

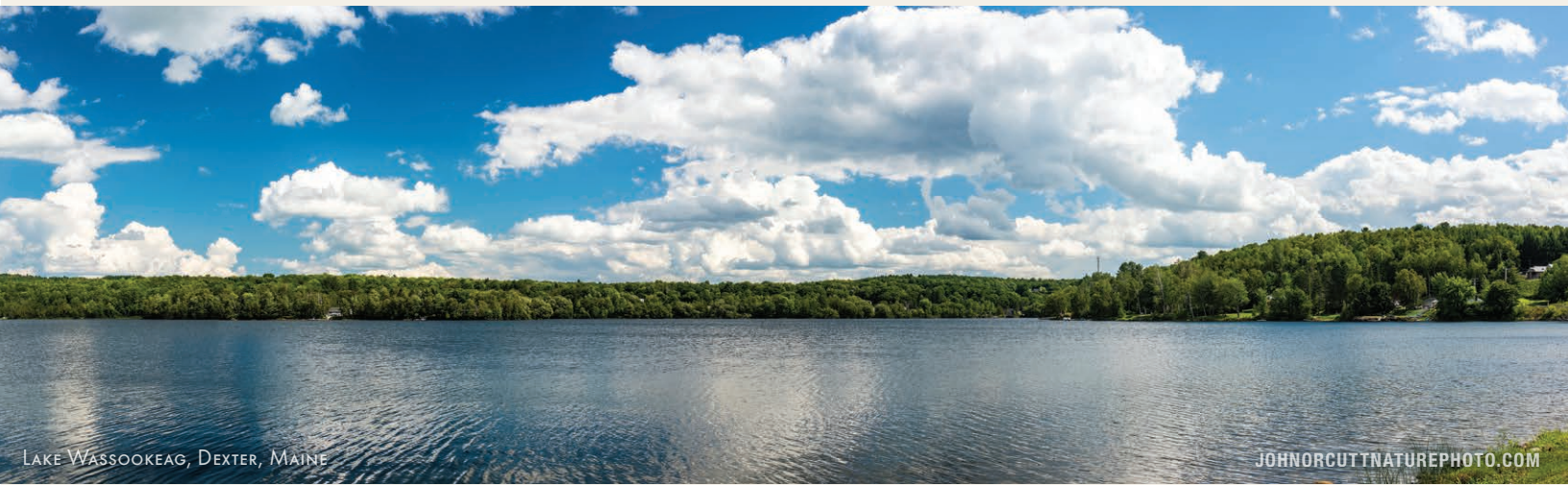


Skowhegan
Savings



2016

ANNUAL REPORT



LAKE WASSOOKEAG, DEXTER, MAINE

JOHNORCUTTNATUREPHOTO.COM

Straight Talk. Fair Deals.

A MESSAGE FROM THE PRESIDENT



In 2016, Skowhegan Savings reaffirmed our commitment to the mission of making our communities a better place to live and work. In addition to the \$111 million in loans that we made investing in the people and businesses of our communities, we invested more than \$400,000 in the Skowhegan Savings Charitable Foundation, growing the foundation to over \$1.3 million in assets. Highlighted on the following pages are some of the community investments the bank made this past year. During 2017, we will be exploring ways to leverage our foundation assets further to encourage more business activity and job creation in our communities.

2016 was a very strong year for Skowhegan Savings. The bank saw its total assets top \$600 million in the fourth quarter and ended the year at an all time high of \$589 million. In spite of the continued challenges posed by a very low interest rate environment, the bank was able to limit the impact on our margin and deliver strong operating earnings. The total capital of the bank grew to nearly \$80 million which not only demonstrates the financial strength of the bank, but provides the financial foundation from which the bank can make long term investments in our people, our products, and our communities.

Many of our communities are not enjoying the economic rebound that is being felt elsewhere in the state and the country. The forest products industry continues to struggle and our demographics create a challenge for our workforce. We are now in the second year of a three-year commitment that Skowhegan Savings made to Jobs for Maine's Graduates - to develop a model of coordinating financial literacy and career preparedness training with our schools and businesses. This program will help to develop the workforce that will build our economies of the future.

This is the last annual report that will feature Roger Gifford as our Chairman. Roger is retiring after serving 26 years on the board, the last 13 as Chairman. Roger has been instrumental in guiding the bank and the board through our growth during this time. It has been my privilege to have worked alongside Roger for nearly 10 years and I am indebted to him for welcoming me to the Skowhegan Savings community and for his guidance and counsel during my tenure.

The success of the bank and our ability to focus on making our communities a better place to live and work is dependent on the dedicated efforts of our employees and the trust and support of our customers. Thank you all for the privilege to serve you.

A handwritten signature in black ink, reading "John C. Witherspoon". The signature is written in a cursive, flowing style.

JOHN C. WITHERSPOON, PRESIDENT AND CEO

Preparing Our Youth for Careers

Jobs for Maine Graduates

Skowhegan Savings made a pledge of \$120,000 to the Jobs for Maine Graduates (JMG) program to fund a coordinator position for Franklin, Somerset and Kennebec counties. Through this unique public-private partnership, we are bringing schools, businesses and community leaders together to ensure the young people in our region not only graduate from high school, but graduate with career goals and the skills needed to reach those goals. The work focuses on facilitating partnerships between businesses and schools. Through various activities, these partnerships create opportunities for high school students to discover and explore a variety of career paths. Nearly 2,000 students interacted with businesses through events such as career days, job shadowing and classroom guest speakers. The lessons learned are invaluable.

By connecting with local businesses, students are able to learn in detail about jobs available in Central Maine, and the kinds of education and training required to attain those jobs. In addition, these efforts help to support classroom teachers to better prepare high school graduates with the career-readiness, or soft skills, they will need to succeed in the job market. These opportunities give Maine's youth the chance to get out from behind their desks and make important connections with their future employers. The work also focuses on developing an effective financial literacy curriculum as a resource for classrooms.

And this is just the beginning. Work is already underway to incorporate new opportunities for students for next year, such as financial literacy fairs, trades events, internships and mentorships. Another way that Skowhegan Savings Bank helps make our communities a better place to live and work.



"If we could clone Skowhegan Savings Bank, we would! We appreciate this partnership very much and the commitment you all are making to ensure the students in the area get their needs met so they can succeed as adults."

- **Lisa Gardiner**, Jobs for Maine Graduates Director of Stewardship



Investing in Entrepreneurs



LaBree's Bakery OLD TOWN, MAINE

Located in Old Town, Maine, LaBree's Bakery distributes baked goods throughout the continental United States, Hawaii and Canada. Started with the purchase of a single donut fryer in February 1948, the now 225,000–250,000 square foot facility employs over 200 people. It remains as a family-run business and is currently operated by second and third generation LaBrees, Bernie LaBree and his three children. Almost 70 years later, the company's historic commitment to customer service and community has led them to thrive.

The Main Street Skowhegan and Skowhegan Savings
Entrepreneur Challenge



WINNER

The Maine Barkery SKOWHEGAN, MAINE

Last year, the bank partnered with Main Street Skowhegan to offer the first Entrepreneur Challenge in Skowhegan. During the five-month program, entrepreneurs who were interested in starting or expanding a business in Skowhegan worked on business plans and gave presentations to a committee of members of Main Street, the bank, local business owners and town representatives. The winner would receive a package of products and services to help them towards their business goals, including a \$10,000 forgivable loan from the bank.

Amanda Clark, owner of The Maine Barkery, put her culinary arts degree to use making all natural dog treats for her own dog in her home. After being approached by local businesses to sell her product, she quickly grew to the need for a commercial kitchen to feed the demand of additional retailers and online sales. That's where the challenge began.

Almost a year after winning the entrepreneur challenge, Amanda has opened a storefront in downtown Skowhegan. With proceeds from the challenge, she outfitted the store with a commercial oven and refrigeration. The equipment allows her to produce her eight original products up to 40% faster allowing her to almost triple the amount of stores who carry them while maintaining a stocked storefront and supporting online sales.



If you could give just one piece of advice to a fellow entrepreneur just starting out, what would that be?

"Use your community. I wouldn't be where I am today without utilizing the knowledge of my connections."

- Amanda Clark, Owner of The Maine Barkery

From North to South and Everywhere in Between

As a local Maine-based bank, we pride ourselves in investing in Maine entrepreneurs by providing custom financial solutions for businesses of all sizes.



Congratulations to Ed Goff and Jimmy Carrier on opening Fast Eddie's Express on Western Avenue in Augusta this past year.



Voted Best of the Best of Skowhegan for 17 years running, Randy Bruce and his son, Mike, expand Randy's Auto to feed the growing demand for their auto body repair services.



Chase Custom Homes & Finance

WESTBROOK, MAINE

Chase Custom Homes & Finance, Inc. has been building quality homes and communities for the people of Maine for over 30 years. After 20 years of service to the public as a Westbrook police detective, John F. Chase built Chase Custom Homes from the ground up. Over the years, the company has developed desirable communities throughout Southern, Central and Western Maine and continues to find unique development opportunities.

Recently, Chase Custom Homes has expanded into modular construction. The company will be opening a new model home center to showcase modular craftsmanship and new home building solutions this spring. Still growing after 30 years, Chase Custom Homes relies on strong business partners such as Skowhegan Savings Bank.

"I am so pleased with Skowhegan Savings Bank and the local support for small businesses like Chase Custom Homes. I can always reach my banker, they are just a phone call away with immediate answers to my questions. They make fast decisions, and being a small business, we need that type of banking. I love working with Skowhegan Savings Bank."

- John Chase, Owner of Chase Custom Homes and Finance

You Can Get There from Here

Welcome Steve Thomas!

Senior Vice President of Commercial Lending

Steve joined Skowhegan Savings in July of 2016. As a Senior Commercial Lender, he comes with over 22 years of banking and management experience with a primary focus on the commercial market. He is a business owner himself, currently operating a commercial property in Hermon and owned multi-unit rental properties in Bangor. He previously worked for Camden National Bank where he was the SVP and Director of Commercial Banking for Northern Maine. Steve holds both master's and bachelor's degrees in Business Administration from University of Maine at Orono.

Involved in the local community, Steve is currently chair of the Hermon Town Council and serves on several other town committees. He also has served as President and Treasurer for the Bangor Humane Society. Steve lives in Hermon with his family.



Chairman of the Board Retires

Thank you Roger Gifford for Your Service

Roger has served as the Chair of the bank's board for the past 13 years. He was elected to the board in 1991 and took the seat as Chair in 2004.

Having started Gifford's Famous Ice Cream with his brother John in Skowhegan, Maine, Roger has been an integral part of the board as a voice of the business community. Gifford's has 5 locations and sells over 1.7 million gallons of ice cream annually across the United States.

Board of Directors:



Seated (l to r): Cecil C. Cross (Chairman), Patricia A. Dickey, Elton D. Powers
Standing (l to r): Roger J. Poulin, Roger Gifford, James L. Peakes, Dale Watson

"I have been so proud and fortunate to serve with a great group of board members and bank management. I'm extremely confident that the bank is in great hands to move it forward into the future."

- Roger Gifford

"His perspective as to what local business owners expect from their bank and insight in the local economic climate has been a benefit to the overall management and leadership of the bank. We thank him for time served and wish him the best in his future endeavors."

- John Witherspoon

SENIOR MANAGEMENT TEAM

(Back, From L-R) Barry Martin, SVP Chief Human Resources Officer; John Witherspoon, President & CEO; Dan Tilton, SVP Sales & Customer Service

(Front, From L-R) Steve Thomas, SVP Senior Commercial Lender; Vicki Alward, SVP Chief Risk Officer; David Cyr, EVP; Barbara Cotta, SVP Chief Operations Officer; Richard St. Pierre, SVP Chief Financial Officer



SKOWHEGAN SAVINGS BANK AND SUBSIDIARY

CONSOLIDATED SUMMARY BALANCE SHEETS

YEARS ENDED DECEMBER 31, 2016 AND 2015

ASSETS	2016	2015
Cash & Cash Equivalents	14,862,683	14,302,677
Investment Securities	91,409,010	86,763,932
Net Loans	450,382,842	429,711,783
Other Assets	<u>31,850,582</u>	<u>32,754,146</u>
TOTAL ASSETS	<u>\$588,505,117</u>	<u>\$563,532,538</u>
LIABILITIES AND CAPITAL		
LIABILITIES		
Customer Deposits	446,853,717	426,961,321
Other Liabilities	5,117,659	5,395,329
FHLB Borrowings	<u>56,844,000</u>	<u>56,000,000</u>
Total Liabilities	<u>508,815,376</u>	<u>488,356,650</u>
CAPITAL		
Retained Earnings	76,846,455	72,590,125
Accumulated Other Comprehensive Income	<u>2,843,286</u>	<u>2,585,763</u>
Total Retained Earnings	<u>79,689,741</u>	<u>75,175,888</u>
TOTAL LIABILITIES & CAPITAL	<u>\$588,505,117</u>	<u>\$563,532,538</u>

CONSOLIDATED SUMMARY STATEMENTS OF INCOME

YEARS ENDED DECEMBER 31, 2016 AND 2015

INTEREST INCOME/EXPENSE	2016	2015
Interest and Dividend Income	20,993,170	20,440,786
Interest Expense	<u>1,749,453</u>	<u>2,140,976</u>
Net Interest Income	19,243,717	18,299,810
Provision for Loan Losses	<u>570,004</u>	<u>575,000</u>
Net Interest Income After Provision for Loan Losses	18,673,713	17,724,810
NON-INTEREST INCOME/EXPENSE		
Non-Interest Income	1,944,183	1,911,046
Non-Interest Expense	<u>17,104,101</u>	<u>15,372,475</u>
Income Before Income Taxes and Security Gains	3,513,795	4,263,381
Net Securities Gain (Loss)	512,535	216,596
Income Tax (Benefit) Expense	<u>(230,000)</u>	<u>1,252,357</u>
NET INCOME	<u>\$4,256,330</u>	<u>\$3,227,620</u>

BOARD OF DIRECTORS

ROGER GIFFORD, CHAIRMAN

RICHARD ANZELC WARREN SHAY
JAMES AUSTIN CLAIRE THERIAULT-PERKINS
HOWARD SEVEY JOHN WITHERSPOON

SENIOR MANAGEMENT

JOHN WITHERSPOON PRESIDENT & CEO
DAVID CYR EXECUTIVE VICE PRESIDENT
RICHARD ST. PIERRE SVP CHIEF FINANCIAL OFFICER
DAN TILTON SVP SALES & CUSTOMER SERVICE
STEVE THOMAS SVP SENIOR COMMERCIAL LENDER
VICKI ALWARD SVP CHIEF RISK OFFICER
BARBARA COTTA SVP CHIEF OPERATIONS OFFICER
BARRY MARTIN SVP CHIEF HUMAN RESOURCES OFFICER

OFFICERS

JAMES ALBERICO AVP, AUDIT & COMPLIANCE MANAGER
LYNN ANDREWS MORTGAGE LOAN UNDERWRITER
VICKI BOSWORTH AVP, DEPOSIT SERVICES MANAGER
TRACY DEAN AVP, CUSTOMER EXPERIENCE MANAGER
JACK DUCHARME AVP, BRANCH MANAGER - BINGHAM, JACKMAN, MADISON
JESSICA EVERETT RETAIL SALES OFFICER
ALBERT FERLAND AVP, FACILITIES MANAGER
DAWN FIELD BRANCH MANAGER - RANGELEY
BRIAN FITZPATRICK INDIRECT LOAN BUYER
DONNA FORTIN VP, RETAIL DEPOSIT MANAGER
KIMBERLY FRIEND CREDIT OFFICER
CYNTHIA GILMORE BRANCH MANAGER - KINGFIELD & STRATTON
WILLIAM HALLIDAY AVP, LOAN SERVICING MANAGER
BRUCE HARRINGTON AVP, COMMERCIAL LOAN OFFICER
KAREN HART AVP, BRANCH MANAGER - SKOWHEGAN
RENEE HAWTHORNE BRANCH MANAGER - FAIRFIELD & PITTSFIELD
FELICIA HUFF IT MANAGER
NICHOLAS ISGRO AVP, CONTROLLER
JOHN KIMBALL VP, INDIRECT LOAN MANAGER
DEBBIE KNOX VP, COMMERCIAL LOAN OFFICER
MEGHAN LOUBIER BRANCH MANAGER - AUGUSTA
SHELLY LOWELL BRANCH MANAGER - FARMINGTON & PHILLIPS
KURT MAYNARD VP, COMMERCIAL LOAN OFFICER
PAULA NELSON AVP, SPECIAL ASSETS MANAGER
CJ PARKER NETWORK ADMINISTRATOR
ANGEL QUICK BRANCH MANAGER - DEXTER
TOBY SPENCER NETWORK ADMINISTRATOR
NANOOK TUEFFERD MORTGAGE OPERATIONS MANAGER
FAWN WENTWORTH MARKETING OFFICER

CORPORATORS

CALVIN AMES MICHAEL LAMBKE, M.D.
RICHARD ANZELC, III GLENN LEVESQUE
RICHARD ANZELC, JR. ROBERT LUCE
JAMES AUSTIN C. CHARLES LUMBERT
STEVEN BARROWS SANDRA MACARTHUR
DAVIDA BARTER THOMAS MARTIN, JR.
NANCY BESSEY TED MCCARTHY
LORI BLAISDELL SHARON MOUNTAIN
GLENN BLAZIC GLENN NICHOLS
PAUL BLOUIN CHARLES O'BRIEN
AARON BOLSTER CHAD PARTRIDGE
JASON BROCHU CHRISTOPHER PERKINS
KEVIN BROWNE MICHAEL PHILLIPS, JR.
ROBERT BROWNE DOREEN POULIN
LARRY CALDWELL ROGER POULIN*
FLINT CHRISTIE ELTON POWERS*
AMEDEO CHRISTOPHER LES PRIEST
DAVID CYR PAULA QUIRION
JEFF DAMON WILLIAM RANDALL*
DONALD DAVIS GAIL RIZZO
JOHN DILLER PETER SCHULTZ
GREGORY DORE HOWARD SEVEY
TIMOTHY DOW WARREN SHAY
MICHAEL DUGAY DONALD SKILLINGS II
PAUL FORTIN TRAFTON TEAGUE
GREGORY GIBERSON CLAIRE THERIAULT-PERKINS
ROGER GIFFORD KEVIN VIOLETTE
STEPHEN GRAY GARY WALLACE
COREY HIGHT RHONDA WILES-ROSELL
JENNIFER HIGHT RICHARD WILLET
SAMUEL HIGHT DANA WILLIAMS
VIRGINIA HOWARD CARLA WITHAM
KIMBERLY JORDAN JOHN WITHERSPOON
LAWRENCE KOOB *HONORARY CORPORATOR



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