

**Dear Fellow Shareholder:**

**This past year was a pivotal one in the growth of *baybank* Corporation. For several years, our efforts have been directed toward increasing our market share and profitability while maintaining our independence. This focus is producing results! Baybank had a great 2001!**

- Net income of \$ 572,000 represents a 38% increase over the previous year. The return on average assets for your corporation was 1.04% and return on average equity was 11.83%. Both of these ratios increased by more than 30% over year 2000.**
- Total assets increased 4% to over \$56,000,000.**
- Total loans serviced increased 24%, from \$44,000,000 to \$54,000,000 as we were able to help hundreds of families refinance their homes at the lower interest rates available during the year. This success is the heart of our mission as these families comprise the "core" customer base of our community bank.**
- Asset quality remains very strong. Our investment portfolio enjoyed a market appreciation in excess of \$ 175,000 at year end. The quality of the loan portfolio continues to be very high with an absence of non-performing loans and past due loans comprising less than 1% of the portfolio, well below both our national and local peer group comparatives.**
- Our improved profitability led to a 10% increase in shareholder equity, bringing it to over \$5,000,000 while allowing dividends to increase 9% to \$1.85 per share for the year.**
- The strength and soundness of your corporation's assets have never been better.**

**Service, Service, Service. A word worth repeating as it represents our focus when dealing with customers. Service is of ultimate importance in today's financial environment. The ongoing wave of banking industry consolidations has resulted in larger institutions, but not necessarily better ones. Customers dissatisfied with our competitors, especially the out-of-state mega banks, continue to be a solid source of new business. Our most credible referral sources are our satisfied customers and our shareholders who consistently send new customers our way. *baybank* is a force to be reckoned with in Delta County banking! Our shareholders continue to benefit substantially from our ongoing efforts to serve our customers and our community. The consistent support of our shareholders is a critical component of our past and future success as we endeavor to generate continued gains in market share, profitability, and shareholder returns.**

**Each year brings new challenges and 2002 is no exception with the local and national economies under stress. However, *baybank* is well positioned to meet these challenges. Additionally, we will celebrate our 90th Anniversary in July and we look forward to celebrating this milestone with all of our customers, shareholders, and friends.**

**This year will also bring the retirement of Jim McCarthy from our Board of Directors. Jim has been an excellent Director since joining the Baybank board in January 1981, serving as Chairman of our Board of Directors for the last ten years. Over the last four years that I have known Jim, I have found him to be an exemplary Director and Chairperson, an active and contributing member to our community, as well as a wise and true friend and advisor. We wish Jim and Pat the very best in their retirement.**

Enclosed is a Notice of Annual Meeting of Shareholders on April 11, 2002, a proxy statement, and proxy voting form for you to sign and return. I hope you can join us.

On behalf of everyone at *baybank*, we thank our shareholders for their support and our customers for their confidence and business. I salute the incredible efforts of our people in 2001 for a job very well done and I am confident their efforts in 2002 will bring new successes!

Sincerely,

Donald P. St.Germaine  
President  
*baybank* Corporation