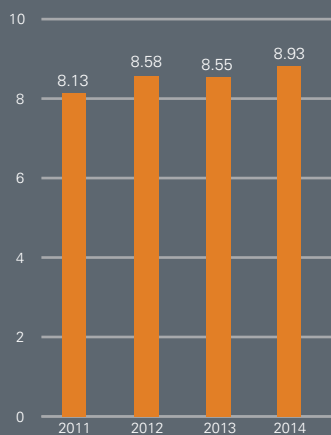


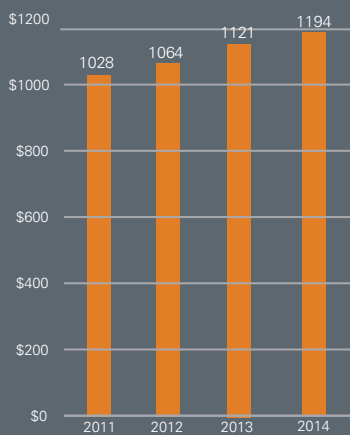
2014 Assabet Valley Bancorp Annual Report



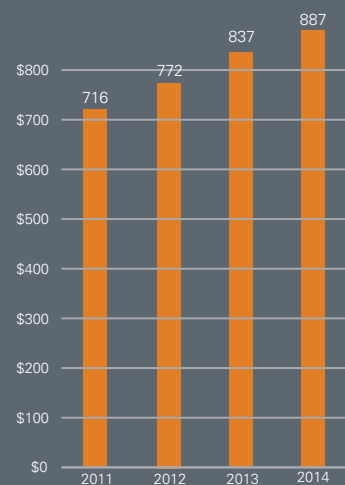
financial highlights



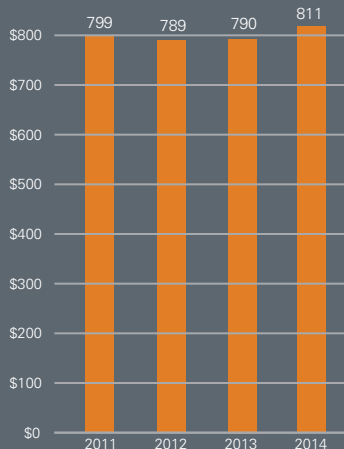
Capital to Assets Ratio
(Percentages)



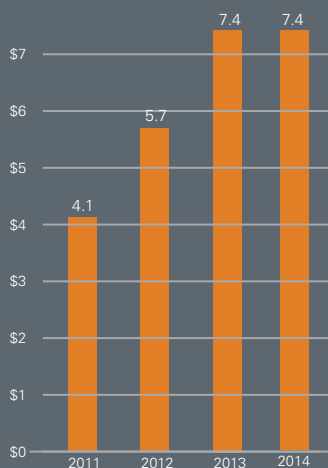
Total Assets
(In Millions)



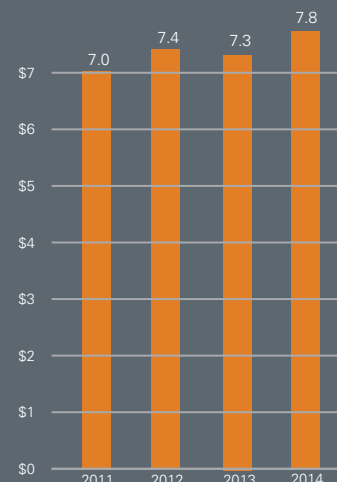
Total Loans
(in Millions)



Total Deposits
(In Millions)



Net Income
(In Millions)



Allowance for Loan Losses
(In Millions)



our mission

Avidia Bank is a responsive and independent modern community bank providing the best banking and financial services to individuals, families and businesses. We take pride in delivering value and innovation to our customers along with a commitment to earning their confidence and trust. The Bank will continue to invest both in employee excellence and in its role as a dedicated and responsible corporate citizen.

our vision

Avidia Bank will become a successful independent community bank with dominant market share in all lines of business in our primary markets. The Bank will maximize its investment in technological efficiency to support professional bankers who will continue to deliver exceptional customer service, creating true differentiation from our competition.

our values

These values and expectations guide us and provide the foundation of Avidia Bank, helping us every day to live our mission and achieve our vision.

president's message



“We take a team approach to security, compliance and adherence to regulations.”

In our 2013 annual report, we profiled the leaders of our Commercial Lending team that continue to deliver growth and success by building relationships. It was these efforts that helped lead to the Bank's assets growing by over 6% in 2014 to approximately \$1.2 billion. For 2014, we made a concerted effort to focus in the area of business lending which grew by over 25%. The lending success led to solid deposit growth in the business banking area with those deposits growing by over 15%. We also expanded awareness and penetration of the Health Savings Account product and subsequently exceeded expectations by growing those deposits by more than 400%. Specifically, we began 2014 with 2,300 accounts and \$2.4 million and ended with 9,800 accounts and \$10.8 million.

In the process of bringing in these new relationships and nurturing existing ones, we have not lost sight of the very important task of protecting our customers' account and personal information. Our focus was heightened as we saw a continuing and disturbing trend with an increase in the number of occurrences, size and reach of data breaches in 2014. Regardless of whether a large or small institution, everyone is a target. For example, in June of 2014, hackers managed to steal personal contact information from JP Morgan in a breach that affected about 76 million households and nearly 7 million businesses. Additionally, 56 million payment cards were impacted by the Home Depot payment systems data breach.

In collaboration with FIS, our core provider, and other vendors, we regularly leverage the latest tools, technological measures and our in-house IT experts to thwart data thieves, protect our customers' account information and mitigate risk by actively addressing potential vulnerabilities. Steps taken include, tightening employee log in credentials, utilizing RSA tokens for our business customers, adding EMV chip technology to our credit cards and will be doing the same with our debit cards in 2015. We also provide various activity alerts via text, phone and email triggered from our fraud detection capabilities, all designed to protect our customers.

We take a team approach to security, compliance and adherence to regulations. We have assembled a group of experienced professionals to maintain cybersecurity and information integrity. They manage due diligence with vendor and reputation risk to prevent breaches both external and internal. In this annual report, we profile some of those individuals who manage our information and security initiatives.

In the spirit of being a good corporate neighbor, we continued to increase the funding of the Avidia Charitable Foundation and as of December 31, 2014, assets reached \$2.6 million. In addition to the Foundation's monetary giving, the Bank also donated throughout the year. Combined, we gave more than \$250,000 to multiple charitable organizations to help them better serve our communities and the people to whom they provide support. Additionally, our employees donated time and treasure to many organizations including Meals on Wheels, Boys and Girls Club, Big Brothers Big Sisters and YMCA.

The hard work and effort in 2014 has laid the groundwork for all of the new initiatives we will realize in 2015. Our employees continue to consistently deliver at a high level to make Avidia Bank a terrific destination for businesses and consumers to find solutions to all of their financial needs regardless of whether they access us in person, online or through a smartphone or tablet. Our goal is to continuously offer better and more convenient ways to stay connected to our customers and for our customers to look to us as a partner for the life of their banking relationship.

Warmest regards,



Mark R. O'Connell
President and CEO



I would like to thank Chairman of the Board Fred Williams (L) for his time and dedication and welcome Jim Tashjian (R) as new Board Chairman.

bank highlights

Over **6% growth in assets** to \$1.2 billion.

Business lending has **increased by 25%**.

Health Savings Account deposit **growth exceeded 400%** or by \$8.4 million.

The Avidia Charitable Foundation and Avidia Bank **donated more than \$250,000** to community organizations in 2014.



“We continuously work with our technology vendors to ensure the latest information security tools are in place to protect the corporate networks and systems.”

dan serafin

vp, director of information technology, cissp

The protection of our customers’ information is at the forefront of our day-to-day IT operation. Today more than ever, protection of our data is the biggest challenge our industry faces. During the past few years, a philosophical shift has occurred throughout the industry with the focus of information security no longer falling on only the Information Security Officer. Information security is now everyone’s responsibility from the customer right up to the board of directors.

We continuously work with our technology vendors to ensure the latest information security tools are in place to protect the corporate networks and systems. We also leverage various institutions subscribing to early notifications for new threats that allow us to respond timely and effectively.

Our layered defense environment which covers entry-point to end-point is just one piece of the protection process. The technology which the Bank utilizes is supported by our first class, multi-faceted Information Security Program. This program consists of communication, education, processes and procedures provided by our Information Security and Compliance Departments in collaboration with IT Staff and vendors.

Dan has over 25 Years of IT Operations and Security experience in both the financial and retail industries. He holds a Bachelors Degree in Management Information Systems from UMass-Lowell.

“We also train our employees about Information Security as they are the first line of defense against these attacks.”



phil maio
vp, information security officer
cissp, cism, cisa, cciso

Cybersecurity refers to the technologies and processes designed to protect computers, networks and data from unauthorized access and attacks delivered via the Internet by cyber criminals. Cybersecurity is the new buzzword commonly being used as breaches continue to make headlines. Compared to only a few years ago, this Information Security approach is more common these days as criminals and hackers are increasingly looking for easy targets to infiltrate and exploit.

Maintaining customer confidence by ensuring our system's integrity is our main objective. Avidia's task is to build many roadblocks to discourage and deter these hackers from getting into our system by making it too costly for them to try, thus they will move on to an easier target. To achieve this, we collaborate with expert vendors in managing and designing our security systems. We also facilitate constant training to keep up with current trends in Information Security and endeavor to adapt with the changing security posture.

Criminals will try any method to hack, steal or access information that they can turn into cash. This has evolved into phishing and other scams that send emails carefully crafted to look like they are from a legitimate source. Their goal is to get employees or customers to click on a link that will in turn load malicious software onto the PC to steal user IDs and passwords. They then proceed to log in to the accounts and steal whatever they can.

We also train our employees about Information Security as they are the first line of defense against these attacks.

Phil has more than 33 years in banking and over 17 years in Information Technology and Information Security.



“Identifying emerging risks, applying effective controls and monitoring systems while keeping pace with the regulatory requirements and technological advances is of paramount importance at Avidia.”

neil buckley

svp, risk management compliance & security

Key events over the last decade such as 911 and The Wall Street Reform Act (Dodd-Frank Act) have had a major impact on the banking industry. Those events, coupled with advances in technology, have required financial institutions to revamp how we do business. Risk Management, Compliance and Security (both physical and information) have gone through a major reinvention during this time.

At Avidia, we have steadily invested in the technologies and human resources necessary to meet and exceed the requirements of the myriad of new rules, regulations and risks associated with the banking industry today. Identifying emerging risks, applying effective controls and monitoring systems while keeping pace with the regulatory requirements and technological advances is of paramount importance at Avidia.

Neil has over 25 years of banking experience with over 15 years in both Compliance and Security.

“The Bank has invested heavily in software and systems to help us be compliant with BSA and to mitigate the Bank’s reputation and financial risk.”



peter ishkanian

vp, bsa officer

The Bank Secrecy Act (BSA) continues to take on an increasingly elevated level of importance from Federal and State regulators. Although 2014 FDIC BSA enforcement actions dropped 11 percent, monetary penalties levied against banks totaled \$351 million – a significant increase over 2013. Larger financial institutions were the initial target, however within the past few years, this level of scrutiny has increased on smaller financial institutions. As the industry continues to experience ancillary effects from data breaches, fraud and other financial crimes, banks are mandated to maintain a robust BSA program that is able to monitor customer transactions and behaviors. Additional regulatory requirements have been placed on performing enhanced due diligence (EDD) for higher risk customers and businesses.

The Bank has invested heavily in software and systems to help us be compliant with BSA and to mitigate the Bank’s reputation and financial risk. As patterns of fraud and crime change with the consistently rapid evolution of technology, BSA regulations are adjusted to reflect the changes. We continue to be vigilant in monitoring these developments and protecting our customers and the Bank.

Peter has 18 years of banking experience in both Retail and Operations; 7 years as a BSA officer.

consolidated statements of financial condition (unaudited)

	December 31, 2014	December 31, 2013	December 31, 2012
ASSETS			
Cash and Cash Equivalents			
Cash and cash dues from banks	\$11,566,836	\$15,506,984	\$12,455,855
Federal funds sold	1,989,039	4,541,880	4,791,108
Total cash and cash equivalents	13,555,875	20,048,864	17,246,963
Investment Securities			
Securities held-to-maturity	2,601,046	3,068,855	3,095,930
Securities available-for-sale (at fair value)	110,867,060	95,434,753	101,456,290
Total investment securities	113,468,106	98,503,608	104,552,220
Mortgage-backed and related securities	110,395,529	96,255,743	102,159,207
Loans receivable, net	887,120,733	837,078,673	772,135,237
Accrued interest receivable	2,962,315	2,813,043	2,700,183
Premises and equipment, net	13,448,865	14,356,245	14,630,901
Foreclosed real estate	1,747,328	188,723	435,000
Federal Home Loan Bank stock, at cost	10,626,800	11,039,700	11,719,900
Refundable federal and state income taxes	1,802,167	733,995	350,692
Deferred income taxes	2,485,580	3,516,735	2,814,893
Other assets	36,053,260	36,090,296	34,977,015
	\$1,193,666,560	\$1,120,625,625	\$1,063,722,211
LIABILITIES AND RETAINED EARNINGS			
Liabilities			
Deposits	\$810,692,333	\$789,716,770	\$788,899,051
Advances from Federal Home Loan Bank	199,124,543	151,641,603	114,752,302
Repurchase agreements	67,775,753	73,546,410	61,861,471
Advances from borrowers for taxes and insurance	1,858,389	1,507,858	1,311,728
Accrued interest payable	299,276	331,048	383,573
Accrued expenses and other liabilities	7,283,974	6,348,142	5,200,524
	1,087,034,269	1,023,091,831	972,408,649
Retained Earnings	104,011,310	96,633,059	89,211,186
Unrealized gain (loss) on securities available for sale, net of applicable deferred income taxes of \$1,396,279 in 2014, \$365,124 in 2013 and \$1,244,966 in 2012.	2,620,981	900,735	2,102,376
	106,632,291	97,533,794	91,313,562
	\$1,193,666,560	\$1,120,625,625	\$1,063,722,211

consolidated statements of income (unaudited)

	December 31, 2014	December 31, 2013	December 31, 2012
INTEREST INCOME			
Mortgage loans	\$30,613,472	\$29,984,737	\$29,711,231
Commercial loans	8,958,577	8,067,369	7,228,150
Other loans	391,508	382,298	392,542
Investment Securities	1,394,199	1,347,082	1,686,086
Mortgage-backed and related securities	2,643,800	2,224,007	2,530,622
Other interest earning assets	8,613	8,613	11,218
	<u>44,010,168</u>	<u>42,014,106</u>	<u>41,559,848</u>
INTEREST EXPENSE			
Deposits	4,096,687	4,894,854	6,694,746
Borrowed funds	2,964,264	2,818,675	3,425,513
	<u>7,060,952</u>	<u>7,713,529</u>	<u>10,120,259</u>
NET INTEREST INCOME	36,949,216	34,300,577	31,439,589
PROVISION FOR LOAN LOSSES	<u>1,550,000</u>	<u>1,050,000</u>	<u>2,000,000</u>
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	<u>35,399,216</u>	<u>33,250,577</u>	<u>29,439,589</u>
NON-INTEREST INCOME			
Fees and service charges	4,164,730	5,696,958	5,889,610
Gain on sale of investment securities, net	1,374,278	550,816	666,430
Investment management income	858,307	980,422	735,134
	<u>6,397,315</u>	<u>7,228,196</u>	<u>7,291,174</u>
NON-INTEREST EXPENSE			
Compensation and employee benefits	17,300,833	17,184,511	16,486,353
Occupancy and equipment	2,541,494	2,375,140	2,208,619
Marketing	1,111,918	956,503	873,624
Deposit insurance	831,204	717,188	1,101,557
Data processing	2,383,503	2,186,984	2,065,789
Depreciation	1,360,302	1,348,321	1,342,935
Other operating expenses	5,726,927	4,719,115	4,069,709
	<u>31,256,180</u>	<u>29,487,762</u>	<u>28,148,586</u>
INCOME BEFORE FEDERAL AND STATE INCOME TAXES	10,540,351	10,991,011	8,582,178
FEDERAL AND STATE INCOME TAXES	3,162,150	3,569,139	2,885,272
NET INCOME	<u><u>\$ 7,378,201</u></u>	<u><u>\$ 7,421,872</u></u>	<u><u>\$ 5,696,906</u></u>

Chairman of the Board
Fred B. Williams

President & CEO
Mark R. O'Connell

Executive Vice President & Chief Operations Officer
Robert W. Conery

Executive Vice President
Gerald L. Curley

Executive Vice President & Chief Lending Officer
Bartholomew H. Murphy, Jr.

Executive Vice President & Chief Financial Officer
Margaret Melo Sullivan

Senior Vice President, Senior Commercial Relationship Officer
Thomas Allain

Senior Vice President, Marketing
Michael Allard

Senior Vice President, Risk, Security & Compliance
Neil Buckley

Senior Vice President, Sales Manager
Robert Callahan

Senior Vice President, Human Resources
Thomas Doane

Senior Vice President, Residential Lending
Donald Frost III

Senior Vice President, Cash Management
Sharon Quinn

Senior Vice President & Senior Commercial Lending Officer
Dick Schrader

Senior Vice President, Senior Commercial Relationship Officer
Michael Semizoglou

Senior Vice President, Senior Commercial Relationship Officer
Joseph Sova

Senior Vice President, Credit Administration Manager
Lee Thompson

Senior Vice President, Commercial Relationship Officer
James Wilkins

Vice President, Internal Audit
Jocelyn Arsenaault

Vice President, Deposit Operations
Emily Braga

Vice President, Merchant Services
Cheryl Cain

Vice President, Investment Services
Robert Cote

Vice President, Community Association Banking
Howard Himmel

Vice President, BSA Officer
Peter Ishkanian

Vice President, Community Banking
Rita Janeiro

Vice President, Loan Operations
Mirriam Kelly

Vice President, Information Security Officer
Philip Maio

Vice President, Commercial Relationship Officer
Maureen Marshall

Vice President, Commercial Relationship Officer
Stephen McAndrew

Vice President, Investment Services
Mary McDonald

Vice President & Financial Analyst
Karen Moe

Vice President, Facilities
Ray Murphy

Vice President, Commercial Relationship Officer
Ron Notaro

Vice President, Director of Information Technology
Daniel J. Serafin Sr.

Vice President, Investment Services
Edward J. Stearns III

Vice President, Health Care Solutions Relationship Officer
Lynda Westbrook

Vice President, Commercial Relationship Officer
Robert Williamson

Assistant Vice President, Market Manager, Westborough Office
Jim Ames

Assistant Vice President, Commercial Loan Administration
Andrea Blood

Assistant Vice President, Senior Credit Analyst
Vikki Denaro

Assistant Vice President, Loan Operations
Patricia DeSantis

Assistant Vice President, Controller
Mark Gaynor

Assistant Vice President, Collections
Richard T. Harrity

Assistant Vice President, Residential Loan Production
Laura Hughes

Assistant Vice President, Consumer Lending
Missy Lindberg

Assistant Vice President, Cash Management
Jill Mollica

Assistant Vice President, Market Manager Marlborough Office
David Morticelli

Assistant Vice President, Cash Management
Pamela O'Brien

Assistant Vice President, Information Systems
Gary Olson

Assistant Vice President, Work Out Manager
Charles L. Park Jr.

Assistant Vice President, Commercial Relationship Officer
Daniel Provencher

Assistant Vice President, Portfolio Manager
Anish Puri

Assistant Vice President, Market Manager, Shrewsbury Office
Patricia Smith

Assistant Vice President, Residential Loan Officer
Natalie Sousa

Assistant Vice President, Residential Loan Officer
Kelly Tierney

Assistant Vice President, Training
Cori Wiersma

Assistant Vice President, Deposit Operations
Patti Wood

Branch Manager, Hudson South Office
Lisette Arbelli

Branch Manager, Northborough Office
Jennifer Cardoso

Branch Manager, Clinton Office
Kristin Costello

Branch Manager, Main Office
Keith Dwinells

Branch Manager, Westborough Office
Suzanne Laperle

Branch Manager, Willows Office
Kimberly Perkins

Branch Manager, Leominster Office
Todd Wood

Online Marketing Manager
Jessica Bonetti

Retail Operations Administrator
CarrieAnne Cormier

Officer, Commercial Loan Portfolio
Ana Czapkowski

Assistant Controller
Kathleen Davis

Officer, Internal Audit
Tammy Gulcius

Officer, Electronic Services
Lisa Joyce

Residential Loan Officer
William A. Kinsella III

HSA Client Relationship Officer
Mary Newton

Residential Loan Officer
Edward Perachi

Commercial Relationship Officer
Tina Ramsey

Officer, Merchant Services
Heather Schneider

Residential Loan Officer
Shrenik Shah

Residential Loan Officer
K. Joy Sullivan

Business Development Officer
Clifford Thompson

officers

directors

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Paul Blazar
Nancy M. Carlson
Benjamin H. Colonero Jr.
Neil Flanigan
Michael R. Girard
Joseph Grimaldo
Will E. Kirkpatrick
Lona M. Lamson
Jeffrey B. Leland
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Michael Murphy
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David A. Pickering
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Ernest L. Rooney
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Joseph C. Shay
Phyllis A. Stone
Garrett F. Sullivan
James E. Tashjian
Donald Taylor
Kelly Thomas
Patricia A. Thomas-Fuller
Michael Tucker
Kim E. Underwood
Robert Veo
Naray Viswanathan
Carol Vittorioso-Gallagher
Barry J. Whitney
Fred B. Williams
Scott Young
Constantino Zahariadis
Nicholas Zayka

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Christine Alessandro
Michael Allard
Marlene Aron
Ronald Aspero
Charles J. Bacon
David Bagdon
Daniel S. Ball
James N. Ball
John A. Bartolini Jr.
Paul Blazar
Richard A. Braga Jr.
Nancy M. Carlson
David M. Carlstrom
Richard Casaceli

trustees emeritus

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

giving back



Avidia Bank offers more than just great products and services. The Bank and its employees give back their time and money to hundreds of organizations every year. It is a time-honored tradition and one we hold close to our hearts.

Employees donate their time volunteering to organizations such as Big Brothers & Big Sisters of Central Mass, Meals on Wheels, local food pantries and more.

"Jeans Days" are held throughout the year at Avidia which allows employees to wear jeans to work in return for a \$5 donation to an organization. Each "Jeans Day" raises on average \$500.

The Bank sponsors many community events such as various festivals, golf outings, small business networking events and road races to name a few.

We are proud to be a large part of the communities we serve.



social media

Social media has become an integral part of the new marketing era. Avidia Bank is dedicated to forming social communities on various social platforms such as Twitter, Facebook and LinkedIn.

Customers expect that the bank they do business with has an online presence. Through social media, the Bank has created more brand awareness and it serves as another way for customers to reach out to us should they need customer service support.

In addition, the Bank likes to show the world that we mean more than just banking. We have a staff that is out-going, funny, down-to-earth and yet an informed customer resource. That's what being social is all about!



The Official Avidia Bank Mascot, Max McNickle shows his Irish pride.



Avidia Bank Ugly Christmas Sweater Contest, December 2014, Dawn Reis, Erin Curry and Lisa Joyce from Deposit Operations.



The Hudson South branch shows off team spirit by supporting the Patriots in their Super Bowl run of 2015.



@AvidiaBank



800-508-2265 | avidiabank.com

Avidia Bank is a subsidiary of The Assabet Valley Bancorp

Hudson | Westborough | Clinton | Northborough | Shrewsbury | Leominster | Marlborough