flexibility during the purchase process, the CTP program is the preferred solution for those wishing to build homes on an open lot, obtain a mortgage on a partially constructed home, or significantly expand or remodel an existing residence.

As we service more customers from the metro areas surrounding Boston, we have adapted our lending products even further to accommodate the changing landscape and demographic of our borrowers. Our newly developed Community Loan Program has been designed to provide purchase opportunities for borrowers who may earn below the median income of their area or don't have an established credit profile. Because we know the importance of owning a home, we are proud to offer tailored solutions that make this milestone more attainable for our neighbors.

Our flexibility and responsiveness has become widely appreciated by our customers and community partners and as such, most of our lending business tends to be driven directly from personal referrals. We appreciate this vote of confidence and strive to maintain that trust every single day, in each and every relationship.







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The commercial real estate sector remained robust in 2017 and was especially active in and around the City of Boston, which, according to the Boston Globe, is experiencing its greatest building boom in history.

Needham Bank, long the construction lender of choice in the MetroWest area, in recent years has also played an increasingly prominent role in financing Boston-area projects.

In addition to funding schools, multi-use corporate sites, and hotels; we have leveraged our sterling reputation and expertise to be the lead bank on projects whose size and complexity are often reserved only for the big banks.

## Experience and reliability are crucial.

This success can be traced to the fact that Needham Bank has always maintained a strong balance sheet and stellar tier one capital ratio and thus has been able - and willing - to lend during periods of economic uncertainty.

This was most recently demonstrated during the Economic Crisis of 2007-08 and the subsequent Great Recession of 2008-12. Needham Bank stood almost alone in continuing to finance projects as other institutions moved to the sidelines. The bank is proud of this record of consistency – and our customers have not forgotten that we were steadfastly in their corner when they needed us most.

Today, with over \$2.1 billion in assets, we are able to tackle virtually any project. Indeed, in recent years we have become a significant lender for projects in and around Boston – to the point that wherever you go you may see project signs saying “Fast-Track Financing Needham Bank.”

Experience and reliability are crucial components to being a successful commercial real estate and construction lender. One of the central reasons we are considered “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 completed and funds disbursed faster. We also provide our clients with direct 24/7 access to their loan officer as well as direct access to the executive team and our senior managers.

In short, we offer a level of personalized service, responsiveness and accessibility that most other institutions simply cannot match. Savvy builders see the value in this and that has allowed us to form long-term relationships.

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, to the point that we are the largest mutual bank construction lender in New England. We’re proud of the builders who call Needham Bank their bank and we look forward to continuing to grow with them in the years ahead.

## Commercial Real Estate and Construction Lending



For many years Needham Bank was best known for providing construction loans, to the point that many referred to us as “The Builder’s Bank”. It is a proud heritage, one that we fully embrace. But it does not tell the whole story regarding today’s Needham Bank.

With assets in excess of \$2 billion, an excellent capital ratio, and an experienced and knowledgeable team of loan officers, Needham Bank is becoming the lender of choice for larger businesses seeking to expand and grow.

## Business owners are increasingly turning to Needham Bank for a better banking experience.

Strategically located in the fast-growing Route 128 to Interstate 495 catchment areas, Needham Bank has both the lending capacity – up to \$25 million for qualified applicants - and the expertise to serve as an attractive alternative to other, often impersonal, lending institutions.

If you own or manage an area business but have not previously considered Needham Bank as a source of financing, you might be surprised by the advantages of dealing with a local institution.

For example, where most banks are transaction-oriented, Needham Bank is focused on building long-term relationships and acting as your company or firm’s trusted advisor. You will be served by a senior loan officer; a single point of contact that is accessible and will have your specific needs top of mind.

We also recognize that when an area business succeeds it benefits the community as a whole by providing employment opportunities, local sourcing and local tax revenue.

The result is the creation of a virtuous circle of benefits for us all.

What type of businesses does Needham Bank support and what services do we offer clients?

In terms of types of business, the scope is wide. We lend to local manufacturers to help them expand their plants or to buy new equipment; we help emerging and established companies in the bio-medical, high-tech

and professional service industries; we lend to retail and consumer goods companies; to landscaping firms (to help them acquire needed equipment) and real estate firms – the list is almost endless.

It terms of services offered, we cover the waterfront. For example, we proudly offer a full cash management suite of services, including working capital lines of credit. We also offer and facilitate a growing suite of SBA program loans, including SBA 504 financing.

You’ll also be pleased to learn that at Needham Bank you’ll never be nickel-and-dimed to death for depositing or withdrawing your own money. Our deposit solutions are focused on accessibility and convenience, not fee income.

Respecting the fact that time is a valuable commodity for any business owner, our main office in Needham opens at 7:00 AM during the work week so that you can quickly get on with your day.

And for those working in other locations across the state (or around the world), we offer a suite of technology solutions, including mobile smart phone applications and the ability to wire transfer funds. You also of course have direct cell phone access to your Needham Bank single point of contact representative, as well as your branch manager or private banker.

For all of these reasons, we wonder why some still feel the need for a goliath bank. Business owners are increasingly turning to Needham Bank for a better banking experience.

### Commercial and Industrial Lending



It is a fact of life that many people don't think twice about hiring a certified dog trainer, a registered lawn care specialist, or a PGA sanctioned golf professional to provide expert instruction and advice, but then somewhat perversely try to handle their personal finances on their own - or by seeking informal advice from a family member or friend. As a financial institution, we can confidently say that this is not a great strategy for managing your money.

At Needham Bank, we recognize that many of you may have a stock broker to execute transactions. You may also have an accountant for your business or to help prepare your taxes. Some of you may even have engaged an attorney at some point to draw up a will or create a trust. All of these things are important – but fall far short of constituting the kind of personalized financial plan that addresses your longer term financial aspirations and lays out the best path to get you there.

## Our interest is doing all we can to assist you.

Whether you are 26 or 66, or anything in between, it just makes good sense to come up with a comprehensive financial strategy that will allow you to look forward to a comfortable retirement. In addition, you may well wish to make provisions for greater travel; college for your children (or grandchildren); a second home; or whatever other goals you may have.

Just a few short years ago, we entered into a partnership with a highly regarded boutique firm, The Bulfinch Group, that just so happens to be located in Needham. We specifically chose to join forces with a firm whose core values and corporate mission were closely aligned with our own.

Through this partnership, we have been able to offer both our employees and our customers the opportunity to sit down with a professional financial planner for an initial consultation at no cost, to review all elements of your financial situation. The comprehensive review provides a holistic consideration of everything from equities and insurance, to estate planning and tax efficiency, and is designed to incorporate not only your present financial situation, but the future you envision for yourself and your family. Because we know firsthand the importance of a financial plan, we wanted to facilitate an easy and approachable solution intended to educate our customers through a trusted channel.

We know that many of our customers work with an asset manager. But we have also learned that beyond management of certain assets, too many of our customers lacked a comprehensive plan. So it is with planning, and not necessarily asset management. That distinguishes our approach to overall wealth management.

We are equally aware that certain customers desire the benefits of private banking. With that knowledge, we have an impressive private banking group whose popularity has grown by leaps and bounds.

Note: 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, and 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. 2018-62429 Exp. 7/20

## Wealth Management



# Financial Statement

Statement of Condition (in thousands)	March 31, 2018	March 31, 2017
<b>Assets</b>		
Cash and due from Banks	\$ 11,849	\$ 27,651
Federal funds sold	8,597	8,163
Total cash and cash equivalents	<u>\$ 20,446</u>	<u>\$ 35,814</u>
Investment securities		
Available for sale, at fair value	211,122	216,634
Loans held for sale, at fair value	213,181	966
Loans receivable, net	1,576,197	1,641,153
Accrued interest receivable	5,794	5,144
Banking premises and equipment, net	30,174	31,961
Co-operative Central Bank Reserve Fund	3,014	3,014
Federal Home Loan Bank stock	21,261	15,466
Federal Reserve Bank stock	4,191	4,428
Non-public investments	1,830	1,543
Bank owned life insurance	3,482	3,480
Prepaid expenses and other assets	5,144	3,140
Income taxes receivable	1,227	1,487
Deferred income tax asset	5,941	7,830
	<u>\$ 2,103,004</u>	<u>\$ 1,972,060</u>
<b>Liabilities and Surplus</b>		
Deposits	1,451,317	1,470,614
Mortgagors' escrow accounts	3,113	2,231
Borrowings	377,660	232,796
Accrued expenses and other liabilities	5,571	5,463
Accrued retirement liabilities	3,967	6,272
Total liabilities	<u>\$ 1,841,628</u>	<u>\$ 1,717,376</u>
Commitments and Contingencies		
Surplus:		
Undivided earnings	264,633	255,101
Accumulated other comprehensive loss	(3,257)	(417)
	<u>\$ 261,376</u>	<u>\$ 254,684</u>
	<u>\$ 2,103,004</u>	<u>\$ 1,972,060</u>



# Financial Statement

Statement of Operation (in thousands)	<u>March 31, 2018</u>	<u>March 31, 2017</u>
<b>Interest and Dividend Income</b>		
Interest and fees on loans	\$ 71,272	\$ 70,717
Interest and dividends on investments and cash equivalents	5,880	5,129
	<u>\$ 77,152</u>	<u>\$ 75,846</u>
<b>Interest Expense</b>		
Interest on deposits	11,972	13,321
Interest on borrowed funds	4,531	2,371
	<u>\$ 16,503</u>	<u>\$ 15,692</u>
<b>Net Interest Income</b>	\$ 60,649	\$ 60,154
Provision for loan losses	-	150
<b>Net Interest Income after Loan Loss provision</b>	<u>\$ 60,649</u>	<u>\$ 60,004</u>
<b>Other Income (Losses)</b>		
Customer service fees	1,451	1,086
Increase in cash surrender value of BOLI, net of split dollar expense	70	71
Realized net gains on sales of securities	-	3
Gain on loans sold	1,151	1,164
Fair value adjustment on loans held for sale	(1,792)	-
Loss on disposals of banking premises and equipment	(2)	(16)
Miscellaneous	255	1,147
	<u>\$ 1,133</u>	<u>\$ 3,455</u>
<b>Operating Expenses</b>		
Salaries and employee benefits	28,718	29,334
Professional service fees	3,824	3,675
Occupancy and equipment expenses	4,053	3,796
Data processing expenses	2,877	2,663
Charitable contributions	485	477
FDIC and state insurance assessments	817	1,060
OREO and foreclosure and losses, net	72	1
General and administrative expenses	2,471	2,269
	<u>\$ 43,317</u>	<u>\$ 43,275</u>
<b>Income before taxes</b>	<u>18,465</u>	<u>20,184</u>
<b>Income taxes</b>	6,830	8,042
Current and deferred	2,347	-
Effect of tax rate change	9,177	8,042
	<u>9,177</u>	<u>8,042</u>
<b>Net income</b>	<u>\$ 9,288</u>	<u>\$ 12,142</u>

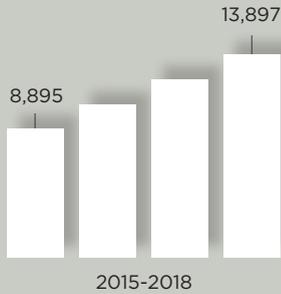
Based on Audited Consolidated Financial Statements.

Audited-Published in accordance with Provisions of Massachusetts General Laws, Chapter 170, Section 18.



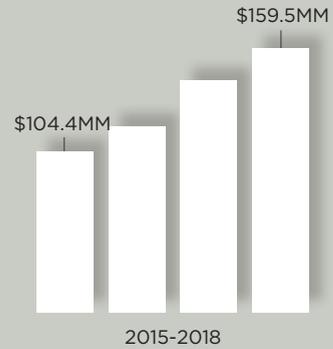
## PERSONAL CHECKING ACCOUNTS

**+ 56%**



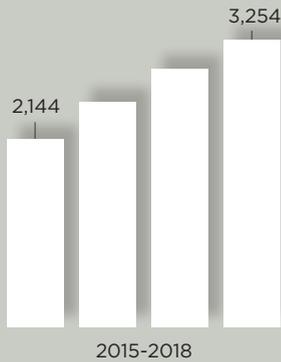
## PERSONAL CHECKING BALANCE

**+ 53%**



## BUSINESS CHECKING ACCOUNTS

**+ 52%**



## BUSINESS CHECKING BALANCE

**+ 81%**



*Percentage reflects overall growth from fiscal year end 2015-2018*

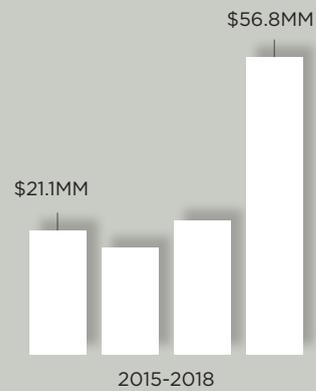
## COMMERCIAL REAL ESTATE PORTFOLIO

**+ 47%**



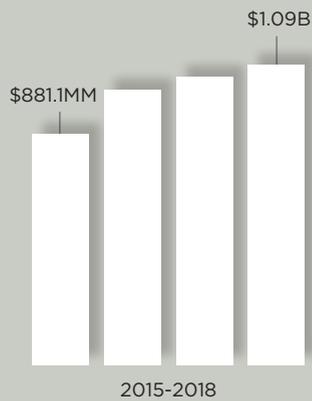
## COMMERCIAL & INDUSTRIAL LENDING PORTFOLIO

**+ 169%**



## RESIDENTIAL LENDING PORTFOLIO

**+ 24%**



## TOTAL LENDING PORTFOLIO

**+ 24%**



*Percentage reflects overall growth from fiscal year end 2015-2018*



## Board of Directors

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James F. Gilmore Real Estate

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Needham Bank

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Department of Geological Sciences  
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Provider Insurance Group

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Needham Bank

### **ARTHUR HOWE**

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Howe Associates/Marketing Design

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President  
Marshall Industries

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Owner  
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### **KELLY HYNES McDERMOTT**

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### **ERIC MORSE**

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Director of Giving and Service  
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**ASHLAND**

Denise Conti  
Assistant Vice President  
41 Front Street  
Ashland, MA 01721  
Tel: **508-881-1088**

**DEDHAM**

Kris D'Andrea  
Assistant Vice President  
402 Washington Street  
Dedham, MA 02026  
Tel: **781-326-0700**

**DOVER**

Sandra Marcantuono  
Assistant Vice President  
60 Centre Street  
Dover, MA 02030  
Tel: **781-247-6825**

**MEDFIELD**

Marjorie Cappucci  
Assistant Vice President  
520 Main Street  
Medfield, MA 02052  
Tel: **508-359-4442**

**MILLIS**

Stephen Walls  
Assistant Vice President  
857 Main Street  
Millis, MA 02054  
Tel: **508-376-8759**



**NATICK**

Lois Seymour  
Assistant Vice President  
17 West Central Street  
Natick, MA 01760  
Tel: **508-647-4999**

**NEEDHAM**

Indu Saxena  
Assistant Vice President  
1063 Great Plain Avenue  
Needham, MA 02492  
Tel: **781-444-2100**

**WELLESLEY**

Daisy Siddiqui  
Assistant Vice President  
458 Washington Street  
Wellesley, MA 02482  
Tel: **781-237-0210**

**WESTWOOD**

Jaclyn Biancuzzo  
Assistant Vice President  
341 Washington Street  
Westwood, MA 02090  
Tel: **781-329-0216**

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

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

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