Board of Governors of the Federal Reserve System

Annual Report of Holding Companies—FR Y-6

Report at the close of business as of the end of fiscal year

This Report is required by law: Section 5(c)(1)(A) of the Bank Holding Company Act (12 U.S.C. § 1844(c)(1)(A)); sections 8(a) and 13(a) of the International Banking Act (12 U.S.C. §§ 3106(a) and 3108(a)); sections 11(a)(1), 25, and 25A of the Federal Reserve Act (12 U.S.C. §§ 248(a)(1), 602, and 611a); and sections 113, 165, 312, 618, and 809 of the Dodd-Frank Act (12 U.S.C. §§ 5361, 5365, 5412, 1850a(c)(1), and 5468(b)(1)). Return to the appropriate Federal Reserve Bank the original and the number of copies specified.

This report form is to be filed by all top-tier bank holding companies, top-tier savings and loan holding companies, and U.S. intermediate holding companies organized under U.S. law, and by any foreign banking organization that does not meet the requirements of and is not treated as a qualifying foreign banking organization under Section 211.23 of Regulation K (12 C.F.R. § 211.23). (See page one of the general instructions for more detail of who must file.) The Federal Reserve may not conduct or sponsor, and an organization (or a person) is not required to respond to, an information collection unless it displays a currently valid OMB control number.

NOTE: The *Annual Report of Holding Companies* must be signed by one director of the top-tier holding company. This individual should also be a senior official of the top-tier holding company. In the event that the top-tier holding company does not have an individual who is a senior official and is also a director, the chairman of the board must sign the report. If the holding company is an ESOP/ESOT formed as a corporation or is an LLC, see the General Instructions for the authorized individual who must sign the report.

I, Peter Dello Russo
Name of the Holding Company Director and Official

President & CEO
Title of the Holding Company Director and Official

attest that the *Annual Report of Holding Companies* (including the supporting attachments) for this report date has been prepared in conformance with the instructions issued by the Federal Reserve System and are true and correct to the best of my knowledge and belief.

With respect to information regarding individuals contained in this report, the Reporter certifies that it has the authority to provide this information to the Federal Reserve. The Reporter also certifies that it has the authority, on behalf of each individual, to consent or object to public release of information regarding that individual. The Federal Reserve may assume, in the absence of a request for confidential treatment submitted in accordance with the Board's "Rules Regarding Availability of Information," 12 C.F.R. Part 261, that the Reporter and individual consent to public release of all details in the report concerning that individual.

Signature of Holding Company Director and Official

12/18/18
Date of Signature

For holding companies not registered with the SEC–
Indicate status of Annual Report to Shareholders:
- [x] is included with the FR Y-6 report
- [ ] will be sent under separate cover
- [ ] is not prepared

For Federal Reserve Bank Use Only

RSSD ID ______
C.I. ______

Date of Report (top-tier holding company's fiscal year-end):
September 30, 2018
Month / Day / Year

N/A
Reporter's Legal Entity Identifier (LEI) (20-Character LEI Code)

Reporter's Name, Street, and Mailing Address

Bridgewater Financial Mutual Holding Company
Legal Title of Holding Company

756 Orchard Street
(Mailing Address of the Holding Company) Street / P.O. Box

City	State	Zip Code
Raynham	MA	02767

Physical Location (if different from mailing address)

Person to whom questions about this report should be directed:

Name	Title
Richard Burgess	SVP, CFO & Treasurer

508-884-3313
Area Code / Phone Number / Extension

508-884-3365
Area Code / FAX Number

rburgess@bridgewatersavings.com
E-mail Address

www.bridgewatersavings.com
Address (URL) for the Holding Company's web page

Is confidential treatment requested for any portion of this report submission? (0=No, 1=Yes) 0

In accordance with the General Instructions for this report (check only one),
1. a letter justifying this request is being provided along with the report [ ]
2. a letter justifying this request has been provided separately ... [ ]

NOTE: Information for which confidential treatment is being requested must be provided separately and labeled as "confidential."

Public reporting burden for this information collection is estimated to vary from 1.3 to 101 hours per response, with an average of 5.50 hours per response, including time to gather and maintain data in the required form and to review instructions and complete the information collection. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to: Secretary, Board of Governors of the Federal Reserve System, 20th and C Streets, NW, Washington, DC 20551, and to the Office of Management and Budget, Paperwork Reduction Project (7100-0297), Washington, DC 20503.

For Use By Tiered Holding Companies

Top-tiered holding companies must list the names, mailing address, and physical locations of each of their subsidiary holding companies below.

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

Physical Location (if different from mailing address)

Legal Title of Subsidiary Holding Company

(Mailing Address of the Subsidiary Holding Company) Street / P.O. Box

City State Zip Code

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BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

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INDEPENDENT AUDITORS' REPORT

Audit Committee
Bridgewater Financial, MHC and Subsidiaries

We have audited the accompanying consolidated financial statements of Bridgewater Financial, MHC (the Company) and Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2018 and 2017, and the related consolidated statements of net income, comprehensive (loss) income, changes in equity and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

Marcum LLP ▪ 53 State Street ▪ 17th Floor ▪ Boston, Massachusetts 02109 ▪ Phone 617.807.5000 ▪ Fax 617.807.5001 ▪ marcumllp.com

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Bridgewater Financial, MHC and Subsidiaries as of September 30, 2018 and 2017, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Marcum LLP

Boston, Massachusetts
December 20, 2018

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

SEPTEMBER 30, 2018 AND 2017

	2018	2017
	(In thousands)	
Assets		
Cash and Cash Equivalents		
Cash and due from banks	$ 1,569	$ 1,505
Interest bearing deposits	3,751	3,092
Total Cash and Cash Equivalents	5,320	4,597
Securities available for sale at fair value	118,410	123,923
Loans held for sale	2,434	2,235
Loans receivable, net	452,307	414,210
Accrued interest receivable	1,925	1,723
Premises and equipment, net	11,189	11,468
Stock in Federal Home Loan Bank, at cost	2,408	2,846
Stock in Federal Reserve Bank, at cost	1,210	1,210
Goodwill and intangible assets	1,015	1,025
Deferred income taxes	2,603	1,895
Bank-owned life insurance	1,726	1,681
Other assets	1,050	921
Total Assets	$ 601,597	$ 567,734
Liabilities and Equity		
Liabilities		
Deposits	$ 510,733	$ 456,356
Federal Home Loan Bank advances	31,720	47,985
Subordinated debt	--	4,000
Accrued expenses and other liabilities	5,149	5,141
Total Liabilities	547,602	513,482
Equity		
Retained earnings	56,297	53,653
Accumulated other comprehensive (loss) income	(2,302)	599
Total Equity	53,995	54,252
Total Liabilities and Equity	$ 601,597	$ 567,734

The accompanying notes are an integral part of these consolidated financial statements.

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF NET INCOME

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

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	2018	2017
	(In thousands)	
Interest Income		
Interest and fees on loans	$ 17,345	$ 16,153
Interest and dividends on securities	3,684	3,044
Interest on short-term investments	19	16
Total Interest Income	21,048	19,213
Interest Expense		
Interest on deposits	1,871	1,298
Interest on Federal Home Loan Bank advances	924	637
Interest on subordinated debt	145	170
Total Interest Expense	2,940	2,105
Net Interest Income	18,108	17,108
Provision for Loan Losses	275	200
Net Interest Income After Provision for Loan Losses	17,833	16,908
Noninterest Income		
Customer service fees	1,513	1,370
Retail investment sales revenue	821	433
Trust department fees	730	660
Gain on sale of loans, net	837	1,121
Gain on sale of securities, net	--	77
Miscellaneous	455	481
Total Noninterest Income	4,356	4,142
Noninterest Expense		
Salaries and employee benefits	10,517	10,009
Occupancy and equipment, net	2,760	2,474
Data processing	1,718	1,557
Deposit insurance	190	190
Professional fees	469	601
Advertising and marketing	556	518
Foreclosed real estate	1	14
Other general and administrative	1,916	2,053
Total Noninterest Expense	18,127	17,416
Income Before Income Taxes	4,062	3,634
Federal and State Income Taxes		
Current	934	216
Deferred	416	676
Total Federal and State Income Taxes	1,350	892
Net Income	$ 2,712	$ 2,742

The accompanying notes are an integral part of these consolidated financial statements.

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
	(In thousands)	
Net Income	$ 2,712	$ 2,742
Other Comprehensive (Loss) Income		
Unrealized losses on securities available for sale:	(4,222)	(2,102)
Reclassification adjustment for net gains realized in income	--	(77)
Net unrealized losses	(4,222)	(2,179)
Related tax effects	1,188	829
Net-of-tax-amount	(3,034)	(1,350)
Director retirement plan:		
Reclassification adjustment for prior service costs recognized in net periodic benefit cost	26	25
Gains (losses) arising during the period	103	(89)
Change in gains (losses) and prior service costs	129	(64)
Related tax effects	(64)	25
Net-of-tax-amount	65	(39)
Total Other Comprehensive Loss	(2,969)	(1,389)
Comprehensive (Loss) Income	$ (257)	$ 1,353

The accompanying notes are an integral part of these consolidated financial statements.

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Equity
		(In thousands)	
Balance at September 30, 2016	$ 50,911	$ 1,988	$ 52,899
Comprehensive Income (Loss)	2,742	(1,389)	1,353
Balance at September 30, 2017	53,653	599	54,252
Comprehensive Income (Loss)	2,712	(2,969)	(257)
Reclassification of stranded tax effect from change in tax rate	(68)	68	--
Balance at September 30, 2018	$ 56,297	$ (2,302)	$ 53,995

The accompanying notes are an integral part of these consolidated financial statements.

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
	(In thousands)	
Cash Flows from Operating Activities		
Net income	$ 2,712	$ 2,742
Adjustments to reconcile net income to net cash provided by operating activities:		
Provision for loan losses	275	200
Net amortization of securities premiums	455	581
Net accretion of deferred loan costs, premiums, and fees	(111)	(105)
Gains on sales of securities, net	--	(77)
Depreciation and amortization expense	1,180	1,154
Accretion of discount on Federal Home Loan Bank advances	(9)	(64)
Amortization of core deposit intangibles	10	12
Deferred income tax provision	416	676
Increase in accrued interest receivable	(202)	(171)
Net change in loans held for sale	(199)	890
Other, net	(37)	(662)
Total adjustments	1,778	2,434
Net Cash Provided by Operating Activities	4,490	5,176
Cash Flows from Investing Activities		
Activity in securities available for sale:		
Purchases	(14,493)	(38,390)
Sales	--	177
Maturities, calls and principal payments	15,329	15,960
Redemption (purchase) of Federal Home Loan Bank stock	438	(263)
Net loan principal originations	(37,575)	(15,244)
Purchase of loans	(686)	(4,259)
Purchase of premises and equipment, net	(901)	(399)
Net Cash Used in Investing Activities	(37,888)	(42,418)

The accompanying notes are an integral part of these consolidated financial statements.

BRIDGEWATER FINANCIAL, MHC AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

YEARS ENDED SEPTEMBER 30, 2018 AND 2017

	2018	2017
	(In thousands)	
Cash Flows from Financing Activities		
Net change in deposits	$ 54,377	$ 20,743
Repayments of Federal Home Loan Bank advances	(24,438)	(11,500)
Proceeds of Federal Home Loan Bank advances	8,182	26,476
Repayment of subordinated debt	(4,000)	--
Net Cash Provided by Financing Activities	34,121	35,719
Net Increase (Decrease) in Cash and Cash Equivalents	723	(1,523)
Cash and Cash Equivalents, Beginning of Year	4,597	6,120
Cash and Cash Equivalents, End of Year	$ 5,320	$ 4,597

	2018	2017
Supplemental Cash Flow Information		
Supplemental Disclosure		
Interest paid on deposits	1,824	1,298
Interest paid on Federal Home Loan Bank advances	921	651
Interest paid on subordinated debt	147	170
Income taxes paid, net of refunds	906	240
Transfer of bank-owned life insurance policy to settle supplemental employee retirement plan obligation	--	2,407
Decrease in unrealized gain on securities available for sale	(4,222)	(2,180)

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF PRESENTATION AND CONSOLIDATION

The consolidated financial statements include the accounts of Bridgewater Financial, MHC (the "Company") and its wholly-owned subsidiaries, Bridgewater Savings Bank (the "Bank") and Bridgewater Savings Statutory Trust I (see Note 10). The Bank has two subsidiaries, BRISABA Securities Corporation II and III, formed for the purpose of buying, holding, and selling securities. All significant intercompany accounts and transactions have been eliminated in consolidation.

METHOD OF ACCOUNTING

The consolidated financial statements are prepared on the accrual basis of accounting for all significant items of income and expense.

BUSINESS

The Company provides a variety of financial services to individuals and small businesses through its offices in southeastern Massachusetts. Its primary deposit products are checking, savings and term certificate accounts, and its primary lending products are residential and commercial mortgage loans. The Company also provides fiduciary services to customers through its Trust Department.

USE OF ESTIMATES

In preparing consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amount of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of other real estate owned and deferred tax assets. In connection with the determination of the estimated losses on loans and other real estate owned, management obtains independent appraisals for significant properties.

While management uses available information to recognize losses on loans and other real estate owned, further reductions in the carrying amounts of loans and other real estate owned may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans and other real estate owned. Such agencies may require the Company to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans and foreclosed real estate may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

CASH AND CASH EQUIVALENTS

Cash equivalents include amounts due from banks and short-term investments, which mature overnight or on demand.

INVESTMENT SECURITIES

Securities classified as available-for-sale consist of investment securities with readily determinable fair values that the Company intends to hold for an indefinite period of time but not necessarily until maturity. These securities are carried at estimated fair value based on information provided by a third party pricing service with any unrealized gains and losses excluded from net income and reported in accumulated other comprehensive (loss) income, which is reported as a separate component of equity, net of the related deferred tax effect. The amortization of premiums and the accretion of discounts are recognized in interest income using methods approximating the interest method over the period to maturity, adjusted for anticipated prepayments.

Realized gains (losses) on the sale of securities available-for-sale are determined using the specific-identification method based on the adjusted cost basis of the specific securities sold and included in noninterest income and, when applicable, are reported as a reclassification adjustment, net of tax, in other comprehensive income (loss).

Each reporting period, the Company evaluates all securities with a decline in fair value below the amortized cost of the investment to determine whether or not the impairment is deemed to be other-than-temporary ("OTTI").

OTTI is required to be recognized if: (1) the Company intends to sell the security; (2) it is "more likely than not" that the Company will be required to sell the security before recovery of its amortized cost basis; or (3) for debt securities, the present value of expected cash flows is not sufficient to recover the entire amortized cost basis. Marketable equity securities are evaluated for OTTI based on the severity and duration of the impairment and, if deemed to be other than temporary, the declines in fair value are reflected in earnings as realized losses. For all impaired debt securities that the Company intends to sell, or more likely than not will be required to sell, the full amount of the depreciation is recognized as OTTI through earnings. Credit-related OTTI for all other impaired debt securities is recognized through earnings. Non-credit related OTTI for such debt securities is recognized in other comprehensive income/(loss), net of applicable taxes.

LOANS HELD FOR SALE

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value in the aggregate. Net unrealized losses, if any, are recognized through a valuation allowance by charges to income. Loans are sold to third party investors servicing released.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FEDERAL HOME LOAN BANK STOCK

The Bank, as a member of the Federal Home Loan Bank ("FHLB"), is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. At its discretion, the FHLB may declare dividends on the stock. The Company reviews for impairment based on the ultimate recoverability of the cost basis in the FHLB stock. As of September 30, 2018 and 2017, no impairment has been recognized.

FEDERAL RESERVE BANK STOCK

Under the terms and provisions of the Federal Reserve Act, the Bank is required to hold Federal Reserve Bank stock equal to 6% of its capital and surplus as of the time it became a Federal Reserve Member bank. One-half of the Bank's subscription is paid to the Federal Reserve Bank of Boston and the remaining half is subject to call when deemed necessary by the Board of Governors of the Federal Reserve System. At both September 30, 2018 and 2017, the amount of the Bank's subscription subject to call amounted to $1,210,000.

LOANS

The Company's loan portfolio includes residential real estate, commercial real estate, construction, home equity lines-of-credit, SBA/USDA, commercial and consumer segments. Consumer loans include classes for chattel and personal loans. A substantial portion of the loan portfolio is represented by mortgage loans in southeastern Massachusetts. The ability of the Company's debtors to honor their contracts is dependent upon the real estate and general economic conditions in this area.

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or pay-off generally are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for loans losses, and any deferred fees or costs on originated loans. Interest income is accrued on the unpaid principal balance. Loan origination fees and certain direct origination costs are deferred and recognized as an adjustment of the related loan yield using the interest method.

Generally, the recognition of income on a loan is discontinued and previously accrued interest is reversed, when interest or principal payments become ninety days past due unless, in the opinion of management, the outstanding interest remains collectible and the loan is well secured. Past due status is determined based on contractual terms. Interest is subsequently recognized only as received until the loan is returned to accrual status. A loan is restored to accrual status when all interest and principal payments are current and the borrower has demonstrated to management the ability to make payments of principal and interest as scheduled. The Company's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's deteriorating

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

LOANS (CONTINUED)

or deteriorated financial condition, the depreciation of underlying collateral, the loan's classification as a loss by regulatory examiners, or for other reasons.

ALLOWANCE FOR LOAN LOSSES

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is based on two basic principles of accounting: (i) FASB ASC 450, *Contingencies*, which requires that losses be accrued when they are probable of occurring and estimable and (ii) FASB ASC 310, *Receivables*, which requires that losses on impaired loans be accrued based on the differences between the loan balance and either the value of collateral, if such loans are considered to be collateral dependent and in the process of collection, the present value of future cash flows, or the loan's value as observable in the secondary market. A loan is considered impaired when, based on current information and events, the Company has concerns about the ability to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement.

Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due.

The Company's goal is to mitigate risks from an unforeseen threat to the loan portfolio as a result of an economic downturn or other negative influences. Plans that aid in mitigating these potential risks in managing the loan portfolio include: enforcing loan policies and procedures, evaluating the borrower's business plan through the loan term, identifying and monitoring primary and alternative sources of repayment and obtaining adequate collateral to mitigate loss in the event of liquidation. Specific reserves are established based upon credit and/or collateral risks on an individual loan basis. A risk rating system is used to estimate potential loss exposure and to provide a measuring system for setting general and specific reserve allocations.

The Company's allowance for loan losses has three basic components: general, specific and unallocated components, as further described below. Each of these components is determined based upon estimates that can and do change when the actual events occur. As a result of the uncertainties inherent in the estimation process, management's estimate of loan losses and the related allowance could change in the near term. While the allowance may be allocated for specific portfolio segments, the entire allowance balance is available to absorb credit losses inherent in the total loan portfolio.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR LOAN LOSSES (CONTINUED)

General component:

The general component of the allowance for loan losses is used to estimate inherent losses in the pools of non-classified loans and is based on historical loss experience adjusted for qualitative factors, stratified by loan segments. Management uses a rolling average of historical losses based on a timeframe appropriate to capture relevant loss data for each loan segment. The historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies, real estate values, concentrations and risk ratings; effects of changes in underwriting standards; experience/ability/depth of lending management and staff; and national and local economic trends and conditions. There were no changes in the Company's policies or methodology pertaining to the general component of the allowance for loan losses during the year ended September 30, 2018.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Residential real estate – The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant loans that would be classified as subprime upon origination. All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Commercial real estate – Loans in this segment are primarily income-producing properties throughout southeastern Massachusetts. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increasing vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Construction – Loans in this segment include both owner-occupied and speculative real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Home equity lines-of-credit – Loans in this segment are generally collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The Company generally does not originate loans with combined loan-to-value ratios greater than 70%. The Company generally has first or second liens on the properties securing these loans.

SBA/USDA – The Company purchases federally-guaranteed participations in these loans on the secondary market. These loans are unconditionally guaranteed by the SBA and USDA as to principal and interest. The loans in this segment are not allocated a general reserve because the

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR LOAN LOSSES (CONTINUED)

General component: (continued)

Company has not experienced losses on such loans and management expects the guarantees, if necessary, will be effective. The loans purchased by the Company are primarily small business and agricultural.

Commercial – Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

Consumer loans – Loans in this segment include chattel loans secured by modular homes and personal loans, which are secured by personal property or savings or are unsecured. Repayment is dependent on the credit quality of the individual borrower.

Specific component:

The specific component of the allowance for loan losses relates to loans that are classified as impaired. Impairment is measured on a loan-by-loan basis by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the measured value of the impaired loan is lower than the carrying value of that loan.

A loan is considered impaired when, based on current information and events, it is probable that the Company will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Large groups of smaller balance homogeneous loans are collectively evaluated for impairment. Accordingly, the Company does not separately identify individual personal loans for impairment, unless such loans are the subject of a restructuring agreement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ALLOWANCE FOR LOAN LOSSES (CONTINUED)

Specific component: (continued)

The Company periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession that the Company would not otherwise consider is made because a borrower is experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are initially classified as impaired. Typically, such concessions consist of a reduction in interest rate to a below market rate, taking into account the credit quality of the note, or a deferment of payments, principal or interest, which materially alters the Company's position or significantly extends the note's maturity date, such that the present value of cash flows to be received is materially less than those contractually established at the loan's origination. Restructured loans are included in the impaired loan category.

Losses on loans modified as TDRs, if any, are charged against the allowance for loan losses when management believes the uncollectibility of the loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance for loan losses. Loans modified as TDRs with payment defaults are considered in the general component of the allowance for loan losses for each of the Company's loan classes.

Unallocated component:

An unallocated component is maintained to cover uncertainties that could affect management's estimate of probable losses. The unallocated component of the allowance reflects the margin of imprecision inherent in the underlying assumptions used in the methodologies for estimating allocated and general reserves in the portfolio.

DERIVATIVE FINANCIAL INSTRUMENTS

Mortgage loan commitments are referred to as derivative loan commitments if the loan that will result from exercise of the commitment will be held for sale upon funding. Loan commitments that are derivatives are recognized at fair value on the consolidated balance sheets in other assets and other liabilities with changes in their fair values recorded in other income, if material. The Company records a zero value for the loan commitment at inception (the time the commitment is issued to a borrower). Subsequent to inception, changes in the fair value of the loan commitment are recognized based on changes in the fair value of the underlying mortgage loan due to interest rate changes, changes in the probability the derivative loan commitment will be exercised, and the passage of time. In estimating fair value, the Company assigns a probability to a loan commitment based on an expectation that it will be exercised and the loan will be funded.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

To protect against the price risk inherent in derivative loan commitments, the Company utilizes "best efforts" for loan sale commitments to mitigate the risk of potential decreases in the values of loans that would result from the exercise of the derivative loan commitments. Forward loan sale commitments are recognized at fair value on the consolidated balance sheet in other assets and other liabilities with changes in their fair values recorded in other income, if material. The Company estimates the fair value of its forward loan sales commitments using a methodology similar to that used for derivative loan commitments.

PREMISES AND EQUIPMENT

Land is carried at cost. Buildings and equipment are carried at cost, less accumulated depreciation and amortization computed on the straight-line method over the estimated useful lives of the assets, ranging from 3 to 40 years, or the terms of the leases, if shorter. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

Expenditures for improvements, which extend the life of an asset, are capitalized and depreciated over the asset's remaining useful life. Expenditures for repairs and maintenance are charged to operating expenses as incurred.

Gains or losses realized on the disposition of premises and equipment are reflected in the consolidated statements of income.

VALUATION OF LONG-LIVED ASSETS

The Company accounts for the valuation of long-lived assets under FASB ASC 360, *Property, Plant and Equipment*. This guidance requires that long-lived assets be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of the long-lived asset is measured by a comparison of the carrying amount of the asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated fair value of the assets. Assets to be disposed of are reportable at the lower of the carrying amount or fair value, less costs to sell.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill is not amortized, but is evaluated for impairment on an annual basis. Other intangible assets consist of core deposit intangibles and are amortized over their estimated useful lives of periods up to twenty years and are periodically reviewed for impairment. Impairment of goodwill and other intangible assets, if any, is recognized in earnings.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

Management evaluates goodwill for impairment annually, with the test being performed in the same period each year. Management reviews qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is determined that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, then the two-step impairment test must be completed. The two-step impairment test will compare the fair value of an acquired unit to its carrying value, including goodwill. The fair value is based on observable market prices, when practicable; other valuation techniques may be used when market prices are unavailable. Management assesses the recoverability of intangible assets whenever events or changes in circumstances indicate that their carrying value may not be recoverable. If the carrying amount exceeds fair value, an impairment charge is recorded to earnings.

FORECLOSED REAL ESTATE

Foreclosed real estate includes both formally foreclosed property and in-substance foreclosed property. In-substance foreclosed properties are those properties for which the institution has taken physical possession, regardless of whether formal foreclosure proceedings have taken place.

At the time of foreclosure, foreclosed real estate is recorded at fair value less cost to sell, which becomes the property's new basis. Any write-downs based on the asset's fair value at date of acquisition are charged to the allowance for loan losses. Subsequent to acquisition, a valuation allowance is established, if necessary, to report these assets at the lower of fair value less cost to sell or the new cost basis. Impairment losses on property to be held and used are measured as the amount by which the carrying amount of a property exceeds its fair value. Gains and losses realized on the sale and any adjustment resulting from periodic re-evaluation of these assets are included in losses on and expenses on foreclosed real estate, net, as appropriate. The net costs of maintaining and operating these assets are expensed as incurred.

BANK-OWNED LIFE INSURANCE

Bank-owned life insurance policies are reflected on the consolidated balance sheets at cash surrender value. Changes in cash surrender value are reflected in other income on the consolidated statements of net income and are not subject to income tax unless the policies are surrendered or otherwise conveyed to a new owner.

TRUST ASSETS

Trust assets held in a fiduciary or agency capacity are not included in the Company's consolidated financial statements, as they are not assets of the Company.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

TRANSFERS OF FINANCIAL ASSETS

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

In the normal course of business, the Company may transfer a portion of a financial asset, for example, a participation loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transfer other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing.

INCOME TAXES

Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted accordingly through the provision for income taxes. A valuation allowance is recorded against deferred tax assets when management deems that more likely than not, a portion of the asset will not be realized. At September 30, 2018, the Company does not have any uncertain tax positions that require accrual or disclosure. The Company records interest and penalties as part of income tax expense. No interest or penalties were recorded for the years ended September 30, 2018 and 2017.

The Company's base amount of its federal income tax reserve for loan losses is a permanent difference for which there is no recognition of a deferred tax liability. However, the loan loss allowance maintained for financial reporting purposes is a temporary difference with allowable recognition of a related deferred tax asset, if deemed realizable.

The Tax Cuts and Jobs Act was enacted on December 22, 2017. Among other things, the new Law (i) established a new, flat corporate federal statutory income tax rate of 21%, (ii) eliminates the corporate alternative minimum tax and allows the use of any such carryforwards to offset regular tax liability for any taxable year, (iii) limits the deduction for net interest expense incurred by U.S. corporations, (iv) allows businesses to immediately expense, for tax purposes , the cost of new investments in certain qualified depreciable assets, (v) eliminates or reduces certain deductions related to meals and entertainment expenses, (vi) modifies the limitation on excessive employee remuneration to eliminate the exception for performed-based compensation and clarifies the definition of a covered employee and (vii) limits the deductibility of deposit

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

INCOME TAXES (CONTINUED)

insurance premiums. The Tax Cuts and Jobs Act also significantly changes U.S. tax law related to foreign operations, however, such changes do not impact the Bank.

Under FASB ASC 740, the effect of income tax law changes on deferred taxes must be recognized as a component of income tax expense related to continuing operations in the period in which the law is enacted.

ADVERTISING AND MARKETING COSTS

Advertising costs and marketing costs are expensed as incurred and amounted to $556,000 and $518,000 for the years ended September 30, 2018 and 2017, respectively.

RETIREMENT PLAN

The compensation cost of the director retirement plan is recognized on the projected unit credit method over the director’s approximate service period. The aggregate cost method is utilized for funding purposes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

COMPREHENSIVE (LOSS) INCOME

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the retained earnings section of the consolidated balance sheets, such items, along with net income, are components of comprehensive (loss) income.

The components of accumulated other comprehensive (loss) income and related tax effects, included in retained earnings, are as follows:

	September 30, 2018	September 30, 2017
	(In thousands)	
Securities available for sale:		
Net unrealized (losses) gains	$ (3,076)	$ 1,147
Tax effect	850	(406)
	(2,226)	741
Director retirement plan:		
Unrecognized net loss	(81)	(184)
Unrecognized service cost	(25)	(52)
	(106)	(236)
Tax effect	30	94
	(76)	(142)
Net-of-tax effect	$ (2,302)	$ 599

Prior service cost amounting to $25,000, before related tax effects, included in accumulated other comprehensive (loss) income at September 30, 2018, is expected to be recognized as a component of net periodic pension cost during the year ending September 30, 2019.

In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income ("AOCI").* ASU 2018-02 permits reclassification from AOCI to retained earnings for stranded tax effects resulting from the impact of the newly enacted federal corporate income tax rate on items included in AOCI. The Bank elected to adopt the ASU, resulting in a reclassification in 2018 of $68,000.

RECENT ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606). The amendments in this Update create Topic 606, Revenue from Contracts with Customers, and supersede the revenue recognition requirements in Topic 605, Revenue

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

Recognition, including most industry-specific revenue recognition guidance throughout the Industry Topics of the Codification. The core principle of Topic 606 is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update is effective for annual reporting periods, including interim periods, beginning after December 15, 2018. Adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

In January 2016, the FASB issued ASU 2016-01, *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. The amendments in this update address certain aspects of recognition, measurement, presentation, and disclosure of financial instruments and makes targeted improvements to Generally Accepted Accounting Principles ("GAAP") as follows:

1. Require equity investments (except those accounted for under the equity method of accounting or those that result in consolidation of the investee) to be measured at fair value with changes in fair value recognized in net income. However, an entity may choose to measure equity investments that do not have readily determinable fair values at cost minus impairment, if any, plus or minus changes resulting from observable price changes in orderly transactions for the identical or a similar investment of the same manner.

2. Simplify the impairment assessment of equity investments without determinable fair values by requiring a qualitative assessment to identify impairment. When a qualitative assessment indicates that impairment exists, an entity is required to measure the investment at fair value.

3. Eliminate the requirement to disclose the fair value and method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet.

4. Require the use of the exit price notion when measuring the fair value of financial instruments for disclosure purposes.

5. Require an entity to present separately in other comprehensive (loss) income the portion of the total change in fair value of a liability resulting from a change in the instrument-specific credit risk when the entity has elected to measure the liability at fair value in accordance with the fair value option for financial instruments.

6. Require separate presentation of financial assets and financial liabilities by measurement category and form of financial assets (that is, securities or loans and receivables) on the balance sheet or the accompanying notes to the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

7. Clarify that an entity should evaluate the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets.

ASU 2016-01 becomes effective for reporting periods beginning after December 15, 2018, including interim periods. Early adoption is permitted for the elimination of the requirement to disclose the fair value and method(s) and significant assumptions used to estimate the fair value that is required to be disclosed for financial instruments measured at amortized cost on the balance sheet. The Company has early adopted this provision excluding disclosures of the fair value of financial instruments measured at amortized cost and anticipates that the adoption of the remaining provisions will not have a material impact on the consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*. The amendments in this Update increase transparency and comparability among organizations by requiring reporting entities to recognize all leases with terms greater than 12 months as lease assets and lease liabilities on the balance sheet and disclose key information about leasing arrangements. ASU 2016-02 becomes effective in fiscal years beginning after December 15, 2019, including interim periods. The Company anticipates that the adoption of this update will not have a material impact on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments - Credit Losses (Topic 326)*. The amendments in this Update affect entities holding financial assets and net investments in leases that are not accounted for at fair value through net income. The main objective of this update is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the incurred loss impairment methodology in current GAAP will be replaced with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This update also requires enhanced disclosures to help investors and other financial statement users better understand significant estimates and judgments used in estimating credit losses, as well as the credit quality and underwriting standards of a reporting entity's portfolio. Additionally, this update amends the accounting for credit losses on available-for-sale debt securities and purchased financial assets with credit deterioration. ASU 2016-13 becomes effective in fiscal years beginning after December 15, 2021, including interim periods. An entity will adopt this update through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The Company is currently reviewing this update to determine the impact on its consolidated financial statements.

In March 2017, the FASB issued ASU 2017-08, Receivables - Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities. This ASU amends the amortization period for certain purchased callable debt securities held at a

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

RECENT ACCOUNTING PRONOUNCEMENTS (CONTINUED)

premium. It shortens the amortization period for the premium to the earliest call date. Under current GAAP, premiums on callable debt securities generally are amortized to the maturity date. ASU 2017-08 becomes effective in fiscal years beginning after December 15, 2019, including interim periods. Early adoption is permitted for interim or annual periods. The adoption of this guidance is not expected to have a material impact on the Company's consolidated financial statements.

SUBSEQUENT EVENTS

Management has evaluated the accompanying consolidated financial statements for subsequent events and transactions through December 20, 2018, the date these consolidated financial statements were available for issue, based on FASB ASC 855, Subsequent Events, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying consolidated financial statements or require additional disclosure.

NOTE 2 – RESTRICTIONS ON CASH AND DUE FROM BANKS

The Bank may be required to maintain average balances on hand or with the Federal Reserve Bank ("FRB"). The Bank was not required to maintain a balance with the FRB at September 30, 2018 and 2017.

NOTE 3 – SECURITIES AVAILABLE FOR SALE

The amortized cost and estimated fair value of securities available for sale with gross unrealized gains and losses follows:

	September 30, 2018			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities available for sale				
State and municipal bonds	$ 45,390	$ 453	$ (848)	$ 44,995
Asset -backed securities	18,670	--	(825)	17,845
Government-sponsored agency bonds	10,903	--	(353)	10,550
Government-sponsored residential mortgage-backed securities	42,518	55	(1,080)	41,493
Total debt securities	117,481	508	(3,106)	114,883
Marketable equity securities	4,005	--	(478)	3,527
	$ 121,486	$ 508	$ (3,584)	$ 118,410

	September 30, 2017			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
	(In Thousands)			
Securities available for sale				
State and municipal bonds	$ 44,335	$ 1,227	$ (125)	$ 45,437
Asset -backed securities	21,162	61	(50)	21,173
Government-sponsored agency bonds	4,000	10	(1)	4,009
Government-sponsored residential mortgage-backed securities	49,275	453	(115)	49,613
Total debt securities	118,772	1,751	(291)	120,232
Marketable equity securities	4,005	--	(314)	3,691
	$ 122,777	$ 1,751	$ (605)	$ 123,923

Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably

NOTE 3 – SECURITIES AVAILABLE FOR SALE (CONTINUED)

possible that changes in the fair values of the investment securities will occur in the near term and that such changes could materially affect the value of the investment portfolio and the amounts reported in the Company's consolidated financial statements.

The amortized cost and estimated fair value of debt securities by contractual maturity at September 30, 2018 follows. Expected maturities will differ from contractual maturities because the issuer, in certain instances, has the right to call or prepay obligations without call or prepayment penalties. Mortgage and asset-backed securities are shown in total, as their maturities are highly variable.

	Amortized Cost	Fair Value
	(In thousands)	
Amounts maturing in:		
One year or less	$ --	$ --
Over one year through five years	6,301	6,410
Over five through ten years	12,317	12,137
Over ten years	37,675	36,997
Mortgage-and asset-backed securities amortizing monthly	61,188	59,339
	$ 117,481	$ 114,883

For the years ended September 30, 2018 and 2017, proceeds from sales of securities available for sale amounted to $0 and $177,000, respectively. Gross realized gains amounted to $0 and $77,000, respectively, and there were no gross realized losses.

Information pertaining to securities with gross unrealized losses, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

NOTE 3 – SECURITIES AVAILABLE FOR SALE (CONTINUED)

	Less Than Twelve Months		Twelve Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)			
As of September 30, 2018:				
State and municipal bonds	$ (402)	$ 18,661	$ (446)	$ 9,635
Asset -backed securities	(145)	5,162	(680)	12,684
Government-sponsored agency bonds	(264)	8,640	(89)	1,911
Government-sponsored residential mortgage-backed securities	(599)	24,913	(481)	12,517
Total debt securities	(1,410)	57,376	(1,696)	36,747
Marketable equity securities	--	--	(478)	3,527
	$ (1,410)	$ 57,376	$ (2,174)	$ 40,274

	Less Than Twelve Months		Twelve Months or Greater	
	Gross Unrealized Losses	Fair Value	Gross Unrealized Losses	Fair Value
	(In thousands)			
As of September 30, 2017:				
State and municipal bonds	$ (125)	$ 9,978	$ --	$ --
Asset -backed securities	(50)	14,097	--	--
Government-sponsored agency bonds	(1)	1,999	--	--
Government-sponsored residential mortgage-backed securities	$ (115)	$ 15,901	$ --	$ --
Total debt securities	(291)	41,977	--	--
Marketable equity securities	--	--	(314)	3,691
	$ (291)	$ 41,977	$ (314)	$ 3,691

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis and more frequently when economic or market concerns warrant such evaluation. At September 30, 2018, one hundred and four debt securities have unrealized losses, with aggregate depreciation of 3.19% from the Company's amortized cost. At September 30, 2017, thirty-eight debt securities have unrealized losses, with aggregate depreciation of 0.69% from the Company's amortized cost.

At September 30, 2018, one equity security has an unrealized loss, with aggregate depreciation of 11.9% from the Company's amortized cost. At September 30, 2017, one equity security has an unrealized loss, with aggregate depreciation of 7.8% from the Company's amortized cost.

These unrealized losses on the Company's debt and marketable equity securities relate principally to changes in interest rates and not to an increase in the credit risk of the issuers.

NOTE 3 – SECURITIES AVAILABLE FOR SALE (CONTINUED)

Management has performed an analysis of various market factors and has considered the difference between cost and fair value and other available data. In addition, because the Company does not intend to sell these securities and it is not more likely than not that the Company will be required to sell these securities, the Company has determined that no securities have other-than-temporary declines in fair value as of September 30, 2018 or 2017.

NOTE 4 - LOANS

A summary of the balances of loans follows:

	2018	2017
	(In thousands)	
Mortgage loans:		
Residential	$ 182,008	$ 158,739
Commercial	160,556	148,386
Construction	18,628	12,639
Home equity lines-of-credit	30,743	29,663
	391,935	349,427
Other loans:		
SBA/USDA	30,609	33,745
Commercial	14,133	15,195
Consumer:		
Chattel	17,470	17,564
Personal	555	528
	62,767	67,032
Total Loans	454,702	416,459
Allowance for loan losses	(3,962)	(3,705)
Net premiums on purchased loans	472	629
Net deferred origination fees and costs	1,095	827
Loans receivable, net	$ 452,307	$ 414,210

During the years ended September 30, 2018 and 2017, the Company purchased SBA/USDA guaranteed loans in the amount of $686,000 and $4,259,000, respectively, including premiums paid.

NOTE 4 - LOANS (CONTINUED)

Activity in the allowance for loan losses for the year ended September 30, 2018 is as follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity Lines of Credit	SBA/ USDA	Commercial	Consumer	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Balance at September 30, 2017	$ 1,147	$ 1,536	$ 78	$ 439	$ --	$ 170	$ 145	$ 190	$ 3,705
Provision for losses	188	140	28	16	--	1	1	(99)	275
Loans charged off	--		--	--	--	(24)	(4)	--	(28)
Recoveries	--	--	--	--	--	9	1	--	10
Balance at September 30, 2018	$ 1,335	$ 1,676	$ 106	$ 455	$ --	$ 156	$ 143	$ 91	$ 3,962
Ending balance: individually evaluated for impairment	$ 11	$ --	$ --	$ --	$ --	$ --	$ 1	$ --	$ 12
Ending balance: collectively evaluated for impairment	$ 1,324	$ 1,676	$ 106	$ 455	$ --	$ 156	$ 142	$ 91	$ 3,950
Loans receivable:									
Individually evaluated for impairment	$ 790	$ --	$ --	$ 220	$ --	$ --	$ 48		$ 1,058
Collectively evaluated for impairment	181,218	160,556	18,628	30,522	30,609	14,133	17,977		453,644
Balance at September 30, 2018	$ 182,008	$ 160,556	$ 18,628	$ 30,743	$ 30,609	$ 14,133	$ 18,025		$ 454,702

Activity in the allowance for loan losses for the year ended September 30, 2017 is as follows:

	Residential Real Estate	Commercial Real Estate	Construction	Home Equity Lines of Credit	SBA/ USDA	Commercial	Consumer	Unallocated	Total
					(In thousands)				
Allowance for loan losses:									
Balance at September 30, 2016	$ 1,038	$ 1,516	$ 129	$ 373	$ --	$ 303	$ 133	$ 37	$ 3,529
Provision for losses	109	20	(51)	66	--	(133)	36	153	200
Loans charged off	--	--	--	--	--	--	(24)	--	(24)
Recoveries	--	--	--	--	--	--	--	--	--
Balance at September 30, 2017	$ 1,147	$ 1,536	$ 78	$ 439	$ --	$ 170	$ 145	$ 190	$ 3,705
Ending balance: individually evaluated for impairment	$ 1	$ --	$ --	$ --	$ --	$ --	$ --	$ --	$ 1
Ending balance: collectively evaluated for impairment	$ 1,146	$ 1,536	$ 78	$ 439	$ --	$ 170	$ 145	$ 190	$ 3,704
Loans receivable:									
Individually evaluated for impairment	$ 1,131	$ --	$ --	$ 66	$ --	$ --	$ 49		$ 1,246
Collectively evaluated for impairment	157,608	148,386	12,639	29,597	33,745	15,195	18,043		415,213
Balance at September 30, 2017	$ 158,739	$ 148,386	$ 12,639	$ 29,663	$ 33,745	$ 15,195	$ 18,092		$ 416,459

The following is a summary of past due and non-accrual loans:

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Past Due 90 Days and Still Accruing	Loans on Non-Accrual
			(In thousands)			
September 30, 2018:						
Residential real estate	$ --	$ --	$ 14	$ 14	$ --	$ 14
Commercial real estate	--	--	--	--	--	--
Home equity lines-of-credit	147	--	30	177	30	--
SBA/USDA	--	--	--	--	--	--
Consumer	95	--	--	95	--	--
Total	$ 242	$ --	$ 44	$ 286	$ 30	$ 14

NOTE 4 - LOANS (CONTINUED)

	30-59 Days Past Due	60-89 Days Past Due	Greater than 90 Days Past Due	Total Past Due	Past Due 90 Days and Still Accruing	Loans on Non-Accrual
			(In thousands)			
September 30, 2017:						
Residential real estate	$ --	$ --	$ 689	$ 689	$ --	$ 689
Commercial real estate	--	--	--	--	--	--
Home equity lines-of-credit	451	24	--	475	--	--
SBA/USDA	--	--	--	--	--	--
Consumer	1	25	7	33	7	--
Total	$ 452	$ 49	$ 696	$ 1,197	$ 7	$ 689

The following is a summary of information pertaining to impaired loans:

	September 30, 2018			September 30, 2017		
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Recorded Investment	Unpaid Principal Balance	Related Allowance
			(In thousands)			
Impaired loans without a valuation allowance:						
Residential real estate	$ 472	$ 472		$ 899	$ 899	
Commercial real estate	--	--		--	--	
Home equity lines-of-credit	220	220		66	66	
Commercial	--	--		--	--	
SBA/USDA	--	--		--	--	
Consumer	--	--		--	--	
Total	692	692		965	965	
Impaired loans with a valuation allowance:						
Residential real estate	318	318	$ 11	232	232	$ 1
Commercial real estate	--	--	--	--	--	--
Home equity lines-of-credit	--	--	--	--	--	--
Commercial	--	--	--	--	--	--
Consumer	48	48	1	49	49	--
Total	366	366	12	281	281	1
Total impaired loans	$ 1,058	$ 1,058	$ 12	$ 1,246	$ 1,246	$ 1

NOTE 4 - LOANS (CONTINUED)

	September 30, 2018			September 30, 2017		
	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis	Average Recorded Investment	Interest Income Recognized	Interest Income Recognized on Cash Basis
	(In thousands)					
Residential real estate	$ 1,317	$ 77	$ 46	$ 1,140	$ 25	$ 2
Commercial real estate	33	--	--	--	--	--
Home equity lines-of-credit	234	3	--	50	3	--
Commercial	--	--	--	--	--	--
SBA/USDA	--	--	--	--	--	--
Consumer	49	3	--	68	3	--
Total	$ 1,633	$ 83	$ 46	$ 1,258	$ 31	$ 2

No additional funds are committed to be advanced in connection with impaired loans.

The following is a summary of the troubled debt restructurings for the year ended September 30, 2018:

	Number of Contracts	Pre-Modification Balance	Post-Modification Balance
	(Dollars in thousands)		
2018			
Residential mortgage	1	$ 7	$ 19
	1	$ 7	$ 19

During the year ended September 30, 2018, the Company extended the maturity date, capitalized past due interest and negative escrow, and re-amortized the adjusted principal balance over 120 months.

Management performed a discounted cash flow calculation to determine the amount of impairment reserve required on the trouble debt restructuring. Any reserve required was recorded through the provision for loan losses.

There were no trouble debt restructurings for the year ended September 30, 2017.

CREDIT QUALITY INFORMATION

The Company utilizes an eight-grade internal loan rating system for commercial real estate, construction, and commercial loans as follows:

Loans rated in the first four grades (1, 2, 3 and 4) are considered “pass” rated loans with low to average risk.

Loans rated 5 are considered “special mention”. These loans are starting to show signs of potential weakness and are being monitored by management.

NOTE 4 - LOANS (CONTINUED)

Loans rated 6 are considered "substandard". Generally, a loan is considered substandard if it is inadequately protected by the current net worth and paying capacity of the obligors and/or the collateral pledged. There is a distinct possibility that the Company will sustain some loss if the weakness is not corrected.

Loans rated 7 are considered "doubtful". Loans classified as doubtful have all the weaknesses inherent in those classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of existing facts, conditions and values, highly questionable.

Loans rated 8 are considered uncollectible ("loss") and of such little value that their continuance as loans is not warranted.

On a periodic basis, management formally reviews the ratings on all commercial real estate, construction and commercial loans. The following table presents the Company's loans by risk rating:

		September 30, 2018			September 30, 2017		
	Risk Rating	Commercial Real Estate	Construction	Commercial	Comercial Real Estate	Contruction	Commercial
		(In thousands)					
Category:							
Pass	1-4	$ 158,314	$ 18,628	$ 13,637	$ 147,640	$ 12,639	$ 14,516
Special Mention	5	1,580	--	274	--	--	304
Substandard	6	662	--	222	746	--	375
Doubtful	7	--	--	--	--	--	--
Loss	8	--	--	--	--	--	--
Total		$ 160,556	$ 18,628	$ 14,133	$ 148,386	$ 12,639	$ 15,195

Credit quality for residential real estate, home equity lines-of-credit, SBA/USDA, chattel and personal loans is determined by monitoring loan payment history and ongoing communication with customers.

NOTE 5 – ACCRUED INTEREST RECEIVABLE

Accrued interest receivable consists of the following:

	September 30, 2018	September 30, 2017
Investment securities	$ 709	$ 670
Loans receivable	1,216	1,053
	$ 1,925	$ 1,723

NOTE 6 – PREMISES AND EQUIPMENT

A summary of the cost and accumulated depreciation and amortization of premises and equipment follows:

	September 30, 2018	September 30, 2017
	(In thousands)	
Land	$ 4,202	$ 4,202
Buildings and improvements	14,039	13,980
Furniture and equipment	5,373	4,531
	23,614	22,713
Accumulated depreciation and amortization	(12,425)	(11,245)
	$ 11,189	$ 11,468

Depreciation and amortization expense for the years ended September 30, 2018 and 2017 amounted to $1,180,000 and $1,154,000, respectively.

Pursuant to the terms of non-cancelable lease agreements in effect at September 30, 2018 pertaining to premises and equipment, future minimum lease commitments under various operating leases are as follows:

Year Ending September 30,	Amount
	(in thousands)
2019	$ 176
2020	153
2021	118
2022	58
2023	43
Thereafter	184
	$ 732

The leases contain options to extend for up to five years. The cost of such rentals is not included above. Lease expense amounted to $179,000 and $160,000 for the years ended September 30, 2018 and 2017, respectively.

NOTE 7 – GOODWILL AND OTHER INTANGIBLE ASSETS

Information pertaining to goodwill and other intangible assets is as follows:

	September 30, 2018	September 30, 2017
	(In thousands)	
Goodwill	$ 1,000	$ 1,000
Core deposit intangible asset:		
Original balance	282	282
Accumulated amortization	(267)	(257)
Total goodwill and other intangible assets	$ 1,015	$ 1,025

At September 30, 2018, estimated amortization expense for core deposit intangibles for the next five years is as follows:

Year Ending September 30,	Amount (In thousands)
2019	$ 7
2020	5
2021	2
2022	1
2023	--

Amortization expense for the years ended September 30, 2018 and 2017 amounted to $10,000 and $12,000, respectively.

NOTE 8 - DEPOSITS

A summary of deposit balances, by type, is as follows:

	2018	2017
	(In thousands)	
Demand deposits	$ 80,803	$ 74,974
NOW	63,965	57,912
Regular and other savings	144,074	149,888
Money market deposits	75,020	77,068
Total non-certificate accounts	363,862	359,842
Brokered certificates	35,002	--
Term certificates less than $250,000	89,152	78,589
Term certificates of $250,000 or more	22,718	17,924
Total certificates	146,872	96,513
	$ 510,733	$ 456,356

A summary of term certificate accounts, including brokered deposits, by maturity dates at September 30, 2018 and 2017 is as follows:

	2018		2017	
Maturing During the Year Ending September 30,	Amount	Weighted Average Rate	Amount	Weighted Average Rate
	(Dollars in thousands)			
2018	$ --	-- %	$ 69,113	0.88 %
2019	88,560	1.60	12,114	1.14
2020	42,696	2.13	8,376	1.57
2021	10,010	2.20	4,417	1.76
2022	3,367	1.65	2,491	1.78
2023	2,237	1.77	--	--
	$ 146,872	1.80 %	$ 96,513	1.04 %

NOTE 9 - BORROWINGS

A summary of fixed-rate advances by maturity from the FHLB at September 30, 2018 and 2017 is as follows:

Maturing During the Year Ending September 30,	2018 Amount	2018 Weighted Average Rate	2017 Amount	2017 Weighted Average Rate
	(Dollars in thousands)			
2018	$ --	-- %	$ 23,710	1.40 %
2019	15,221	1.74	12,767	1.64
2020	6,044	1.80	6,044	1.80
2021	10,000	1.98	5,000	1.88
2022	370	0.00	370	0.00
2023	--	0.00	85	0.00
Thereafter	85	0.00	--	
	31,720	1.80 %	47,976	1.55 %
Unamortized acquisition premium	--		9	
	$ 31,720		$ 47,985	

The Bank also has a $2,886,000 available line of credit with the FHLB at an interest rate that adjusts daily, of which none was outstanding at September 30, 2018 and 2017.

At September 30, 2018, borrowings from the FHLB are secured by a blanket lien on qualified collateral, defined principally as 75% of the carrying value of first mortgage loans on owner-occupied residential property. In addition, at September 30, 2018, the Company pledged $5,311,000 of multi-family and commercial real estate loans and also mortgage-backed and asset-backed securities with an amortized cost of $5,431,000 and fair value of $5,304,000.

The Bank also has an agreement with the Federal Reserve Bank of Boston to borrow under the discount window. At September 30, 2018, consumer loans with a carrying value of $17,376,000 and a security with a fair value of $1,304,000 were pledged to secure such borrowings; however, at September 30, 2018, there were no amounts advanced under this agreement.

NOTE 10 – SUBORDINATED DEBT

The Company had raised funds through the issuance of subordinated debentures to Bridgewater Savings Statutory Trust I (the "Trust"), a wholly-owned subsidiary of the Company. The Trust funded the purchase by participating in a pooled offering of 10,000 capital securities representing preferred ownership interests in the assets of the Trust with a liquidation value of $1,000 each. The debentures and the preferred securities were scheduled to mature in June 2033. In June 2018, the Company paid off the debentures and the Trust fully redeemed the remaining $4,000,000 balance of the preferred securities.

The outstanding preferred securities as of September 30, 2017 were classified as subordinated debt in in accompanying consolidated balance sheets and may be included in the regulatory Tier 1 capital (see Note 14), subject to a limitation that such amounts not exceed 25% of Tier 1 capital. At September 30, 2017, subordinated debt amounting to $4,000,000 is included in Tier 1 capital.

NOTE 11 - INCOME TAXES

Allocation of the federal and state income taxes between current and deferred portions is as follows:

	Years Ended September 30,	
	2018	2017
	(In thousands)	
Current tax provision:		
Federal	$ 604	$ (199)
State	330	415
	934	216
Deferred tax provision:		
Federal	482	861
State	(66)	(75)
Change in valuation reserve	--	(110)
	416	676
Total tax provision:		
Federal	1,086	662
State	264	230
	$ 1,350	$ 892

NOTE 11 - INCOME TAXES (CONTINUED)

Income tax expense includes a downward adjustment of net deferred tax assets in the amount of $541,000, recorded as a result of the enactment of the Tax Cuts and Jobs Act (the "Act") on December 22, 2017. The Act reduced the Federal tax rate from 34% to 21% effective January 1, 2018.

The reasons for the difference between tax at the Federal statutory income tax rate and the effective tax rates are summarized as follows:

	Years Ended September 30, 2018	Years Ended September 30, 2017
	(In thousands)	
Statutory tax provision at blended rate of 24.28% in 2018; 34% in 2017	$ 986	$ 1,236
Increase (decrease) resulting from:		
State taxes, net of federal taxes	200	224
Tax exempt income	(374)	(464)
Officer's life insurance	(11)	(23)
Change in valuation reserve	--	(110)
Deferred tax adjustment for tax impact from enacted change in tax rates	541	--
Other, net	8	29
Total provision for income taxes	$ 1,350	$ 892
Effective tax rate	33.2 %	24.5 %

The components of the net deferred tax asset are as follows:

	2018	2017
	(In thousands)	
Deferred tax assets:		
Federal	$ 2,157	$ 2,530
State	976	447
	3,133	2,977
Deferred tax liabilities:		
Federal	(360)	(920)
State	(170)	(162)
	(530)	(1,082)
Net deferred tax asset	$ 2,603	$ 1,895

NOTE 11 - INCOME TAXES (CONTINUED)

The tax effects of each item that give rise to deferred taxes are as follows:

	September 30, 2018	September 30, 2017
	(In thousands)	
Net unrealized loss (gain) on securities available for sale	$ 850	$ (409)
Allowance for loan losses	1,114	1,480
Employee benefit plans	886	1,200
Unrecognized prior service cost pertaining to director retirement plan	30	94
Depreciation	(389)	(676)
Acquisition accounting	(4)	(6)
Alternative miminum tax credits	127	140
Other, net	(11)	72
Net deferred tax asset	$ 2,603	$ 1,895

A summary of the change in the net deferred tax asset is as follows:

	Years Ended September 30, 2018	Years Ended September 30, 2017
	(In thousands)	
Balance at beginning of year	$ 1,895	$ 1,717
Deferred tax provision	(416)	(676)
Deferred tax effect of other comprehensive income/loss	1,124	854
Balance at end of year	$ 2,603	$ 1,895

The Company's income tax returns are subject to review and examination by federal and state taxing authorities. No years prior to September 30, 2015 remain subject to examination.

The federal income tax reserve for loan losses at the Company's base year amounted to $2,576,000. If any portion of the reserve is used for purposes other than to absorb loan losses, approximately 150% of the amount actually used (limited to the amount of the reserve) would be subject to taxation in the fiscal year in which used. As the Company intends to use the reserve only to absorb loan losses, a deferred tax liability of $724,000 has not been provided.

NOTE 12 - DERIVATIVE FINANCIAL INSTRUMENTS

MORTGAGE LOAN COMMITMENTS

The Company enters into commitments to originate loans for sale and uses forward commitments to sell loans, which are derivative instruments. These instruments involve both credit and market risk.

Forward commitments to sell loans require the Company to make delivery at a specific future date of a specified amount, at a specified price or yield. At September 30, 2018 and 2017, such commitments amounted to $2,434,000 and $2,235,000, respectively.

The rates on commitments to originate loans for sale may be locked with the borrower at the time of commitment. These rate lock agreements require the Company to originate a loan at a specific interest rate upon completion of various underwriting requirements and involve both credit and market risk. At September 30, 2018 and 2017, the Company had $14,097,000 and $11,492,000, respectively, in outstanding rate lock agreements on commitments to grant mortgage loans that are intended to be sold.

The fair value of these commitments is not material and, accordingly, not reflected on the consolidated balance sheets.

NOTE 13 - OTHER COMMITMENTS AND CONTINGENCIES

In the normal course of business, there are outstanding commitments which are not reflected in the accompanying consolidated financial statements.

LOAN COMMITMENTS

The Company is a party to financial instruments with off-balance sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and advance funds on outstanding lines-of-credit. Such commitments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the consolidated balance sheets. The Company’s exposure to credit loss is represented by the contractual amount of the commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

NOTE 13 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

LOAN COMMITMENTS (CONTINUED)

At September 30, 2018 and 2017, the following financial instruments were outstanding whose contract amounts represent credit risk:

	2018	2017
	(In thousands)	
Commitments to originate loans	$ 25,938	$ 17,507
Unadvanced funds on home equity lines-of-credit	39,115	32,723
Unadvanced funds on personal lines-of-credit	756	806
Unadvanced funds on commercial lines-of-credit	20,303	16,588
Unadvanced funds on construction loans	14,245	11,650
	$ 100,357	$ 79,274

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines-of-credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Funds disbursed under commitments to grant loans, home equity lines-of-credit and construction loans are primarily secured by real estate, and commercial lines-of-credit are generally secured by business assets. Funds disbursed under commitments to grant personal lines-of-credit are secured by collateral, as deemed necessary.

LOANS SOLD WITH RECOURSE OBLIGATIONS

The Company sells fixed rate mortgages on a servicing-released basis to various investors pursuant to contracts which include limited recourse provisions whereby the Company would be required to repurchase loans and/or refund premiums in the event a borrower defaults or if the loan is paid off within the first several months of being sold, as defined in the individual agreements. At September 30, 2018 and 2017, the principal balance of loans sold subject to such recourse provisions was $17,359,000 and $16,725,000, respectively and premiums received on loans sold that were subject to refund provisions amounted to $342,000 and $346,000, respectively. The contracts also include repurchase obligation provisions for fraud or misrepresentation. The Company has not been required to repurchase any loans or refund any premiums under these agreements. No liability has been recorded in the consolidated financial statements related to these recourse obligations.

NOTE 13 - OTHER COMMITMENTS AND CONTINGENCIES (CONTINUED)

OTHER CONTINGENCIES

Various legal claims also arise from time to time in the normal course of business which, in the opinion of management, will have no material effect on the Company's consolidated financial statements.

NOTE 14 – MINIMUM REGULATORY CAPITAL REQUIREMENTS

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of its assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. The capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Mutual holding companies are not covered by the prompt corrective action provisions of the capital guidelines.

Quantitative measures established by regulation to ensure capital adequacy require the Company and the Bank to maintain minimum amounts and ratios (set forth in the following table) of total, Tier 1, and Common Equity Tier 1 capital (as defined) to risk-weighted assets (as defined) and of Tier 1 capital to average assets (as defined). Management believes, as of September 30, 2018 and 2017, that the Company and the Bank met all capital adequacy requirements to which it was subject.

In 2014, the Federal Deposit Insurance Corporation adopted final rules implementing the Basel Committee on Banking Supervision's capital guidelines for U.S. banks. Under the final rules, minimum requirements will increase for both the quantity and quality of capital held by the Bank. The rules include a new Common Equity Tier I capital to risk-weighted assets minimum ratio of 4.5%; raise the minimum ratio of Tier I capital to risk-weighted assets from 4.0% to 6.0%; require a minimum ratio of Total capital to risk-weighted assets of 8.0%; and require a minimum Tier I to total average assets ratio of 4.0%. A new capital conservation buffer, comprised of common equity Tier I capital, is also established above the minimum regulatory capital requirements. The phase-in of the capital conservation buffer began January 1, 2016 at 0.625% of risk-weighted assets and increases each subsequent year by an additional 0.625% until reaching its final level of 2.5% on January 1, 2019. Strict eligibility criteria for regulatory capital instruments were also implemented under the final rules.

The phase-in period for the final rules began for the Bank on January 1, 2015, with full compliance with all of the final rule's requirements phased in over a multi-year schedule and

NOTE 14 – MINIMUM REGULATORY CAPITAL REQUIREMENTS (CONTINUED)

should be fully phased-in by January 1, 2019. Management believes that the Bank's capital levels will remain characterized as "well-capitalized" under the new rules.

As of September 30, 2018, the most recent notification from regulatory authorities categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. To be categorized as well capitalized, the Bank must maintain minimum ratios as set forth in the following table. There are no conditions or events since the notification that management believes have changed the Bank's category. The Company's and the Bank's actual capital amounts and ratios as of September 30, 2018 and 2017 are also presented in the table:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under the Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
			(Dollars in thousands)			
As of September 30, 2018:						
Total capital (to risk weighted assets):						
Consolidated	$ 58,995	14.8 %	$ 39,500	≥ 9.875 %	N/A	N/A
Bank	58,692	14.7 %	39,470	9.875 %	$ 39,970	10.0 %
Tier I capital (to risk weighted assets):						
Consolidated	54,942	13.7 %	31,500	≥ 7.875 %	N/A	N/A
Bank	54,639	13.7 %	31,476	7.875 %	31,976	8.0 %
Tier I capital (to total average assets):						
Consolidated	54,942	9.3 %	23,165	≥ 4.0 %	N/A	N/A
Bank	54,639	9.2 %	23,688	4.0 %	29,610	5.0 %
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	N/A	N/A	N/A	N/A	N/A	N/A
Bank	54,639	13.7 %	25,481	6.375 %	25,980	6.5 %
As of September 30, 2017:						
Total capital (to risk weighted assets):						
Consolidated	$ 60,294	16.7 %	$ 33,439	≥ 9.25 %	N/A	N/A
Bank	56,450	15.6 %	33,453	9.25 %	$ 36,166	10.0 %
Tier I capital (to risk weighted assets):						
Consolidated	56,499	15.6 %	26,209	≥ 7.25 %	N/A	N/A
Bank	52,655	14.6 %	26,220	7.25 %	28,932	8.0 %
Tier I capital (to total average assets):						
Consolidated	56,499	10.3 %	22,022	≥ 4.0 %	N/A	N/A
Bank	52,655	9.4 %	22,539	4.0 %	28,174	5.0 %
Common Equity Tier 1 Capital (to risk weighted assets)						
Consolidated	N/A	N/A	N/A	N/A	N/A	N/A
Bank	52,655	14.6 %	20,795	5.75 %	23,508	6.5 %

NOTE 15 – RETIREMENT BENEFIT PLANS

401(K) PLAN

The Bank has a 401(k) savings plan, which provides for voluntary contributions by participating employees, subject to certain limitations. Under the terms of the plan, the Bank will match the first 4% of an employee's contribution, as well as a discretionary match equal to 3.5% percent of an eligible employee's compensation. Employees hired after January 1, 2011 are not eligible for the discretionary match. Total expense under the 401(k) plan for the years ended September 30, 2018 and 2017 amounted to $449,000 and $468,000, respectively.

SUPPLEMENTAL EXECUTIVE RETIREMENT AGREEMENTS

The Bank has a supplemental executive retirement agreement with its current Chief Executive Officer which provides for an annual contribution and interest, as defined in the agreement, to be credited to a deferred compensation account. The expense associated with this agreement for the years ended September 30, 2018 and 2017 amounted to $101,000 and $93,000, respectively.

During 2018, the Bank entered into supplemental executive retirement agreements with three other officers. The agreements provide for an annual contribution and interest, as defined in the agreements, to be credited to a deferred compensation account. The expense associated with these agreements for the year ended September 30, 2018 amounted to $56,000.

The Bank also has a supplemental executive retirement agreement with the former President of an acquired bank, which provides for the retired executive to receive monthly benefits, subject to certain limitations as set forth in the agreement. The present value of these future benefits and the term over which they are accrued are subject to actuarial assumptions. Total expense under the agreement for the years ended September 30, 2018 and 2017 amounted to $40,000 and $38,000, respectively.

The Bank had a supplemental executive retirement agreement with its former Chief Executive Officer, who retired in December 2016. The lump sum payment in accordance with the agreement was made to the Executive upon retirement. The expense associated with this agreement for the year ended September 30, 2017 amounted to $85,000.

ENDORSEMENT SPLIT-DOLLAR LIFE INSURANCE ARRANGEMENT

The Bank is the sole owner of a life insurance policy pertaining to the former President of an acquired bank. The Bank has entered into an agreement with the former President whereby the Bank will pay to the former President's estate or beneficiaries a portion of the death benefit that the Bank will receive as beneficiary of such policy. The Bank has recognized a liability related to this agreement in the amount of $394,000 at September 30, 2018 and 2017.

NOTE 15 – RETIREMENT BENEFIT PLANS (CONTINUED)

DIRECTOR RETIREMENT PLAN

The Company adopted a Director Retirement Plan (the "Plan"), which provides certain directors with a continuing benefit from the Company upon retirement or death. The funded status of the Plan at September 30, 2018 and 2017 is as follows:

	2018	2017
	(In thousands)	
Accumulated benefit obligation	$ 961	$ 1,036
Change in benefit obligation:		
Benefit obligation at beginning of year	$ 1,036	$ 868
Service cost	26	34
Interest cost	29	28
Actuarial loss (gain)	(97)	106
Benefits paid	(33)	--
Benefit obligation at end of year	961	1,036
Fair value of plan assets	--	--
Funded status	$ (961)	$ (1,036)

The following assumptions were used to determine the benefit obligation and the net periodic benefit cost at or for the years ended September 30, 2018 and 2017:

	2018	2017
Discount rate used for benefit obligations	3.90%	3.15%
Discount rate used for net periodic benefit cost	3.15%	2.80%
Rate of compensation increase	3.00%	3.00%

The expense related to the Plan amounted to $86,000 and $104,000 for the years ended September 30, 2018 and 2017, respectively.

NOTE 15 – RETIREMENT BENEFIT PLANS (CONTINUED)

DIRECTOR RETIREMENT PLAN (CONTINUED)

At September 30, 2018, estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

Year ending September 30: (In thousands)		
2019	$	130
2020		33
2021		201
2022		155
Thereafter		929
	$	1,448

EXECUTIVE EMPLOYMENT AGREEMENTS

The Company entered into an executive employment agreement with the President and Chief Executive Officer ("CEO") of the Company effective January 1, 2017. This employment agreement provides the President and CEO with an established base salary. The original term of the agreement is for two years. The agreement renews automatically for successive two-year periods unless notice of non-renewal is given no less than ninety days prior to the expiration of the original term or any renewal term. The original term of the agreement provides for a continuation of base salary and benefits for a one-year period following a change in control or termination without cause, as defined in the agreement. Any renewal term of the agreement provides for a continuation of base salary and benefits for a two-year period following a change in control or termination without cause, as defined in the agreement.

SEVERANCE AND CHANGE IN CONTROL AGREEMENTS

In addition, the Company has entered into change in control agreements with certain other officers of the Company, which provide for the continuation of base salary and benefits for one year following a change in control, as defined in the agreements.

NOTE 16 - RELATED PARTY TRANSACTIONS

LOANS

In the normal course of banking business, loans are made to officers and directors of the Company, as well as to their affiliates. Such loans are made in the ordinary course of business with substantially the same terms (including interest rates and collateral) as those prevailing at

NOTE 16 - RELATED PARTY TRANSACTIONS (CONTINUED)

LOANS (CONTINUED)

the time for comparable transactions with other persons. They do not involve more than normal risk of collectability or present other unfavorable features. The aggregate amount of these loans was approximately $10,527,000 and $10,849,000 at September 30, 2018 and 2017, respectively.

In addition, the Company has extended lines of credit to related parties totaling $2,916,000 and $1,176,000 at September 30, 2017 and 2016, respectively. As of September 30, 2018 and 2017, approximately $174,000 and $398,000, respectively, has been disbursed on these lines of credit.

DEPOSITS

Deposits by related parties amounted to approximately $5,675,000 and $7,927,000 at September 30, 2018 and 2017, respectively.

NOTE 17 - FAIR VALUES OF ASSETS AND LIABILITIES

DETERMINATION OF FAIR VALUE

The Company uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is best determined based upon quoted market prices. However, in many instances, there are no quoted market prices for the Company's assets and liabilities. In cases where quoted market prices are not available, fair values are based on estimates using present value or other valuation techniques. Those techniques are significantly affected by the assumptions used, including the discount rate and estimates of future cash flows. Accordingly, the fair value estimates may not be realized in an immediate settlement.

FAIR VALUE HIERARCHY

The Company groups its assets measured at fair value in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value.

Level 1 Valuation is based on quoted prices in active markets for identical assets. Valuations are obtained from readily available pricing sources for market transactions involving identical assets.

Level 2 Valuation is based on observable inputs other than Level 1 prices, such as quoted prices for similar assets; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Valuation is based on unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets. Level 3 assets include financial instruments whose value is determined using unobservable inputs including

NOTE 17 - FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

DETERMINATION OF FAIR VALUE (CONTINUED)

pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The following methods and assumptions were used by the Company in estimating its fair value disclosures:

Securities available for sale:

All fair value measurements are obtained from a third party pricing service and are not adjusted by management. The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

ASSETS MEASURED AT FAIR VALUE ON A RECURRING BASIS

Assets measured at fair value on a recurring basis are as follows:

	Level 1	Level 2	Level 3	Total Fair Value
	(In thousands)			
September 30, 2018:				
Securities available for sale:				
Debt securities	$ --	$ 114,883	$ --	$ 114,883
Marketable equity securities	3,527	--	--	3,527
Total assets	$ 3,527	$ 114,883	$ --	$ 118,410
September 30, 2017:				
Securities available for sale:				
Debt securities	$ --	$ 120,232	$ --	$ 120,232
Marketable equity securities	3,691	--	--	3,691
Total assets	$ 3,691	$ 120,232	$ --	$ 123,923

There were no liabilities measured at fair value on a recurring basis at September 30, 2018 or 2017. There were no transfers between Level 1, 2, or 3 during the years ended September 30 2018 and 2017.

NOTE 17 - FAIR VALUES OF ASSETS AND LIABILITIES (CONTINUED)

ASSETS MEASURED AT FAIR VALUE ON A NON-RECURRING BASIS

The Company may also be required, from time to time, to measure certain other financial assets on a non-recurring basis in accordance with generally accepted accounting principles. There are no liabilities measured at fair value on a non-recurring basis. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets.

The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets as of September 30, 2018, and 2017.

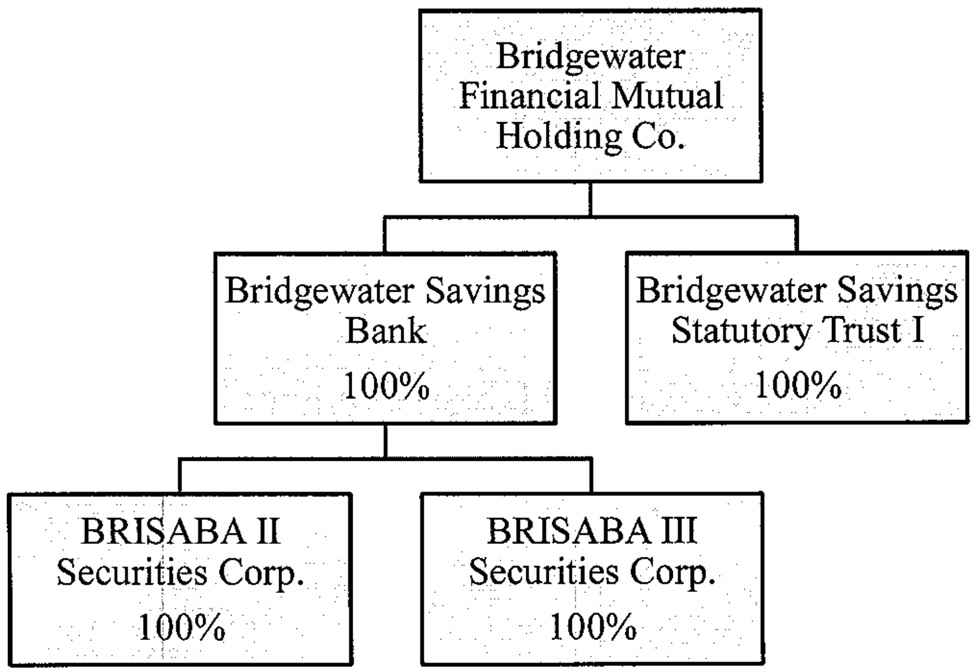
	September 30, 2017			Year Ended September 30, 2017
	Level 1	Level 2	Level 3	Total Losses
	(In thousands)			
Impaired loans	$ --	$ 354	$ --	$ --

	September 30, 2017			Year Ended September 30, 2017
	Level 1	Level 2	Level 3	Total Losses
	(In thousands)			
Impaired loans	$ --	$ 280	$ --	$ --

Losses applicable to impaired loans and foreclosed real estate are based on the appraised value of the underlying property, adjusted for selling costs. These appraised values may be discounted based on management’s historical knowledge, expertise or changes in market conditions from time of valuation.

Form FR Y-6

Bridgewater Financial, MHC
Raynham, MA
Fiscal Year Ending September 30, 2018



All companies are located at 756 Orchard Street, Raynham, MA 02767
All companies are Massachusetts corporations except Bridgewater Savings Statutory Trust I, which is a Connecticut statutory trust.
As indicated above, all are 100% owned.
LEI not applicable unless otherwise noted.

Report Item

1: Annual Report to Shareholders.
The MHC has no shareholders and is not registered with the SEC.

2a: Organizational Chart. See above.

2b: Domestic Branch Listing. See attached.

3: Securities holders. There are no securities holders.

4: Insiders. See attached. There are no voting percentages for any of the Trustees/Officers.

Results: A list of branches for your depository institution: BRIDGEWATER SAVINGS BANK (ID_RSSD: 699105).
This depository institution is held by BRIDGEWATER FINANCIAL, MHC (3134102) of RAYNHAM, MA.
The data are as of 09/30/2018. Data reflects information that was received and processed through 10/03/2018.

Reconciliation and Verification Steps
1. In the Data Action column of each branch row, enter one or more of the actions specified below
2. If required, enter the date in the Effective Date column

Actions
OK: If the branch information is correct, enter 'OK' in the Data Action column.
Change: If the branch information is incorrect or incomplete, revise the data, enter 'Change' in the Data Action column and the date when this information first became valid in the Effective Date column.
Close: If a branch listed was sold or closed, enter 'Close' in the Data Action column and the sale or closure date in the Effective Date column.
Delete: If a branch listed was never owned by this depository institution, enter 'Delete' in the Data Action column.
Add: If a reportable branch is missing, insert a row, add the branch data, and enter 'Add' in the Data Action column and the opening or acquisition date in the Effective Date column.

If printing this list, you may need to adjust your page setup in MS Excel. Try using landscape orientation, page scaling, and/or legal sized paper.

Submission Procedure
When you are finished, send a saved copy to your FRB contact. See the detailed instructions on this site for more information.
If you are e-mailing this to your FRB contact, put your institution name, city and state in the subject line of the e-mail.

Note:
To satisfy the FR Y-10 reporting requirements, you must also submit FR Y-10 Domestic Branch Schedules for each branch with a Data Action of Change, Close, Delete, or Add.
The FR Y-10 report may be submitted in a hardcopy format or via the FR Y-10 Online application - https://y10online.federalreserve.gov.

* FDIC UNINUM, Office Number, and ID_RSSD columns are for reference only. Verification of these values is not required.

Data Action	Effective Date	Branch Service Type	Branch ID_RSSD*	Popular Name	Street Address	City	State	Zip Code	County	Country	FDIC UNINUM*	Office Number*	Head Office	Head Office ID_RSSD*	Comments
		Full Service (Head Office)	699105	BRIDGEWATER SAVINGS BANK	756 ORCHARD STREET	RAYNHAM	MA	02767	BRISTOL	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	2621333	BRIDGEWATER BRANCH	14 MAIN STREET	BRIDGEWATER	MA	02324	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	3700525	BRIDGEWATER BRANCH	5 SCOTLAND BOULEVARD	BRIDGEWATER	MA	02324	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	182401	BEDFORD STREET BRANCH	29 BEDFORD STREET	EAST BRIDGEWATER	MA	02333	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	1463068	LAKEVILLE BRANCH	6 MAIN ST	LAKEVILLE	MA	02347	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	4257138	PEMBROKE BRANCH	27 MATTAKEESETT STREET	PEMBROKE	MA	02359	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	2914017	RAYNHAM BRANCH	756 ORCHARD STREET	RAYNHAM	MA	02767	BRISTOL	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	3374159	TAUNTON BRANCH	2109 BAY STREET	TAUNTON	MA	02780	BRISTOL	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	
		Full Service	698603	WEST BRIDGEWATER BRANCH	120 WEST CENTER STREET	WEST BRIDGEWATER	MA	02379	PLYMOUTH	UNITED STATES	Not Required	Not Required	BRIDGEWATER SAVINGS BANK	699105	

Form FR Y-6

Bridgewater Financial, MHC
Fiscal year ending September 30, 2018

Officers	Occupation	City, State
Peter Dello Russo*	President and Chief Executive Officer	No. Falmouth, MA
Richard J. Burgess, Jr.*	Sr. Vice President and Treasurer	Kingston, MA

* Also serves in same capacity for:

Bridgewater Savings Statutory Trust I
Bridgewater Savings Bank and subsidiaries:
BRISABA Securities Corporation II
BRISABA Securities Corporation III

Trustees of Bridgewater Financial, MHC & Directors of Bridgewater Savings Bank	Occupation	City, State
Ronald C. Broman	Retired	No. Chatham, MA
Peter W. Brown	Commercial Real Estate Owner and Manager of Real Estate Development	Orleans, MA
William L. Clay	President/Owner of Walker-Clay, Inc.	Hanson, MA
D. Christopher Cross	President and Treasurer of Component Properties, Inc.	West Bridgewater, MA
Peter Dello Russo	President and CEO, Bridgewater Savings Bank	No. Falmouth, MA
George K. Gurley	Retired Police Chief	Bridgewater, MA
Stephen T. Hall	Project Manager at Control Point Technologies	South Dennis, MA
Robert C. Hofmann, Jr.	Retired Insurance Agent	East Sandwich, MA
John D. Hopkins, Jr.	President/Owner of	Duxbury, MA

	Creative Extrusion & Technologies, Inc.	
Reinald G. Ledoux, Jr.	Administrator and CEO of Brockton Area Transit	Bridgewater, MA
Joan M. Ulich	Self-employed Travel Agent & part-time Real Estate Sales Agent	Pembroke, MA
James D. Wood	President of Kriswood Realty Trust.	Buzzards Bay, MA

Trustees of Bridgewater Financial, MHC

Michael Giancola	President of Southeast Commercial Real Estate	Pocasset, MA
John Noblin	Contractor	Raynham Center, MA
Thomas W. Rudolph	Commercial Real Estate Broker	East Bridgewater, MA
Walter Zaverucha	Owner / Principal of Commercial Masonry Corp. Real estate investor	Duxbury, MA