

Proud to be
the bank of our
community.



Savings
Bank of
Walpole
since 1875

2018 YEAR END REPORT

To Our Customers, Community and Employees:



As the only bank headquartered in southwestern New Hampshire, we at Savings Bank of Walpole are extremely grateful for the privilege of supporting and being supported by our community.

Mindful of our history and of our responsibilities as a mutual bank, we are deeply committed to serving our customers and our community—and we are excited about the prospects for a bright future.

We know what being a local bank represents and we take seriously the responsibilities that come with being our community's only truly local bank. By making decisions locally every day to support our customers and the local economy, and by giving back to local civic and charitable organizations, we're able to make a difference in the lives of many. This is not a new philosophy; Savings Bank of Walpole has been a local bank for 144 years. Today more than ever, we believe we are positioned for success for the next 144 years.

The year 2018 included a number of changes for the Bank. Announced in 2017, our affiliation with [New Hampshire Mutual Bancorp](#) (NHMB) became effective mid-year. Our Bank experienced a transition in leadership as Gregg Tewksbury assumed an

even more important role in our organization and I was privileged to be asked to lead this wonderful community institution. In addition, three new local Board members joined our Bank. As promised, these changes only reinforced our commitment to advancing the Savings Bank of Walpole experience for our customers, our community and our staff.

During 2018, Savings Bank of Walpole's support for the local economy was demonstrated in numerous ways. We continued to invest in our local branches and staff and we hired local vendors wherever possible. We also funded more than \$72 million in consumer and business loans right here in our community—including \$25 million of residential mortgages to our neighbors.

We take great pride in supporting and engaging with the local organizations and initiatives that make our community special. In 2018, our Bank donated over [\\$200,000 to 184 organizations and initiatives](#)—and many of our staff showed additional support by serving as board members and volunteers for these organizations. New community initiatives included the [Savings Bank of Walpole Playground](#) at the [Keene Family YMCA](#), beds purchased at [Cedarcrest Center for Children with Disabilities](#), and our title sponsorship of the [DeMar Marathon](#).

Communities benefit from strong community banks.

SBW's 85 exceptional employees are central to our success. That's why we are focused on providing them with a supportive work environment—one that encourages professional and personal growth. Last summer, we were honored to have been named to **American Banker Magazine's list of Best Banks to Work For** in the entire USA. This was the second consecutive year our Bank was ranked in the top 20 nationally.

From a fiscal standpoint, 2018 was a record-setting year. We experienced our highest levels of assets, deposits, loans and capital while earning a net profit of \$2.6 million—far and away the highest earnings in the Bank's 144 years. The Bank ended the year with \$411 million of total assets, up \$10 million from 2017.

While having a physical presence right here in our community is just one of the ways we provide a great banking experience for our customers, we're always looking for products that will make banking easier for them as well. With this in mind, we continued to offer the best products for our local market, including truly free checking, and the latest banking technology with enhanced eBanking services for individuals and businesses.

Our SBW Wealth Management division continued to grow and is committed to providing a full range of financial services for our community. SBW Wealth Management's Fiscally Fit™ seminar series, which provides free financial education to the public, once again helped enhance our presence in the community.



“Just like SBW, we help keep our community in great shape.”

Hélène Mogridge
CEO | Keene Family YMCA
SBW customer since 2006

In 2018 three long-time Board members left our Bank: Don Tisdale and Dr. Chuck Shaw retired and Steve Ryder resigned to focus on his growing business. They will all be missed. At the same time, we feel fortunate to have added local residents Kathy Collinsworth, Susan Howard and Mark Gavin to the Board at our Bank. Each brings a variety of experiences to our local Board.

Ten months into our affiliation with NHMB, I am pleased to report that what we anticipated as potential benefits of the affiliation are proving to be real. Savings Bank of Walpole remains a truly local bank with local management, a local Board, local products, local pricing and local decision-making. This local focus is now supplemented by access to the resources brought by a larger organization including additional expertise, efficiencies and scale. Our Bank is undoubtedly stronger and better equipped to serve local banking needs—now and in the future. We believe this is a win for our customers and community.

In 2018, we started branding all of our materials with an SBW “Live Local, Buy Local, Bank Local” stamp because we believe in the advantages a truly local bank brings to its home community. These include local decision-making, reinvestment of your dollars into local families, businesses and organizations, and the ability to talk to someone right here whenever needed.

Savings Bank of Walpole is committed to continuing and enhancing our critical role in advancing the vitality of our community. We are indeed proud to be our community's local bank!

Sincerely,


Mark Bodin
President



“When it comes to working with small professional service firms
SBW knows the drill.”

Dr. Tae Kwon
Monadnock Perio
and Implant Center
SBW customer since 2016

2018 Financial Highlights

- **Net income of \$2,572,518 was \$1,489,086 above 2017 net income of \$1,083,432.** This was the highest net income in the Bank's history.
- **In comparing 2018 net income vs. 2017, the increase was primarily driven by a \$1,468,598 increase in net interest income (interest income less interest expense).** A decrease in the allowance for loan losses and an increase in non-interest income offset an increase in non-interest expenses.
- **Net interest income of \$12,348,467 was \$1,468,598, or 13.5%, above 2017.** This was due to an increase of \$1,611,183, or 13.8%, in interest and dividend income and an increase of \$142,585, or 18.6%, in interest expenses paid on deposits. This was the fifth consecutive increase in net interest income after three years of declines as the Bank's balance sheet management strategy has been effective.
- **The spread between the Bank's yield on earning assets and its cost of funds was 3.16%, up from 2.89% in 2017.** The Bank's net yield on average earning assets or net interest margin was 3.20%, up from 2.91% in 2017. Net interest income increased because of higher volumes of business and the increase in spread.
- **An \$80,000 provision for loan losses was taken in 2018 after taking a provision of \$364,000 in 2017.** The allowance for loan losses of \$2,710,824 represented .97% of total loans at year-end 2018 as compared to 1.00% of total loans at year-end 2017. Non-performing assets were .57% of assets at year-end 2018 which were up slightly from .49% in 2017. Our loan portfolio remains strong.
- **Total non-interest income of \$3,031,141 was \$257,702, or 9.3%, above 2017.** The increases were primarily in financial services income, debit card interchange fees and other service fees.
- **Total non-interest expense of \$12,102,920 was \$642,170, or 5.6% above 2017.** This was due in large part to higher benefit costs and one-time costs related to the affiliation.
- **Total ending assets of \$410,746,387 were \$10,079,976, or 2.5%, above year-end 2017.** This follows an increase of \$23,515,997, or 6.2%, in 2017. The slower growth rate was a product of the higher interest rate environment as bank deposit growth has slowed industrywide.
- **Investment Securities ended the year at \$103,894,084 which was \$7,845,609, or 7.0%, below year-end 2017.** The Bank is strategically reducing its investment portfolio to reallocate funds to higher yielding loans. At year-end 2018 the Bank had short-term liquidity investments of \$7,187,494 in overnight deposits at the Federal Reserve Bank and remains highly liquid by all industry measures.
- **Net loans ended the year at \$277,772,945, which was \$21,688,939, or 8.5%, above year-end 2017. This follows an increase of \$22,024,557, or 9.4%, the previous year.** More than ninety-percent of the loan growth was in commercial lending. The Bank's loan growth reflects a desire by consumers and businesses to maintain local banking relationships.
- **Capital at year-end of \$31,621,728 was \$1,720,514, or 5.8%, above year-end 2017.** This follows an increase of \$940,215, or 3.3%, in 2017. The Bank's tier one leverage capital ratio at year-end 2018 was 8.15% as compared with 7.66% at year-end 2017.

Statements of Income

	December 31 2018	December 31 2017
Interest and dividend income:		
Loans, including fees	\$ 11,039,565	\$ 9,752,992
Debt securities:		
Taxable	1,857,183	1,506,865
Tax-exempt	148,478	207,277
Interest bearing deposits	212,732	179,641
Total Interest and Dividend Income	13,257,958	11,646,775
Interest expense:		
Deposits	909,369	766,758
Other liabilities	122	148
Total Interest Expense	909,491	766,906
Net Interest Income	12,348,467	10,879,869
Provision for loan losses	80,000	364,000
Net Interest Income after provision for loan losses	12,268,467	10,515,869
Non-interest income:		
Customer service fees	478,744	496,550
Net gain on sales of securities	(5,183)	6,533
Net gain on sales of loans	122,531	210,508
Bank-owned life insurance	166,492	173,699
Financial services commissions	315,048	200,921
Interchange revenue	1,301,565	1,183,002
Other	651,944	502,226
Total Non-Interest Income	3,031,141	2,773,439
Non-interest expenses:		
Compensation and benefits	7,063,710	6,564,213
Occupancy and equipment	1,153,310	1,166,058
Deposit insurance	161,119	154,210
Debit card/ATM network	812,926	808,521
Software licenses and maintenance	585,228	533,560
Other general and administrative	2,326,627	2,234,188
Total Non-Interest Expenses	12,102,920	11,460,750
Income before income taxes	3,196,688	1,828,558
Provision for income taxes	624,170	745,126
Net Income	\$ 2,572,518	\$ 1,083,432

Balance Sheets

	December 31 2018	December 31 2017
Assets		
Cash and due from banks	\$ 4,817,096	\$ 4,609,660
Interest bearing deposits	7,187,494	10,223,986
Total Cash and Cash Equivalents	12,004,590	14,833,646
Securities available for sale	103,894,084	111,739,693
Loans held for sale	0	357,700
Loans, net of allowance for loan losses of \$2,710,824 in 2018 and \$2,630,000 in 2017	277,772,945	256,084,006
Premises and equipment, net	5,699,530	5,769,312
Accrued interest receivable	1,161,213	1,265,621
Deferred tax asset	1,088,989	1,061,585
Bank-owned life insurance	6,796,554	6,630,062
Federal Home Loan Bank of Boston stock	815,500	739,800
Other assets	1,512,982	2,184,986
Total Assets	\$ 410,746,387	\$ 400,666,411
Liabilities and Capital		
Deposits	\$ 376,902,295	\$ 369,184,498
Other liabilities	2,222,364	1,580,699
Total Liabilities	379,124,659	370,765,197
Capital		
Undivided profits	33,213,863	30,787,837
Accumulated other comprehensive loss	(1,592,135)	(886,623)
Total Capital	31,621,728	29,901,214
Total Liabilities and Capital	\$ 410,746,387	\$ 400,666,411

Selected Ratios

Return on average assets	0.64%	0.28%
Tier 1 leverage ratio	8.15%	7.66%
Average yield on earning assets	3.43%	3.12%
Average cost of interest bearing liabilities	0.27%	0.23%
Interest rate spread	3.16%	2.89%
Net interest margin**	3.20%	2.91%

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

Directors

McBeth, Sylvia M., Board Chair

Bodin, Mark, President

Collinsworth, Kathleen A.

Coneeny, Joseph A., Vice Chair

Gavin, Mark A.

Houston, Jason D.

Howard, Susan L.

Kinyon, Gary J.

Rust, Lynn C.

Tewksbury, Gregg R., CEO, New Hampshire Mutual Bancorp

Officers

Executive and Administration

Bodin, Mark, President

Richardson, Tamara W., Vice President & HRO

Scheiner, Christine J., Secretary

Finance

Hicks, Jason C., Senior Vice President & CFO/Treasurer

Smith, Jeffrey P., Assistant Vice President & Treasurer

Information Technology

Guild, Matthew W., Vice President & CIO

Lending

Bianco, Stephen M., Senior Vice President & Senior Lender

Gill, Aaron R., Vice President

Kebalka, Chris T., Vice President

Lehr, Amy L., Vice President

Martin, Dawn M., Vice President

Greenwood-Smart, Christine B., Mortgage Officer

Rosley, Sarah L., Mortgage Officer

Zabielski, Martha L., Mortgage Officer

Operations

Tewksbury, Julie A., Senior Vice President, Operations

Dustin, Kathleen L., Loan Operations Officer

Sullivan, Cynthia M.S., Deposit Compliance & BSA Officer

Retail

Perkins, Dominic A., Vice President, Retail Administration

Reney, 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

Beauregard, Kevin P., Vice President



Corporators

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

Corporators Emeriti

Fletcher, William S.	McMahon, Esq., Lewis A.
Houghton, Donald C.	Trask, Paul S.
Hubbard, John A.	Walier, Joseph C.
Macri, Jr., Gregory J.	

Proud of our *local* numbers:

Donating over
\$200,000
to local causes
and events



Lending over
\$28 million
in residential
mortgages



Providing over
\$41 million
in local commercial
loans to local
business owners



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• not insured by the FDIC or any other agency or instrumentality of the federal government;
• not deposits or other obligations of, or guaranteed by, the Bank or any affiliate of the Bank;
• subject to investment risk, including possible loss of principal invested.



The savings bank of *you.*

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11 Westminster Street
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603-756-2863

84 Marlboro Street
Keene, NH 03431
603-352-1822

400 West Street
Keene, NH 03431
603-355-1881

817 Court Street
Keene, NH 03431
603-352-6988



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