

FINANCIAL Journal

Dedicated to your success

News and Ideas to Help You
Achieve Your Financial Goals



BEVERLY NATIONAL BANK
EARNING YOUR TRUST SINCE 1802

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A MESSAGE FROM THE PRESIDENT



*Don Fournier, President
Beverly National Bank*

As we approach the end of 2008, we look back in a year that has had many accomplishments as well as the ups and downs of the economy.

To say the current environment for the banking industry is challenging would be an understatement. We have faced new challenges and weathered uncertain economic conditions, including action by the Federal government to place Fannie Mae and Freddie Mac in a conservatorship.

This resulted in the write down of Beverly National's investments in Fannie Mae and Freddie Mac preferred securities. Excluding the effects of these charges, our core net income and earnings per share increased during the third quarter of 2008.

We have been able to maintain steady asset growth by using increases in our deposit levels to fund expansion of the loan

portfolio. We remain focused on business development, improving operating efficiencies and identifying growth opportunities.

One of those growth opportunities that we have identified is the expansion and renovation of our Wealth Management department. A new suite of offices has been completed in our 246 Cabot Street building, and we have added a complement of products and services available to our Wealth Management customers.

In this issue of *Financial Journal*, there is an article written by Rick Ciolini, Vice President and Investment Officer titled, "Understanding Investor Psychology". Also included is Part One of a series by James Williams, Vice President and Financial Consultant, "The Retirement Journey".

Our Business Success Story features Associated Home Care, located at Cummings Center in Beverly. And for our small business owners, an article on the Merchant Credit Card Services being offered by Beverly National.

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Beverly National Bank is Dedicated to Your Community

Beverly National Bank has a strong tradition of giving back to the people of the communities in our market area. Our Directors, Officers and Staff contribute many hours to civic, educational and non-profit organizations. We would like to share with you one of the examples of this dedication.

Paul Germano is a Senior Vice President who has been with Beverly National for more than 25 years. Paul has been active on the board of several organizations including the Anchorage House and the Allocations Committee of the North Shore United Way.

Since 2002, Paul has been involved with Health Quarters as the secretary of the Board of Directors. He has also participated as a member of the Audit Committee and Finance Committee.

Established in 1971, Health Quarters is a non-profit provider of confidential reproductive health-care, prevention, education and counseling services for low-income women, men and teens who have little or no insurance. They operate health centers in Beverly, Haverhill, Lawrence, Lynn and Reading offering exams, screenings and counseling.

Lianne Cook is the Executive Director of Health Quarters and has worked with Paul on several committees. "I have worked with Paul Germano for a number of years at Health Quarters on critical committees—evaluating 403(b) plans, the adequacy of business insurance and short-term and long-term trends.

Paul has been a steady, calming influence in lending his fiscal management expertise to a non-profit trying to craft its way through ever-changing budget cuts from the State and Federal government. He is able to give members of the Board who are not on the finance committee assurance as to the financial stability of the organization. We are most grateful for his participation with Health Quarters."

To learn more about Health Quarters, go to www.healthq.org or call them at 978/927-9824.



Paul Germano, Senior Vice President,
Beverly National Bank and Lianne Cook,
Executive Director of Health Quarters
in front of their office in Beverly.

There's A Lot More To Successful Investing Than Just "Crunching The Numbers"

By Rick Ciolino, Vice President and Investment Officer

During economic downturns, the financial marketplace can be volatile. Investors are often described as worried or jittery, as day-to-day volatility in the markets increase to irrational levels. During these times of market turbulence many investors will trade on emotion instead of sticking to a long-term investment plan, even though the daily noise in the market often has little or no bearing on the long-term value of their holdings.

One key that can help you stay focused through the boom and bust cycles of the markets is to understand investor psychology. Behavioral Finance has become an important field of study for investment professionals. Reviewing some of the key concepts of Behavioral Finance can help you understand what drives investor behavior.

Prospect theory suggests that people respond differently to equivalent situations depending on whether it is presented in the context of a gain or a loss. Typically, people become considerably more distressed at the prospect of losses than they are made happy by an equivalent gain. This theory suggests that investor's loss aversion leads to irrational investing.

Regret theory is about investor's emotional reaction to having made an error of judgment. Investors deciding whether to sell a security are typically emotionally affected by whether the security was bought for more or less than the current price. Removing the emotional involvement, it is easy to see that the cost paid for a security has no bearing on its return potential.

Anchoring suggests that in the absence of better information, investors assume current prices are about right. In a bull market, each new high is anchored by the closeness to the last record, and more distant prices become irrelevant. People

tend to anchor their thoughts around recent experiences, following recent trends that may not have any logical reference, and run counter to long-run averages and probabilities.

The consequence of investors putting too much weight on recent news at the expense of other data is market over- or under- reaction. People tend to become more optimistic when the market goes up and more pessimistic when the market goes down. Hence, prices fall too much on bad news and rise too much on good news. This overconfidence in market momentum can lead to market bubbles and crashes.

An investment plan that uses historical performance to detail the risks and rewards of a portfolio can give an investor a good idea of what to expect during the peaks and troughs of an economic cycle. This knowledge can help the investor be disciplined enough to not get carried away in fear and greed cycles of the market, and instead trade on long-term fundamentals.

Because emotion plays such a large part in investment management, a good investment manager will understand the key concepts of Behavioral Finance, and will work with you to stay focused on your long-term investment plan. The professional investment management services of Beverly National's Wealth Management can help you avoid emotional pitfalls and reach your investment goals.



Rick Ciolino is Vice President & Investment Officer for Beverly National Bank. If you would like to learn more about your investment options or have any financial planning questions, please call Rick at 978/720-1188, or send an e-mail to rick.ciolino@beverlynational.com.

Does Your Business Accept Credit Cards?

Beverly National Bank has once again moved forward to provide the best products for your company. With changing times and improvements in technology, more of your customers are using the Internet, receiving Direct Deposit and using Credit or Debit Cards to pay for purchases. Credit and Debit cards are a convenient alternative to carrying cash or writing a check. By working with Merchant Consulting Group, we are now able to provide a Merchant Processing Service that you can depend on for the best customer service and preferred pricing. Merchant Consulting Group is a local provider of Credit Card processing services. Since 2004 Merchant Consulting Group has been supporting over 300 local business customers. Merchant Consulting Group uses Sage Payment Solutions for processing. Sage Payment Solutions has more than 18 years in the industry and processed over \$10B in credit card transactions in 2007.

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Beverly National Bank and Merchant Consulting Group can help you transition from your existing provider or easily set you up to use this service. Merchant Consulting Group offers Credit Card solutions that fit the needs of your business. There are several programs available from web site shopping to wireless and in store terminals.

For more information on how your company can offer Merchant Card Services, call Robert Mangan, CTP, Cash Management Officer at 978-720-1275.

How Much Money Will You Need To Retire? First in a series.

By Jim Williams, Vice President and Investment Consultant

With any great adventure, the destination is secondary to the journey itself. So it is with retirement, the greatest journey you will ever take. As such, it is fitting that you should dedicate a certain amount of thought to mapping out a route.

Today's retirees are active, enjoying a second chapter in life that may include being part of the traditional work force. Travel, recreation, education are all possibilities and the road you choose is entirely up to you. Americans are retiring in good health and living longer.

Great news, of course, but for many Baby Boomers and current retirees there may be a surprise when it shows just how long they will need to sustain an income stream. Given this outlook, especially in light of our current economic and market turmoil, it is important to develop a retirement plan that will allow their nest egg to last at least as long as they do.

Above all, retirement is an individual journey with no two voyages exactly the same. That is why your approach to retirement planning should be equally personal. For certain, there are universal challenges we all face along the way. Successfully navigating an often perilous road requires discipline, knowledge, and trusted advice.

In future issues of the Financial Journal, I'll continue this discussion covering the retirement journey. Along the way, we'll address topics including longevity, inflation, asset allocation, health care and withdrawal rates from your nest egg. All of these are intended to collectively assist you in making your "right decisions" along the way, no matter what

your age. These five risks—longevity, inflation, asset allocation, health care and withdrawal rates from your nest egg—take on different importance as you progress through each stage of your own retirement journey.

Please look for future editions to address these five risk factors. The first step, however, is to have an idea of *Your Number: How Much Money Will You Need To Retire?*



Jim Williams is Vice President and Investment Consultant for Beverly National Bank. If you would like to arrange a meeting to discuss your long-range goals and how your investments will best help you achieve them, please call Jim at 978/720-1114 or send him an e-mail to james.williams@beverlynational.com to arrange a confidential and complimentary meeting.

Securities are offered by Uvest Financial Services, member FINRA/SIPC. Uvest and Beverly National Bank are independent entities. Not FDIC Insured | Not Bank Guaranteed | May Lose Value Not Guaranteed by any Government Agency | Not a Bank Deposit

Pasquarelli Joins Beverly National



Beverly National is pleased to welcome Amy Pasquarelli as Office Manager. Amy brings 20 years of banking experience to the Beverly National. She will be working with Office Manager Cynthia DiRubio and the dedicated staff at our North Beverly Banking Office.

Wealth Management Announces New Office Location and New Investment Management Program

Beverly National is pleased to announce two exciting new developments in the Wealth Management Group. First, the Wealth Management offices which have for many years been located on the Second Floor of the Bank's Main Office have moved to new offices at 246 Cabot Street located next to the Main Office.

The office may be accessed from a new entrance off the Bank's parking lot or from Cabot Street. This move will give Wealth Management much needed additional space in an attractive and modern setting for its employees and clients.

Second, in addition to its traditional array of trust, investment, estate planning and financial advisory services, Wealth Management is launching a new investment management program.

By combining the investment expertise from multiple top-tier money managers into a single account, along with exchange traded funds, index funds, mutual funds and Wealth Management's own proprietary funds, as appropriate, Wealth Management will be better able to meet their clients' demand for more customized and tax-efficient investment solutions.

Each investment management account is supervised by an experienced Investment Officer who is responsible for understanding the client's unique situation and making investment recommendations specifically designed to achieve the client's financial objectives.

In addition to its investment management services, Wealth Management assists clients in planning for retirement, implementing tax reduction strategies and developing an estate plan.

The fiduciary services offered by Wealth Management provide opportunities to avoid probate, reduce taxes, and professionally and impartially carry out clients' wishes in the manner specified in their will or trust.

For further information regarding any of the Wealth Management services please call 978/922-2100.

Associated Home Care Maintains High Standards of Care



Pictured in the Cummings Center offices of Associated Home Care are (l to r) Don Lonnberg, Vice President and Commercial Loan Officer of BNB; Nancy Aldrich, Vice President of Associated Home Care and Michael Trigilio, President and CEO of Associated Home Care.

Beverly National Bank is dedicated to your success! To demonstrate how we have helped businesses grow and how we could help you expand your business we wanted to tell you about another of our success stories.

Associated Home Care, Inc., headquartered in Beverly, Massachusetts, has been providing the highest level of quality, reliable, and affordable home care and the most trusted caregivers for the past 18 years. Founded in 1991, Associated Home Care's staff and array of services are available 24 hours a day, every day, to you and your family to ensure your loved one is safe and comfortable in his or her own home.

The Company has steadily increased their staff, scope of services and coverage area over the past several years. Today, they have hundreds of employees and serve over 70 different communities. Home care services include Certified Home Health Aides, Companions, Homemakers, Overnight and Live-in Care and Caregiver Respite.

Recently, Associated Home Care has also started H.E.A.R.T. (Housing Elders At Residences Together) Homes in the local area under the division of Elder Home Options. H.E.A.R.T. Homes provide a residential setting in which a small group of seniors live. In addition, Associated Home Care also offers two new services available to the entire community: Groceries Delivered and A Hand At Home.

Groceries Delivered is a grocery home delivery service providing one-stop shopping for all your daily needs. A Hand At Home is a comprehensive, personal concierge service designed to assist you in your own home. With just one call you can receive a multitude of services from an approved vendor list.

Beverly National Bank has been an integral part of the growth of Associated Home Care over the past decade. The Bank has provided the company with numerous loans and banking assistance, as well as exceptional customer service.

Four separate acquisitions were financed solely by Beverly National Bank. The Bank has also provided a flexible line of credit and multiple corporate vehicle loans to help with cash flow for growing the business.

Due to their relationship with the Bank, Associated Home Care has been able to develop many business community relationships and give back directly to local non-profits.

"Beverly National has allowed Associated Home Care to continue to expand our scope and quality of services for the entire community," said Michael Trigilio, President and CEO of Associated Home Care, Inc. *"We appreciate the attention we have received from Don Lonnberg to meet our growing needs."*

Associated Home Care is located at 100 Cummings Center, Suite 406F in Beverly. For more information call 978/922-0745 or visit www.associatedhomecare.com.

To find out how Beverly National Bank can help you with all your business needs, please contact John Putney, Executive Vice President at 978/922-2100.

A Message From The President *Continued from page 1*

We have welcomed Amy Pasquarelli to serve as Office Manager of our North Beverly banking office along with Manager Cynthia DiRubio and our dedicated staff.

Our Giving Back column features Paul Germano, Senior Vice President who has been serving on the Board of Health Quarters in Beverly. We are proud of the dedication and involvement of our

employees with local community organizations and will continue to tell you about them in upcoming issues.

I want to take this opportunity to thank you for your business. I appreciate your loyalty to Beverly National Bank and want to reassure you that we have been a community bank for more than 200 years and we intend to be here for you for the next 200 as well.