

Annual Report 2008



Skowhegan
Savings

A Message from the President



While many Bank presidents will be addressing the financial crisis and the impact on their banks in their annual reports, I'm going to address the steps the Bank took during 2008 to assure the continued future success of the Bank and its value to our customers and community. Through the excellent work of our employees (some of whom have graced our cover), I feel confident Skowhegan Savings is well prepared to meet your financial needs in the year ahead.

In the spring of 2008 the Board and a team of employees of the Bank embarked on a strategic planning process that revisited the mission of the Bank, articulated the values the organization lives by, and set forth a vision with strategies and action items to assure that we achieve the vision.

Skowhegan Savings' commitment to our customers and our community has never been greater. Your Board is unanimous in its commitment to assuring that the organization is constantly creating value to customers and our communities by providing high quality personalized financial services to meet the ever-changing needs of our customers. Our vision is for Skowhegan Savings Bank to be the premier bank in our communities delivering financial services with integrity.

One of the first strategies for achieving our vision is to create a marketing plan and a "brand manifesto" that will communicate the message that Skowhegan Savings Bank is a bank of Integrity, Trust, and Community.

We will be revising our product line to provide the greatest value to our customers. Our website will be revamped to provide more valuable information, not only of bank products and services, but also events of interest in our communities. We will also focus on educating our customers and communities on

financial literacy so they are better equipped to make informed financial decisions and plan for long term financial needs. Integrity at Skowhegan Savings is our belief that we have a responsibility as your community bank to assure that we understand your needs and provide financial services that are in your best interest.

The strength of Skowhegan Savings is in our team of employees. To prepare our team to better serve our customers, we embarked on a bank-wide, intensive eight-week customer service training program, Integrity Service. As a result of this program, our employees gained a better appreciation for serving the varying needs and personalities of our customers and fellow employees. This has helped build a stronger culture of customer service and teamwork at Skowhegan Savings.

2008 will be remembered as the year of the financial crisis that destroyed Wall Street and launched a severe recession that continues to deepen in 2009. However, on Main Street in eight Central Maine towns, Skowhegan Savings Bank continues to prosper from the prudent financial management that has served the Bank so well for nearly 140 years.

Operating earnings for the Bank more than doubled in 2008 to \$2.2 million. This helped offset losses in the Bank's investment portfolio and shows the underlying strength of the Bank. Total assets of the Bank grew by nearly \$50 million to \$438 million. The Bank's capital grew to \$55 million, which at 12.69% of our assets is more than twice the regulatory requirement for a well capitalized bank. Our financial success is based on our principle of integrity: fully understanding the needs of our customers and striving to meet those needs with financial products and services that are in their best interest. This principle has kept us from making loans to people that we shouldn't (i.e. sub prime) and created strong customer relationships built on trust.

The value of a community bank has never been greater. Our financial strength, coupled with our commitment to serving the financial needs of our neighbors, will help build the financial strength of our communities. All of us at Skowhegan Savings Bank look forward to serving you in 2009 and beyond, and thank you for the opportunity to be of service.

A handwritten signature in black ink, reading "John C. Witherspoon". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

John C. Witherspoon
President and CEO

Mission

We make our communities a better place to live and work by assuring access to relevant financial services and reinvesting in our communities.

Values

- We value our communities and are committed to taking an active role in making them a better place to live and work.
- All of our actions are guided with integrity and the knowledge that the trust of customers and our associates is critical to our success.
- Our customers are our focus. We will take time to understand their needs and will provide solutions that are in their best interests.
- As employees of Skowhegan Savings Bank, we value our teammates, respect our differences and take ownership for our actions and responsibility for our success.
- We believe that in order to achieve our mission we must strive to continually improve the long-term profitability of the organization.
- We will help foster a work environment that encourages employees to be challenged and find enjoyment and fun in their work.



Our Story

Skowhegan Savings is a local bank committed to helping local people.

Our bank was founded nearly a century and a half ago by a group of hard working Mainers with an ambitious vision for the future and a genuine interest in seeing the region prosper. As the mighty waters of the Kennebec River and sturdy White Pine forests beckoned with the promise of economic opportunity, these men and women realized that through hard work, frugality, and sturdiness of character, prosperity would be achieved.

Times were hard in those early days. It wasn't uncommon for people to work from sun up to sun down, six to seven days a week. The Bank gave the people of the Kennebec Valley a safe place to keep their hard earned money and secure credit. It also encouraged them to save for the future and pursue bigger dreams.

Abner Coburn, a founding father of Skowhegan Savings and Governor of Maine, was one of the Kennebec Valley's early success stories. Coburn was a struggling farmer and logger who earned extra money teaching school in the winter. From these meager beginnings, he and his brother Philander went on to establish A. and P. Coburn, one of the most prosperous lumber and land operations in New England. Through determination and progressive thinking, Coburn and those that followed in his footsteps established a legacy that defines our bank and the regions it serves.

Skowhegan Savings has helped many generations of Maine families achieve their dreams, and our dedication to building strong communities remains steadfast. The camaraderie we share with our co-workers makes it fun to come to work every day, and the Bank supports a team culture that encourages all employees to share ideas and grow their knowledge.

Every customer is treated with integrity and respect at Skowhegan Savings. When you walk through the doors of any of our nine Maine branches, you can count on a highly personalized banking experience and an honest, forthright team of employees that are genuinely interested in meeting your individual needs.

To us, personalized banking is about fostering relationships with our customers, not selling transactions. We take our

role as your personal financial advocate seriously, ensuring that your financial well being always comes first. Our commitment stems from the satisfaction we get in serving the needs of our customers.

As part of our pledge to offer exceptional service, our ever-changing technology provides innovative financial solutions to meet the evolving needs of our customers.

Re-investing in the local communities we serve is also an important part of who we are. As a mutual institution whose only allegiance is to our communities, our mission is to invest in those communities to make them a better place to live and work through education and economic development.



Our team is also taking a lead role in teaching our customers about budgeting, using credit wisely, how to manage debt, and the importance of saving money. We see great value for all in a community that understands personal finance and knows how to prudently manage its money.

Though things have changed a bit since the days when lumbermen ran logs down the river, Skowhegan Savings still stands for service, integrity and commitment to community – the same values that helped pioneers like Abner Coburn attain success and the same values that continue to create opportunity for the Kennebec Valley and its people. We stand behind these values, just as the swift waters of the Kennebec River continue to serve as a symbol of steadfastness and dependability to our great region of Maine.

Community Commitment

Dear Skowhegan Savings Bank:

I wanted to pass on to you our appreciation and gratitude for the wonderful banking services you continue to provide our agency, particularly with regard to our affordable housing activities. In particular, the construction line of credit that Skowhegan Savings Bank has been providing us over the past several years, with the simplified process for drawing down funds to construct homes for low-to-moderate income families, has saved us time and money, while allowing KVCAP to concentrate on our mission, which is helping the people of Kennebec and Somerset Counties.

As you know, KVCAP has been in operation for more than 40 years, and today we provide services to tens of thousands of clients in our two-county service area. We started out in 1965 with one employee and one program, and today we employ more than 240 people offering more than 50 different programs and services.

An integral part of our service delivery is our housing program. We offer homebuyer education classes, pre-and-post purchase counseling, foreclosure mitigation counseling, lending and financing assistance, and the development/construction of new, energy-efficient, low-maintenance homes. Skowhegan Savings has made a huge difference in the success of our housing activities.

The bank has contributed annually to assist with the support and funding of our counseling and lending programs. Your bank provides a meeting room for our homebuyer education classes in Fairfield several times a year at no cost. The construction line of credit has enabled us to save a significant



Debbie Knox, Commercial Loan Officer and Mark Johnston, KVCAP

amount of money by simplifying the draw-down process. We truly appreciate the partnership we have created to help make our community a better one. Again, thanks for all of your support and assistance – we truly wouldn't be where we are today without Skowhegan Savings Bank!

Very truly yours,

Mark K. Johnston

Chief Financial Officer

Director of Housing

Kennebec Valley Community Action Program (KVCAP)



“My favorite part of working at Skowhegan Savings is when I can help a customer make their dream true, no matter what it is.”

— ANGEL QUICK

“I think there’s a lot of camaraderie here. We feel like a family and I feel like people here care, which trickles down to the community.”

— DONNA ADAMS



“Each day I hope that we can make a difference with our customers; if there is a way to better their account or give them a better product, we try to do that.”

— BRENDA DYER



“Community is really what we’re all about here. When we say we’re a community bank, we truly mean we’re here for the communities. Everybody in the bank strives to do what is best for the customer and to help them in all regards.”

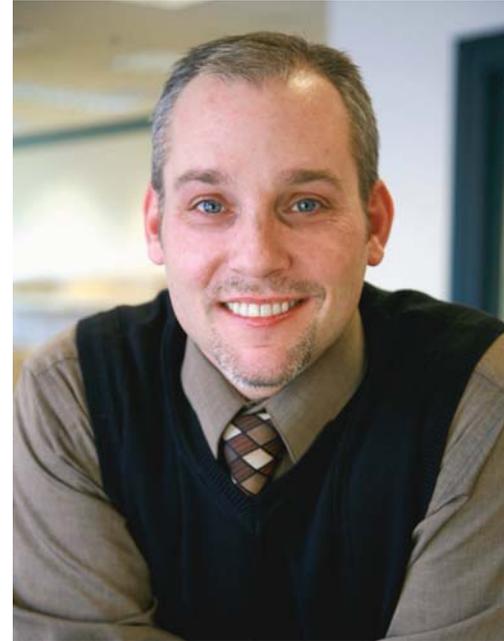
— FRED HABERBERGER

“

My favorite part about working at Skowhegan Savings is knowing that this bank makes a huge difference in people's lives every single day.

— KAREN HART

”



“One of the things I love about working for a community bank is that we're about relationships, we're not about transactions.”

— RICK WHALEN



“The main reason that we're here is to help our customers, it's not just a job. We know our customers personally; we get to care about them. They're not just customers, they are our friends.”

— JODI MICHAUD



“We're here to build relationships with our customers and that's what makes us this hometown bank that's been here for over 100 years. They trust us.”

— CRYSTAL DECK

Consolidated Statements of Income

AS OF DECEMBER 31, 2008 AND 2007

INTEREST INCOME/EXPENSE

	2008	2007
Interest and dividend income		
Interest and fees on loans	17,484,680	19,559,944
Interest on FHLB deposits	177,829	169,953
Dividends on FHLB Stock	169,166	289,222
Interest and dividends on:		
Held to maturity securities	—	2,846
Available for sale securities	4,959,188	3,444,637
Total Interest Income	22,790,863	23,466,602
Interest Expense		
Interest on deposits	6,981,945	7,665,157
Interest on FHLB borrowings	2,919,660	3,084,572
Total Interest Expense	9,901,605	10,749,729
Net interest income	12,889,258	12,716,873
Provision for loan losses	100,000	280,500
NET INTEREST INCOME AFTER PROVISION FOR LOAN LOSSES	12,789,258	12,436,373
NON-INTEREST INCOME/EXPENSE		
Other Operating Income		
Customer Service Fees	1,370,174	1,546,658
Other	20,530	51,701
Total Other Operating income	1,390,704	1,598,359
Other Operating Expense		
Salaries & Employee Benefits	6,977,760	7,762,210
Occupancy Expense	1,886,039	2,279,482
Other	3,103,488	3,083,373
Total Other Operating Expense	11,967,287	13,125,065
INCOME BEFORE INCOME TAXES	2,212,675	909,667
Net Securities Gains (losses)	(2,321,509)	298,795
Income Tax Expense (credit)	(433,850)	113,800
NET INCOME	325,016	1,094,662

Consolidated Balance Sheets

AS OF DECEMBER 31, 2008 AND 2007

ASSETS	2008	2007
Cash & Cash Equivalents		
Cash and due from banks	6,154,802	19,125,730
Investment securities		
Available for sale securities	136,303,317	71,721,742
FHLB stock, at cost	5,391,200	4,344,700
Loans	270,076,494	274,051,746
Less: allowance for loan losses	(2,575,430)	(3,613,536)
Net loans	267,501,064	270,438,210
Other assets		
Premises and equipment, net	8,462,374	8,499,811
Deferred tax asset	1,087,095	1,450,055
Other real estate owned and other acquired assets	301,673	148,484
Goodwill and other Intangible Assets	1,559,353	1,559,353
Other Assets	11,520,458	10,790,462
TOTAL ASSETS	438,281,336	388,078,547
LIABILITIES AND CAPITAL		
Liabilities		
Deposits		
Demand Deposits	50,542,545	49,623,964
(including NOW deposits of \$14,598,459 in 2008 and \$21,554,278 in 2007)		
Regular Savings	47,542,385	47,447,528
Money market accounts	27,438,546	28,707,434
Certificates of Deposit	112,831,374	122,526,625
Certificates of Deposit \$100,000 and over	34,354,762	27,908,006
Club accounts	170,509	178,403
Total deposits	272,880,121	276,391,960
Other liabilities	5,608,831	4,748,512
FHLB borrowings	104,888,000	53,000,000
Total liabilities	383,376,952	334,140,472
Capital		
Surplus fund	15,000,000	15,000,000
Undivided profits	38,611,573	38,416,553
Accumulated other comprehensive income	1,292,811	521,522
Total capital	54,904,384	53,938,075
TOTAL LIABILITIES & CAPITAL	438,281,336	388,078,547

Board of Directors, Sr. Management & Corporators

BOARD OF DIRECTORS



Left to Right: Claire Theriault-Perkins, Roger Gifford - Chair, Howard Sevey, John Witherspoon, James Austin, Richard Anzelc and Warren Shay - Clerk

CORPORATORS

Dwayne Ames
Richard Anzelc, Jr.
James Austin
Donald Baldwin
Davida Barter
Bruce Bartlett
James Batey
Paul Berube
Glenna Blazic
Joan Bois
Roger Brawn
Kevin Browne
Duane Burbank
Larry Caldwell
Charles Carpenter, Jr.
Rebecca Cayford
Larry Charrier
Amedeo Christopher
Norman Cookson
Neal Corson
Donald Davis

John Diller
Michael Dolan
Gregory Dore
Donna Finley
Gregory Giberson
Gail Gibson
John Gibson
Roger Gifford
Jeffrey Hagerty
Richard Hall
Paul Hannigan
Corey Hight
Jennifer Hight
Virginia Howard
Kelly-Jo Jones
Michael Lambke
Glenn Levesque
Sandra MacArthur
Thomas Martin
Christopher Perkins
Richard Pfirman

SENIOR MANAGEMENT

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President and Chief Executive Officer

David Cyr

Executive Vice President and Chief Operating Officer

Tina Wood

Senior Vice President and Chief Financial Officer

Vicki Alward

Vice President and Risk Management Officer

Barry Martin

Vice President and Human Resources Director

Michael Phillips, Jr.
Roger Poulin
William Randall
Kenneth Reed, III
Rebecca Richardson
James Paul Robinson
Peter Schultz
Howard Sevey
Warren Shay
Richard Silver
Donald Skillings, II
Rhonda Stark
Claire Theriault-Perkins
Kevin Violette
Gary Wallace
Dana Williams
Donna Williams
John Witherspoon
Tina Wood

Our Employees

Donna J. Adams	Deanne L. Fletcher	Bonny M. Maloon	Sandra L. Smith
Mary Jayne Adams	Sean J. Fluet	* Barry W. Martin	Valarie M. Smith
* James M. Alberico	* Donna J. Fortin	* Kurt A. Maynard	Katherine A. Sonntag
* Vicki L. Alward	* Elizabeth S. Foxwell	Eva M. McLaughlin	Michelle M. Stewart
Lynn M. Andrews	Andrea J. Frazier	Jodi L. Michaud	Tina M. Trahan
Julie L. Baker	* Kimberly H. Friend	Megan L. Mitchell	* Nanook A. Tuefferd
Pamela M. Beauchesne	Marilyn R. Goodine	* Robert H. Morrison II	Anna M. Underwood
Alieta M. Belanger	Molly L. Gould	Noreen M. Murray	Heather L. Villone
Amanda S. Bell	Jennifer L. Grenier	Debbie J. Nadeau	Abby D. Violette
* Ricky A. Berg	* Frederick W. Haberberger	Patsy D. Nelson	* Pamela J. Ward
Rose-Marie Boissonneault	Stacey G. Hachey	* Paula A. Nelson	Amanda K. Waterhouse-Clark
Vicki L. Bosworth	* William M. Halliday	Nicole Y. Northup	* G. Rick Whalen
Brenda M. Brooks	* Karen E. Hart	Nicholas R. Perry	Jayne L. White
Jessica M. Brown	Brenda A. Hathaway	* Catherine P. Philbrick	Kristina L. Willette
Jo A. Brown	* Renee D. Hawthorne	Jennifer L. Piekart	Rhonda J. Withee
Amanda L. Buck	Ashley J. Holt	Jody L. Pomelow	* John C. Witherspoon
Laura L. Chadwick	Donna L. Horton	Bethany A. Poudrier	* Tina M. Wood
Terry M. Chesebrough	Lynda J. Howes	Karla J. Poulin	Michelle A. Woodside
Adam J. Cichocki	Kimberley J. Huggins	* Angelica M. Quick	
Brandi L. Cocker	* Nicholas S. Isgro	Jessica M. Raymond-Dixon	
* Barbara A. Cotta	Carol A. Jarvais	Darlene J. Salisbury	
Barbara A. Crawford	Staci L. Johnson	Erin J. Salisbury	* Officers
* David C. Cyr	Susanne M. Kent	Cynthia A. Sargent	
Darilyn G. Davis	Louanne Kerr	Vickie L. Scott	
* Tracy L. Dean	Heather L. Kerstetter	Loreal A. Sherburne	
Crystal L. Deck	Tammy M. King	Sheila A. Sherburne	
Sherry L. Dellarma	* Debbie L. Knox	Lisa M. Shorey	
* Tracy J. Doherty	* Ryan D. Landry	Alisha M. Simpson	
Deborah J. Dow	Constance J. Lasselle	Diana L. Smith	
Donna L. Downey	Melissa L. Lawrence	Matthew G. Smith	
Andrea L. Ducharme	* Shirley M. Lewis		
* John "Jack" E. Ducharme	Tina M. Libby		
Brent M. Duguay	Tabetha A. Locke		
Brenda L. Dyer	Linda S. Lomastro		
Jessica J. Ellis	* Meghan D. Loubier		
* Albert P. Ferland	Raejean M. Luce		



**Skowhegan
Savings**

“A BANK IS NOT A PRIVATE INSTITUTION, RESPONSIBLE TO ITSELF ALONE, OR TO A FEW. IT IS A PRIVATE INSTITUTION, UNDER A MORAL OBLIGATION TO BE ADMINISTERED FOR THE PUBLIC WELFARE. IN SO FAR AS THIS STANDARD IS ACCEPTED AND FOLLOWED, IT IS MY BELIEF THAT A BANK WILL BE PROSPEROUS; IN SO FAR AS IT IS DISREGARDED, IT WILL BE A FAILURE.”

– *Calvin Coolidge*

LOCATIONS

Main Office

13 Elm Street | Skowhegan, Maine 04976

Route 27 | Belgrade, Maine 04917

Main Street | Bingham, Maine 04920

Church Street | Dexter, Maine 04930

Main Street | Fairfield, Maine 04937

Main Street | Madison, Maine 04950

Main Street | Norridgewock, Maine 04957

Hunnewell Avenue | Pittsfield, Maine 04967

Waterville Road | Skowhegan, Maine 04976

Customer Service - 800.303.9511

www.skowsavings.com

