

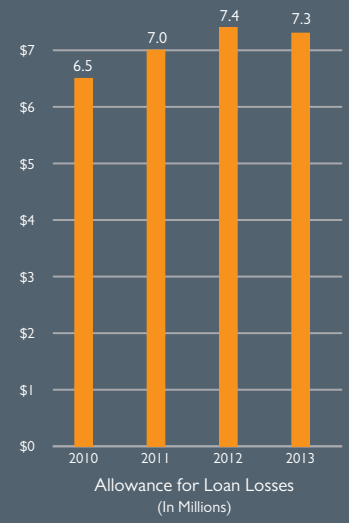
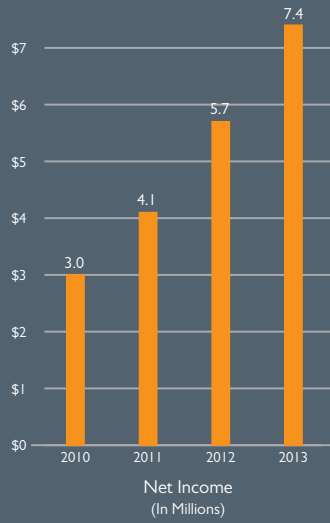
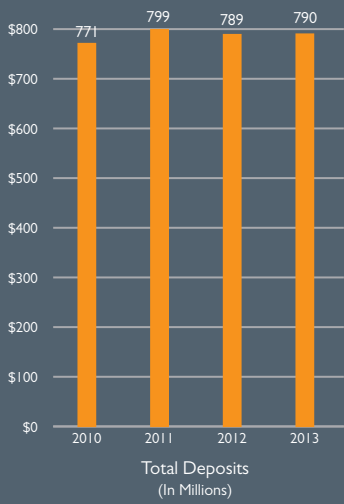
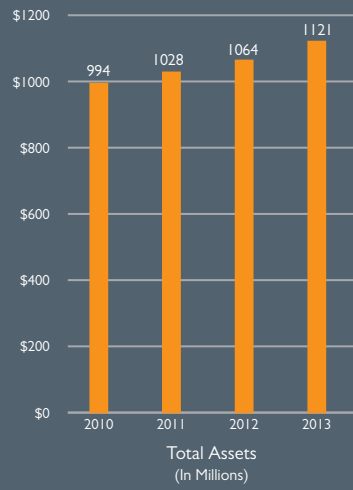
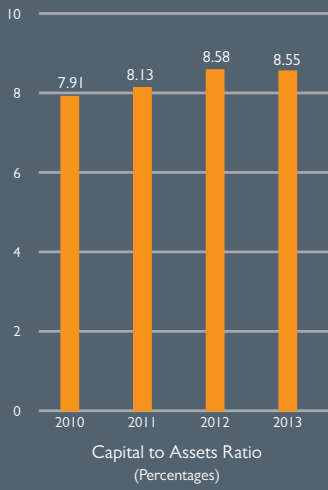


Building relationships for  
real growth.



**Avidia** Bank

# FINANCIAL HIGHLIGHTS



## PRESIDENT'S MESSAGE

I am pleased to report that 2013 was another outstanding year for Avidia Bank led by loan growth in excess of 8% for the year. Our exceptional loan performance is attributable to success in both commercial and residential lending.

Our growth in 2013 is the direct result of the strong relationships everyone at Avidia has worked so hard to establish and nurture—relationships with customers as well as key influencers including brokers, accountants, attorneys, property managers, etc. This is a slow and steady approach to growth that I believe will reap benefits well into the future.

The growth in residential lending is largely attributable to our expansion of capabilities, and the addition of more outside originators. Over the past several years we've made a substantial investment in residential lending, and we are seeing the results of that now. We've also benefited as borrowers have returned to banks after the mortgage company nightmare that played out over the past several years.

Avidia Bank's earnings grew substantially as well last year, to \$7.2 million. This reflects the beneficial combination of our growth and our ongoing commitment to controlling non-interest expenses.

We also experienced impressive growth in Avidia Financial Services, generating gross revenues of approximately \$1 million for the first time. In fact, income from this part of our business has almost doubled in the past two years. This is the result of our loyal customers staying with Avidia in search of higher returns in this low rate environment. Our commitment to offer them an alternative to traditional bank products has proven to be very successful.

An important and satisfying benefit of the bank's success is our increased capacity to share our good fortune with the communities we serve. It is especially gratifying to report that we have increased the funding of our Charitable Foundation to \$1.6 million and expect to reach \$2 million by the end of 2014. Between the bank and our foundation, we donated almost \$250,000 in 2013 to more than 320 worthy organizations who are working to improve our neighborhoods and making our communities better places to live, work and raise our families. Among those organizations we supported were the Boys & Girls Clubs of MetroWest, the Marlborough Hospital Cancer Pavilion, Leominster Hospital, Clinton Hospital, the Boroughs YMCA and the American Red Cross.


I would be remiss to not offer a public “thank you” to David Lamson who retired as Chairman after 59 years serving the bank. All of us have benefited from David’s steady hand leading the bank through a period of remarkable growth. David has been replaced by Fred Williams who is certainly familiar with the bank, having served as a Director for 24 years. I am also pleased to welcome Michael Murphy, President of Murphy Insurance, to the Board.

On a personal note, not a day goes by that I don’t see evidence that every single person at Avidia Bank plays a role in our growth. As I noted earlier, it is the success of our employees in building relationships with customers and neighbors that forms the core of the bank’s success. I owe each and every member of the Avidia team my genuine gratitude.



Mark R. O'Connell

*President and CEO*



“Building strong relationships with our customers and stakeholders is the key to our success. Nowhere does it matter more than in Commercial Lending. I’d like you to meet a few of the people who make it happen.”



“For lenders to be successful, they must have a genuine rapport with their customers. The relationship invariably becomes more than a business transaction; it becomes a personal friendship.”

**Bart Murphy**

*Executive Vice President/  
Chief Lending Officer*

Bart has been in banking for more than 25 years and manages Avidia's lending and commerce banking operations. A graduate of Stonehill College, Bart is now responsible for more than fifteen lenders. He believes the key trait of a good lender is more than a strong financial background. He emphasizes that the best lenders must thoroughly understand the objectives, pressures and demands faced by small business owners.

According to Bart, the most rewarding part of his job “is the satisfaction of knowing our bankers are working in harmony with their business partners—the banks' customers are benefiting and the bank is growing. It is the ultimate win-win.”

Bart lives in Holden with his wife and three teenage children who are active in school programs. Bart doesn't hesitate to admit that he does his best to attend all of their events.

Rumor has it that Bart knows his way around the golf course too.



**Sharon Quinn**

*Senior Vice President/  
Cash Management*

Sharon, who graduated from Skidmore College, has a career in banking spanning more than 30 years. She unabashedly admits to being a “people person” who enjoys solving problems and “making people’s days.” As the manager of Avidia’s Cash Management group, Sharon works hand-in-hand with lenders to customize the banks’ sophisticated cash management tools to meet every customer’s exact needs.

Sharon acknowledges she is a woman in a largely man’s world. “A woman must have complete confidence in herself to be successful in banking. You must never doubt that you are as good—and as smart. Only then can you thrive and succeed.”

Like so many of her colleagues at Avidia, Sharon spends as much time as she can with her children, particularly following their adventures in school sports. In fact, she confesses to being an avid sports fan.



**“I live for those moments when I realize that a customer has come to trust me completely.”**



“Teamwork in banking is the key to building strong customer relationships. I work right along side our tellers, branch managers and backroom technicians to deliver the finest service possible. We all have to be on our game.”

**Tom Allain**

*Senior Vice President/*

*Senior Commercial Relationship Officer*

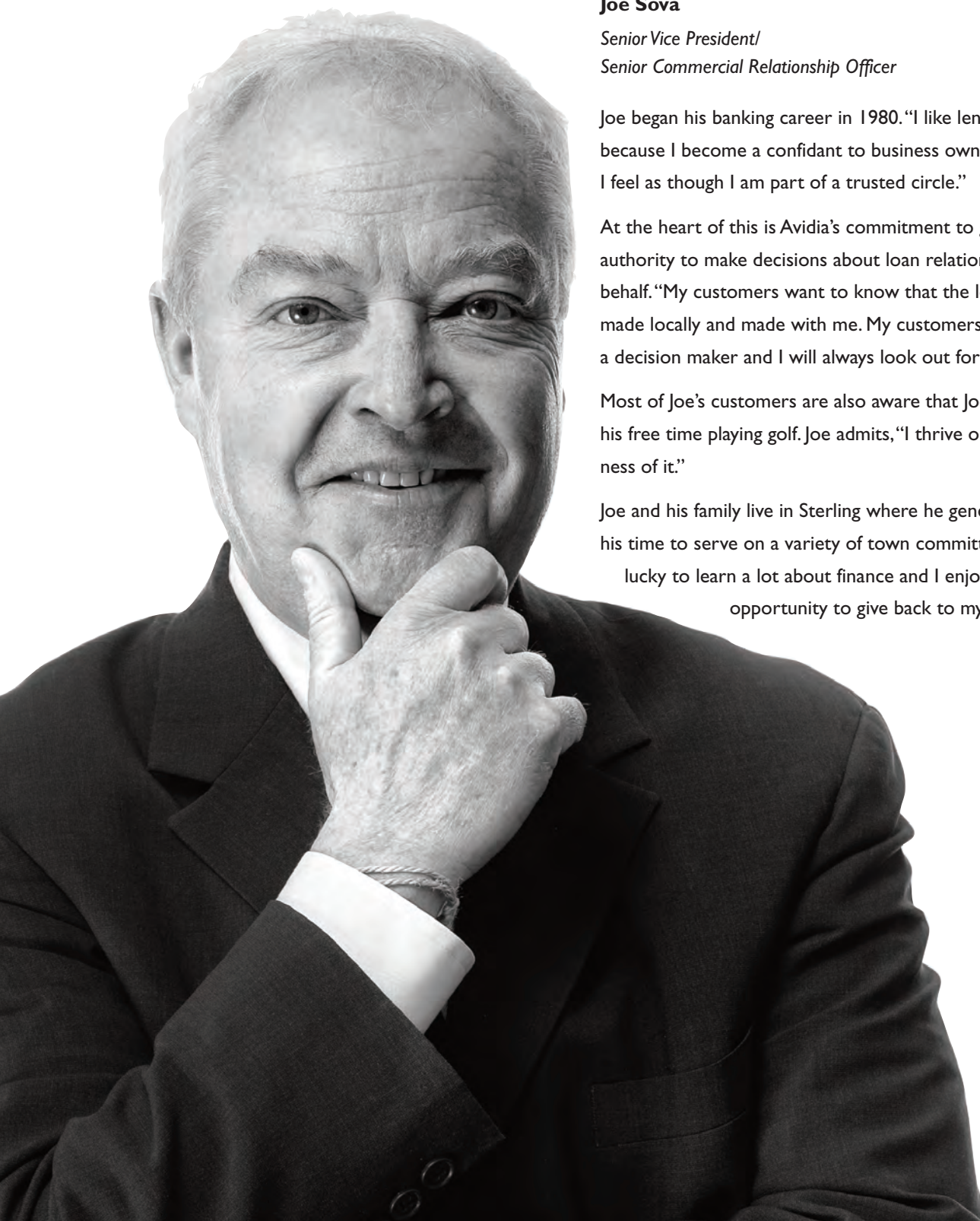
Tom got into banking right after graduating from Fitchburg State. He was attracted to lending because he liked the idea of “helping businesses be successful.” He is particularly satisfied to have helped many local businesses survive in the difficult climate over the past several years. “There are so many businesses out there that we’ve helped through sketchy times that are strong and prosperous today.”

When not at the bank, you’ll often find Tom on the basketball court where he has coached for almost 30 years. “The whole notion of teamwork is so important to me. I love teaching the importance of being a good team member to young people.”

Tom has been married for 22 years and has two sons who are currently in High School. He proudly admits, “Basketball is our existence!”



“Nothing makes me prouder than to be introduced by a customer as ‘My Banker.’ It is the ultimate reward for the work that all of us at Avidia do to build long-term relationships.”



**Joe Sova**

*Senior Vice President/*

*Senior Commercial Relationship Officer*

Joe began his banking career in 1980. “I like lending so much because I become a confidant to business owners and managers. I feel as though I am part of a trusted circle.”

At the heart of this is Avidia’s commitment to giving lenders the authority to make decisions about loan relationships on the bank’s behalf. “My customers want to know that the loan decision is made locally and made with me. My customers know that I am a decision maker and I will always look out for them.”

Most of Joe’s customers are also aware that Joe enjoys spending his free time playing golf. Joe admits, “I thrive on the competitiveness of it.”

Joe and his family live in Sterling where he generously volunteers his time to serve on a variety of town committees. “I’ve been lucky to learn a lot about finance and I enjoy having the opportunity to give back to my town.”



**Bob Williamson**

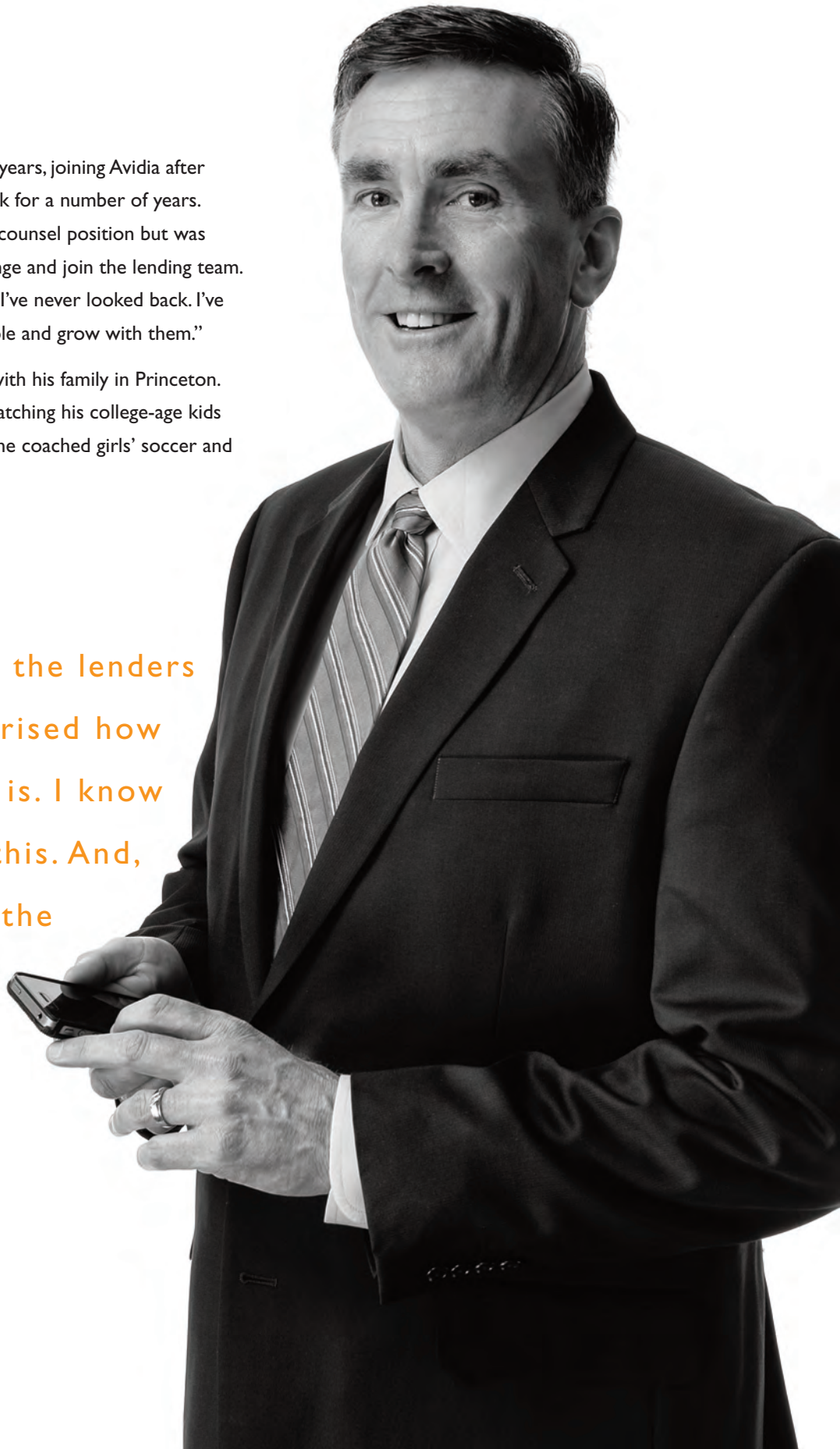
*Vice President/*

*Commercial Relationship Officer*

Bob has only been in banking for three years, joining Avidia after handling real estate closings for the bank for a number of years. He had been searching for an in-house counsel position but was persuaded to make a major career change and join the lending team. “It was absolutely the right thing to do. I’ve never looked back. I’ve been given an opportunity to help people and grow with them.”

Bob grew up in Clinton and now lives with his family in Princeton. His passion is sports; playing golf and watching his college-age kids compete. When his kids were younger, he coached girls’ soccer and boys’ football.

“When I got to know the lenders at Avidia, I was surprised how tight knit the group is. I know the customers feel this. And, of course, they feel the community focus.”



A black and white portrait of Gerry Curley, a middle-aged man with short hair, smiling warmly. He is wearing a dark V-neck sweater over a light-colored collared shirt. The sweater has the Avidia Bank logo and name on the left chest. His hands are clasped in his lap.

## **Gerry Curley**

*Executive Vice President*

Gerry has been with Avidia Bank for more than 27 years, much of that time spent as a member of the lending team. “I really enjoy helping people in their business and especially in their personal lives. Think about it: residential lending really helps people when they are starting out.”

Gerry attended Holy Cross where his reputation on the hockey rink was far reaching. He was raised in Hudson and now lives with his wife in Bolton. They have two adult children.

“Being a mutual bank allows us to put our customers first. It also gives our customers confidence that we will be here tomorrow.”



“You can tell if someone is a good lender right away. They communicate well. They look you right in the eye. And they convey a reassuring, comfortable feeling.”

**Dick Schrader**

*Senior Vice President/  
Senior Commercial Lending Officer*

Dick has been a banker for 25 years, 16 of those with Avidia. Dick now manages nine commercial lenders.

“I like everything about my job. I simply could not have written a better job description for myself. It’s my reason for getting up every morning.”

But Dick has other passions. He is currently writing his first novel, hoping to have it published in two to three years. “Most people don’t realize that I am a banker by day and a writer by night.”

Dick has a reputation as a great partner on the golf course who has an excellent attitude about the game and is always positive no matter what the circumstances.





CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION  
(UNAUDITED)

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
<b>ASSETS</b>			
Cash and Cash Equivalents			
Cash and due from banks	\$ 15,506,984	\$ 12,455,855	\$ 9,724,319
Federal funds sold	4,541,880	4,791,108	2,762,013
Total cash and cash equivalents	<u>20,048,864</u>	<u>17,246,963</u>	<u>12,486,332</u>
Investment Securities			
Securities held-to-maturity	3,068,855	3,095,930	4,098,737
Securities available-for-sale (at fair value)	95,434,753	101,456,290	119,589,783
Total investment securities	<u>98,503,608</u>	<u>104,552,220</u>	<u>123,688,520</u>
Mortgage-backed and related securities	96,255,743	102,159,207	107,877,055
Loans receivable, net	837,078,673	772,135,237	715,548,608
Accrued interest receivable	2,813,043	2,700,183	3,002,778
Premises and equipment, net	14,356,245	14,630,901	14,664,457
Foreclosed real estate	188,723	435,000	1,352,860
Federal Home Loan Bank stock, at cost	11,039,700	11,719,900	12,441,400
Refundable federal and state income taxes	733,995	350,692	420,853
Deferred income taxes	3,516,735	2,814,893	3,179,384
Other assets	36,090,296	34,977,015	32,855,479
	<u>\$1,120,625,625</u>	<u>\$1,063,722,211</u>	<u>\$1,027,517,727</u>
<b>LIABILITIES AND RETAINED EARNINGS</b>			
Liabilities			
Deposits	\$789,716,770	\$788,899,051	\$798,500,594
Advances from Federal Home Loan Bank	151,641,603	114,752,302	91,188,847
Repurchase agreements	73,546,410	61,861,471	45,026,173
Advances from borrowers for taxes and insurance	1,507,858	1,311,728	1,335,310
Accrued interest payable	331,048	383,573	309,286
Accrued expenses and other liabilities	6,348,142	5,200,524	6,074,784
	<u>1,023,091,831</u>	<u>972,408,649</u>	<u>942,434,993</u>
Retained Earnings	96,633,059	89,211,186	83,514,340
Unrealized gain (loss) on securities available for sale, net of applicable deferred income taxes of \$365,124 in 2013, \$1,244,966 in 2012 and \$967,256 in 2011.	900,735	2,102,376	1,568,394
	<u>97,533,794</u>	<u>91,313,562</u>	<u>85,082,734</u>
	<u>\$1,120,625,625</u>	<u>\$1,063,722,211</u>	<u>\$1,027,517,727</u>

CONSOLIDATED STATEMENTS OF INCOME  
(UNAUDITED)

	DECEMBER 31, 2013	DECEMBER 31, 2012	DECEMBER 31, 2011
<b>INTEREST INCOME</b>			
Mortgage loans	\$29,984,737	\$29,711,231	\$30,434,254
Commercial loans	8,067,369	7,228,150	6,661,101
Other loans	382,298	392,542	453,010
Investment securities	1,347,082	1,686,086	2,663,386
Mortgage-backed and related securities	2,224,007	2,530,622	2,217,565
Other interest earning assets	8,613	11,218	32,063
	<u>42,014,106</u>	<u>41,559,848</u>	<u>42,461,379</u>
<b>INTEREST EXPENSE</b>			
Deposits	4,894,854	6,694,746	8,939,343
Borrowed funds	2,818,675	3,425,513	4,041,157
	<u>7,713,529</u>	<u>10,120,259</u>	<u>12,980,500</u>
<b>NET INTEREST INCOME</b>	<u>34,300,577</u>	<u>31,439,589</u>	<u>29,480,879</u>
<b>PROVISION FOR LOAN LOSSES</b>	<u>1,050,000</u>	<u>2,000,000</u>	<u>2,325,000</u>
<b>NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES</b>	<u>33,250,577</u>	<u>29,439,589</u>	<u>27,155,879</u>
<b>NON-INTEREST INCOME</b>			
Fees and service charges	5,696,958	5,889,610	3,219,791
Gain on sale of investment securities, net	550,816	666,430	572,668
Investment management income	980,422	735,134	465,471
	<u>7,228,196</u>	<u>7,291,174</u>	<u>4,257,930</u>
<b>NON-INTEREST EXPENSE</b>			
Compensation and employee benefits	17,184,511	16,486,353	14,343,571
Occupancy and equipment	2,375,140	2,208,619	2,148,935
Marketing	956,503	873,624	938,638
Deposit insurance	717,188	1,101,557	1,101,094
Data processing	2,186,984	2,065,789	1,845,796
Depreciation	1,348,321	1,342,935	1,294,474
Other operating expenses	4,719,115	4,069,709	3,502,872
	<u>29,487,762</u>	<u>28,148,586</u>	<u>25,175,380</u>
<b>INCOME BEFORE FEDERAL AND STATE INCOME TAXES</b>	<u>10,991,011</u>	<u>8,582,178</u>	<u>6,238,429</u>
<b>FEDERAL AND STATE INCOME TAXES</b>	<u>3,569,139</u>	<u>2,885,272</u>	<u>2,131,273</u>
<b>NET INCOME</b>	<u>\$ 7,421,872</u>	<u>\$ 5,696,906</u>	<u>\$ 4,107,156</u>

## OFFICERS

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Gerald L. Curley

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Bartholomew H. Murphy Jr.

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Michael Allard

*Senior Vice President, Risk, Security & Compliance*  
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*Senior Vice President, Credit Administration Manager*  
Lee Thompson

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Vikki Denaro

*Assistant Vice President, Loan Operations*  
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*Assistant Vice President, Outside Loan Originator*  
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*Branch Manager, Northborough Office*  
Jennifer Cardoso

*Branch Manager, Clinton Office*  
Kristin Costello

*Branch Manager, Main Office*  
Keith Dwinells

*Branch Manager, Westborough Office*  
Suzanne Laperle

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Kimberly Perkins

*Branch Manager, Leominster Office*  
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Heather O'Bryan

*Officer, Outside Loan Originator*  
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*Commercial Relationship Officer*  
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*Officer, Outside Loan Originator*  
Shrenik Shah

*Officer, Outside Loan Originator*  
Clifford Thompson

*Officer, Outside Loan Originator*  
K. Joy Sullivan

*Officer, Deposit Operations*  
Patti Wood



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Lona M. Lamson  
Jeffrey B. Leland  
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Joseph F. MacDonough  
Paul F. McGrath  
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Phyllis A. Stone  
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Fred B. Williams  
Nicholas Zayka

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Ronald Aspero  
Charles J. Bacon  
David Bagdon  
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James N. Ball  
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Vickie Bouvier  
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David M. Carlstrom  
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Linda Ghiloni  
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Richard E. Hastings  
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Walter Kinell  
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Lona M. Lamson  
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Susanne Morreale-Leeber  
Michael Murphy  
Jack Naughton  
Roland G. Nentwich  
Oliver F. Nunes Jr.  
Mark R. O'Connell  
Philip B. O'Toole  
Alan K. Parker  
Brian A. Parker

Carol Parker  
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Donald T. Taylor  
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Patricia A. Thomas-Fuller  
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Robert Veo  
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Carol Vittorioso-Gallagher  
Barry J. Whitney  
Fred B. Williams  
Scott Young  
Constantino Zahariadis  
Nicholas Zayka

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David F. Lamson  
Walter Kinell  
Roger B. Leland  
Oliver F. Nunes Jr.



## BRANCHES

### Hudson

Main Office:  
42 Main Street  
Hudson, MA 01749

221 Washington Street  
Hudson, MA 01749

### Westborough

100 E. Main Street  
Westborough, MA 01581

### Clinton

1073 Main Street  
Clinton, MA 01510

### Leominster

470 Lancaster Street  
Leominster, MA 01453

### Marlborough

256 Maple Street  
Marlborough, MA 01752

### Northborough

53 W. Main Street  
Northborough, MA, 01532

### Shrewsbury

23 Maple Avenue  
Shrewsbury, MA 01545



*Avidia Bank is a subsidiary of The Assabet Valley Bancorp*