

2015 YEAR END REPORT

Best bank around?



Just ask a *local*.



To Our Customers, Communities and Employees:

If you ever want to know where to get the best burger in town, or the best haircut, or who the best carpenter is, what do you do?—**You ask a local.** Well, today when you ask a local which bank around here is the most customer- and community-focused of them all, odds are the answer will be **Savings Bank of Walpole.** This makes me proud and appreciative of our staff, our corporators and trustees, and our customers—and I want to thank each and every one of you for the honor.

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Savings Bank of Walpole celebrated its 140th anniversary during 2015 and we felt strongly that our heritage and our commitment to our customers, communities and employees was worthy of a celebration. **In 1875, our bank was chartered to address needs unmet by larger, more established banks.** A decision was made to organize a mutually-held community savings bank to help improve the quality of life for the citizens of Walpole and the surrounding region by encouraging them to set a portion of their savings aside for future financial security. A Board of Trustees was formed to govern the bank, protect depositors and borrowers, and to align operational objectives with the goal of enhancing the prosperity of not only the individual stakeholder, but the region at large. Adherence to these objectives has been unwavering for 140 years and a celebration of this commitment was in order.

During this past year, we held many events to honor our anniversary, including pay-it-forward campaigns, monthly donations to employee-designated charities, treats in our lobbies for customers, and free balloons available all year for children who visited our branch offices. Our hallmark event was a barbecue on the Walpole town common where over 1,000 people joined us for a summer feast, entertainment and fellowship. Dignitaries from around the state joined us as we

commemorated the valuable work we do in and for our community.

Since my last writing a year ago, constant changes in the banking industry continue to present challenges for smaller community banks such as ours. The interest rate environment remains at historic lows, regulations continue to pile up as the Dodd Frank Act is rolled out, and loan demand in our area remains tepid, as the Monadnock region is not experiencing any real growth. **With all of that considered, I am pleased to report that Savings Bank of Walpole had a very solid year.**

Prudent management of our investment portfolio allowed us to increase our yields in this area and we also experienced a modest increase in income from our loan portfolio for the first time in eight years. Deposits continue to flow into the bank due, in part, to our high level of customer service and low-fee account products, as well as to the Federal Reserve's ongoing accommodative monetary policy that creates a system awash in cash. Our lending staff did an excellent job during the year deploying these funds with \$60 million in new loan originations that netted, after principal payments and payoffs, over \$9 million in outstanding

Karlie, Walpole
SBW customer
since 2000



loans over the prior year. All of this translated to higher earnings during 2015—our third consecutive year with increased earnings. On the regulatory side, we successfully implemented the new Know Before You Owe or TILA RESPA Integrated Documentation (TRID) rules. It is unknown at this time whether or not consumers will benefit from these new disclosures, but what is known is that the time to close a loan due to these new requirements has lengthened and the cost to originate a loan has increased.

Over the past year we carried out two major projects to deliver enhanced banking services to our customers.

These culminated in the rollout of a new e-Banking service in October and new debit card services in November. The new e-Banking platform provided consistent menus and functionality on computers, tablets and mobile phones and allowed us to offer mobile check deposit on Apple and Android tablets and mobile phones. We anticipate rolling out new features on a regular basis going forward, including the introduction of real-time person-to-person transfers in mid-2016. With the new debit card services we have introduced chip-enabled cards in several designs for enhanced security and will begin issuing cards in our branches in 2016 so customers can begin using their cards instantly.

As we look forward in 2016, we remain optimistic about our ability to bring an even better banking experience to our customers. In addition to the new technologies we have implemented, we have hired Martha Zabielski, a Mortgage Loan Officer with nearly 30 years of banking and mortgage lending expertise. Our customers in the northern part of our market area will surely welcome Martha's familiar face and we are excited to have her on board. Our SBW Wealth Management Division, under the leadership of Anthony Scola, continues to grow as Tony builds his business network in our market area. His approach to financial advisory services has been well received by customers who have taken the opportunity to meet him. We are also proud to announce that we are building our fifth branch, which is expected to break

ground in mid 2016. This branch, which will be located on Court Street in Keene, will offer additional convenience for existing customers—and will welcome new customers to the only bank branch option in the northern part of the city.

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Of special note, on June 30, 2015, we recognized our friend and co-worker, Wally Reney, who celebrated his own significant milestone—his 50th anniversary in community banking. For the day, we changed the name of the bank to Savings Bank of Wally! Kendall W. Lane, Mayor of the City of Keene, proclaimed the day as Wally Reney Day and our staff and hundreds of well-wishers from the community paid their respects for his dedication to serving our customers and our community in his role as a banker for a half century. Thank you, Wally, for the care you have given our customers and for making our community a better place to call home.

Our mission of serving our customers and community remains as deep and entrenched into the fabric of our institution as the day our bank 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

Carol and Jeff
Marlborough
SBW customers
since 1999



2015 Financial Highlights

Net income of \$1,021,612 was \$375,759, or 58.2%, above 2014 net income of \$645,853. The increase in net income was driven by an increase in net interest income and one-time non-interest income items.

Interest and dividend income of \$9,525,015 was \$384,781, or 4.2%, above 2014. Interest expense, which is essentially interest on deposits, decreased \$175,564, or 14.8%, to \$1,011,972. As a result of the increase in interest and dividend income and decrease in interest expense, net interest income increased \$560,345, or 7.0%, to \$8,513,043 in 2015. This was the second consecutive increase in net interest income after three years of decreases.

The spread between the bank's yield on earning assets and its cost of funds was 2.50%, up from 2.38% in 2014. The bank's net yield on average earning assets or net interest margin was 2.54%, up from 2.43% in 2014. 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 2015 or 2014 due to the quality of the bank's loan portfolio. The allowance for loan losses of \$2,532,232 was \$3,828, or .2%, above year-end 2014. This represented 1.18% of total loans at year-end 2014 as compared to 1.23% of total loans at year-end 2014. Non-performing assets composed of nonaccrual loans and troubled debt restructurings were .83% and .69% of assets at year-end 2015 and 2014 respectively.

Total non-interest income of \$2,962,195 was \$438,571, or 17.4%, above 2014. One-time items provided \$425,000 of income which accounted for substantially all of the increase.

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Total non-interest expense of \$10,142,749 was \$483,077, or 5.0%, above 2014. Compensation and benefits increased \$155,535, or 2.7%, due to salary rate increases. Expenses from the Bank's debit card program were \$99,437 above 2014 due to one-time vendor conversion related expenses. Software maintenance expense increased \$49,056, or 10.7%, due to ongoing enhancements to the Bank's technology products and infrastructure. Other general and administrative expenses were \$162,097, or 9.3%, above 2014 due to an investment in the bank's self-service banking platform, advertising and marketing expenses in support of greater lending activity, the celebration of the bank's 140th anniversary, and the promotion of the bank's brand in the face of increased local competition.

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Total assets of \$360,973,965 on December 31, 2015 were \$21,054,812, or 6.2%, above year-end 2014. This follows an increase of \$6,118,517, or 1.8%, in 2014. Year-end deposits of \$331,272,098 were \$20,524,275, or 6.6%, above the prior year. This follows an increase of \$5,396,353, or 1.8%, in 2014. The financial crisis, the resulting recession, and the monetary policy response to both have been key factors in the growth of deposits throughout the banking system. 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, especially in an interest rate environment that provides minimal returns on additional deposits.

Investment Securities ended the year at \$103,881,214 which was \$6,291,717, or 6.4%, above year-end 2014. This follows an increase of \$4,586,885, or 4.9%, in 2014. 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 2015, the bank had short-term liquidity investments of \$26,721,346 in overnight deposits at the Federal Reserve Bank.

Net loans ended the year at \$212,107,322, which was \$9,291,403, or 4.6%, above year-end 2014. This follows an increase of \$7,230,337, or 3.7%, in 2014. The bank's loan growth over the past two years, despite the challenging lending environment, reflects a desire by consumers and businesses to maintain local banking relationships.

Capital at year-end of \$28,081,292 was \$895,530, or 3.3%, above year-end 2014. This follows an increase of \$729,878, or 2.8%, in 2014. The bank's capital-to-asset ratio at year-end 2015 was 7.78% as compared with 8.00% at year-end 2014. The decrease in 2015 was due to the high level of asset growth late in the year. It is challenging for mutual banks to significantly increase their capital levels in the current low-rate environment.

Statements of Income

	December 31 2015	December 31 2014
Interest and dividend income:		
Loans, including fees	\$ 8,363,526	\$ 8,142,782
Debt securities:		
Taxable	833,225	667,041
Tax-exempt	247,231	239,661
Interest bearing deposits	81,033	90,750
Total Interest and Dividend Income	9,525,015	9,140,234
Interest expense:		
Deposits	1,011,931	1,186,683
Other liabilities	41	853
Total Interest Expense	1,011,972	1,187,536
Net Interest Income	8,513,043	7,952,698
Non-interest income:		
Customer service fees	516,595	545,557
Net gain on sales of securities	163,523	221,805
Net gain on sales of loans	169,969	124,522
Bank-owned life insurance	177,298	97,773
Financial services commissions	155,363	228,718
Interchange revenue	1,092,616	1,054,168
Other	686,831	251,081
Total Non-Interest Income	2,962,195	2,523,624
Non-interest expenses:		
Compensation and benefits	5,891,899	5,736,364
Occupancy and equipment	945,993	946,994
Deposit insurance	236,516	218,563
Debit card/ATM network	647,672	548,235
Software maintenance	508,436	459,380
Other general and administrative	1,912,233	1,750,136
Total Non-Interest Expenses	10,142,749	9,659,672
Income before income taxes	1,332,489	816,650
Provision for income taxes	310,877	170,797
Net Income	\$ 1,021,612	\$ 645,853

Balance Sheets

	December 31 2015	December 31 2014
Assets		
Cash and due from banks	\$ 4,152,898	\$ 4,654,540
Interest bearing deposits	26,721,346	20,982,583
Total Cash and Cash Equivalents	30,874,244	25,637,123
Securities available for sale	103,881,214	97,589,497
Loans held for sale	68,000	-
Loans, net of allowance for loan losses of \$2,532,232 in 2015 and \$2,528,404 in 2014	212,107,322	202,815,919
Premises and equipment, net	4,172,260	4,256,632
Accrued interest receivable	941,281	833,626
Deferred tax asset	1,407,085	1,168,232
Bank-owned life insurance	6,275,071	6,097,773
Other assets	1,247,488	1,520,351
Total Assets	\$ 360,973,965	\$ 339,919,153
Liabilities and Capital		
Deposits	\$ 331,272,098	\$ 310,747,823
Other liabilities	1,620,575	1,985,568
Total Liabilities	332,892,673	312,733,391
Capital		
Guaranty Fund	10,000,000	10,000,000
Undivided profits	18,224,452	17,202,840
Accumulated other comprehensive loss	(143,160)	(17,078)
Total Capital	28,081,292	27,185,762
Total Liability and Capital	\$ 360,973,965	\$ 339,919,153

Selected Ratios

Return on average assets	0.29%	0.19%
Equity to assets	7.78%	8.00%
Average yield on earning assets	2.84%	2.79%
Average cost of interest bearing liabilities	0.34%	0.41%
Interest rate spread	2.50%	2.38%
Net interest margin**	2.54%	2.43%

**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.

Jeff, Keene
SBW customer
since 2003



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., Treasurer

Information Technology

Guild, Matthew W., Vice President & CIO

Gouger, Heidi, L., Assistant Vice President

Wilson, Damian P., Web Design & Development Officer

Lending

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

Kebalka, Chris T., Vice President, Commercial
Loan Officer

Lehr, Amy L., Vice President, Commercial Loan Officer

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,
Deposit Operations Officer

Martin, Dawn M., Assistant Vice President,
Loan Compliance & Operations Officer

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

Ayala, Ingrid, eBanking Officer

Retail

Perkins, Dominic A., Vice President, Retail Administration

Reney, Wallace A., Assistant Vice President

Hanks, Katherine M., Branch Manager

Howard, Michelle E., Branch Manager

*SBW Wealth Management located at
Savings Bank of Walpole

Scola, Anthony J., Vice President

Corporators

Bates, Thomas S.	Luse, Zachary T.C.
Batty, Jill I.	McBeth, Sylvia M.
Bradeen, Sarah 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.
Fitz-Simon, James E.	Robbins, Linda W.
Galloway, Jerome S.	Rust, Lynn C.
Gavin, Mark A.	Ryder, Steven J.
Harrington, Kathleen A.	Shaw, Dr. Charles P.
Hicks, Kelley F.	Snide, Michael P.
Hicks, Randall P.	Szmit, Frederick A.
Houston, Jason D.	Tewksbury, Gregg R.
Howard, Susan L.	Tisdale, Donald J.
Jacobs, Ruth F.	Tyson, William C.
Johnson, David B.	Walier, Joseph C.
Kimball, Robert I.	Whittemore, Peter T.
Kinyon, Esq., Gary J.	Wichland, David P.
Koson, Peter D.	Wilson, Richard A.
Lacey, Linda A.	

Corporators Emeriti

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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- 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*.

68 Ames Plaza Lane
Walpole, NH 03608
603.756.4771

11 Westminster Street
Walpole, NH 03608
603.756.4771

84 Marlboro Street
Keene, NH 03431
603.352.1822

400 West Street
Keene, NH 03431
603.355.1881

On the cover: Grace and Marilyn
Keene | SBW customers since 2012