

Randolph Savings Bank
2014 ANNUAL REPORT

This is what we are.

People helping people. Making banking easier. Developing convenient, hassle-free products. Embracing the changing needs of our markets. Keeping pace with the industry. Welcoming the flexibility we have as a community bank to create innovative solutions.

This is how we make it happen.

Attracting talented professionals. Offering outstanding support to colleagues. Delivering exceptional service to customers. Rewarding our team for their achievements and our customers for their business. Encouraging a higher level of performance. Challenging ourselves to find new and better ways to serve our customers and communities.



RANDOLPH SAVINGS BANK — Local management. Local decisions. Local commitment.



FROM YOUR CHAIRMAN

Randolph Savings Bank knows it's not enough to hope for strong performance. You have to plan for it. By introducing a detailed strategic plan in 2014, that's just what we're doing.

Our strategic plan spells out how Randolph Savings Bank intends to better serve our customers, our communities, and our employees. The ink on our plan is barely dry, yet we have already begun implementing foundational changes with an eye to our future.

The early returns are promising. For example, net loans increased by \$45 million in 2014, reversing a negative trend that had prevailed over the past few years. Better yet, just about every loan category participated in our growth.

The deposit news is also encouraging. Though total deposits fell in 2014, the decrease was entirely due to the sale of our two Rhode Island branches early in the year. Take the Rhode Island divestiture out of the mix, and our core Massachusetts markets showed modest deposit growth—again, a welcome turnaround. In addition, the number of households served by Randolph Savings Bank increased in 2014 for the first time in several years. Consistent growth requires a steady infusion of new households, so we made this metric a priority in our strategic plan and it is paying off.

In the aftermath of the recent recession, the banking industry continues to navigate a challenging landscape. Even so, we are heartened to see that consumer confidence is rebounding, releasing pent-up loan demand.

But challenges remain. Given the stringent post-recession regulations now in place, it's difficult for banks to meet this increasing burden. Credit quality for both mortgages and commercial loans is subject to greater scrutiny than ever. Meanwhile, banks are coping with the task of revamping their staffing and business processes to accommodate the new regulatory environment.

Some financial institutions have responded by withdrawing from mortgage and/or commercial lending. That's not an option at Randolph Savings Bank. Mortgage lending is our legacy—it's inconceivable that we could ever turn our back on it.

As for commercial lending, it's the lifeblood of vibrant communities and critical to our long-term growth. Our Board of Directors is committed to financing business. In fact, five of our members have served as Chairman of the South Shore Chamber of Commerce. We have a strong and seasoned team of commercial bankers in place. We believe that as a community bank we are in a unique position to find ways to support the growth of businesses that keep our communities healthy.

So instead of walking away, we're increasing our commitment. Innovation is the new watchword at Randolph Savings Bank. In the current economic and regulatory environment, we must remain nimble enough to keep a step ahead of our customers' changing needs.

To do so, we are investing in the technology and people required to give our customers convenience when they want it as well as personal expertise and guidance when they need it. That's an elusive combination in banking nowadays.

Slow to change? This does not define Randolph Savings Bank. Our strategic plan won't allow it. What our plan does instead, is chart a path forward to delivering the banking experience our customers need, the professional growth our employees deserve, and the financial performance that will ensure we are here to meet the needs of business owners, individuals and families for the next 163 years.



Richard C. Pierce

Richard C. Pierce
Chairman of the Board

FROM YOUR CEO

Technology and people. Ask how Randolph Savings Bank positioned itself for the future in 2014, and the answer boils down to investments in those two areas.

After all, we're not an Internet-only bank. We're not a boutique bank. We're a community bank—and we recognize that our consumer and business customers need both the convenience of technology and the consultative value of financial professionals.

To bolster our electronic presence and broaden our appeal to younger customers, we overhauled our website and online banking portal in 2014. Our site feels friendlier and is packed with features that make banking easy. Also in 2014, we rolled out a new tablet app and revamped our smart phone app, optimizing the Randolph banking experience from any mobile device. Business customers are benefiting, too. Just recently, for instance, we introduced remote deposit capture. Also new is Business Online, which provides easy electronic access to many popular business banking services.

There's no question our customers have embraced technology for routine tasks like transferring money and checking balances. But banking isn't just about routine tasks. Sometimes, customers need insight into complex financial questions that can't be addressed with just a few clicks.

When those times arise, Randolph Savings Bank is ready in a way few competitors can rival. How so? One of the things we do best is hire problem solvers, not just number crunchers. When customers come to us with tough challenges, our people have the expertise and freedom to find solutions that make sense in the real world. That's true whether the challenge involves a family looking to buy a first home or a business looking to expand. Here, customer service is about desires and dreams, not blind servitude to every section, paragraph and subclause.

Also, in 2014, we continued to nurture and expand the diversity in our workforce. We recognize that maintaining a talented and diverse workforce that is reflective of our communities is a win for everyone – not just for our customers, but for the success of the bank. The diversity across our team means that not only do we speak the languages spoken in our communities, but we experience the benefit of diversity in thought that results in innovation and leads to success.

Last year also saw Randolph Savings Bank launch new consumer checking and savings products built with customers' feedback in mind to deliver what they wanted most. With the new lineup in place, I'm confident we're offering the most appealing selection in our market, including what we think of as America's Best Checking Account. These accounts are available not just locally through our branches but throughout New England via our website.

There's a new lending center, too—at the Emerald Square Mall in North Attleboro. Our first dedicated lending center, it gives the community a convenient way to explore our credit solutions.

And here's something else that was new in 2014—Randolph Acts of Kindness. Throughout the year, Randolph employees made random appearances in the community to do nice things for our neighbors—such as handing out bottled water at one event, ice cream sandwiches at another, and more. Community support is a hallmark of community banking. Randolph Acts of Kindness is a fun way to give back to the community in a manner that would never happen at larger banks.

As Richard Pierce points out in his chairman's letter, the implementation of our strategic plan is already paying dividends. The needle is moving in the right direction. In the next few pages, we'll share some stories about how our people have made a difference for our customers and communities. Not every bank could tell these stories. I'm privileged to work at one that can.



Jim McDonough
James P. McDonough
President and Chief Executive Officer



329 MORTGAGES ORIGINATED IN 2014

MORTGAGE LENDING

Each year, we help people achieve their dreams of home ownership. For example, Joshua and Jessica F. came to us for help buying their first home together. With guidance from our lending team they found the loan that was right for them and soon they'll be handed the keys to their new home.

Unfortunately, the process isn't always as smooth. A Boston schoolteacher, Cindy L. (not pictured), had her hands full caring for a toddler and disabled husband while taking classes toward a Master's degree. But she wasn't too busy to dream—about moving from an apartment into a cozy home in Randolph.

To make it happen, Cindy was counting on funds from a MassHousing grant program. Just one problem: While her grant application was in the works, a pay increase bumped her over the compliance limit by a mere \$80.

When the residential lending team at Randolph Savings Bank heard the news, they worked with MassHousing to see if anything could be done. One thing about Cindy's application stood out: There was no mention of the fact that she served as guardian for a younger sister away at college. So the team helped Cindy revise her grant application to reflect her household status accurately.

The result? Grant approved! Which means Cindy is no longer just a teacher, student, mother and big sister, she's also the proud owner of her first home.

"The process has been seamless—Randolph Savings Bank has taken the confusion out of mortgages!"

Joshua and Jessica F., Randolph Savings Bank Customers



Randolph Savings Bank
helped Jessica and Joshua secure
the mortgage for their first home together.



19% INCREASE IN COMMERCIAL
LOAN BALANCES IN 2014

COMMERCIAL BANKING

Dreams often come with a price tag. When Bill and Alexandra Alexopoulos wanted to expand their business—Randolph Automotive Servicenter—they turned to commercial loan specialists Martie Dwyer and Tom Landers at Randolph Savings Bank.

The Randolph commercial team came up with a creative financing plan that might not have been possible at a larger bank.

Now, Randolph Automotive Servicenter is looking forward to nearly doubling its size and improving customer service with a new repair facility, gas station and convenience store. Founded in 1963, the business has cemented its place as a community cornerstone for at least another 50 years.

A construction project of this magnitude presents many challenges. For Randolph Automotive Servicenter, securing a financing package that fit within its budget wasn't one of them. When a local bank works with a local business, even the most ambitious dreams can be built.

“It was important to us to select an institution which shares our sense of investment in and commitment to the town that we all call home.”

Bill and Alexandra Alexopoulos, Randolph Automotive Servicenter

Martie Dwyer and Tom Landers
join Bill & Alexandra Alexopoulos (center)
in the soon-to-be-updated Randolph Automotive Servicenter.



47% INCREASE IN MOBILE BANKING USAGE IN 2014

RETAIL BANKING

Randolph Savings Bank customer, Sasha L., is a new mom, works at Bridgewater State University, runs a small business, and teaches entrepreneurship to middle schoolers.

With the many demands on her time, Sasha needed to find a financial partner that could help her make the most of it. A partner like Randolph Savings Bank.

Busy customers like Sasha—people who need to make every moment count—are the reason Randolph Savings Bank continues to enhance online and mobile technologies. The Sashas of the world need a bank that fits into their lives. Right here and right now.

Of course, the immediacy of technology doesn't replace the need for in-branch expertise. Sasha likes how Randolph Savings Bank delivers both. She recently secured a loan to further her entrepreneurial goals.

"Randolph is community banking at its best," Sasha says. "The staff is creative and resourceful. They really know how to make things happen."

"Randolph is community banking at its best."

Sasha L., Randolph Savings Bank Customer

22% INCREASE IN NET LOAN
GROWTH OVER 2013

COLLECTIONS

Randolph Savings Bank works with people, not formulas. Every mortgage—every loan, for that matter—is selected with the customer’s best interest in mind. Sometimes, the most sensible solution seems to go against the grain of what a bank “should” do. We take pride in our flexibility as a community bank to focus on each customer’s unique circumstances.

One recent example: A Randolph couple was struggling to make their mortgage payments. They reached out to ask if we could craft a short-term solution. So we did. For a brief period, we allowed the couple to make monthly payments according to their schedule, not ours. As long as they honored their commitment, we agreed to suspend collection efforts.

They held up their end, we held up ours, and everybody wins. “You were so wonderful to work with!” the couple told our branch manager. We certainly hope so. After all, the whole point of creating solutions that work is to create customers for life.

“You were so wonderful to work with!”

Randolph Customer



Every situation is unique.
Gabe Pereira and Grace Frias work
together to find a solution tailored to their customer.



416 HOURS VOLUNTEERED
BY EMPLOYEES IN 2014

Community Connect

Two pillars of our strategic plan call on Randolph Savings Bank to be a great place to bank and a great place to work. Inherent though unstated is another pillar—to do great things for our community. Randolph Savings Bank demonstrates our commitment to our communities in a variety of ways to make a positive impact in our market area.

In 2014, each full-time employee was offered four hours a month to serve our communities. From assisting local non-profits' holiday efforts to placing flags on the graves of veterans to sitting on the boards of local organizations, our employees have volunteered their time and talent in numerous ways.

Beyond what our employees do, we also recognize that in order to make a sustainable change in our communities, local businesses must work together. In 2014, for instance, we asked five community leaders to join us in committing to a \$20,000 contribution spread over two years which will fund the opening of a Randolph tutoring site for School on Wheels Massachusetts, the program's 13th location. The tutoring sites provide educational services for children struggling with homelessness and serve more than 200 K-12 students throughout the south shore each week.

"We are thankful to have such strong business partners helping us reach into new communities," says Cheryl Opper, executive director of School on Wheels Massachusetts. "Their commitment to children in the community is inspiring."

"We are thankful to have such strong business partners helping us reach into new communities."

Cheryl Opper, executive director, School on Wheels Massachusetts

2014 FINANCIAL REPORT & HIGHLIGHTS

OF RANDOLPH BANCORP

In 2014 Randolph Savings Bank began implementing a strategic plan designed to build upon our rich history and position us for healthy growth well into the future. We are delighted to share with you the results of our plan's first year.

Total assets dipped \$11 million during the year, a decrease of about 3% compared with 2013. This contraction was not surprising as we used \$37 million of our securities portfolio to fund the previously announced sale of our Rhode Island franchise. Taking into account this divestiture, total assets grew over \$25 million since 2013.

This asset growth was driven by targeted, meaningful loan production. Net loans increased \$45 million, rising to nearly \$249 million, a 22% jump over 2013. Growth occurred across all loan types, with more than a \$35 million increase seen in our residential portfolio. This increase in net loans, coupled with the decrease in securities, allowed management to continue a purposeful balance sheet transition and brought the Bank's loan-to-asset ratio up to 69% from 54%.

To fund this asset growth, the Bank generated an increase in deposits of \$10 million from our Massachusetts market representing an increase of 3% over 2013 and our core deposits grew nearly \$13 million, a 7% increase. Management used borrowed funds to supplement the difference between the loan growth and deposit growth. While these numbers are not where we believe they can be long term, we are pleased with the first year's results.

For the 12 months ended December 31, 2014, Randolph Savings Bank achieved net income of \$875,000 (0.24% ROA), a sharp rebound from the \$2.6 million loss experienced in 2013. This improvement included a gain of \$782,000 from the Rhode Island divestiture.

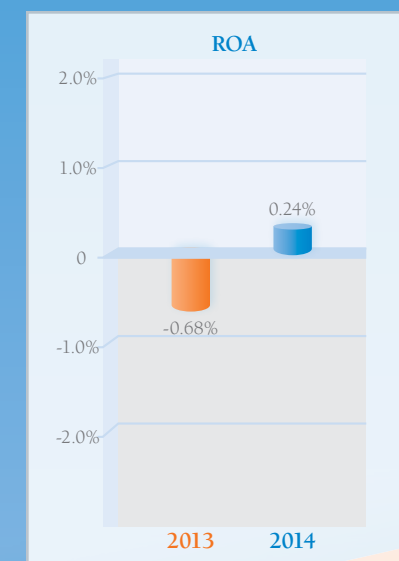
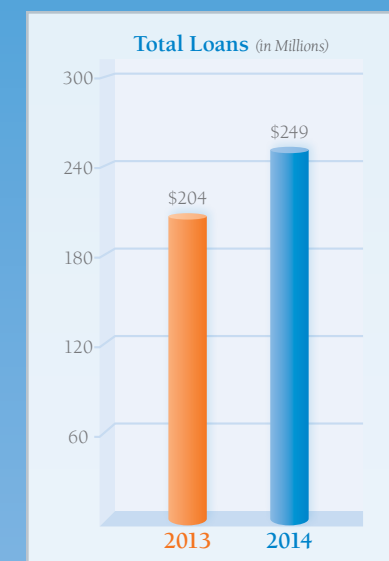
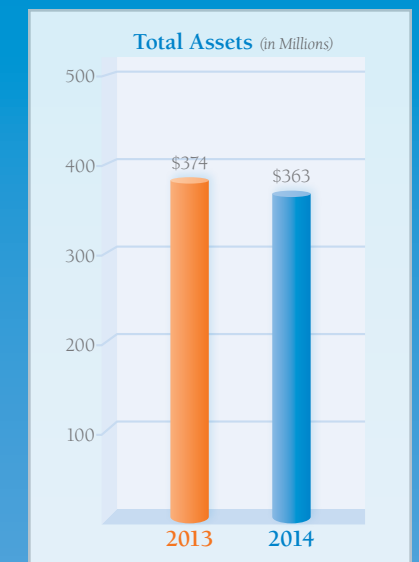
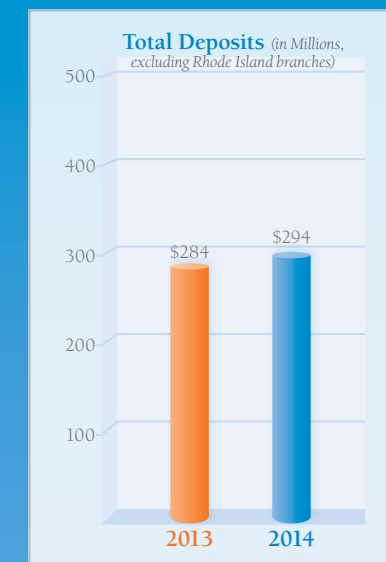
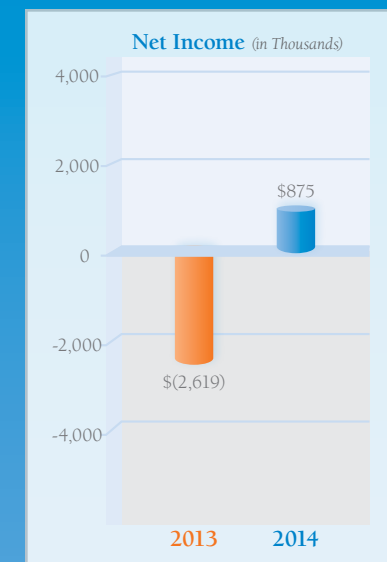
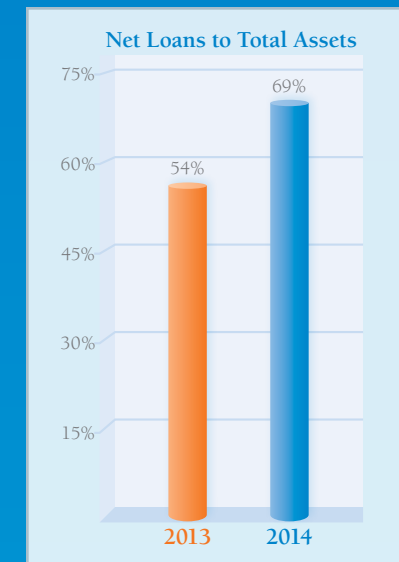
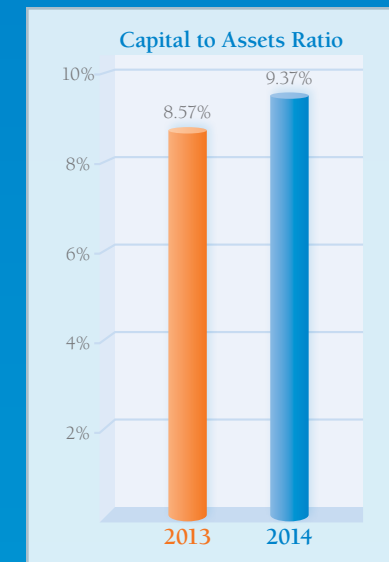
Net interest income rose \$700,000, in part due to additional interest collected on previously charged off loans, as well as the aforementioned loan growth. Meanwhile, we saw a continued decrease in our deposit costs as the interest rate environment remained virtually unchanged at a historically low level throughout 2014.

Non-interest income decreased \$202,000 in 2014. We experienced a significant increase on the gains generated from sale of investments as compared to the prior year. This was offset by lower mortgage servicing fees and a reduced gain on the sale of mortgage loans.

Total operating expenses decreased \$2.5 million, largely due to savings on salaries and benefits derived from severance charges taken in 2013. Lower professional fees, FDIC insurance, and other general and administrative expenses also contributed to this improvement.

Randolph Savings Bank saw a nice bump in net interest margin in 2014, increasing from 2.76% in 2013 to 3.22%. Part of the increase was due to additional interest income collected on a pair of commercial loans. Not including this recovery of interest, the net interest margin would have been 3.11%. The healthier margin stemmed from a decrease in the cost of funds, as well as a shift of average earning assets from lower-yielding investments to higher-yielding loans.

On balance, 2014 proved to be an encouraging start on our path forward. Along with being a great place to bank and work, our strategic plan encompasses two other goals—achieving growth and improving profitability. We saw progress in both areas last year and are optimistic that Randolph Savings Bank is well-positioned for further advances in the years to come.



CONSOLIDATED BALANCE SHEETS

OF RANDOLPH BANCORP AND SUBSIDIARY

As of December 31, 2014 and 2013

ASSETS

	(in Thousands)	
	2014	2013
Cash and due from banks	\$ 3,274	\$ 3,564
Interest-bearing deposits	1,929	36,675
Total cash and cash equivalents	5,203	40,239
Certificates of deposit	2,715	1,980
Securities available for sale, at fair value	77,875	97,853
Loans held for sale	2,341	1,726
Loans, net	249,008	203,974
Federal Home Loan Bank stock, at cost	1,803	1,771
Accrued interest receivable	1,008	1,042
Premises and equipment, held for sale, net	-	2,171
Premises and equipment, net	4,213	4,123
Bank-owned life insurance	10,210	9,965
Net deferred tax asset	3,042	3,219
Foreclosed real estate	600	130
Mortgage servicing rights	2,445	2,344
Other assets	2,019	3,181
Total	\$ 362,482	\$ 373,718

LIABILITIES AND RETAINED EARNINGS

	2014	2013
Deposits	\$ 294,462	\$ 321,449
Federal Home Loan Bank advances	24,079	9,771
Mortgagors' escrow accounts	1,338	1,297
Post-employment benefit accruals	3,611	3,255
Other liabilities	2,294	2,337
Total liabilities	325,784	338,109
Commitments and contingencies (Notes 5 and 12)		
Retained earnings	35,994	35,119
Accumulated other comprehensive income, net of taxes	704	490
Total retained earnings	36,698	35,609
Total	\$ 362,482	\$ 373,718

CONSOLIDATED STATEMENTS OF OPERATIONS

OF RANDOLPH BANCORP AND SUBSIDIARY

Years Ended December 31, 2014 and 2013

	(in Thousands)	
	2014	2013
Interest and dividend income:		
Loans, including fees	\$ 9,320	\$ 8,129
Securities-taxable	1,956	3,106
Securities-tax exempt	462	504
Interest-bearing deposits and certificates of deposit	66	29
Total interest and dividend income	11,804	11,768
Interest expense:		
Deposits	1,185	1,820
Federal Home Loan Bank advances	118	147
Total interest expense	1,303	1,967
Net interest income	10,501	9,801
Provision for loan losses	120	1,911
Net interest income, after provision for loan losses	10,381	7,890
Non-interest income:		
Customer service fees	1,668	1,794
Net gain on mortgage banking activities	1,389	1,743
Mortgage servicing	351	894
Gain on sales of securities available for sale, net	780	39
Increase in cash surrender value of life insurance	245	258
Loss on disposal of assets, net	(17)	(64)
Gain on sale of branches	782	-
Miscellaneous	59	13
Total other income	5,257	4,677
Non-interest expenses:		
Salaries and employee benefits	8,275	9,786
Occupancy and equipment	1,565	1,689
Data processing	929	835
Professional fees	754	1,097
Marketing	365	274
Foreclosed real estate, net	27	48
FDIC insurance	304	380
Other general and administrative	2,497	2,862
Total operating expenses	14,716	16,971
Income (loss) before income taxes	922	(4,404)
Income tax expense (benefit)	47	(1,785)
Net income (loss)	\$ 875	\$ (2,619)



“We recognize that our consumer and business customers need both the convenience of technology and the consultative value of financial professionals.”

Jim McDonough, President and CEO

DIRECTORS AND OFFICERS of Randolph Savings Bank

President

Chief Executive Officer
James P. McDonough

Senior Vice President

Senior Commercial Loan Officer
Martie M. Dwyer

Senior Vice President

Operations
Christian C. Medaglia

Vice President

Residential Lending
Ryan J. Kirwin

Senior Vice President

Retail Banking
Richard D. Olson, Jr.

Senior Vice President & CFO

Finance
Phillip J. Carnevale

Senior Vice President

Human Resources
Donna L. Thaxter

Listed as seated in photo at left.

Bank Directors

Richard C. Pierce, Esq., Chairman
Roy A. Conrad
Paul R. Donovan
Daniel M. Joyce
James P. McDonough
John J. O'Connor, III
Richard A. Phillips, Sr.
Kenneth K. Quigley, Jr., Esq.
Louis J. Trubiano
James G. Welch
Janis E. Wentzell

TRUSTEES AND CORPORATORS of Randolph Bancorp

Roy A. Conrad
Paul R. Donovan
Daniel M. Joyce
James P. McDonough

John J. O'Connor, III
Richard A. Phillips, Sr.
Richard C. Pierce, Esq.
Kenneth K. Quigley, Jr., Esq.

Louis J. Trubiano
James G. Welch
Janis E. Wentzell

CORPORATORS of Randolph Bancorp

Active

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John F. Coyne, Jr.
Francis T. Crimmins, Jr., Esq.
Paul S. Currie
Dorothy F. Di Pesa-Arcanti
Ronald J. DiMatteo
F. Timothy Driscoll
Jeffrey W. Farley
Richard W. Fitzgerald
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Gerald P. Good, Jr.
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