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Fidelity Bank
HELPING YOU GET WHERE YOU WANT TO BE



Annual Report



A bank with a heart

Our Purpose

Fidelity Bank is one of the oldest and continually growing independent, community banks in Central Massachusetts and offers a full range of banking, investment and insurance products and programs to its consumer, business, non-profit, and municipal clients. With seven full-service offices in Fitchburg, Gardner, Leominster, Millbury, Shirley and Worcester, and robust online and mobile banking capabilities, the Bank has remained committed to the clients in the communities it serves for over 123 years. In return, the loyalty demonstrated by members of those cities and towns has allowed the bank to become one of the strongest financial institutions in the region. Today, Fidelity Bank has total assets of \$522 million and a net worth nearly two times the minimum regulatory requirement. The combination of the FDIC and the Share Insurance Fund insures all deposits.

Mission Statement

To our clients, communities and employees we say:

Our only mission, our only goal is helping you get where you want to be.

Fidelity Bank is an independent, strong and growing community bank, committed to helping our clients, communities and employees get where they want to be. In pursuit of this mission, we will focus on the following priorities:

Our Clients

Assist the families, individuals, businesses, non-profits and municipalities of Central Massachusetts with their pursuit of financial security by providing them with straightforward, objective information along with reliable financial products and services designed to help them get where they want to be.

Our Communities

Help improve the quality of life in the communities we serve by making contributions of time and money in support of important organizations, activities and causes.

Our Team of Professionals

Provide an outstanding place to work by giving our people the opportunity to have a real influence on the growth and success of our business; by recognizing and rewarding their extraordinary performance and by encouraging them to have fun while achieving an appropriate balance between their work and personal lives.



2010 was the product of financial professionals working passionately toward the goal of helping our clients, communities and fellow employees get where they want to be.

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Letter from the Chairman



A Bank With a Heart

It seems the New Normal was still alive and kicking through 2010. Complex economic issues like widespread unemployment continued to be a major factor driving delinquencies, foreclosures and bankruptcies across the country. At the same time, record low interest rates presented a fantastic opportunity for those ready and willing to purchase or refinance a home. While some businesses continued to struggle, others found an opportune time to expand or prepare for the next wave of growth.

During 2010 we were once again faced with the challenge of using our unique LifeDesign process to help our distressed clients work through their challenges while continuing to serve those who sought to take advantage of the opportunities that the year presented. Helping clients deal with the challenges that arise is an essential part of the LifeDesign promise. Our entire team of credit professionals worked proactively with our clients, dealing with these challenges in ways that are intellectually rigorous, physically demanding and emotionally challenging all at the same time. They consistently found a balance between being an advocate for the client and an agent of the Bank.

During 2010 Congress passed some of the most significant reforms ever enacted on financial services firms. They called it the Wall Street Reform and Consumer Protection Act. As a community bank it's obvious that we are a long haul from Wall Street and our clients realize that they don't need to be protected from us. Our financial results weren't the product of pillaging the communities we serve. There was no witchcraft behind our net income. 2010 was the product of financial professionals working passionately toward

the goal of helping our clients, communities and fellow employees get where they want to be. It's this line of thinking that led me to the title of my letter for the 2010 annual report – A Bank With a Heart.

When you assemble a team of people who love what they do, give them a great place to work, and provide them with a tool as powerful as LifeDesign, great things naturally happen. During 2010 we used LifeDesign to help businesses and local communities manage their cash and provided loans to prepare their businesses for the next phase of growth.

Together we've helped a lot of people do a lot of things but there is a whole lot of doing left to be done!

Families and individuals also increasingly turned to LifeDesign as we were able to assist over 600 local homeowners secure responsible mortgage financing.

Throughout 2010 our financial professionals gave their time, talent and treasure generously to the communities we serve. Our "big cause," the Shine Initiative, continued to be a major focus during the year. Employees led a grass roots fundraising campaign in the spring that raised over \$20,000 to

aid research designed to better understand mental illness in children and young adults. In addition, the Bank continued its support of countless other charities and non-profit organizations which put in hard work year round to improve the quality of life in Central Massachusetts.

Being a bank with a heart is a cyclical duty. While 2010 was another profitable year for the Bank, to simply accept the financial results and walk away is a moral failure. Those results are simply a bridge to the next round of making our communities better places to live and helping our clients and employees get where they want to be. Together we've helped a lot of people do a lot of things but there is a whole lot of doing left to be done! We're humbled by the growing number of clients, communities, and employees who turn to Fidelity Bank to help them get where they want to be. We'll continue executing on that mission with the passion and care that makes this A Bank With a Heart.

Warmest Regards,



Edward F. Manzi, Jr.
Chairman & CEO

Gaining Momentum

Helping Individuals, Families, Businesses, Non-Profits and Municipalities Get Where They Want To Be.

As a community bank, we recognize our critical role in helping small to mid-size businesses, the engines of job growth in this country, to expand and flourish. To help facilitate the growth of these companies, our financial designers through our LifeDesign for business approach help identify solutions and products that meet the needs of our business clients.

For example, we had another strong year in our business and commercial services banking group which can be credited to our excellent team of financial designers. Commercial deposits grew by 13 percent while loan originations totaled approximately \$30 million. Leveraging our position as the only preferred SBA lender in North Central Mass, we ranked 6th among all banks in Massachusetts in the origination of 504 SBA loans that provide lower cost financing for small businesses seeking to expand their plant or equipment.

Armed with our expanded array of business services, our commercial services team made positive inroads into the municipal government market in 2010 as well. We are putting LifeDesign to work now for our towns and cities by sitting down and analyzing their financial needs and coming-up with the best solutions.

Fidelity Bank also had another strong year in serving the Central Mass homebuyer. We assisted over 600 homeowners find the right mortgage financing option for them during 2010. Record activity in this area ranked us among the top ten mortgage lenders in Worcester County. With interest rates at historic lows for most of 2010, we were able to offer a broad array of mortgage products that fit the needs of our diverse client base with over 28 percent of all loan production originated for low and moderate income households. We are very proud of this accomplishment because it reflects the ultimate achievement of our LifeDesign approach to finding the best solutions for all of our clients which only a bank with a heart can do.

Core retail deposits grew by 10% as our existing and new clients sought out the safety of 100 percent deposit insurance provided by the combination of the FDIC and the Share Insurance Fund. We continue to build upon the retail banking products that were introduced a year ago including Mobile Banking, Text Message Banking and FinanceWorks™. These were all widely accepted by our consumer banking clients and usage of these products far exceeded our expectations.

The Exchange Authority, a wholly-owned subsidiary of Fidelity Bank that specializes in real estate property exchanges, structured 69 exchanges in 2010 totaling over \$47 million. These tax-deferred 1031 exchanges allow a property owner to trade one property for another without having to pay any federal income taxes on the transaction. Some of the exchanges completed in the past year included major artwork, nationally-known franchisees and the “air rights” over a New York City high rise building. Although the majority of exchanges under I.R.C. Section 1031 may involve real property, the exchange of “personal property” is also possible and presents a substantial tax deferral opportunity for both business owners and individuals.

Redefining Marketing Communications from the Heart

In 2010, we undertook significant new initiatives to expand our ability to communicate with our existing and prospective clients in the Central Mass communities we serve. These initiatives were based on a comprehensive research effort that involved client, employee and competitor surveys. As a result of this effort, we made our unique LifeDesign philosophy a much more visible and integral part of all our external communications ranging from branch signage to a whole new advertising campaign launched in January, 2011.

Along with the new ad campaign, Fidelity Bank launched its first social media outreach initiative aimed at increasing the “findability” of the Fidelity Bank brand within the social media space. Our social media strategy centers on a public blog which will be integrated with a Facebook Page, Twitter stream, LinkedIn profiles, and a YouTube Channel. The Fidelity Bank blog will share financial guidance, news and event information and is intended to drive additional traffic to our corporate web site.

Community Involvement

In the fall of 2010, we launched the Fidelity Bank Financial Forums on radio station WCRN in Worcester. These seven minute radio interviews with various Fidelity Bank officers provided expert guidance and information on a host of financial issues ranging from how to grow your small business, to shopping for a home mortgage, to year-end tax and investment tips. We also produced new segments for Fidelity Bank's TV Show – LifeDesign & You, which is shown on Worcester's Charter Cable Network. Both the WCRN radio series and the FBTV broadcasts are further extensions of our LifeDesign philosophy of providing sound guidance and helpful information to the communities we serve.

Making a Meaningful Difference by Putting People and Communities First

As a community bank with roots that go back more than 123 years, we care and put the communities we serve first. We see ourselves as a partner with the public, private and non-profit sectors in supporting our communities through philanthropy and in-kind contributions. Our LifeDesign way of thinking trains us first to examine the cause, then the need, before recommending the solution. In the same manner as we make our investment decisions, we look for sustainable, longer-term returns from our charitable dollars and time.

In 2010, our Community Room, located at our Leominster Connector office, played host to a wide variety of local community organizations. The Community Room was used by groups to hold training sessions, serve as a meeting place for local sporting teams, and host a real estate school. In total, more than 100 community groups and non-profit organizations held meetings or functions in Fidelity Bank's Community Room free of charge.

A wonderful example of making a meaningful difference came about in December 2010 when our employees decided to forego their annual holiday party, and instead, donate the money to area food pantries and other local organizations that provide food, clothing and other basic quality of life services to needy families and the elderly. Each one of our branch offices chose a local organization for their donation and a total of \$16,000 was given to eight local community organizations.

2010 was a record year for the Shine Initiative as we passed the \$500,000 mark in funds raised for this entrepreneurial approach to addressing the stigma and discrimination associated with mental illness. The Shine Initiative, a 501 (c) 3, continues to be the heart of Fidelity Bank's philanthropic efforts, and we are very proud of all the hard work that the Executive Director Arlene Betteridge, our employees and members of the community have expended to make this wonderful initiative such a success.

During National Mental Health Month in May of last year, Fidelity Bank employees launched the second annual Quarter Mile fundraiser campaign which brought together teams of staff and customers to collect over a mile of quarters for the fight against mental illness. For three months through July, mini fund raising projects were conducted that raised a record \$20,000 for the Shine Initiative.

Fundraising efforts for the Shine Initiative were capped off in October 2010 with the fourth annual Keep Your Mind Open event co-sponsored by Fidelity Bank. This unique golf outing that began and finished on the 19th hole was well attended by more than 225 people and raised a record \$53,700 for the Shine. The annual Community Service Award for outstanding contribution in support of mental health programs was made to Edward Cronin of Fitchburg, the city's former Chief of Police.

The Shine Initiative strives to raise and allocate funding for its four pillars of work: biological research, education, programming and public policy. To date, the Shine has awarded research grants to three outstanding scientists from Mass General and McLean hospitals who are conducting cutting edge, biological research in the areas of bi-polar disorder, depression and schizophrenia. \$20,000 grants were awarded to each scientist and matched by the National Alliance for Research in Schizophrenia and Depression, but we recognize more needs to be done to support this worthy, underserved cause.

The Shine Initiative's mission to be a leader in the fight against mental illness in children and young adults has never been more critical, and we at Fidelity Bank take to heart what the Shine has been able to accomplish in such a short period.

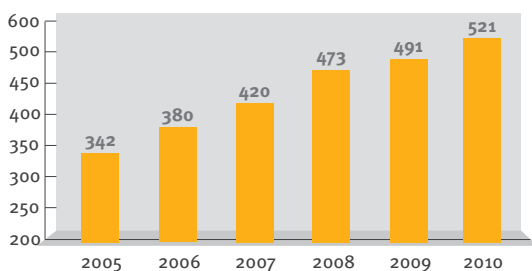
Financials

Consolidated Statement of Condition — December 31, 2010 (Dollars in Thousands)

ASSETS	Cash and Due From Banks	51,581
	Securities Available for Sale at Fair Value	83,929
	Securities Held to Maturity at Book Value	6,100
	Net Loans	343,368
	Banking Premises and Equipment	12,286
	Other Real Estate Owned	732
	Other Assets	23,309
	TOTAL ASSETS	\$521,305
LIABILITIES & EQUITY	Deposits	390,052
	Borrowings	90,290
	Accrued Taxes and Expenses	1,073
	Other Liabilities	1,268
	TOTAL LIABILITIES	\$482,683
	Equity Capital	38,657
	Accumulated Other Comprehensive Income	(35)
	TOTAL EQUITY	\$38,622
	TOTAL LIABILITIES AND SURPLUS	\$521,305

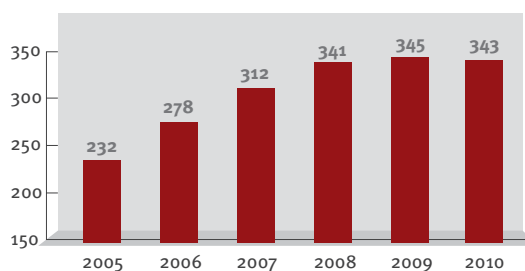
Total Assets

DOLLARS IN MILLIONS | 2010 - 6.1% Growth



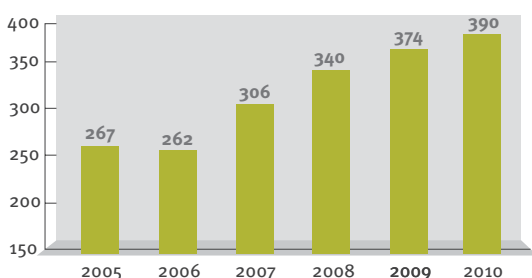
Net Loans

DOLLARS IN MILLIONS | 2010 - (0.6%) Growth



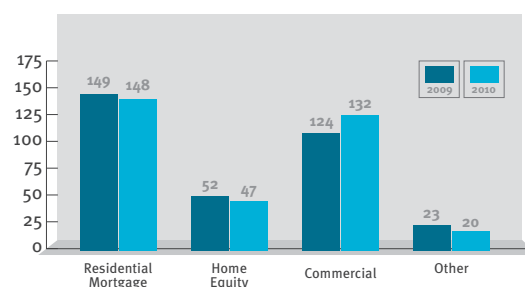
Total Deposits

DOLLARS IN MILLIONS | 2010 - 4.3% Growth



Loan Portfolio Composition

DOLLARS IN MILLIONS | 12/09 - \$348 Mil | 12/10 - \$347 Mil - (0.3%) Growth



Executive Team



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Chairman & CEO



John F. Merrill
President
Chief Financial Designer
Chief Lending Officer



Michael O. Gilles
Executive Vice President
Chief Financial Officer

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*President, Habitat Advisory Group
Realtor,®Remax Prestige
Chief Operating Officer, Bemis Associates
Investment Consultant
Chairman and CEO, Fidelity Bank
Shirley Board of Assessors / Shirley Charitable Foundation
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Board Director, Fidelity Bank
Board Director, Fidelity Bank*



From left to right: William Williams, Michael Root, Ronald Marchetti, Scott Howard, Alvin Collins, Edward Manzi, Ronald LeBlanc, Phillip Wood, Jacqueline Esielionis, Edward Tarquinio

Board of Corporators

BOARD OF CORPORATORS

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Brent Maugel*	<i>Owner, Maugel Architects</i>
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John F. Merrill*	<i>President & Chief Lending Officer, Fidelity Bank</i>
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William J. Williams	<i>Board Director, Fidelity Bank</i>
Philip A. Wood	<i>Board Director, Fidelity Bank</i>
Edward L. Woodcome	<i>President, Woodcome Insurance</i>

* First elected February 2011



EXCHANGE AUTHORITY LLC
QUALIFIED INTERMEDIARIES

SUBSIDIARY

Exchange Authority

Suite 1, 9 Leominster Connector Leominster, MA 01453

Tim Halligan	<i>President</i>
Marie Dias	<i>Marketing Director</i>
Mark T. Couture	<i>Exchange Coordinator</i>

BUSINESS PARTNER

Baystate Financial

1 Exeter Plaza, Suite 1400 Boston, MA 02116



Helping You Get Where You Want To Be

[fidelitybankonline.com](https://www.fidelitybankonline.com)

800 581 5363

Branch Locations

Fitchburg
675 Main Street
978 345 4331

Gardner
330 Main Street
978 632 5591

Leominster
9 Leominster Connector
978 870 1400

29 Main Street
978 537 6366

Millbury
97 Elm Street
508 865 9536

Shirley
21 Main Street
978 425 2355

Worcester
465 Shrewsbury Street
508 799 6226

