

In 1887, StonehamBank was established to serve the financial needs of the Stoneham community.

For 130 years, the Bank has been committed to providing first-rate customer service, state-of-the-art technology and a wide range of banking products. By applying tried and true banking principles, StonehamBank is well positioned to serve our customers' needs.

In recent national ratings of financial institutions, StonehamBank was highly rated as compared to its peers.

- **Bauer Financial recently ranked StonehamBank with its highest rating of FIVE STARS.**
- **IDC rated StonehamBank SUPERIOR which is defined as follows: "Savings institutions rated Superior are simply the best by all measures. They are well capitalized with minimal loan delinquency. Operating expenses and costs of funding are under control, producing a healthy return on assets (ROA). A number of them enhance value by earning an ROE above COE."**



IDC Rating – Superior

StonehamBank

Financially Strong.
Deeply Rooted in the *Community.*

Over the last five years, the commercial-construction department has closed over \$300,000,000 in loans.

The Bank's commercial lending team has over 100 years of experience capable of providing a full menu of commercial loan products related to commercial real estate, franchise lending and C&I.

With StonehamBank you can **Expect More. Get More. Do More.**

Our Projects

| | |
|--|--|
| Real Estate / Business Acquisition Recreation Malden, MA \$4,500,000 | Refinance Commercial Real Estate – Apartments Massachusetts / New Hampshire \$4,200,000 |
| Real Estate Refinance Commercial Real Estate – Manufacturing Beverly, MA \$5,400,000 | Construction to Commercial Permanent Pharmacy New Hampshire \$5,632,000 |
| Construction to Commercial Permanent Grocery Stores South Shore, MA \$3,000,000 | Construction to Commercial Permanent Storage Facility Stoneham, MA \$4,900,000 |
| Real Estate Acquisition Commercial Real Estate – Apartment Building Greater Boston \$10,000,000 | Refinance Commercial Term Loan – Franchise lending New England \$10,000,000 |



Expect More. Get More. Do More.

888-402-2265 • stonehambank.com



Thank you for taking time to learn more about all of us at StonehamBank.

It has been my privilege to serve as President and Chief Executive Officer at StonehamBank since 1999 and as an employee of the bank since 1970. During my years here, I've witnessed changes and growth during good and tough economic times. Through it all, StonehamBank has remained true to our founding mission - *to achieve common financial goals by providing the fundamental principles of service, excellence and trust.*

I am proud of StonehamBank's record of accomplishments, which began when our doors opened in 1887 and continues today. StonehamBank continually considers new products, services and technology that allow us to be competitive and responsive to our customers growing needs and to a rapidly changing world.

StonehamBank has maintained a healthy and growing bottom line amid a background of fiscal challenges that have brought many larger banks to their knees. As you will see in the following pages, StonehamBank effectively manages our assets and our liabilities to ensure that we maintain a consistent, steady growth from year to year. Our strength is in our employees and their desire to keep the focus on what matters most to all of us – our customers and our communities.



Janice Houghton

Janice T. Houghton
President and CEO

Consolidated Balance Sheets

April 30, 2016 and 2015

| | 2016 | 2015 |
|--|-------------------|-------------------|
| | (In Thousands) | |
| Assets | | |
| Cash and cash equivalents: | | |
| Cash and due from banks | \$ 5,443 | \$ 4,534 |
| Short-term investments | 2,425 | 3,368 |
| Total cash and cash equivalents | <u>7,868</u> | <u>7,902</u> |
| Securities available for sale, at fair value | 60,661 | 60,971 |
| Federal Home Loan Bank stock, at cost | 5,854 | 4,977 |
| Loans held for sale | 1,185 | 1,548 |
| Loans, net | 435,692 | 388,311 |
| Premises and equipment, net | 10,608 | 10,844 |
| Co-operative Central Bank deposit | 451 | 451 |
| Accrued interest receivable | 1,494 | 1,345 |
| Net deferred tax asset | 1,210 | 813 |
| Other assets | 2,017 | 2,224 |
| Total assets | <u>\$ 527,040</u> | <u>\$ 479,386</u> |
| Liabilities and Capital | | |
| Liabilities: | | |
| Deposits | \$ 368,899 | \$ 339,584 |
| Small Business Lending Fund obligation | – | 6,907 |
| Federal Home Loan Bank of Boston advances | 104,343 | 82,344 |
| Mortgagors' escrow accounts | 965 | 793 |
| Current income taxes payable | 521 | 197 |
| Accrued expenses and other liabilities | 2,224 | 2,140 |
| Total liabilities | <u>476,952</u> | <u>431,965</u> |
| Commitments and contingencies (notes 9 and 12) | | |
| Capital: | | |
| Surplus | 49,312 | 46,581 |
| Accumulated other comprehensive income | 776 | 840 |
| Total capital | <u>50,088</u> | <u>47,421</u> |
| Total liabilities and capital | <u>\$ 527,040</u> | <u>\$ 479,386</u> |

Consolidated Statements of Income

Years Ended April 30, 2016 and 2015

| | 2016 | 2015 |
|---|-----------------|-----------------|
| | (In Thousands) | |
| Interest and dividend income: | | |
| Interest and fees on loans | \$ 18,496 | \$ 17,227 |
| Interest and dividends on securities and Federal Home Loan Bank of Boston stock | 1,653 | 1,912 |
| Total interest and dividend income | <u>20,149</u> | <u>19,139</u> |
| Interest expense: | | |
| Interest on deposits | 1,546 | 1,217 |
| Interest on Federal Home Loan Bank of Boston advances | 1,801 | 1,773 |
| Interest on Small Business Lending Fund obligation | 43 | 186 |
| Total interest expense | <u>3,390</u> | <u>3,176</u> |
| Net interest income | 16,759 | 15,963 |
| Provision for loan losses | 705 | 130 |
| Net interest income after provision for loan losses | <u>16,054</u> | <u>15,833</u> |
| Other income: | | |
| Customer service fees | 1,377 | 1,252 |
| Mortgage banking activities, net | 526 | 488 |
| Gain on sale of securities, net | 941 | 1,404 |
| Gain on sale of premises and equipment | – | 16 |
| Miscellaneous | 271 | 314 |
| Total other income | <u>3,115</u> | <u>3,474</u> |
| Operating expenses: | | |
| Salaries and employee benefits | 8,766 | 8,238 |
| Occupancy and equipment, net | 1,586 | 1,488 |
| Data processing | 1,825 | 1,693 |
| Deposit insurance | 269 | 235 |
| Marketing and advertising | 524 | 404 |
| Foreclosed real estate | 9 | – |
| Other | 2,084 | 2,084 |
| Total operating expenses | <u>15,063</u> | <u>14,142</u> |
| Income before income taxes | 4,106 | 5,165 |
| Provision for income taxes | 1,375 | 1,751 |
| Net Income | <u>\$ 2,731</u> | <u>\$ 3,414</u> |

Optimum Community Pledge

5% of our profits go to worthwhile causes that benefit the people in our community. And, just by banking at StonehamBank you're part of it.

Management Summary

April 30, 2016

Net Interest Margin

3.51%

Return on Equity

5.45%

Return on Assets

0.55%

Capital/Assets

9.53%

Loans/Assets

83.15%