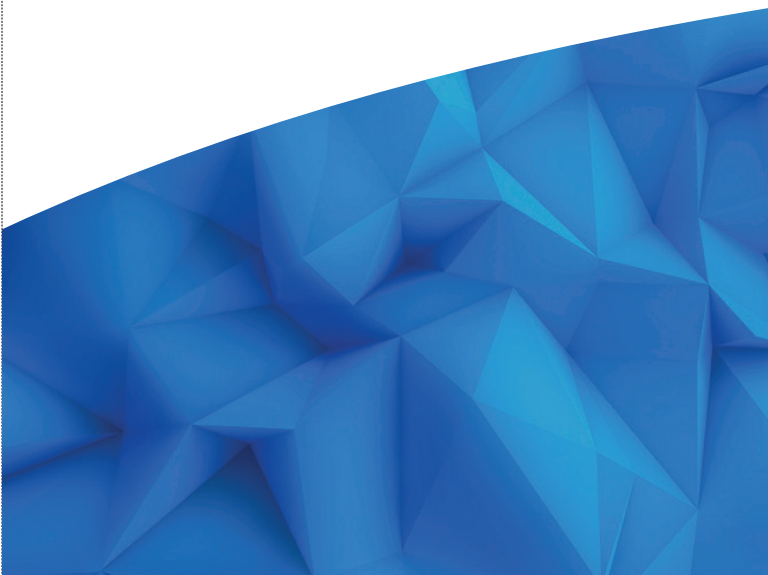


# 2018

## Annual Report



Dear MountainOne Community:

Our financial results for 2018 were the strongest in MountainOne's history as measured by net income and other banking metrics such as Return on Assets. The results are a validation of our business plan of strong balance sheet management and a disciplined approach of extending credit. In 2018 we reported net income of just over \$5.6 million; an increase of 88% from the previous year. While 2018's results benefitted, in part, from a lower tax rate due to the Tax Cut and Jobs Act, the significant improvement in our operating results was primarily driven by an increased net interest margin, the growth of our construction loan portfolio - which typically carries higher yields, and effective management of non-interest expenses.



Entering 2019 we have implemented an operating philosophy of *"Preserving the Quality We Have Created."* Based on recent economic data a recession now seems less likely in 2019 or early 2020 than previously forecasted; however, we are expecting a more challenging year due to various factors including, but not limited to: an inverted yield curve negatively impacting net interest margin; a continued focus on asset quality over growth; lower residential mortgage banking volume; and a challenging market for deposit growth. In spite of these challenges we are focused on continuing on the path of strengthening our balance sheet and achieving a consistent earnings trend.

During the summer of 2018 our employees participated in an Employee Engagement Survey. It was very gratifying to have close to 100% participation given that the national average is 33%. The results of the survey have provided us with greater insights as to what is important to our employees. In keeping with our Core Commitments, we remain steadfast in our responsibility to provide an environment that is supportive of professional development and growth. We also have taken actions to be more fully engaged with our employees and improve communication.

The survey also helped to confirm our need to enhance the knowledge of our brand internally and externally - especially on the South Shore in eastern MA. To that end, we will soon be launching a new and exciting branding campaign in mid-2019 that raises awareness of MountainOne, communicates our value proposition, aligns with our business objectives, differentiates us in our markets and resonates with individuals and businesses. So, be on the lookout for our new ads and branding message!

As I end this letter to you I would be remiss not to mention one of the greatest concerns we have for our customers - FRAUD! Please become educated and aware of the many scams affecting consumers and businesses. Our website offers valuable information on the latest scams and steps you can take to protect yourself. Identity theft protection is available with some of our accounts. Please do not allow yourself to be victimized.

As always, thanks for your support!

A handwritten signature in black ink that reads "Robert J. Fraser". The signature is written in a cursive, flowing style with a large loop at the end of the last name.

Robert J. Fraser  
President & Chief Executive Officer

# Trustees of MountainOne Financial, MHC

## Directors of MountainOne Financial, Inc.

## Directors of MountainOne Bank

Pamela B. Art

James J. Bailey, Jr.

Daniel E. Bosley

Richard B. Bullett

Noreen Carey-Neville

David W. Crane

Robert J. Fraser

Susan S. Hogan

Stephen P. Klass

Kevin A. Maguire

Thomas P. O'Connell

William F. Spence

Joseph C. Thompson

## Corporators

Billie Lynn Allard

William Apkin

Pamela B. Art

James J. Bailey, Jr.

Ray Belanger, Jr.

Michael Bellotti

Blair Benjamin

James F. Birge

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Julia Bowen

John Bradley

Diana D. Brooks

Andrew B. Budz

Richard B. Bullett

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Eileen M. Clark

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Paul Gordon

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Vincent P. Guntlow

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Kevin Hanley

Paula Harris

Ruth G. Harrison

Paul Hart

Susan S. Hogan

John C. Holden

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Stephen P. Klass

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Kevin A. Lamb

Benjamin Lamb

Kevin A. Maguire

Robert Manzella

Marcia McFarland

Jon McGrath

Maureen N. McGuire

Amy Moresi

David Moresi

Kimberly Nelson

Linda E. Neville

Thomas P. O'Connell

Maureen M. O'Mara

Steven J. Owens

Charles Perfetuo

Felicia Pharr

Leslie Reed-Evans

Denise C. Richardello

Mireille Roy

Jonathan B. Sabin

Robert J. Scerbo

Graham Shalgian

Matt Sheehy

Eva Sheridan

Anthony M. Smeglin

William F. Spence

Roger E. St. Pierre

Suzanne J. Stinson

Bradley C. Svrluga

Holly Taylor

Jeffrey Thomas

Joseph C. Thompson

Steve Triffletti

Daniel Trombley

Susannah Wells

David J. Westall

Susan J. Yates-Mulder

## MountainOne Financial Officers

Daniel E. Bosley	Chair
Pamela B. Art	Vice Chair
Robert J. Fraser	President & Chief Executive Officer
Lynne M. Carlotto	EVP, Senior Risk Management Officer
Steven J. Owens	EVP, CFO, COO, CIO, Treasurer
Noelle M. Pandell	Corporate Secretary
I. Michelle Devine	Assistant Secretary

## MountainOne Investments Officers

Lynn Sullivan	President
Linda B. Levesque	Supervising Principal, Chief Operating Officer
Robert G. Abel	Senior Vice President, Financial Advisor
James E. Durand	Vice President, Financial Advisor & Head of Research

## MountainOne Insurance Officers

Jonathan S. Denmark	President & Chief Operating Officer
Donna M. Bishop	Senior Vice President, Personal & Commercial Insurance
William R. Robinson	Senior Vice President, Sales Manager
Linda A. Febles	Vice President, Business Insurance
Grace J. Gray	Vice President, Customer Service & Claims
Eric P. Pratt	Vice President, Bonding Manager
Brian W. Drake	Vice President, Employee Benefits
John M. Flaherty	Vice President, Employee Benefits

# MountainOne Bank Officers

Robert J. Fraser	President & Chief Executive Officer
Lynne M. Carlotto	EVP, Senior Risk Management & CRA Officer
Steven J. Owens	EVP, CFO, COO, CIO, Treasurer
Jill K. Amato	SVP, Marketing Officer
Richard W. Bromberg	SVP, IT Director, Information Security Officer
Stacy D. Litke	SVP, Senior Operations Officer
Michael Z. Pang	SVP, Credit Administration Officer
Elizabeth A. Petropulos	SVP, Senior Human Resources Officer
Timothy P. Rhuda	SVP, Senior Commercial Banking Officer
Lynn Sullivan	SVP, Executive Community Banking & Cash Management Officer
Melissa E. Weber	SVP, Mortgage Banking & Consumer Lending Officer
Debra A. Wooley	SVP, Controller
Richard J. Alcombright	VP, Local Business & Customer Relations Manager
Kim E. Anderson	VP, Loan Compliance Officer
Jonathan S. Denmark	VP, Insurance Services
Kelly C. Grant	VP, Senior Regional Community Banking Officer
Kelli E. Kozak	VP, Community Engagement Officer
Matthew B. Kreiser	VP, Commercial Banking Officer
Linda B. Levesque	VP, Financial Services
Kevin M. McGowan	VP, Commercial Banking Officer
Steven Munger	VP, Commercial Banking Officer
Stephanie Scott	VP, BSA/AML/OFAC & Deposit Compliance Officer
Erika L. Bailey	AVP, Loan Operations
Alicia A. Benoit	AVP, Electronic Banking Officer
Paula J. Clough	AVP, Finance
Alice M. Copeland	AVP, Underwriting and Processing Manager
Susan R. Crum	AVP, Branch Administration
I. Michelle Devine	AVP, Assistant to President & CEO, HR Liaison Officer, Assistant Secretary
Kelly L. Dubie	AVP, Customer Care Officer
Marie A. Harris	AVP, Credit Administrator
Elizabeth D. Kapner	AVP, Marketing Manager
Lisa J. Mineau	AVP, Human Resources Officer
Cynthia P. Noyes	AVP, Risk Management Analyst
Rebecca L. O'Regan	AVP, Consumer Credit Officer
Timothy J. Shepard	AVP, Information Technology Officer
Lucille A. Weare	AVP, Community Banking Officer
Nancy E. Baran	Deposit Operations Officer
Gwenn D. Bishop	Mortgage Underwriter
Brandon D. Cannata	Portfolio Manager
Paula M. Dolan	Loan Compliance Analyst
Peter M. Fortier	Facilities & Security Officer
Jessica A. McGovern	Executive Commercial Banking Assistant & Officer
Noelle M. Pandell	Executive Administrator, Corporate Secretary
Meghan L. Dunphy	Community Banking Officer
Sonia M. Figueira	Community Banking Officer
Greg Marchion	Community Banking Officer
Jacob Phillips	Community Banking Officer
Erin M. Galvin	Assistant Community Banking Officer
Colleen J. McClintock	Assistant Community Banking Officer
Erik Ray	Assistant Community Banking Officer
Devon E. Stone	Assistant Community Banking Officer
Nicole M. Wildermuth	Assistant Community Banking Officer

# MountainOne Financial

## Consolidated Statements of Income

Years Ended December 31

2018                      2017  
(Dollars in Thousands)

### Interest and dividend income:

Loans, including fees	<b>\$34,948</b>	\$30,418
Securities	<b>2,889</b>	2,462
Federal funds sold and other	<b>123</b>	83
Total interest and dividend income	<b>37,960</b>	32,963

### Interest expense:

Deposits	<b>6,272</b>	4,456
Federal Home Loan Bank borrowings	<b>2,403</b>	2,334
Subordinated debt	<b>958</b>	921
Total interest expense	<b>9,633</b>	7,711

Net interest income	<b>28,327</b>	25,252
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### Provision for loan losses

	<b>1,600</b>	2,000
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Net interest income after provision for loan losses	<b>26,727</b>	23,252
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### Non-interest income:

Customer service charges on deposits	<b>853</b>	800
Commissions on insurance and investment products	<b>10,032</b>	9,479
Mortgage banking income	<b>604</b>	991
(Loss) gain on securities, net	<b>(10)</b>	722
Other income	<b>1,752</b>	4,855
Total non-interest income	<b>13,231</b>	16,847

### Non-interest expense:

Salaries and employee benefits	<b>19,918</b>	19,639
Occupancy expense	<b>2,684</b>	2,663
Equipment expense	<b>883</b>	879
Data processing expense	<b>1,772</b>	1,604
FDIC deposit insurance assessments	<b>472</b>	401
Other expense	<b>6,691</b>	6,159
Total non-interest expense	<b>32,420</b>	31,345

Income before income taxes	<b>7,538</b>	8,754
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Income tax expense	<b>1,888</b>	5,754
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<b>Net income</b>	<b>\$5,650</b>	\$3,000
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# MountainOne Financial Consolidated Balance Sheets

As of December 31

2018                      2017  
(Dollars in Thousands)

## Assets

Cash and cash equivalents	<b>\$20,075</b>	\$12,728
Interest-bearing time deposits with other banks	<b>250</b>	500
Marketable equity securities, at fair value	<b>97</b>	—
Securities available for sale, at fair value	<b>97,315</b>	91,877
Federal Home Loan Bank stock, at cost	<b>5,618</b>	7,734
Loans held for sale, at fair value	<b>1,506</b>	13,221
Loans:		
Residential real estate	<b>195,933</b>	214,929
Home equity	<b>47,532</b>	53,591
Commercial real estate	<b>256,218</b>	278,140
Construction and land	<b>117,635</b>	90,960
Commercial	<b>85,484</b>	86,287
Consumer	<b>8,340</b>	5,674
Total loans	<b>711,142</b>	729,581
Deferred loan costs, net	<b>1,199</b>	1,466
Allowance for loan losses	<b>(9,890)</b>	(9,124)
Net loans	<b>702,451</b>	721,923
Premises and equipment	<b>14,379</b>	14,950
Deferred tax asset, net	<b>6,046</b>	5,284
Other real estate owned	<b>155</b>	255
Goodwill and other intangible assets	<b>3,341</b>	3,389
Bank-owned life insurance	<b>26,061</b>	25,428
Other assets	<b>7,443</b>	9,378
<b>Total assets</b>	<b>\$884,737</b>	\$906,667

## Liabilities and capital

Deposits:		
Non-interest-bearing	<b>\$113,894</b>	\$122,545
Interest-bearing	<b>548,275</b>	509,336
Total deposits	<b>662,169</b>	631,881
Federal Home Loan Bank borrowings	<b>102,300</b>	161,000
Subordinated debt	<b>20,620</b>	20,620
Other liabilities	<b>20,682</b>	19,260
Total liabilities	<b>805,771</b>	832,761
Total capital	<b>78,966</b>	73,906
<b>Total liabilities and capital</b>	<b>\$884,737</b>	\$906,667

## Our Mission

To deliver solutions of real value that help individuals, businesses, and community institutions manage their financial lives with clarity and confidence.

## Our Core Commitments

Asset Quality

Customer Care

Operational Distinction

Professional Development

Regulatory Accountability

Community Engagement



North Adams | Pittsfield | Quincy | Rockland | Scituate | Williamstown

MountainOne is a mutual holding company headquartered in North Adams, MA. Founded in 1848, MountainOne Bank provides a complete array of personal and business banking and electronic services. MountainOne Insurance provides personal and business insurance, bonding services, and group benefits solutions. The financial advisors of MountainOne Investments offer securities and advisory services through Commonwealth Financial Network®, member FINRA/SIPC, a Registered Investment Adviser. Fixed insurance products and services offered through CES Insurance Agency or MountainOne Investments. MountainOne Bank is not a registered broker-dealer or Registered Investment Adviser. MountainOne Bank and MountainOne Insurance are not affiliated with Commonwealth. MountainOne Investments' main office is located at 85 Main Street, Suite 100, North Adams, MA 01247. (413) 664-4025

Insurance and Investments are not insured by the FDIC and are not deposits or other obligations of, or guaranteed by, any depository institution. Funds are subject to investment risks, including possible loss of principal investment.

MountainOne Bank is Member FDIC. Member DIF.  Equal Housing Lender.