

2022 Annual Report



Rollstone
Bank & Trust.[®]

*Where **you** matter most.*[®]



When you bank with a mutual bank, like Rollstone Bank & Trust, you are joining a community of other account holders who share the values of the Bank. You can rely on us to put people over profits, support and invest in the community, and provide localized, relevant advice.

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To Our Stakeholders:

Another year flies by! We continue to manage a volatile economic landscape and, of course, COVID. We are all in this together. Therefore, our Annual Report theme is **"You & Us."** We are assuring our customers and employees that they have the strength and commitment of Rollstone Bank & Trust to help navigate these unprecedented times.



Martin F. Connors, Jr.
President & CEO

This year, the Bank celebrated 176 years of providing financial services to the North Central Massachusetts community. It is very interesting to look back on the Bank's original roots. Fitchburg Savings Bank, formed in 1846, was the third mutually owned bank to be incorporated in Massachusetts. Francis Perkins, Nathaniel Wood, and John Farwell were the original incorporators of Fitchburg Savings Bank. On the day the Bank opened in June of that year, the total deposits amounted to \$1,375. The Bylaws at the time would not allow a deposit of less than \$1. Withdrawals could only be made during the first Wednesday of June, September, December, and March with one week's notice. Any withdrawals greater than \$100 required three months' notice. We have certainly come a long way since then.

I was hoping last year would be the final report where we would need to address the ongoing COVID-19 pandemic. Although things are substantially better than a year ago, there are still lingering effects. Thankfully, vaccinations seem to be neutralizing the seriousness of the situation. Through the end of December, we have had 104 known cases of COVID among our employee

base of 113 full- and part-time personnel. We have also had employees who have had COVID multiple times. I commend our employees for being flexible in dealing with this ongoing pandemic.

Speaking of our employees, attracting and retaining quality talent is a critical part of how we deliver excellent products and customer service. This is particularly true during the current tight labor market. Not a week goes by when I don't run into someone in the community who has a positive comment about one of our employees. The bottom line is our employees care about the Bank and our customers, and that attitude is reflected every day.

Our employees are also quite engaged in our communities. This culture at RBT is vital to our success. Our staff serves on countless nonprofit boards and initiatives and the pandemic has not stopped our commitment to the community. Earlier this year, we had 13 employees volunteer for the United Way Day of Caring. We continue showing our commitment to the community through financial education presentations, shred days, school supply drives, and the inaugural "Rollstone Rhythms" summer concert series.

The Rollstone Charitable Foundation donated \$190,000 during the past year.

Along those lines, our Charitable Foundation continued to make meaningful grants throughout the year. The Rollstone Charitable Foundation donated \$190,000 during the past year, including UMass Memorial HealthAlliance Hospital, Making Opportunity Count, Community Foundation of North Central Mass (Racial Equity Grant Program), North Star Family Services, Habitat for Humanity, Groton Historical Society, NewVue Communities and Ginny's Place.

At the end of 2021, we presented a diversity, equity, and inclusion strategy to our Board of Directors. We subsequently formed a group where 12 employees volunteered to be part of the organizing committee. Under the leadership of Chief Diversity Officer Amy Bonilla, the group has met several times. Our ultimate goal is to continue to make RBT a great place to work by fostering a diverse and inclusive environment. During the month of May, we adopted a DEI Vision Statement that embraces our goal to be diverse and inclusive. In order to do this, we need to encourage fair and open access to all opportunities available to our employees. This access will ultimately result in exceptional employee and customer experiences.

Technology has become a large part of all our lives. RBT's commitment is substantial. Two years ago, we did a major system upgrade. We continue to leverage our core system to enhance customer experience and gain operational efficiencies. Under Mary Beth Jokela's direction, we have hit several milestones during the past year. However, in an ever-changing technology landscape, there are always new things on the drawing board.

Regulatory compliance is always a consideration for any new product or service. Our Chief Compliance Officer, Suzanne Panagopoulos, helps Management to navigate this ever-changing rulebook. Suzanne and her team have automated the bank secrecy and anti-money laundering effort here at RBT. This area is a high priority for both RBT and our regulator, the Comptroller of the Currency.

Our total assets grew by \$46.2 million (5.5%) during the year.

In January 2022, we purchased 4 Central Street, Leominster, the former Enterprise Bank building, which will house our Retail Lending and Loan Servicing departments. We entered into a contract with a local contractor to completely renovate the space in order for it to be fully functional, and the work is almost complete. We expect to be occupying the building after the first quarter. The space made available by the move will allow us to expand our IT department and capabilities at 780 Main Street in Fitchburg. As mentioned earlier, our technology investment is substantial and warranted. Along those lines, our focus on cyber defense measures is also costly and critical.

Financial Review:

Our total assets grew by \$46.2 million (5.5%) during the year. Total loans increased \$74.4 million during the year, due in large part to an increase in commercial real estate lending. We continue to seek and find high-quality commercial real estate deals. Much of the funding for this loan growth came from decreases in the Bank's investment portfolio. I consider our transition to a commercial-oriented bank a success story since we hired EVP Michael Olson in 2005. Unfortunately for RBT, Mike has announced his retirement as Chief Lending Officer. He has done an excellent job over the past 17 years, and I thank him for his dedication and commitment to making RBT as successful as it has been. Fortunately, though, he will continue on in a Senior Adviser role working with Tony Rakic, our new Chief Lending Officer.

Our asset quality continues to be excellent. SVP Erin Nano and his credit team watch over our important credit culture. Like most other banks, we are maintaining very low delinquencies. As of December 31, they were a mere .08%, which is very gratifying in a fragile economy. As of July 1, 2022, we adopted a new accounting standard entitled Current Expected Credit Losses (CECL). In a nutshell, CECL attempts to make the provisioning for loan losses very formula based. Management's discretion as to the appropriateness of the reserves is pretty much disregarded. In preparation for the adoption of CECL,

the Bank eliminated its excess discretionary reserve of \$679,000, which is reported as income during the year 2022. Going forward, our income statement will have increased volatility, which will be based solely on historical loss experience and size of the portfolio.

Our balance sheet shows a \$13.3 million decrease in deposits for the past year due to the national decline in stimulus money. The composition of our deposit base changed quite a bit, year over year. RBT saw a large increase in money market accounts and, because of the rising interest rate environment, people took advantage of our certificate of deposit specials. Under the leadership of EVP Art Feehan, the entire retail staff continues to work tirelessly to attract and maintain quality deposits.

I will now shift away from the balance sheet and talk about our operating earnings. The Bank's operating profit for 2022 was \$4.7 million compared to \$5.1 million in 2021. The stock market did take its toll on the Bank's income statement, whereas realized and unrealized gains and losses on the stock portfolio now need to flow through the income statement. The Bank sustained a mostly unrealized loss of \$3.3 million (after tax) in 2022 compared to a gain of \$2.2 million the prior year.

Our Wealth Management area enjoyed another positive fiscal year despite economic worries. Total assets under management were \$173.1 million at year-end, a decline of \$37.3 million, which is totally attributable to overall stock and bond market declines. The S&P 500 was down 19.4% and Dow was down 8.8% during the year. Total revenue for the period was \$1.35 million, representing a nominal increase over the previous year. SVP Wayne Carney and the entire staff, work hard with their clients to provide excellent trust services and maintain confidence in the markets.

The Outlook:

As we sit here in February 2023, the economic outlook is a constant topic of conversation in the media. The reality is no one knows what will happen. The Federal Reserve has increased interest rates to 4.75% since the beginning of March 2022. The expectation is for more interest rate increases, which will be detrimental to liability-sensitive banks like RBT. However, we continue to have confidence in our asset/liability management process. Our modeling

shows we will continue to be profitable. At the end of these interest rate hikes, unfortunately, there will be a recession whereby rates will begin to decline. This is good from an interest margin standpoint; however, that will put stress on our customers and their ability to make timely loan payments. Again, there is a lot of uncertainty in the financial markets right now and I am sure over the course of 176 years, this Bank has seen many cycles.

This year, we had a changing of the guard, so to speak. Our Board instituted three-year term limits for the Chairman's position several years ago. The objective was to have Directors take on different roles and responsibilities. Tony Mercadante chaired our Board for the last three years and did a wonderful job. Tony's dedication and excellent business acumen have been much appreciated. Fortunately, he will not be leaving the Board as he continues as Chairman of both the Audit Committee and Governance Committee. Rotating into the Chairman's role is Brian Anderson who has served on the Bank's Board since 2006. Brian's business savvy will also provide us with solid leadership going forward, and I look forward to his advice and counsel. During the past year, a decision was made to increase the size of the Board and we were glad to have Candace Race join us. Candace has had a wonderful career at Fidelity Investments and will be a great help to our Wealth Management Department.

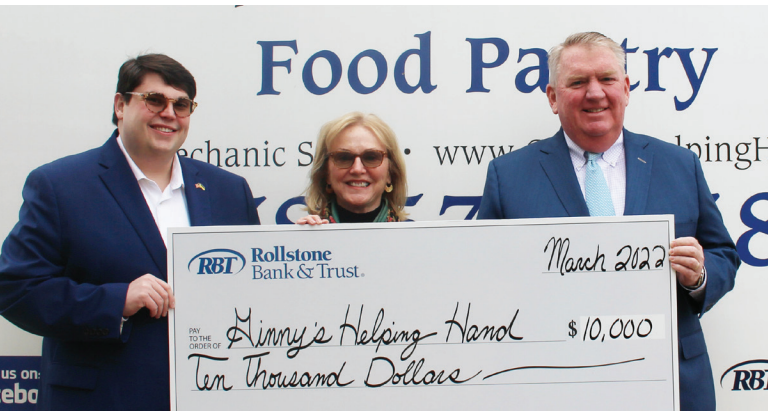
In closing, I would like to thank my Senior Management colleagues and all the employees of RBT for their constant day-in and day-out commitment to RBT. I would also like to thank our entire Board of Directors for their ongoing advice and counsel.

We look forward to continuing our relationships with our many Stakeholders and we thank you for your confidence in us.



Martin F. Connors, Jr.
President & CEO

you & us in the community





you & us in the community



Consolidated Statement of Condition

(In Thousands) Year Ending December 31

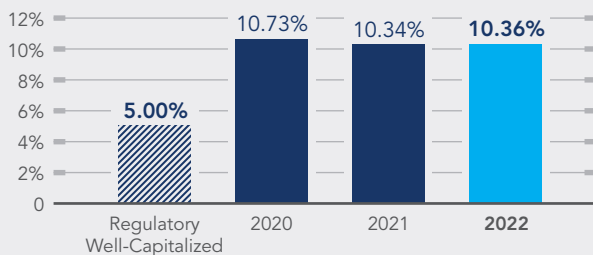
ASSETS	2022	2021
Residential & Consumer Loans	\$ 163,294	\$ 135,712
Commercial Loans	465,174	418,377
Allowance for Loan Losses	(6,139)	(8,012)
Investment Securities	191,230	222,284
Premises & Equipment (Net)	11,702	10,431
Cash & Other Assets	63,538	63,818
Total Assets	\$888,799	\$842,610
LIABILITIES & CAPITAL		
Deposits:		
Interest Bearing	\$ 586,743	\$ 595,432
Non-interest Bearing	118,448	123,019
FHLB Advances & Other Borrowings	101,607	26,024
Accrued Expenses & Other Liabilities	9,564	11,378
Total Liabilities	\$816,362	\$755,853
SURPLUS		
Capital	72,437	86,757
Total Liabilities & Capital	\$888,799	\$842,610

Consolidated Statement of Operations

(In Thousands) Year Ending December 31

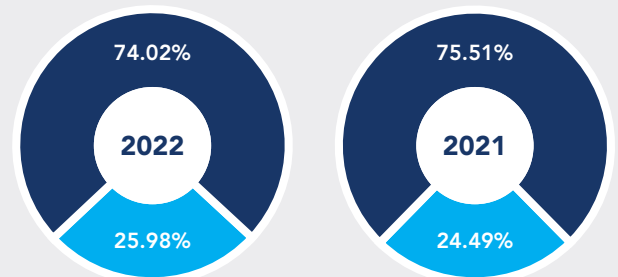
	2022	2021
Interest Income	\$ 27,329	\$25,829
Interest Expense	(7,272)	(5,294)
Net Interest Income	20,057	20,535
Net Provision for Loan Losses	607	(600)
Net Interest Income After Provision for Loan Losses	20,664	19,935
Non-interest Income	3,003	3,004
Security Gains	1,368	1,764
Mortgage Gains	40	320
Non-interest Expense	(19,558)	(18,583)
Income Before Taxes	5,517	6,440
Income Taxes	(781)	(1,358)
Net Income	4,736	5,082
Equity Gain (Loss) Net of Tax	(3,320)	2,243
Regulatory Net Income	\$ 1,416	\$ 7,325

REGULATORY CAPITAL



LOAN BREAKDOWN

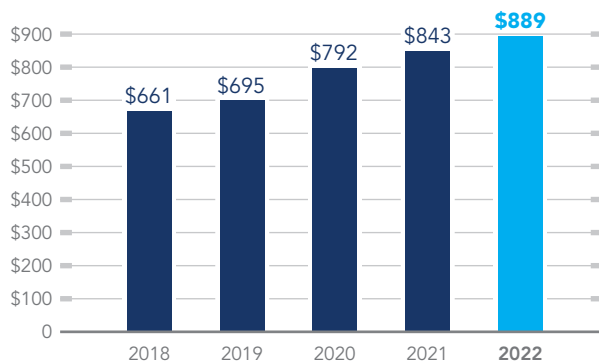
■ Commercial ■ Residential & Consumer



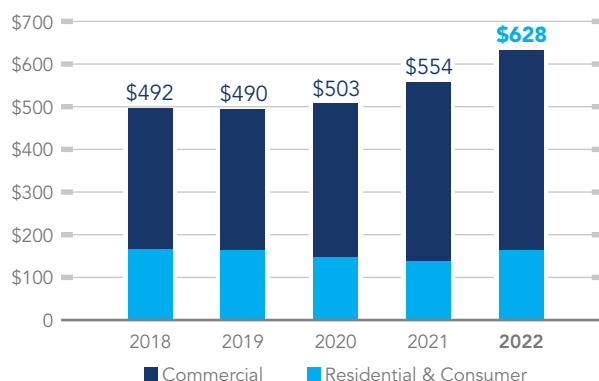
Financial Highlights

(In Millions) Year Ending December 31

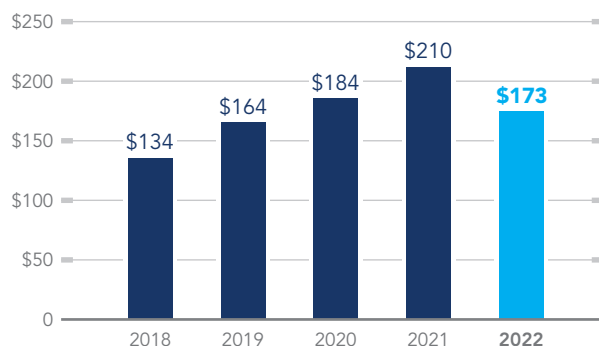
ASSETS



LOANS



ASSETS UNDER MANAGEMENT



Directors & Committees

DIRECTORS

Brian T. Anderson
Chairman

David M. Christianson, Jr.
Vice Chairman

Martin F. Connors, Jr.
President & CEO

Jeffrey A. Aveni
Secretary/Clerk

Edward D. Denmark

Todd C. McDonald

Anthony J. Mercadante

Candace A. Race

Laura M. Reynolds

DIRECTORS EMERITI

Noel R. Bartsch

John Chicknavorian

Robert R. LaLancette

Kevin G. Learned

Samuel Martino, Jr.

Michael E. Montuori

Marcel G. Vezina

EXECUTIVE & ASSET REVIEW COMMITTEE

Brian T. Anderson
Chairman

David M. Christianson, Jr.

Anthony J. Mercadante

COMPENSATION COMMITTEE

Todd C. McDonald
Chairman

Brian T. Anderson

David M. Christianson, Jr.

Anthony J. Mercadante

WEALTH MANAGEMENT COMMITTEE

Candace A. Race
Chairperson

Brian T. Anderson

David M. Christianson, Jr.

Todd C. McDonald

Laura M. Reynolds

CRA COMMITTEE

Laura M. Reynolds
Chairperson

Jeffrey A. Aveni

Edward D. Denmark

Todd C. McDonald

AUDIT COMMITTEE

Anthony J. Mercadante
Chairman

David M. Christianson, Jr.

Edward D. Denmark

Todd C. McDonald

Candace A. Race

GOVERNANCE & NOMINATING COMMITTEE

Anthony J. Mercadante
Chairman

Brian T. Anderson

David M. Christianson, Jr.

Laura M. Reynolds

Anthony J. Mercadante

TECHNOLOGY COMMITTEE

David M. Christianson, Jr.
Chairman

Jeffrey A. Aveni

Edward D. Denmark

Laura M. Reynolds

Officers

ADMINISTRATION & FINANCE

Martin F. Connors, Jr.
President & CEO

Arthur J. Feehan
*Executive Vice President,
Chief Operating Officer &
Security Officer*

Amy L. Bonilla
*Senior Vice President,
Human Resources &
Chief Diversity Officer*

Christopher J. Seidlich
*Senior Vice President,
Chief Financial Officer*

Sandra A. Basler
*Chief Accounting Officer &
Treasurer*

Suzanne B. Panagopoulos
*Chief Compliance Officer &
BSA Officer*

Mary Beth Jokela
*Senior Vice President,
Bank Administration &
CRA Officer*

Marc C. Gravelle
*Vice President,
Learning &
Development Officer*

Melissa A. Kuehl
*Vice President,
Marketing Officer*

Rodrigo J. DoNascimento
Facilities Manager

Sheri L. Jordan
*Administrative Officer/
Assistant Corporate
Secretary*

Helen E. Page
Business Systems Analyst

LENDING DIVISION

Tony Rakic
*Executive Vice President,
Chief Lending Officer*

Erin C. Nano
*Senior Vice President,
Chief Credit Officer*

Oscar I. Moreno
*Senior Vice President,
Senior Commercial
Lender*

Michael J. Bovenzi
*Senior Vice President,
Commercial Loan Officer*

Roberta A. Parker
*Senior Vice President,
Retail Lending Officer*

Brigitte M. Grenier
*1st Vice President,
Senior Portfolio Manager*

Marcio J. Cirino, Jr.
*Vice President,
Retail Lending Officer*

Robert W. Courtemanche
*Vice President,
Loan Servicing Officer*

Nicole M. Kalloch
*Vice President,
Portfolio Manager*

Anthony A. Oduro
*Vice President,
Credit Manager*

Amanda L. McGrath
*Assistant Vice President,
Credit Analyst*

Ross M. Potvin
Credit Officer

WEALTH MANAGEMENT

Wayne P. Carney
*Senior Vice President,
Financial Advisor &
Senior Trust Officer*

Matthew C. Smith
*Assistant Vice President,
Wealth Management &
Trust Services*

Peter W. St. George
Trust Investment Officer

RETAIL DIVISION

Lori E. Kelly
*1st Vice President,
Branch Administrator*

Nicole M. Bourgault
*Vice President,
Branch Manager*

Christopher J. Connors
*Vice President,
Relationship Banking Officer*

Kathleen L. Faur
*Vice President,
Branch Manager*

Laura B. Pearsall
*Vice President,
Branch Manager*

Heather L. Sarasin
*Vice President,
Branch Manager*

Melanie A. Savageau
*Vice President,
Branch Manager*

Jonathan P. Knight
*Assistant Vice President,
Branch Manager*

Elizabeth Aguilera-Tello
Branch Manager

DEPOSIT OPERATIONS & EBANKING

Katherine M. Dearborn
*Senior Vice President,
Deposit Operations &
eBanking*

Theresa A. Basque
*Vice President,
Deposit Operations &
eBanking*

TECHNOLOGY

Lee F. Dearborn
*Vice President,
Technical Services*

Kimberly A. Lawn
*Vice President,
Information Security Officer*

Branch Locations

MONUMENT SQUARE

24 Monument Square, Leominster

CENTRAL STREET

721 Central Street, Leominster

JOHN FITCH

486 John Fitch Highway, Fitchburg

PARKHILL

529 Electric Avenue, Fitchburg

HARVARD

283 Ayer Road, Route 110

TOWNSEND

225 Main Street

GROTON

788 Boston Road

MORTGAGE & LOAN CENTER

780 Main Street, Fitchburg

COMMERCIAL LENDING & WEALTH MANAGEMENT CENTER

25 Harvard Street, Worcester

