

What will it take...



 Savings Bank
of Walpole
The Savings Bank of You

to be *The Best* for
our community?

2016 YEAR END REPORT

To Our Customers, Communities and Employees:

It's been nearly a decade since we entered into the worst financial crisis since the Great Depression. A great deal has changed since 2007, while some things have stayed the same. Our country has elected two new presidents over this time and our New England sports teams have brought home six major championships. Our industry was presented the largest regulatory piece of legislation in history with the passage of the Dodd-Frank Act and we've lost nearly one third of our country's banks during this period. Constants have included the historically low interest rate environment we've experienced over the past decade, taking a devastating toll on our savers. Our nation's two government-sponsored entities, Fannie Mae and Freddie Mac,

continue to exist in the same form as before the crisis, despite being no less risky in their structures or lending practices. The one positive thing I want to highlight as a constant is the unwavering commitment to our mission here at Savings Bank of Walpole during this particularly challenging period.

Conscious decisions have been made to ensure that your Bank is positioned not only to withstand challenging economic periods, but to continue to thrive, serving the economic well-being of our customers and our communities. Over this period, we've grown 55% in assets, accumulated over \$6,000,000 in capital, and donated nearly \$1 million to our communities. We've invested in leading technologies, retained and hired some of the brightest talent, and have survived as the only bank headquartered in southwest New Hampshire. We have been



Branching out to
serve *you* and our
community

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Bank of
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since 1875

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THE BEST LOCATIONS
817 Court Street expansion

conservative when economic times demanded, and growth-oriented when the community has needed us to be so. I am proud to say that your Bank remains strong, profitable and eager to be our region's "go-to" financial institution for the next decade to come.

Make no mistake about it: The regulatory burdens that exist today and our continuing low interest rate environment make it particularly difficult for smaller banks to thrive, and additional consolidation is highly likely. That said, we are confident that our strategy at Savings Bank of Walpole will persevere, and will allow the work we've been doing for 141 years to continue for the betterment of our customers and our communities.

2016 was an example of the success we've had in carrying out our strategic plan. Our earnings were at a 5-year high and our capital, deposits and loans were at record levels for our Bank. Though the financial numbers provide a report card of sorts and give us an indication that sustainability is being achieved, we're more interested in what others are saying about us with respect to meeting their needs and serving as an important pillar in our communities. We were awarded **The Best Bank in the Monadnock Region** by two local surveys and were humbled to be named among the **2016 Best Businesses to Work for in NH** by NH Business Magazine.



However, like any company that has plans to be around for years to come, we simply cannot rest on our laurels. To that end, we introduced an enhanced customer service program within the Bank during 2016 branded "CHEERS." All employees are participating through daily engagement to bring our customer service to even higher levels. **Empowering our staff to anticipate, meet and exceed our customer's needs is the hallmark of the program.** We know that this approach starts with the right attitude and personal approach. I'm confident that we'll be successful in creating an experience for our customers that is unparalleled in our industry.

Best customer? You.

Thank you for being a loyal customer, friend and partner in supporting our community. We couldn't do it without *you!*

1st Place: Best Local Bank | 1st Place: Best Local Customer Service
The savings bank of you. | walpolebank.com



THE BEST BANK/CUSTOMER SERVICE
Best Bank Award 12 straight years

We also saw a void in the Keene market of a branch in the northern part of town. As such we explored and found a great location on Court Street for our fifth branch office. **We partnered with a local builder, Bensonwood, to construct an 1,800 sq. ft. branch to serve this part of town.** This will be the first new bank branch in Keene in over ten years. Customers will experience a higher technology-focused branch staffed by "universal bankers," each who have the ability to meet all of a customer's retail needs. Please stop in and see Lisa, Carol and Lindsey.

We were excited to bring **Stephanie Huestis** to the Bank this past year as our newest Vice President and Commercial Lender. Stephanie brings over 20 years of lending expertise to us from the Brattleboro, VT area. We've had previous success in garnering business accounts across the river and with Stephanie on board, we anticipate this growth will accelerate in the years ahead.

Over the past two years, SBW Wealth Management has experienced meaningful growth in our client base and assets under management. **Anthony Scola** leads this effort with an approach squarely focused on the

needs of his clients and offering them financial counsel that's earning him a great reputation in the industry. His unique approach highlights the importance of understanding the distribution aspect of one's wealth, and not just the accumulation phase. I welcome you to join him in one of his well-attended, monthly, free Fiscally Fit seminars.

Sadly, we recently lost two of our long-term Corporators of the Bank — **John “Jack” Zimmerman**, and **Jim Fitz-Simon**. Jack and Jim were present at nearly every Savings Bank of Walpole Annual Meeting, bringing their stories and smiles each year. They were more than just friends of the Bank, they were each dear friends of our community. Jack and Jim, we will always be appreciative of your support and contributions over the years. May you rest in peace.

In closing, I want you to know that your Bank's mission of serving our customers and community remains as deep and entrenched into the fabric of our institution as the day it was founded. We know that this commitment is valued as we continue to experience an increase in the number of customers who choose to do business with Savings Bank of Walpole. We remain humbled by this level of support and thank you for putting your trust in us. As always, I welcome your feedback on how we are doing and how you think we can do better.

Sincerely,



Gregg R. Tewksbury
President & CEO,
Savings Bank of Walpole

2016 Financial Highlights

Net income of \$1,331,632 was \$310,020, or 30.3%, above 2015 net income of \$1,021,612. The increase in net income was driven by an increase in net interest income.

Interest and dividend income of \$10,277,225 was \$752,210, or 7.9%, above 2015. Interest expense, which is essentially interest on deposits, decreased \$183,594, or 18.1%, to \$828,378. As a result of the increase in interest and dividend income and decrease in interest expense, net interest income increased \$935,804, or 11.0%, to \$9,448,847 in 2016. This was the third consecutive increase in net interest income after three years of declines.

The spread between the Bank's yield on earning assets and its cost of funds was 2.64%, up from 2.50% in 2015. The bank's net yield on average earning assets or net interest margin was 2.66%, up from 2.54% in 2015. Net interest income increased because of higher volumes of business and the increase in spread.

No provision for loan losses was taken against income in either 2016 or 2015 due to the quality of the Bank's loan portfolio. The allowance for loan losses of \$2,453,824 was \$78,408, or 3.1 %, below year-end 2015. This represented 1.04% of total loans at year-end 2016 as compared to 1.18% of total loans at year-end 2015. Non-performing assets composed of nonaccrual loans and troubled debt restructurings were .59% of assets at year-end 2016 which was down from .83% in 2015.

Total non-interest income of \$2,869,934 was \$92,261, or 3.1%, below 2015. In 2015 one-time items provided \$425,000 of income. Gains on the sales of securities and loans and financial services commissions showed strong growth in 2016.

Total non-interest expense of \$10,468,436 was \$325,687, or 3.2%, above 2015. Compensation and benefits increased \$279,780, or 4.7%, due to salary rate increases. Expenses from the Bank's debit card program were \$90,017, or 13.9%, above 2015 due to additional services provided by a new vendor and higher debit card fraud losses.

Total ending assets of \$377,150,414 were \$16,176,449, or 4.5%, above year-end 2015. This follows an increase of \$21,054,812, or 6.2%, in 2015. Year-end deposits of \$346,536,771 were \$15,264,673, or 4.6%, above the prior year. This follows an increase of \$20,524,275, or 6.6%, in 2015. Despite extremely low interest rates, bank deposits have grown steadily as customers continue to keep their money in safe, liquid investments like checking, savings and NOW accounts. In recent years the Bank took a number of steps to slow the growth of savings and control the growth of CD deposits. This is necessary as banks must maintain deposits in proportion to their capital base.

Investment Securities ended the year at \$106,577,865 which was \$2,696,651, or 2.6%, above year-end 2015. This follows an increase of \$6,291,717, or 6.4%, in 2015. Investment Securities have grown the past few years as part of a strategy to redeploy funds held at the Federal Reserve Bank into higher yielding assets. The Bank has held a portfolio of high quality, short-term fixed income investments and a high level of liquidity in order to maintain a strong, asset-sensitive balance sheet. At year-end 2016 the Bank had short-term liquidity investments of \$15,361,583 in overnight deposits at the Federal Reserve Bank.

Net loans ended the year at \$234,059,449, which was \$21,952,127, or 10.4%, above year-end 2015. This follows an increase of \$9,291,403, or 4.6%, in 2015. The bank's loan growth, despite the challenging lending environment, reflects a desire by consumers and businesses to maintain local banking relationships.

Capital at year-end of \$28,960,999 was \$879,707, or 3.1%, above year-end 2015. This follows an increase of \$895,530, or 3.3%, in 2015. The Bank's capital-to-asset ratio at year-end 2016 was 7.68% as compared with 7.78% at year-end 2015. The decrease in 2016 was due to the high level of asset growth. Absent deleveraging, it is challenging for mutual banks to significantly increase their capital levels in the current low rate environment.



Statements of Income

	December 31 2016	December 31 2015
Interest and dividend income:		
Loans, including fees	\$ 8,749,523	\$ 8,363,526
Debt securities:		
Taxable	1,155,595	833,225
Tax-exempt	223,069	247,231
Interest bearing deposits	149,038	81,033
Total Interest and Dividend Income	10,277,225	9,525,015
Interest expense:		
Deposits	828,323	1,011,931
Other liabilities	55	41
Total Interest Expense	828,378	1,011,972
Net Interest Income	9,448,847	8,513,043
Non-interest income:		
Customer service fees	507,057	516,595
Net gain on sales of securities	293,753	163,523
Net gain on sales of loans	222,405	169,969
Bank-owned life insurance	181,292	177,298
Financial services commissions	188,449	155,363
Interchange revenue	1,121,821	1,092,616
Other	355,157	686,831
Total Non-Interest Income	2,869,934	2,962,195
Non-interest expenses:		
Compensation and benefits	6,171,679	5,891,899
Occupancy and equipment	915,676	945,993
Deposit insurance	202,851	236,516
Debit card/ATM network	737,689	647,672
Software licenses and maintenance	514,720	508,436
Other general and administrative	1,925,821	1,912,233
Total Non-Interest Expenses	10,468,436	10,142,749
Income before income taxes	1,850,345	1,332,489
Provision for income taxes	518,713	310,877
Net Income	\$ 1,331,632	\$ 1,021,612

Balance Sheets

	December 31 2016	December 31 2015
Assets		
Cash and due from banks	\$ 3,788,624	\$ 4,152,898
Interest bearing deposits	15,361,583	26,721,346
Total Cash and Cash Equivalents	19,150,207	30,874,244
Securities available for sale	106,577,865	103,881,214
Loans held for sale	-	68,000
Loans, net of allowance for loan losses of \$2,453,824 in 2016 and \$2,532,232 in 2015	234,059,449	212,107,322
Premises and equipment, net	5,305,983	4,172,260
Accrued interest receivable	1,118,199	941,281
Deferred tax asset	1,675,228	1,407,085
Bank-owned life insurance	6,456,363	6,275,071
Federal Home Loan Bank of Boston stock	683,400	-
Other assets	2,123,720	1,247,488
Total Assets	\$ 377,150,414	\$ 360,973,965
Liabilities and Capital		
Deposits	\$ 346,536,771	\$ 331,272,098
Other liabilities	1,652,644	1,620,575
Total Liabilities	348,189,415	332,892,673
Capital		
Undivided profits	29,556,084	28,224,452
Accumulated other comprehensive loss	(595,085)	(143,160)
Total Capital	28,960,999	28,081,292
Total Liability and Capital	\$ 377,150,414	\$ 360,973,965

Selected Ratios

Return on average assets	0.36%	0.29%
Equity to assets	7.68%	7.78%
Average yield on earning assets	2.90%	2.84%
Average cost of interest bearing liabilities	0.26%	0.34%
Interest rate spread	2.64%	2.50%
Net interest margin**	2.66%	2.54%

**Net interest margin is total interest income and dividends less total interest expense divided by average interest earning assets.

Trustees

Kinyon, Esq., Gary J., Chairman of the Board
Tewksbury, Gregg R., President & CEO
Coneeny, Joseph A.
Houston, Jason D.
McBeth, Sylvia M.
Robbins, Linda W.
Rust, Lynn C.
Ryder, Steven J.
Shaw, Dr. Charles P.
Tisdale, Donald J.

Officers

Executive and Administration

Tewksbury, Gregg R., President & CEO
Richardson, Tamara W., Vice President & HRO
Curtis, Martha A., Bank Officer

Finance

Bodin, Mark G., Senior Vice President & CFO
Smith, Jeffrey P., Assistant Vice President & Treasurer

Information Technology

Guild, Matthew W., Vice President & CIO
Wilson, Damian P., Web Design & Development Officer

Lending

Bianco, Stephen M., Senior Vice President & Senior Lender
Huestis, Stephanie S., Vice President
Kebalka, Chris T., Vice President
Lehr, Amy L., Vice President
Greenwood, Christine B., Mortgage Officer
Hayward, Michelle A., Mortgage Officer
Zabielski, Martha L., Mortgage Officer

Operations

Tewksbury, Julie A., Senior Vice President, Operations
Hurd, Margaret E., Assistant Vice President
Martin, Dawn M., Assistant Vice President
Sullivan, Cynthia M.S., Deposit Compliance & BSA Officer
Hebert, Ingrid, eBanking Officer

Retail

Perkins, Dominic A., Vice President, Retail Administration
Renev, Wallace A., Assistant Vice President
Hanks, Katherine M., Branch Manager & Bank Officer
Howard, Michelle E., Branch Manager & Bank Officer

*SBW Wealth Management located at
Savings Bank of Walpole

Scola, Anthony J., Vice President



THE BEST PEOPLE
BNH Best Places to
Work Award



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Bates, Thomas S.	Luse, Zachary T.C.
Batty, Jill I.	McBeth, Sylvia M.
Bradeen, Sarah A.	Miller, Robert F.
Collinsworth, Kathleen A.	Neal, James H.
Coneeny, Joseph A.	O'Meara, William R.
Curtis, Martha A.	Perry, Robert S.
Davis, Philip J.	Porschitz, Dr. Emily T.
Dunbar, Bradley P.	Potter, Edward R.
Dunbar, Jayson B.	Putnam, Mark A.
Duncan, Dayton R.	Reardon, Jr., Edward F.
Galloway, Jerome S.	Robbins, Linda W.
Gavin, Mark A.	Rust, Lynn C.
Hicks, Kelley F.	Ryder, Steven J.
Hicks, Randall P.	Shaw, Dr. Charles P.
Houder, Nathalie	Snide, Michael P.
Houston, Jason D.	Szmit, Frederick A.
Howard, Susan L.	Tewksbury, Gregg R.
Jacobs, Ruth F.	Tisdale, Donald J.
Johnson, David B.	Tyson, William C.
Kimball, Robert I.	Walier, Joseph C.
Kinyon, Esq., Gary J.	Whittemore, Peter T.
Koson, Peter D.	Wichland, David P.
Lacey, Linda A.	Wilson, Richard A.

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Burr, I. Tucker	Hubbard, John A.
Daniels, Randall	Macri, Jr., Gregory J.
Fletcher, William S	McMahon, Esq., Lewis A.
Houghton, Donald C.	Trask, Paul S.

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The savings bank of *you*.

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