Talent management is the cornerstone of Guilford Savings Bank’s effectiveness as an organization. After all, it is people – the Bank’s most important asset – that enables GSB to deliver on its commitment to meet the evolving financial needs of clients, serve as a primary economic and social improvement catalyst in the communities served, remain financially strong, and operate in a safe and sound manner. It is the key to differentiating GSB from the competition and a prerequisite to surviving and thriving as an independent, mutual institution.

This encompasses all areas of the organization including Bank Management and staff, GSB Wealth Management, LLC (a majority owned subsidiary of the Bank), the Board of Corporators, and Board of Trustees. It involves creating and nurturing a culture that fosters continuous improvement, empowerment, collaboration, passion, and, to borrow a term from Rotary, “service above self.” Specific job competencies are givens. Talent required to succeed at GSB extends far beyond that. Attitude is every bit as important as aptitude. Addressing critical components such as training and development, recruitment, governance, and succession planning necessitates a considerable allocation of resources. Attracting and retaining GSB caliber talent also requires an organizational strategy that, while honoring heritage, is geared for the future. This facilitates personal growth and expands career opportunities. It also ensures organizational relevance and offers the best path to increasing GSB’s positive impact on those served.

The investments that the Bank has made in this area over the last several years continued to pay dividends in 2016. This is borne out in several meaningful measures including financial performance, regulatory exam results, employee recruitment, development and advancement, customer acquisition and relationship expansion, and community recognition.

Financial Performance – In spite of a persistently difficult economic and regulatory environment, the Bank achieved solid results that aligned with its Strategic Plan.

Net Income – $4.1 million, up 10.38%
Loan Growth – Net increase of $49.9 million or 11.55%
Retail Deposit Growth – Net increase of $37.7 million or 7.93%
Capital Growth – $4.0 million, up 5.00%
Tier 1 Capital Ratio – 17.27% – Well above regulatory “well capitalized” requirement

The Bank remains safe and sound and is well positioned to address the challenges and opportunities that lie ahead. The following pages will highlight other areas of success in 2016.

Finally, we bid a fond farewell to Robert “Bob” Carmody, who will be retiring at the end of January 2017. Bob has been with the Bank since September 2000, most recently serving as the Bank’s 1st EVP and Chief Lending Officer. More importantly, he truly embodied GSB’s values and makes everyone around him better. Needless to say, he will be missed. That said, Bob departs with an extremely capable Lending Department intact, which will be led by lyle Fulton. This is a result of thoughtful and effective talent management. Thank you Bob!

Respectfully,
Timothy P. Geelan

Our people are key to differentiating GSB from the competition and a prerequisite to surviving and thriving as an independent, mutual institution.”
This unification reflects our value proposition, offering holistic financial services as well as alignment with a singular strategic business plan.”

During 2016, Assets under Management grew from $160 million to $210 million, and we made a significant change in the organization of GSB’s financial and wealth management capabilities. In order to better serve investment and financial planning needs, we consolidated our two divisions, Infinex Financial Group and Asset Retirement Investment Associates, LLC (ARIA), and rebranded it as GSB Wealth Management, LLC*, a subsidiary of Guilford Savings Bank.

Our advisors provide sound investment advice with the goal to preserve and increase client wealth. GSB Wealth Management, LLC will employ a fee-based model rather than a commission-based approach. This ensures alignment with the interests of clients by virtue of putting all parties on the same side of the table.

We serve high net-worth clients and individuals and families that are on their way to getting there. Strategically, we recognize the expected massive wealth transfer to the next generation, and our wealth management advisors are positioned to guide clients through what could be a difficult and challenging process. Our goal is to preserve and increase client wealth by providing comprehensive financial planning that encompasses investment advisory and banking services.

In addition to the present offices located at 261-4Boston Post Road, Guilford, we dedicated premium retail space at our Main Office located at One Park Street, Guilford, to GSB Wealth Management, LLC. This is part of our commitment to making these essential services even more accessible.

*GSB Wealth Management, LLC is a separate subsidiary of The Guilford Savings Bank. GSB Wealth Management LLC is an unregistered investment adviser and makes investment recommendations that involve products that are not bank deposits, are not guaranteed by the bank, are not FDIC insured, and involve investment risk, including the possible loss of principal.
The Commercial Banking division enjoyed many successes in 2016. Our lending team originated approximately $55 million in new loans for purposes of real estate acquisition and development, business expansion and working capital needs for over 100 businesses.

Geographic diversity was evident in 2016 with a favorable mix of originations within the Bank’s traditional lending territory as well as continued penetration throughout the state.

Our responsive lending personnel and local decision making have allowed the bank to positively impact businesses and the communities in which they operate by enhancing economic growth and employment. Some examples include:

- A commercial mortgage in Centerbrook allowed a local resident to realize her dream of finally moving her home catering business into a retail commercial kitchen allowing her to expand into prepared meals for the public.
- A $1,200,000 mortgage to facilitate the merger of two central CT YMCAs established in the 1800s will allow them to not only survive but thrive while they expand their outreach within the communities they serve, including day care options available for low to moderate income families.
- A $533,250 commercial mortgage to a Hartford not-for-profit allowed it to acquire its new headquarters needed for expansion. The entity is a community development financial institution (CDFI) with a mission to provide and promote affordable financial services that benefit residents of Hartford.
- A term loan for a Middletown micro-brewery for the installation of a new canning line will increase output and employment.
- A $1,650,000 commercial mortgage to acquire and rehab the old New Britain Herald newspaper printing facility into a state of the art medical office facility. The vacant property in the heart of downtown New Britain is now a vibrant economic hub.

In addition, the new position of Commercial Cash and Deposit Product Manager was created to enhance the business customers’ experience through customized cash management services designed to support their individual needs and provide the tools to allow them to improve their cash flow efficiency. Along that vein, a revamped commercial deposit account line-up has been developed and will be launched in mid-2017.

Each client engagement provides us the opportunity to develop and expand upon mutually beneficial relationships through collaboration, communication and responsiveness.

"Through shared ideas, continuous improvement and leadership, we invite new thinking that responds to and anticipates needs. We seek to share our knowledge and accessibility to add value to our customer’s project or business."
Our goal remains simple – customers should be able to experience full-service banking in a way that works best for them.”

Experience matters, and in an ever-evolving world, we’re leveraging technology to ensure the best banking experience possible. In 2016, we focused on three core aspects of technology – Simplicity, Efficiency and Security.

Simplicity takes work, so we worked on the basics, starting with making it easier to say “Hello.” In 2016, we expanded the hours of our Access Banking Center to 8:00 p.m., added live chat, and launched a new website. We equipped our branches with the technology to serve our customers, whether through engaging in the lobby over a cup of coffee, using a tablet or meeting with one of our Loan Officers to provide guidance on purchasing or improving a home.

We then looked at our existing solutions and reimagined them. We added the ability for customers to check their balance without logging into their app, made it easy to send money to anyone digitally, and refreshed our design to make the experience better. With efficiency in mind, we improved the support services that help our customers’ banking run seamlessly. We extended cutoff times for mobile check deposit and wires, and set the groundwork to make more real-time services possible in the future. We also gave our team members the ability to work smarter, deploying mobile devices that allow them to work with our customers and each other wherever they are.

Finally, we improved security and fortified our networks to give our customers peace of mind. As cyber threats continue to dominate the news, we worked diligently to ensure that the information our customers trust us with is safe from attacks. Moreover, we gave our customers improved biometrics, adding Android Fingerprint technology to their smartphone login options.

Our goal remains simple – customers should be able to experience full-service banking in the way that works best for them.
Your sponsorship helped us raise significant funds which will support our area’s nonprofit organizations and will allow us to continue our efforts to improve the quality of life for all in Middlesex County. We greatly appreciate your continued support, and we look forward to working with you in the future to ensure that this region remains the best in the state to live, work, and play.”

– Cynthia Clegg, CFMC President & CEO

$259,000 DONATED to the local community in 2016

$14,000 EMPLOYEE CONTRIBUTIONS MATCHED BY THE BANK

$40,000 DONATED TO LOCAL COMMUNITY FOUNDATIONS

$22,000 IN HIGHER EDUCATION SCHOLARSHIPS ANNUALLY

12,000 VOLUNTEER HOURS

60 NON-PROFIT BOARDS OF DIRECTORS

260 COMMUNITY ORGANIZATIONS SUPPORTED

COMMUNITY DEVELOPMENT

Habitat for Humanity new homeowners.

$40,000 DONATED TO LOCAL COMMUNITY FOUNDATIONS

$14,000 EMPLOYEE CONTRIBUTIONS MATCHED BY THE BANK

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Habitat for Humanity new homeowners.
COMMUNITY ENGAGEMENT

Our charitable donations for 2016 totaled $259,000 and supported 260 nonprofit organizations. Our employees were active volunteers, giving more than 12,000 hours back to our communities.

We supported causes throughout our footprint that maximize our CRA contributions that reach the underserved populations through organizations such as Women & Family Life, SEAP Raise the Roof/Habitat for Humanity and New Reach. We partnered as well with nonprofits such as the Long Wharf Theatre in sponsoring Steve Martin’s world premier “Meteor Shower”, and the Horton Playhouse’s blockbuster productions of Chicago, RENT and Man of La Mancha. This is on top of brand visibility in countless events in our communities.

Partnerships with community foundations in Guilford, Madison, Branford and Middlesex County allow the respective Foundations to grow their money and draw from it as needed, helping more people over time. Since inception, GSB has given nearly $200,000 to the Foundations.

EMPLOYEE ENGAGEMENT

The Bank continues to strive to be an Employer of Choice, offering professional development opportunities to all who seek them. Approximately 1,973 hours of external classes in all facets of banking were completed during the year.

Three employees utilized the Bank’s tuition reimbursement program. Mike Storiale, Digital Banking MBA, University of Hartford – December 2015.

The Bank had seven employees enrolled in the Connecticut School of Finance and Management (CSFM) during the year with Elizabeth Vincenzi and Christine Beirne graduating in April 2016.

In the area of organizational development, Corporate Officers received training in the Servant Leadership philosophy through The Greenleaf Center for Servant Leadership. This philosophy focuses not on the accumulation and exercise of power for personal advantage, but on sharing power, placing the needs of others first, and helping people develop and perform to their full potential.
Guilford Savings Bank was recently honored with the 2016 John S. Martinez Community Service Award from New Haven-based Columbus House for outstanding civic leadership and service. For more than 16 years, GSB has been a partner to Columbus House, sponsoring various events and volunteer activities, including teaming up for programs that raise money for emergency shelters and serving meals at the New Haven based shelter.

GSB received the Paul Harris Fellow Community Service Award from the Madison Rotary Foundation on October 5, 2016 in recognition of their extraordinary service to the Madison community and substantial contribution to Rotary’s humanitarian, educational and cultural programs.

Through financial and volunteer support, GSB has helped advance the mission of Columbus House in immeasurable ways. Whether through events sponsored and staffed by the Bank, programs funded by your grant initiative, or classes and assistance provided directly to Columbus House Clients, your institution has had a positive impact on the lives of thousands of individuals and distinguished itself as a deserving recipient of this award. The example you set brings great pride to the State of Connecticut.”

– Christopher S. Murphy, United States Senator, December 1, 2016

Given to the top 10% of banks nationwide in terms of capital, profitability, and asset quality, GSB has been awarded the Bauer Financial Sustained Superiority Award for 27 consecutive years.

Mike Storiale is the 2016 Sturges Redfield Award winner. This award is given by the Valley-Shore YMCA annually to a board member who goes above and beyond their duties in the areas of stewardship, building the Y’s capacity to serve shoreline residents, and advocacy.

GSB was honored to receive Best Community Bank and 1st Runner Up for Best Financial Management in the 4th Annual “Best Of” New Haven Living Reader’s Poll. The poll represents a unique opportunity for the public to communicate their business preferences in the community where they live and work.
On December 31, 2016, total assets exceeded $665 million, representing growth of $43.5 million, or 7.00% from 2015.

LOANS
The Bank supports the community by reinvesting funds in commercial and consumer loans. Our loan portfolio grew by $49.9 million, or 11.55%, to $482.4 million on December 31, 2016. Commercial and residential real estate loans grew by $24.4 million and $25.4 million, respectively. Asset quality remained strong, with nonperforming loans of $3.4 million, or 0.70% of total loans, on December 31, 2016.

DEPOSITS
Deposits ended 2016 at $523.7 million, an increase of $45.2 million, or 9.45% from 2015, with growth primarily in savings accounts (excluding CDs) and checking accounts.

CAPITAL
GSB’s capital position at the end of 2016 remained strong at $86.9 million. GSB continues to be well-capitalized under regulatory standards.

**NET INTEREST INCOME**
While interest rates remained flat for most of 2016, our net interest income increased by 6.03%. In addition to interest income increasing due to growth in our loan portfolio, we also benefited from lower than expected interest expenses due to our growth in low cost deposit accounts.

**PROVISION FOR LOAN LOSSES**
Management prudently evaluates the credit quality of the loan portfolio through provisions for loan losses. At December 31, 2016, the Bank’s allowance for loan losses was 0.98% of total loans, consistent with our peer group.

**NON INTEREST INCOME & EXPENSE**
Noninterest income increased by 22.94% during 2016, primarily due to gains on sales of investment securities. Noninterest expense increased by 4.88% during the same period, with increased salary and occupancy expenses resulting from our strategic plan to attract and retain talent and invest in technology to improve our financial performance. In addition to the many hours of public support provided by our employee volunteers, GSB gave $259,000 back to the community through charitable contributions.

**NET INCOME**
Our 2016 net income was $4.1 million, which exceeded our budgeted projections and significantly augmented our capital position.
FAREWELL, BOB

We bid a fond farewell to Robert “Bob” Carmody who will be retiring at the end of January 2017. Bob has been with the Bank since September 2000, most recently serving as the Bank’s 1st EVP and Chief Lending Officer. Bob will continue to serve on the Board of Trustees.

Bob truly embodied GSB’s values and made everyone around him better. Needless to say, he will be missed.

2017 BOARD OF TRUSTEES
Charles L. Hendra, Chairman
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Robert L. Carmody
William A. Childress
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Ryan Dupree
Timothy P. Geelan
Richard A. Gremle
William W. Lee
Margaret Y. Livingston
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Connor Dolan, Vice President
Brant Walker, Vice President
Kristine Jermine, Head of Operations
Colleen Venter, Chief Compliance Officer

President & CEO
Chief Financial Officer
Chief Lending Officer
Chief Risk Officer
Senior Operations Officer
Senior Credit & Commercial Loan Admin. Officer
Retail Banking & Marketing Officer
Commercial Cash & Deposit Product Manager
Banking Technology Officer
Commercial Lending Manager
Human Resources Director
Commercial Loan Officer
Commercial Loan Officer
Market Manager, Madison
Digital Banking Manager
Controller
Retail Operations Lead
Senior Business Analyst
Branch Administration Officer
Compliance Officer
Senior Credit Analyst
Marketing & Community Development Officer
Network & Security Manager
Day-to-Day BSA Officer
Loan Servicing Manager
Market Manager, Main Office
Information Systems Manager
Information Security Officer

CORPORATOR EMERITUS
M. Logan Page, Jr.
CORE VALUES

INDEPENDENCE:
Remaining a strong, mutual financial institution engaged with the community we serve.

COMMITMENT:
Through meaningful philanthropy of financial resources and human resources, we are catalysts in improving the quality of life for our neighbors.

TEAM DEVELOPMENT:
Recruitment, retention and reward of a strong and compassionate team through a culture that encourages empowerment and growth.

RELATIONSHIPS:
With integrity and earned-trust, we build long-standing relationships as a result of consistent, service excellence.

CREATIVITY:
Through shared ideas, continuous improvement and leadership, we invite new thinking that responds to and anticipates needs.

STEWARDSHIP:
Aware we are a community institution, not only a financial institution, we invest wisely in ourselves, others and tomorrow.

MISSION

To provide comprehensive financial solutions to individuals, families, and businesses predicated upon building mutually beneficial, strong, and lasting relationships.

VISION

Guided by our values and an unwavering commitment to improve the lives of those served, we endeavor to be the preeminent independent community bank in Connecticut.