

AFTER 188 YEARS

**You can always  
count on us to  
be right there  
with you**



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2023 ANNUAL REPORT • MIDDLESEX BANCORP, MHC





“Your ongoing trust is a crucial part of our long-term success.”

# We remain committed to serving you



A few years ago we adopted the motto of “Right There with You” and given the events within our industry over this past year, we are grateful that you continue to be “Right There with Us”.

The fundamental principles of banking are based on trust and depositors entrust their funds to the bank with the understanding that it will protect them as if they were their own. As a 188-year-old mutual bank, maintaining our financial strength is one of our highest priorities, regardless of the environment. Our conservative approach has allowed us to be successful throughout our long history. We will continue to sacrifice short-term gains or profitability to ensure our long-term strength, as our intention is to remain a strong, community-focused mutual bank.

Despite the challenging current environment of our industry, we remain committed to supporting our communities. In 2023,

we once again received an “Outstanding” rating in our three-year Community Reinvestment Act (CRA) evaluation. This evaluation measures a bank’s record of meeting the needs of its community and this is the highest rating, with less than 10% of banks receiving this designation. It was our 8th straight dating back to 2000. We were also again recognized as one of the state’s most charitable corporations by the *Boston Business Journal*.

This past year, we also had two additions to our Executive Management Team in long-time colleagues Bryan Christensen joining as Chief Community Banking Officer, and Geoff Homoliski as our Chief Commercial Banking Officer.

2024 will bring a change in leadership at the bank as I retire at the end of April and Dana Neshe takes the helm as the first female CEO in Middlesex’s history. Dana, the Executive Management Team, and

all of our other Middlesex colleagues will continue the bank’s mission and purpose of being an integral part of the MetroWest and Massachusetts communities.

It’s been an incredible honor and privilege for me to be part of Middlesex Savings Bank’s history and get to work with such a dedicated and committed group of colleagues over the past ten years. I’ve also had the absolute pleasure of meeting and getting to know so many of you and offer a sincere thank you for your continued relationship with the bank.

We wish you all the best for 2024 and beyond.

With gratitude,

Mike McAuliffe, *CEO & Chairman*  
Dana Neshe, *President*

*On behalf of your entire  
Middlesex Savings Bank team*

# A lookback at 2023

## MIDDLESEX BANCORP, MHC



2023 was a challenging year as the Federal Reserve's rapid increase in interest rates, begun in 2022, materially impacted the profitability of banks. Higher current deposit rates, combined with lower fixed-rate loans and investments made in prior periods, resulted in significant net interest margin compression. For Middlesex, the decline in net interest margin resulted in approximately \$19 million of lost income for the year.

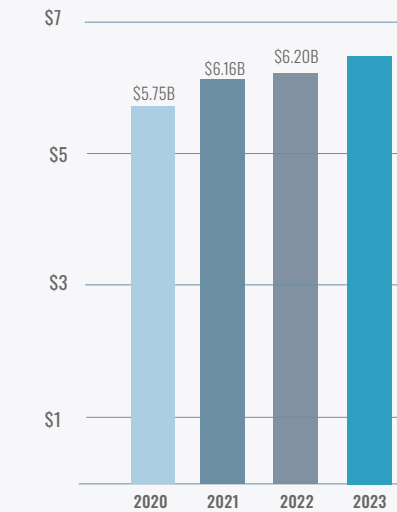
With its net interest margin under significant pressure, leadership focused on managing expenses. As a result, most all of the operating expenses were below budgeted amounts. The one expense that increased significantly compared to prior years was the bank's loan loss provision expense as management sought to strengthen the loan loss reserve. Despite this additional provision, Middlesex's asset quality is very good. In fact, the bank's number of delinquent and non-performing loans remain at historic lows and the investment portfolio is free of impairment. Absent the margin compression and increased provision, the bank's profitability would have been in line with historical results.

Given the bank failures of 2023, much attention within the industry shifted toward banks' liquidity and balance sheet strength. As one of the country's oldest mutual banks, these two areas have always been a focus and strength for Middlesex. We recognize that having a strong balance sheet with ample capital and liquidity is one of the reasons we have weathered all kinds of economic cycles throughout our history and will serve us well in the years ahead.

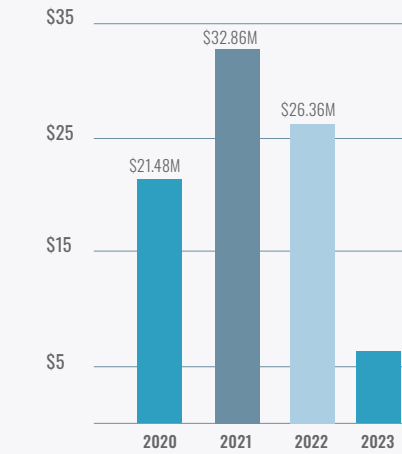
With the Federal Reserve likely to be cautious in making any changes to interest rates, the bank's 2024 profitability is expected to remain lower than normal as time is likely the only solution for net interest margins to revert back to historical levels. Accordingly, management will continue to focus on expenses carefully and pay attention to the fundamentals of maintaining a strong balance sheet.



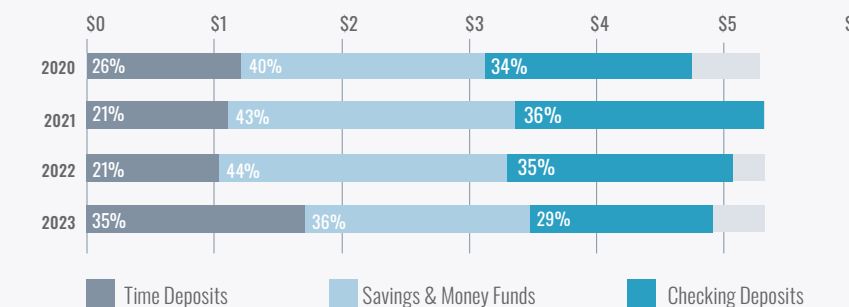
### ▲ TOTAL ASSETS: \$6.30 BILLION



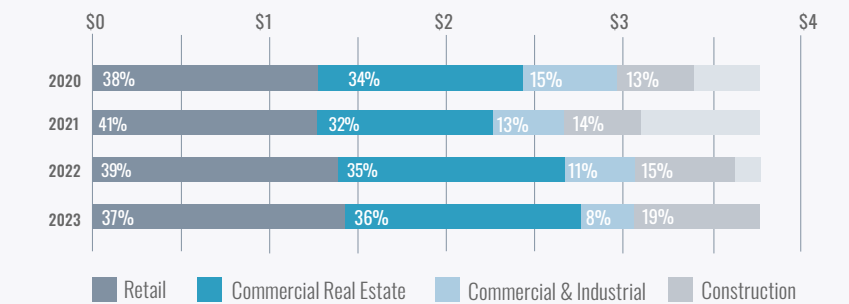
### ▲ NET INCOME: \$6.34 MILLION



### ▲ TOTAL DEPOSITS: \$4.89 BILLION



### ▲ TOTAL LOANS: \$3.76 BILLION



AFTER 188 YEARS

# We're still finding ways to serve you better

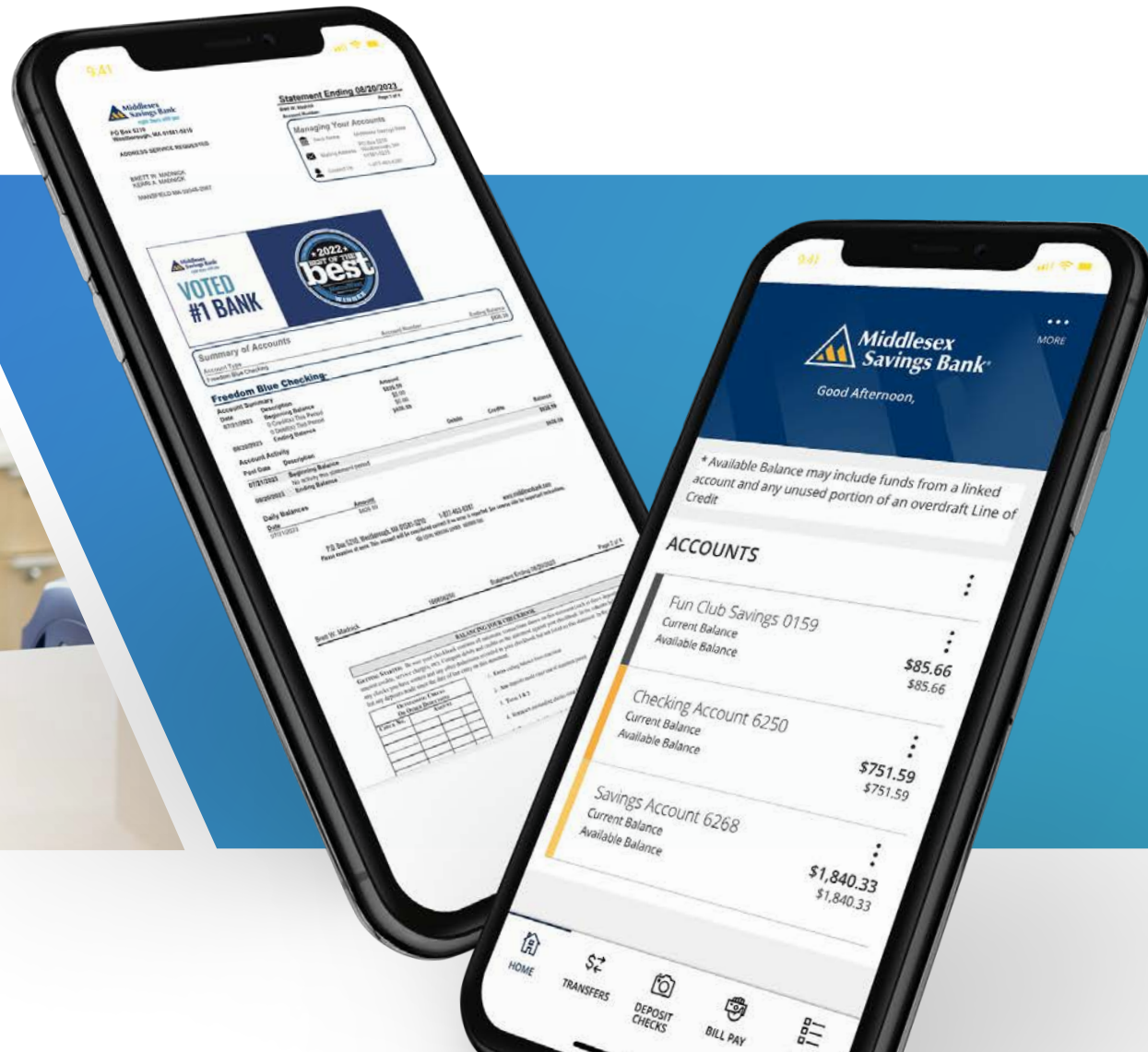


We're here to support you through the ups and downs.





Middlesex has been right there for the individuals, businesses, and nonprofits that make up our community for 188 years. By maintaining our focus on strength, stability, community involvement, and independence, Middlesex Savings Bank continues to be in great shape — and we're making improvements everywhere we can.



In 2023, we launched new initiatives to ensure that all experiences with Middlesex are the best they can be.

Users of our mobile banking app were introduced to some new enhancements. A new navigation menu and “quick balance” feature have made it easier for app users to find account information, quite literally, right at their fingertips. Additionally, new push notifications allow customers to create custom alerts for their account, history, and online transactions to help in better managing their accounts. The mobile app experience is not only more convenient — it also helps customers remain more vigilant and in control.

Speaking of convenience — account statements were redesigned to be more visual, scannable, and user-friendly and continue to be accessible online or by paper.

We also improved our online account opening experience, making it faster and easier for

customers to open deposit accounts from their PC, phone, or tablet. One satisfied customer was pleased that the experience “didn’t drag out the process with a long application,” and even remarked that “adding funds was a breeze.” At the same time, we expanded our online account opening geography so that more prospective Middlesex customers can open their first account with us online. As a result of the changes, in combination with competitive CD rates and offers, the number of accounts opened online more than doubled in 2023 over the previous year.

In today’s world of instant gratification, real-time payments — or the ability to send and receive money electronically with no wait time — has become a top demand for consumers. In 2023, the bank joined the Real-Time Payments network and was one of the first 150 banks to join the Federal Reserve’s FedNow network.

Both moves enable our customers to safely receive real-time payments (RTP).

Updates occurred offline as well. In December, we opened the doors to our first branch in the city of Worcester. The branch features a full-service lobby, ATM, drive-up lanes, safe deposit boxes, and loan production office. As a special initiative tied to the grand opening celebration, we offered new customers the opportunity to direct donations from the bank to one of three local nonprofits: The EcoTarium, Friendly House, and Veterans, Inc. The effort underscores our commitment, as a mutual bank, to serve the community in more ways than one.

Renovations to our existing network of branches also continued, bringing our Maynard Powdermill branch into our new design model, which facilitates the welcoming, person-to-person approach we are known for.



Our newest branch located at 286 Grove Street, Worcester



**Middlesex Savings Bank is built upon relationships.**  
Throughout 2023, we fostered connections among our team members and with our valued customers.



# The people behind the service



While many think of stability as relating to a company's finances, we also think of it in terms of our people. Offering them a career with impact requires supporting their professional, personal, and social needs.

In 2023, we continued to evolve our approach to career development by creating career paths for many of our positions. Teammates now have a way to better understand the skills that they need to develop in order to meet their professional goals. We've always believed in finding the right job match for every employee and promoting from within the organization when the opportunity is right. This new methodology simply helps us streamline and formalize our process so we can maximize individual growth, strengthen the bank, and — ultimately — improve the customer experience. It bears mention that Dana Neshe, our incoming CEO, began her career at Middlesex as the assistant compliance officer in 1995.

We also continued to celebrate the achievements of our employees with social gatherings, an employee appreciation week, and milestone anniversaries. While employers nation-wide grapple with the aftermath of *The Great Resignation*, we are fortunate to have awarded 74 employees with service awards, which are recognized in 5-year increments. Of these 74 employees, nine celebrated 25-year anniversaries with us, one celebrated 30 years, two celebrated 35 years, and one even hit the 40-year mark. And he isn't the only current employee with this tenure!

**Dana Neshe**

*Our incoming CEO joined the bank in 1995*





Our commitment to ensuring that the bank reflects the diverse communities we serve is ongoing. We actively prioritize diversity and equity in our hiring practices as we believe that a diverse group of employees enhances our ability to provide excellent customer experience. In 2023, 36% of our new hires identified as non-white, contributing to a more inclusive workforce.

One outcome of this more inclusive workforce can be seen in our Community Banking staff, whose members collectively speak 28 languages. Knowing that customers often prefer to speak with someone in their native tongue, we incorporated information about the languages spoken by our staff into our website. Now, customers can easily locate and engage with an individual best suited to assist them — and through our appointment-setting capability they can even schedule a time that’s convenient for them to come into a branch to meet.

Furthermore, our dedication to diversity extends to our leadership. This year we added two accomplished women to our Board of Directors, increasing the total representation of women on our board to over 40%. This milestone underscores our ongoing efforts to foster a diverse and inclusive organizational culture



**I am writing to express my sincerest appreciation for the assistance of Genevieve J. Randolph. Her knowledge, professionalism, personable courtesy, and patience have been a pleasure... She was so patient working with my schedule that was near to impossible to navigate. Truly, I could not have done this without her. She is THE BEST!**

– Monica J.



AFTER 188 YEARS

# We're still committed to our customers' goals



Whether it's working with families, businesses, or nonprofits, we play an important role in helping people achieve their goals. And we're always looking for ways to do it better.







With rates rising to their highest levels in nearly 20 years, borrowers and the bank needed to adapt to a new reality. Understanding that the rate environment was causing friction in borrower's lives, it was imperative that our loan processes were as simple and streamlined as possible, and shepherded by knowledgeable, friendly staff. We were humbled to see our efforts recognized. In a recent survey, the #1 reason why customers moved forward with a personal loan at Middlesex was because of previous positive experiences with the bank.

Even with higher rates and low housing inventory, we still were able to help a number of first-time

homebuyers on their journey. We continued to educate new buyers about the mortgage process, what to look for, what to look out for, and how it all works. And, of course, we continued to offer a variety of affordable mortgage programs, including Massachusetts Housing Partnership loans.

All-in-all, we continued to maintain our strong lending position with delinquencies at historic lows and we're poised to continue the trend.



**#1**

reason people move forward with a Middlesex loan:

*Previous positive experiences with us*

I have been working with Shannon Elliott on my mortgage, and over the past few years as I put offers in on homes. She is **ABSOLUTELY FANTASTIC**. She always takes time to explain the process and never gets impatient (even when I have ten million questions!) I've also worked with Arif Bhimani on the business banking side. He has been just as amazing; always highly responsive, supportive, and dedicated.

– Marisa F.

AFTER 188 YEARS

# We're still doing what we do best



Our commitment to local nonprofits remained steadfast as we provided support through a blend of financial gifts and service. In pure numbers, **Middlesex gave more than \$1.8 million to the community** in the form of corporate gifts, grants through the Middlesex Savings Charitable Foundation, and community sponsorships.



Volunteers at Unity Farm Sanctuary



While we helped fund some organizations for the first time, such as Aurelia’s Garden and Warrior Within Yoga Project, Inc., we also continued to support nonprofits with whom we have a longstanding history. One example is Bethany Hill Place, an organization that provides housing with learning opportunities to give the community’s poorest and most marginalized adults, children, and families the foundation they need to build long-term success. In recognition of our long history of support, Bethany Hill Place awarded the Middlesex Savings Charitable Foundation with its “Legacy of Justice Award.”

More evidence of our commitment to the community came from the FDIC and MA

Division of Banks. In 2023, they conducted a joint evaluation of our Community Reinvestment Act (CRA) performance. This evaluation assesses how well the bank meets the credit needs of its community, including low- and moderate-income neighborhoods. The evaluation includes a lending test, an investment test, and a service test. We are proud to report that we received an “Outstanding” rating in the evaluation. Fewer than 10% of banks receive an “Outstanding” and it has become progressively more difficult to achieve over the past several years. In fact, only three Massachusetts banks received this rating in 2023, and it’s our 8<sup>th</sup> straight rating dating back to 2000.

We are humbled by the accolades and ratings. In turn, we are sure to recognize other leaders who are making a positive impact around us. In 2023, one such person was Neil Gordon. During his 14-year tenure as CEO of the Discovery Museum, Neil not only restored the museum to financial health, he also fully transformed the organization into a model center for family learning, recognized widely for its industry-leading commitments to early STEM education, accessibility, and environmental sustainability. We awarded Neil with our John R. Heerwagen Award for Nonprofit Leadership and a \$20,000 unrestricted grant to benefit the Discovery Museum.



Bethany Hill Place recognized the Middlesex Savings Charitable Foundation with a “Legacy of Justice” award



Neil Gordon received the John R. Heerwagen Award for Nonprofit Leadership



Delivering supplies to Abby's House



Helping supply furniture to those in need with New Life Furniture Bank



Middlesex Savings Bank and its Charitable Foundation have played a crucial role in supporting Bethany Hill Place. From generous grant awards to enthusiastic volunteers and more, we’re humbled by the powerful impact they make possible and their heartfelt dedication to our mission that provides children, adults, and families with the knowledge and skills needed to create pathways out of poverty.

— James Tresner, Executive Director, Bethany Hill Place



▲ 2023 VOLUNTEERING  
BREAKDOWN

978  
paid hours

370  
unpaid hours

Our team members reported  
nearly 1,350 cumulative hours  
of community service.



There are many ways our employees volunteer — with MSB Connect or on their own



We encourage the pursuit of personal fulfillment and community improvement because they're important elements of a meaningful life. One of the many ways employees get to live out their passion for giving back is through MSB Connect, an internal group that organizes volunteer opportunities throughout the year. Last year, they supported Abby's House, a women's and children's center in Worcester, the New Life Furniture Bank, Habitat for Humanity's Operation Playhouse, Unity Farm Animal Sanctuary, our ongoing Meals on Wheels program, and our largest food drive yet for those facing food insecurity. MSB Connect is just one way employees can help out in the community. However they choose to give back, we support them by granting paid time off to volunteer each year.

AFTER 188 YEARS

# We're still right there with you



Our priority — as always — is putting the people of this community first. Since we answer to customers instead of shareholders, every change we make is with you in mind.

▶ 1835

Middlesex Institution for Savings was founded in Concord

▶ 2000

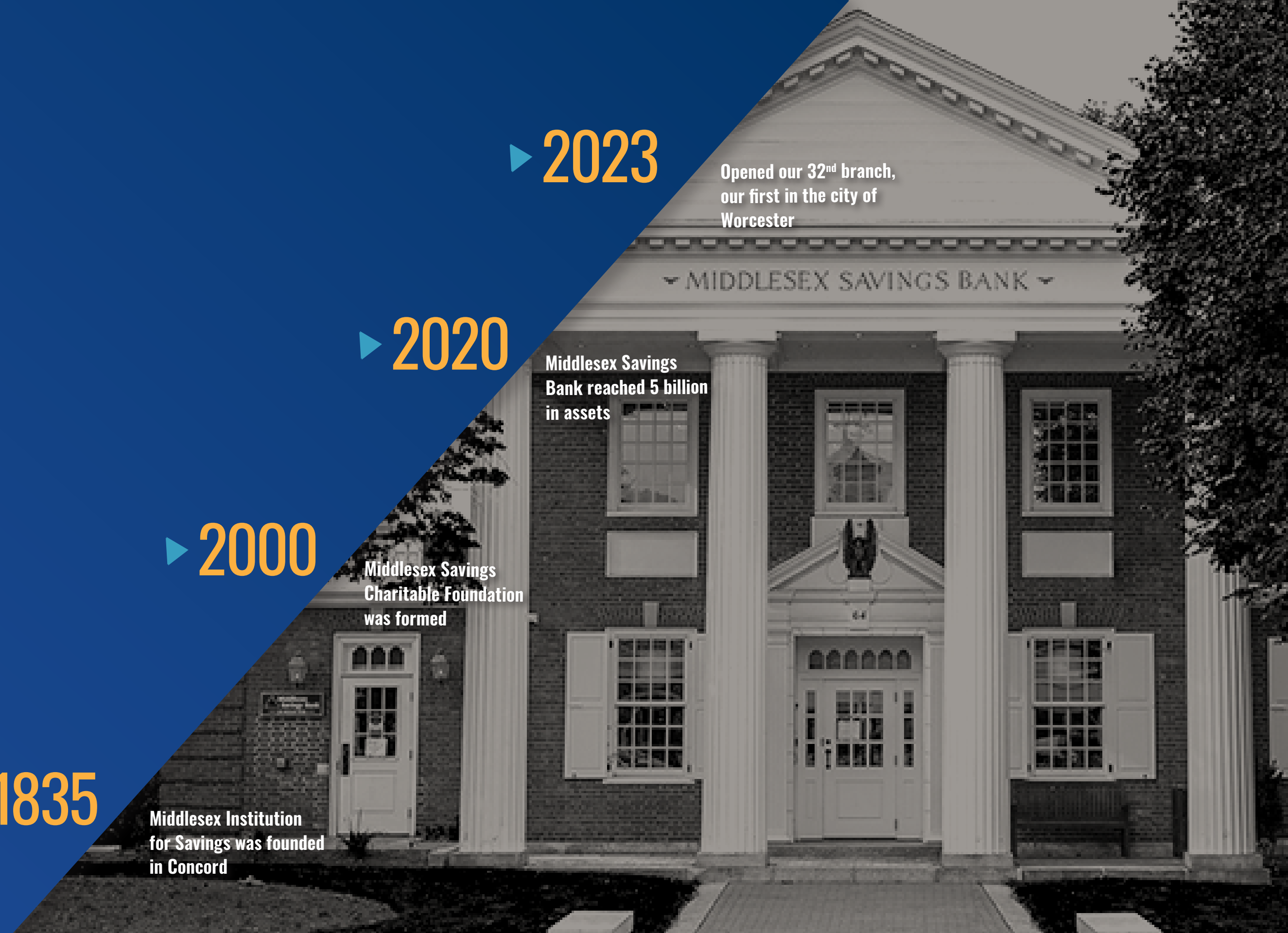
Middlesex Savings Charitable Foundation was formed

▶ 2020

Middlesex Savings Bank reached 5 billion in assets

▶ 2023

Opened our 32<sup>nd</sup> branch, our first in the city of Worcester



## TRUSTEES OF MIDDLESEX BANCORP, MHC & DIRECTORS OF MIDDLESEX SAVINGS BANK

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- ▲ Arthur J. Chaves
- ▲ Arthur B. Fair, III
- Carolyn Hatch Flood
- Donna M. Gallo
- ▲ Paul J. Gerry, Jr.
- ▲ Kenneth C.A. Isaacs

- ▲ Kelly A. Kober
- ▲ Brian D. Lanigan
- ▲ Michael G. McAuliffe
- Dana M. Neshe
- ▲ Margery L. Piercey
- Ian E. Rubin
- Jeanne L. Sherlock

### Honorary Trustees

- James F. Coleman
- George F. Fiske, Jr.
- John R. Heerwagen
- A. James Lavoie
- Raymond L. Page
- Arnold I. Zaltas

- ▲ Executive Committee
- ▲ Audit Committee

As of 12/31/2023. All Trustees also serve as Corporators of Middlesex Bancorp, MHC.

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- Senneth Berrier
- Jennifer E. Bethel
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As of 12/31/2023



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Chief Financial Officer

**Cheryl A. Corman**  
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Chief Human Resources Officer

**Bryan W. Christensen**  
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Chief Community Banking Officer

**Michael G. McAuliffe**  
Chairman & CEO

**Sean F. Burke**  
Executive Vice President,  
Chief Technology Officer

**Dana M. Neshe**  
President

**Geoffrey A. Homoliski**  
Senior Vice President,  
Chief Commercial Banking Officer

**Ian D. Hecker**  
Executive Vice President,  
Chief Risk Officer & General Counsel

**Jon C. Auger**  
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Chief Retail Lending Officer



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 [1.877.463.6287](tel:1.877.463.6287)

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<i>Acton</i>	<i>Holliston</i>	<i>Sherborn</i>
<i>Ashland</i>	<i>Hopkinton</i>	<i>Southborough</i>
<i>Bedford</i>	<i>Hudson</i>	<i>Sudbury</i>
<i>Bellingham</i>	<i>Littleton</i>	<i>Walpole</i>
<i>Boxborough</i>	<i>Maynard Crossing</i>	<i>Wayland</i>
<i>Concord</i>	<i>Maynard, Powdermill</i>	<i>Wayland Center</i>
<i>West Concord</i>	<i>Medfield</i>	<i>Wellesley</i>
<i>Framingham, Nobscot</i>	<i>Medway</i>	<i>Westborough</i>
<i>Framingham, Route 9</i>	<i>Millis</i>	<i>Westford</i>
<i>Franklin</i>	<i>Natick</i>	<i>Worcester</i>
<i>Groton</i>	<i>Needham</i>	



 EQUAL HOUSING LENDER MEMBER FDIC

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