



2013

RANDOLPH SAVINGS BANK

ANNUAL  
REPORT

**RANDOLPH  
SAVINGS BANK**

*At Randolph Savings Bank, we believe in people helping people. We strive to present the individuals, homeowners and businesses in our community an array of products that are convenient and hassle-free. We understand the changing financial needs of our markets, and will keep pace by offering innovative products that contribute towards the Bank's aggressive goals for growth.*

*It is our priority to attract and retain a talented team of professionals who will provide outstanding service to their colleagues and customers, and we acknowledge the importance of recognizing and rewarding their achievements and encouraging our team to challenge themselves to raise their performance.*

*Local management. Local decisions. Local commitment.*

*Randolph Savings Bank—A great place to bank, a great place to work.*

## From Your Chairman

2013 was a watershed year for Randolph Savings Bank, challenging in retrospect but promising in one big respect—what's in store for us.

Looking back, 2013 saw a continuation of the sluggish performance that has limited our potential over the past few years. Looking forward, however, I have no doubt that 2013 will be seen as the turning point—the year we put in place a detailed plan to return Randolph Savings Bank to the performance that has been a hallmark of our rich history.

Simply put, we are not happy with certain key performance measures—and haven't been for some time. Of most concern, Randolph Savings Bank has experienced stagnant growth in both deposits and loans over the past few years.

Compared with our industry peers, we are good at retaining deposit accounts, losing only about 10 percent a year, an exceptionally low attrition rate. On the other hand, we're not opening enough new accounts to overcome this modest loss and achieve consistent deposit growth.

Our loan performance also has been disappointing, with the overall balance across our portfolio on a downward trend since 2009. Meanwhile, some key profitability metrics are less favorable than we would like to see, in part because we haven't been able to spread expenses over a larger asset base.

Certainly, the economic climate, the interest rate environment, and regulatory challenges have all played a role in restricting our profitability. In 2013, our financial performance also was impacted by certain one-time events, most notably expenses related to changes in management and one significant loan charge off.

Even so, Randolph Savings Bank has a proud history of turning challenges into opportunities. Regardless of external or extraordinary influences, we are responsible for evolving our business model to capitalize on changes in the market place to achieve consistent growth and profitability—and that is just what we're doing.

In 2013, we welcomed a number of new senior executives, including Jim McDonough as President and CEO; Martie Dwyer as Senior Vice President, Senior Commercial Loan Officer; Richard Olson as Senior Vice President, Retail Banking; and Tom Foresta as our new Chief Information Officer. We also saw talented members of management take on expanded roles: Ryan Kirwin was promoted to Vice President, Residential Lending and Phillip Carnevale, our CFO, took on new operational responsibilities and was promoted in early 2014 to Senior Vice President.

Our new senior leadership team shares an extensive background in community banking. They have the experience to adapt to new challenges, as well as a deep appreciation for what distinguishes Randolph Savings Bank—local management, local decisions, and local commitment.

Our senior leadership also understands something else—during a time of such rapid change, Randolph Savings Bank cannot afford to be satisfied with business as usual. With that in mind, your management and board pooled their expertise to develop a strategic plan designed to guide Randolph Savings Bank into a more prosperous future.

Developed in 2013 and approved early this year, the plan sets clear goals for the next three years and specifies the tactics needed to reach them. With all of the change 2013 brought, I am confident it will be remembered as the year we repositioned Randolph Savings Bank to achieve the growth and profitability that allows a thriving community bank to continue to make a difference in the neighborhoods it serves.



Richard Pierce  
Chairman of the Board





## From your CEO

About a year ago I was privileged to join Randolph Savings Bank, part of a senior management influx to one of the region's most time-honored financial institutions. My new colleagues and I all saw something in Randolph Savings Bank that intrigued us—potential.

With the board's support, we set about putting a plan in place to tap that potential. One of the first steps was exhaustive research—of our markets, customers, and prospects—to determine where our bank stands and where the opportunities lie. Armed with that data, we developed a detailed strategic plan—a road map showing exactly what we need to do to get where we want to go.

Our strategic plan identifies four broad goals for Randolph Savings Bank: 1) Be a great place to bank; 2) Achieve growth; 3) Improve profitability; and 4) Be a great place to work. We've populated each of those goals with quantifiable objectives—hard numbers that we can monitor to gauge our progress. Finally, we developed an action plan that details the steps we need to take.

Though our strategic plan is complex, the core goals are quite simple. We plan to:

### Be a great place to bank

We're taking a fresh look at our products to be sure they compare favorably to competitors and appeal to today's customers. We're simplifying our processes to integrate "hassle-free" and "convenient" into our brand. And we're leveraging technology to improve efficiency and customer service, most evidently through plans to overhaul our website and online banking portal.

### Achieve growth

Our principal metrics for achieving growth relate to core (non-CD) deposits, residential mortgage originations, and commercial loans. We have established aggressive, but achievable, goals in these three areas. One example: We think there is enough growth potential in our current markets to double the average number of new accounts opened each month per branch.

### Improve profitability

As total assets increase, our profitability will naturally improve because we will be leveraging expenses across a larger base. We have also set specific goals for key business lines—fee income, for instance, should rise as we meet our targets for new checking accounts and mortgage originations. In addition, we feel we have the capacity to achieve our growth goals without a corresponding increase in our headcount.

### Be a great place to work

Achieving our growth and profitability goals hinges on attracting and retaining talented people. Our strategic plan includes steps to create a culture of empowered and accountable team members who are challenged to raise their performance. We're also developing programs to recognize and reward employees for innovative ideas and outstanding service to colleagues and customers.

As part of our repositioning, we have decided to focus on our core Massachusetts markets. Consequently, we completed the sale of our two Rhode Island branches in the first quarter of 2014, a move that reduces our operating expenses while allowing us to concentrate our resources in markets where growth potential is most promising.

Randolph Savings Bank has weathered some difficult years, but now it is time to look to the future. We recognize that we have a special responsibility to support our communities by sustaining the foundation of home ownership. We renew our commitment to keep pace with the changing financial needs of our markets. And we resolve to remain an independent, mutual community bank, as we have been since 1851.

Thank you for your support.

James McDonough  
President and Chief Executive Officer



## Retail Banking

Market research conducted in 2013 showed that Randolph Savings Bank has a reputation for responsive customer service and dedicated community engagement, virtues that have long been our trademark. We plan to build on those strengths while also addressing a misconception uncovered by our research—namely, that Randolph Savings Bank is a place where tradition trumps innovation.

We are much more than savings accounts and mortgages, but not everyone knows that. So we intend to burnish our brand and update our story. The message? Our 163-year history doesn't define us as old-fashioned, but instead gives us a foundation of dependability and experience.

To be sure we meet the evolving needs of customers, we plan to refresh our retail product lineup, incorporating features that position us on the vanguard of the industry. Our goal is twofold: To persuade current customers to broaden their relationship with us, while giving prospective customers a reason to take a new look at us.

Also in 2014, we expect to roll out a new website and online banking portal. Right now, use of online and mobile banking is relatively low among our customers. We expect that to change, especially as we take steps to expand our appeal to young families and individuals by offering more convenient options for banking on the go with even more online functionality. We'll be presenting a more robust offering for our business customers, as well, with a greater variety of commercial applications available online.



L to R: Richard Olson, Randolph Savings Bank customer

## Mortgage Lending

Mortgage lending is a driving force at Randolph Savings Bank. Supporting our communities is central to our mission, and there is no better way to provide that support than by encouraging home ownership.

In 2013, Randolph Savings Bank originated 645 mortgages with a combined balance of \$145 million. More than 65 percent of our mortgages were refinances, a ratio unlikely to be repeated if, as expected, interest rates continue rising in 2014.

Since the refinance picture looks doubtful, we plan to redouble our efforts to originate mortgages for new purchases. We intend to compete for purchase mortgages through aggressive marketing, especially to first-time buyers, a natural fit for the personal guidance that distinguishes Randolph Savings Bank from larger competitors.



L to R: Andy Parsons, Jennifer Kosh, Peter Pederzani, Grace Teixeira

In addition, we will evaluate our mortgage products to be sure they meet the changing needs of customers. We expect many longtime homeowners, for instance, to be interested in products that help them accelerate mortgage payoff before retirement. We will make sure they can find attractive term reduction solutions at Randolph Savings Bank.

Other plans for spurring purchase mortgages in 2014 include opening a new loan center in North Attleboro and improving relations with the real estate community to increase referrals. As part of our website renovation, we will make it easier for customers to learn about our mortgage products, submit an application, and interact or exchange information with our mortgage experts online. Such online convenience is expected nowadays—and will be even more effective when backed by the kind of personal service that isn't.



L to R: Barry Lipsett, Charles River President & Owner, and Martie Dwyer

## Commercial Banking

We have strengthened our commercial lending team in order to better serve small business owners. Under the leadership of new senior lending officer Martie Dwyer, we have added to our team several experienced lenders with a diverse set of skills to meet the changing needs of the Massachusetts small business community.

We still have some work to do in spreading the word about the availability of commercial real estate loans and local business financing to include revolving lines of credit and equipment financing. Our market research suggests that customers often don't associate thrifts with commercial banking. We intend to change that perception and make it clear that doing business with a local bank makes as much sense for business owners as it does for homeowners.

The opportunity is huge. With deep roots in the region, Randolph Savings Bank has unrivaled knowledge of our local communities. And since those local communities are our only market, we have a genuine incentive to support local business in a way few competitors can match.

One of our advantages is a long history of community involvement. The job now is to leverage that experience into stronger connections with local business. To help hasten the process, John (Jack) Shea joins us as the newest commercial lender to our growing team. With over 38 years in the business, he brings a deep expertise in construction financing to Randolph Savings Bank, which will expand our capabilities dramatically. Responsive service, local decisions, and community focus—the things we do best are the things business wants most.

# Community Connect

As a local bank, we have a special responsibility to support the communities we serve, not just as a financial institution but as a neighbor.

Over the decades, Randolph Savings Bank has contributed to scores of charitable organizations, both financially and through donations of time, labor, and expertise. Volunteerism isn't a job requirement, but it certainly seems to be a widespread trait among the team members we bring aboard.

## Just some of the organizations we support:



Food Pantry Foundation of Stoughton



Randolph Community Band

Sean Joyce Foundation

L to R: Denise Concannon, Catherine Morrill, and Maria Teixeira, Randolph Savings Bank employees, lend a helping hand to raise some walls with Habitat for Humanity



In the research we conducted last year, it became clear that the people in our markets appreciate our involvement and count it among the characteristics they value in a bank.

Providing financial products and services may be what we do. But supporting our communities—by turning a tenant into a homeowner, by helping a new business flourish, and by assisting a nonprofit that's handing out hope—is who we really are.



### My Brother's Keeper

Noting a gap in the social safety net some 25 years ago, My Brother's Keeper filled the void by starting a service that provides free furniture to folks in need. Since then, the local nonprofit has made nearly 100,000 furniture deliveries to struggling families and individuals throughout southeastern Massachusetts.

### School on Wheels of Massachusetts

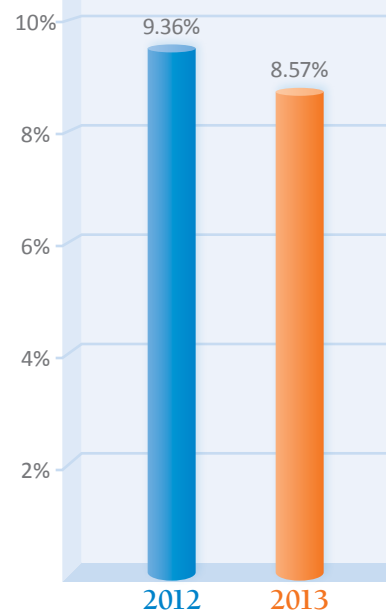
One of just three such programs in the country, School on Wheels helps children overcome homelessness through education. The nonprofit provides tutoring, mentoring, and school supplies to K-12 students who struggle to stay on track academically when they have no place to call home.



# 2013 Financial Report & Highlights

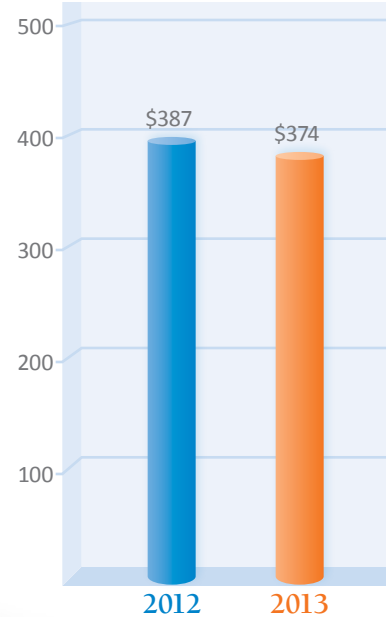
of Randolph Bancorp

Capital to Assets Ratio



Despite the challenges we've faced, the future looks promising for Randolph Savings Bank. In 2013, we selected a new CEO who moved swiftly to address lingering challenges: key non-performing credits against the headwinds of a shrinking mortgage refinance market, a lackluster retail business that is losing market share to local and regional competition, a balance sheet laden with a low-yielding investment portfolio, as well as making decisions regarding the Rhode Island franchise. Effectively addressing these difficult tasks under the backdrop of ongoing challenges in the economy required significant changes to the management team throughout the organization. We tackled these many obstacles head on, which resulted in a net loss of \$2.6 million.

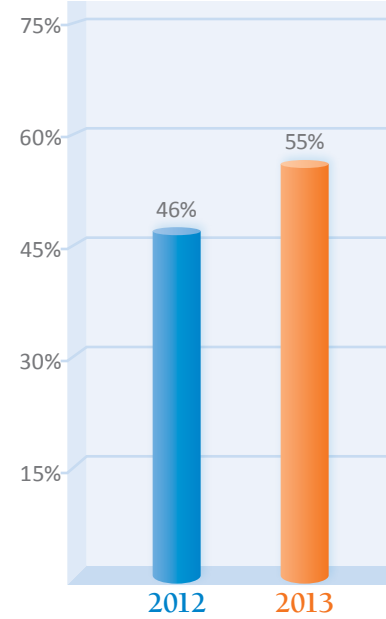
Total Assets (in Millions)



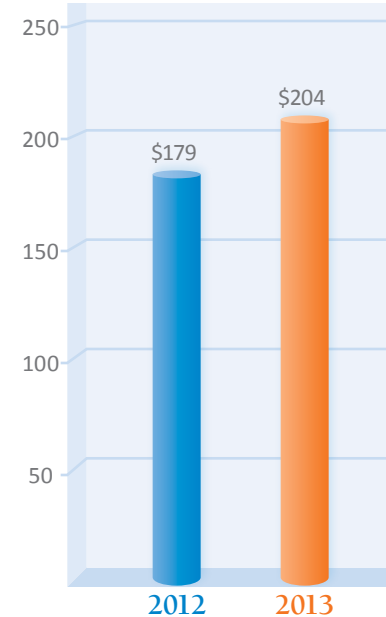
In 2013, the new management team aggressively addressed non-performing loans. As an example, one severely under performing loan relationship was identified and an exit strategy was implemented at a cost of \$1.4 million. Exiting this relationship, and others like it, in 2013 allows the bank to focus on the responsible loan growth needed to improve earnings.

We also needed to "rebuild" the balance sheet. Commercial loans and residential loans to be held in portfolio would replace low yielding bonds and mortgage backed securities. Though this strategy cost \$700,000 in lost fee income, our future earnings will be enhanced for many years via an improving net interest margin.

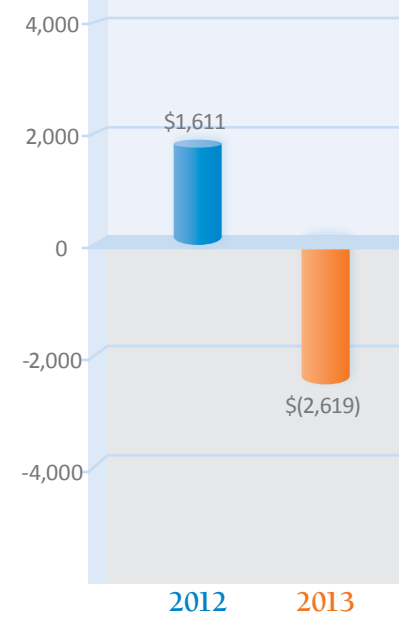
Net Loans to Total Assets



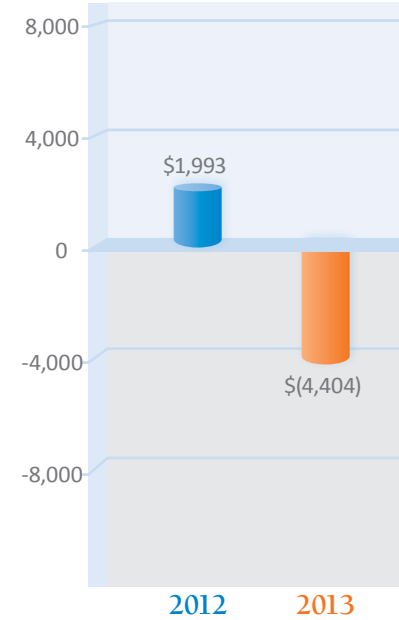
Total Loans (in Millions)



Net Income (in Thousands)



Income Before Taxes (in Thousands)

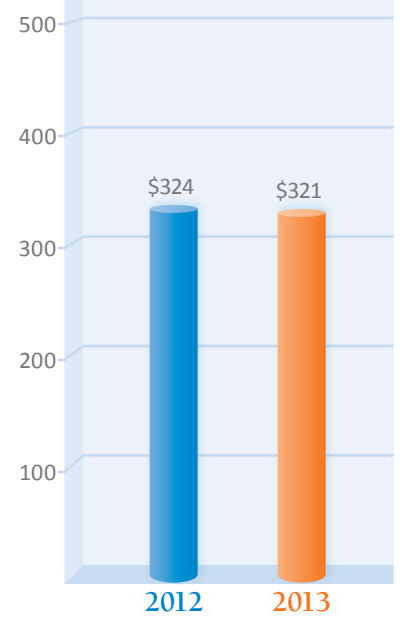


We knew that it was imperative to attract a talented and diverse management team. We also knew that Randolph Savings Bank would need to shrink our workforce, while ensuring that we minimized the impact of the staff cuts on the affected individuals. To accomplish this, we offered a number of fair separation plans that were accepted by nineteen (19) people at a cost of \$1.5 million.

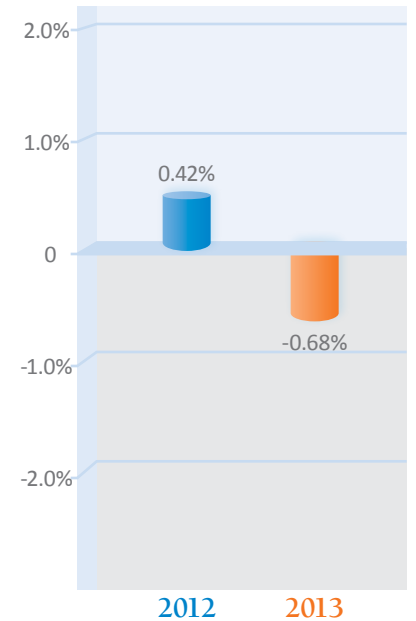
The bank also reviewed its branch network strategy to determine how to best focus our resources to serve our current and future customers in a way that allowed us to grow as our customers' needs change. We determined that a two state franchise at our current size was inefficient and we were not effectively competing in either market, and thus made the decision to divest the bank of its Rhode Island franchise. This franchise divestiture process was completed in early March 2014. The financial benefit of this transaction will take place in quarter one of 2014.

The bank took some significant steps in 2013 to position itself for future prosperity. While these changes came at a cost, the price of not changing was much higher. We are confident that the long-term effects of the steps taken this past year will create a stronger and more profitable organization better positioned to continue its 163-year history of being the bank of choice for business owners, individuals and families in the markets we serve.

Total Deposits (in Millions)



ROA



## Consolidated Balance Sheets

### of Randolph Bancorp

As of December 31, 2013 and 2012

#### Assets

	(in Thousands)	
	2013	2012
Cash and due from banks	\$ 3,564	\$ 5,660
Interest-bearing deposits	36,675	2,307
<b>Total cash and cash equivalents</b>	<b>40,239</b>	<b>7,967</b>
Certificates of deposit	1,980	1,000
Securities available for sale, at fair value	97,853	170,012
Federal Home Loan Bank stock, at cost	1,771	1,573
Loans held for sale	1,726	4,165
Loans, net	203,974	179,406
Premises and equipment, net	4,123	6,561
Premises and equipment, held for sale, net	2,171	-
Accrued interest receivable	1,042	1,314
Bank-owned life insurance	9,965	9,707
Net deferred tax asset	3,219	64
Prepaid FDIC insurance	-	969
Foreclosed real estate	130	270
Mortgage servicing rights	2,344	1,505
Other assets	3,181	2,269
<b>Total</b>	<b>\$ 373,718</b>	<b>\$ 386,782</b>

#### Liabilities and Retained Earnings

	2013	2012
Deposits	\$ 321,449	\$ 323,648
Federal Home Loan Bank advances	9,771	14,476
Mortgagors' escrow accounts	1,297	1,088
Post-employment benefit accruals	3,255	4,276
Other liabilities	2,337	2,214
<b>Total liabilities</b>	<b>338,109</b>	<b>345,702</b>
Retained earnings	35,119	37,738
Accumulated other comprehensive income	490	3,342
<b>Total retained earnings</b>	<b>35,609</b>	<b>41,080</b>
<b>Total</b>	<b>\$ 373,718</b>	<b>\$ 386,782</b>

## Consolidated Statements of Operations

### of Randolph Bancorp

Years Ended December 31, 2013 and 2012

	(in Thousands)	
	2013	2012
Interest and dividend income:		
Loans, including fees	\$ 8,129	\$ 8,834
Securities-taxable	3,106	4,050
Securities-tax exempt	504	542
Interest-bearing deposits and certificates of deposit	29	36
<b>Total interest and dividend income</b>	<b>11,768</b>	<b>13,462</b>
Interest expense:		
Deposits	1,820	2,133
Federal Home Loan Bank advances	147	209
<b>Total interest expense</b>	<b>1,967</b>	<b>2,342</b>
Net interest income	9,801	11,120
Provision for loan losses	1,911	390
<b>Net interest income, after provision for loan losses</b>	<b>7,890</b>	<b>10,730</b>
Other income (charges):		
Gain on sales of securities available for sale, net	39	406
Loss on disposal of assets, net	(64)	-
Customer service fees	1,794	1,821
Net gain on mortgage banking activities	1,743	4,013
Mortgage servicing	894	(564)
Increase in cash surrender value of life insurance	259	284
Miscellaneous	12	33
<b>Total other income</b>	<b>4,677</b>	<b>5,993</b>
Operating expenses:		
Salaries and employee benefits	9,786	8,163
Occupancy and equipment	1,689	1,490
Data processing	835	787
Professional fees	1,097	780
Advertising	274	254
Foreclosed real estate, net	48	284
Other general and administrative	3,242	2,972
<b>Total operating expenses</b>	<b>16,971</b>	<b>14,730</b>
Income before income taxes	(4,404)	1,993
Income tax expense (benefit)	(1,785)	382
<b>Net income</b>	<b>\$ (2,619)</b>	<b>\$ 1,611</b>

## Directors and Officers of Randolph Savings Bank

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Chief Executive Officer  
James P. McDonough

### Leadership Team:

#### Senior Vice President

Finance and Operations  
Phillip J. Carnevale

#### Senior Vice President

Senior Commercial Loan Officer  
Martie M. Dwyer

#### Senior Vice President

Retail Banking  
Richard D. Olson, Jr.

#### Vice President

Chief Information Officer  
Thomas A. Foresta

#### Vice President

Human Resources  
David A. Holmberg

#### Vice President

Residential Lending  
Ryan J. Kirwin

#### Vice President

Compliance  
Maria L. Urdi

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Robert F. Beals

Loan Servicing  
Mary E. Fisher

Senior Credit Officer  
Laura E. Kelly

Commercial Loan Officer  
Thomas B. Landers, III

Commercial Loan Officer  
John J. Shea, Jr.

Market Manager Retail Banking  
Michael A. Torrielli

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Controller  
Kristen M. DeCorpo

Compliance Analyst  
Kristyn M. Glennon

Residential Operations  
Melissa A. Gough

Operations Manager  
Shannon E. Hancock

Facilities and Security  
Francis M. Ogar

Network Operations  
Jeffrey R. Tippins

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Ashleigh R. Cummins

Branch Manager  
Grace M. Frias

Branch Manager  
Gabriel B. Pereira

Branch Manager  
Edward A. Wills

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Daniel M. Joyce

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# RANDOLPH SAVINGS BANK

*Established 1851*

A subsidiary of Randolph Bancorp